

The Mediating Role of Competitive Advantage in the Effects of Digital Marketing and Product Innovation on the Marketing Performance of MSMEs in Kotawaringin Timur

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ABSTRACT

This study analyzes the influence of digital marketing and product innovation on marketing performance through competitive advantage in cracker and amplang MSMEs in East Kotawaringin Regency. A quantitative approach was used with a cross-sectional survey design of 120 purposively selected MSME owners or managers. The instrument consisted of 20 indicators with a five-point Likert scale and was analyzed using Partial Least Squares Structural Equation Modeling using SmartPLS 4. The model simulation results indicate that all direct effects are significant: digital marketing on competitive advantage, product innovation on competitive advantage, digital marketing on marketing performance, product innovation on marketing performance, and competitive advantage on marketing performance. Regarding the indirect effects, competitive advantage significantly mediates the effect of digital marketing on marketing performance, while mediation in the relationship between product innovation and marketing performance is insignificant. The findings indicate that digital activities need to be directed at building clear differentiation and value, while product innovation can contribute directly to performance without always relying on the formation of competitive advantage as an intermediary mechanism.

INTRODUCTION

Micro, small, and medium enterprises (MSMEs) play an important role in regional economies by contributing to job creation, household income generation, entrepreneurial development, and the utilization of local resources. In Kotawaringin Timur Regency, MSME activities have expanded alongside the trade, fisheries, agriculture, and processing-industry sectors. Kerupuk (crackers) and amplang (traditional fish crackers) are among the local food products with substantial development potential because they can be marketed as snacks, souvenirs, retail products, and commodities for distribution beyond the region. The research proposal underlying this article identifies these products as a relevant empirical context because their market attractiveness depends on taste, quality, crispness, food safety, packaging, branding, shelf life, and product accessibility.

Changes in consumer behavior have made market reach increasingly difficult to sustain through physical stores, bazaars, or conventional sales networks alone. Consumers are becoming accustomed to using WhatsApp, Instagram, Facebook, TikTok, online marketplaces, and search engines to obtain information, compare products, read testimonials, and place orders. Digital marketing should therefore be understood not merely as the use of social media, but as a marketing capability encompassing channel selection, content consistency, customer interaction, market-reach expansion, and the use of digital responses as a basis for evaluation. Chaffey and Ellis-Chadwick (2019) position digital marketing as an integrated component of business strategy and customer relationships, while Djakasaputra et al. (2021) demonstrate that the use of digital marketing is associated with improved sales performance among MSMEs.

Recent MSME research further underscores the relevance of digital marketing. Sultoni et al. (2022) demonstrate the roles of digital marketing, digital orientation, marketing capability, and information technology capability in strengthening marketing performance. Zahara et al. (2023) emphasize the importance of digital marketing capability in supporting MSME performance recovery. In the context of Jurnal Economina, Kumbara (2025) finds that MSME digital-marketing success is influenced by platform selection, content quality, and interaction consistency, whereas Syarifah et al. (2026) show that social media marketing positively affects competitive advantage and SME performance. Collectively, these findings support the view that digital marketing creates economic value when digital activities are connected to processes that generate advantages genuinely perceived by customers.

Nevertheless, the empirical evidence remains mixed. Ramadhani et al. (2022) report that digital marketing does not have a statistically significant partial effect on marketing performance in their research setting, while Ningsih et al. (2024) find no direct effect of digital marketing on marketing performance but identify an indirect effect through product innovation. These differences indicate that posting frequency, account ownership, or platform use does not automatically produce superior performance. The effectiveness of digital marketing may depend on a firm's ability to translate digital interactions into superior benefits, such as easier access, faster responses, more credible communication, or stronger perceptions of quality than those offered by competitors.

In addition to digital capabilities, product innovation is an important factor for food-based MSMEs. Innovation may involve developing new flavor variants, improving product quality, redesigning packaging, adjusting product sizes, extending shelf life, and improving label information. For kerupuk and amplang businesses, effective innovation should enhance the benefits received by consumers rather than merely increase variety without a clear strategic direction. Khamaludin et al. (2022), Harini et al. (2022), and Sasono et al. (2023) identify a positive relationship between product innovation and marketing performance. However, Rahmawati and Novani (2021) and Mamengko et al. (2023) indicate that the effect of innovation on performance may depend on contextual conditions and other mechanisms. It

is therefore important to examine whether innovation affects marketing outcomes directly or must first be converted into competitive advantage.

Competitive advantage in this study refers to the ability of MSMEs to offer value perceived as superior to that of competitors through product uniqueness, quality, price-value appropriateness, service, and characteristics that are relatively difficult to imitate. The Resource-Based View explains that valuable, rare, inimitable, and non-substitutable resources and capabilities can provide the foundation for sustained competitive advantage (Barney, 1991). In kerupuk and amplang MSMEs, such resources may include recipes, production expertise, quality consistency, knowledge of raw materials, local identity, brands, customer networks, and the capability to manage digital channels. Competitive advantage is strategically important because marketing and innovation activities generate meaningful value only when they provide consumers with clear reasons to choose one product over competing alternatives.

A number of studies have positioned competitive advantage as a mechanism linking capabilities to performance. Hudha et al. (2022) show that competitive advantage can mediate the relationship between digital marketing and marketing performance, and Sucitha et al. (2023) report similar findings for coffee-shop MSMEs. Pramuki and Kusumawati (2024) demonstrate that product innovation and competitive advantage contribute to improved marketing performance, while Muis et al. (2024) emphasize that digital marketing and innovation acquire strategic significance when they can be translated into a superior competitive position. Hardiansyah and Mikhratunnisa (2026) likewise identify competitive advantage as an important mechanism through which strategic orientations are converted into MSME performance. Recent evidence from Central Kalimantan also highlights the importance of mediating mechanisms. Kristinae, Meitiana, Prakoso, et al. (2026) find that visitor satisfaction partially mediates the relationships of tourist attraction and service quality with revisit intention in Palangka Raya. Meanwhile, Kristinae, Meitiana, Ushakov, et al. (2026) show that perceived marketing innovation mediates the relationships of Fear of Missing Out and Word of Mouth with perceived sales performance at ThaiFest in Duta Mall Palangka Raya. Together, these findings reinforce the argument that marketing capabilities become more meaningful when translated through specific value-creation mechanisms or market responses.

The research gap addressed in this study comprises three dimensions. First, an empirical gap arises because previous studies have produced inconsistent findings regarding the effects of digital marketing and product innovation on marketing performance. Second, a mediation gap exists because several studies examine direct relationships without explaining whether competitive advantage must first be established before performance improves. Third, a contextual gap remains because studies specifically focusing on kerupuk and amplang MSMEs in Kotawaringin Timur Regency are still limited. The sensitivity of these products to raw-material quality, shelf life, packaging, and distribution makes this context particularly important for empirical examination.

On the basis of these gaps, the study positions digital marketing and product innovation as exogenous variables, competitive advantage as a mediating variable, and marketing performance as the endogenous variable. Marketing performance is measured through sales growth, customer growth, market expansion, repeat purchases, and sales generated through new channels. This framework makes it possible not only to determine whether digital marketing and product innovation affect performance, but also to explain how these effects occur. Theoretically, the study extends the application of the Resource-Based View to the context of local food MSMEs; practically, the findings are expected to provide a basis for business owners to prioritize the strengthening of digital channels, product innovation, and the creation of valuable differentiation.

This study aims to analyze the effects of digital marketing and product innovation on competitive advantage and marketing performance, examine the effect of competitive advantage on marketing performance, and test the mediating role of competitive advantage in the relationships of digital marketing and product innovation with the marketing performance of kerupuk and amplang MSMEs in Kotawaringin Timur Regency. Seven hypotheses are tested: H1, digital marketing has a positive effect on competitive advantage; H2, product innovation has a positive effect on competitive advantage; H3, digital marketing has a positive effect on marketing performance; H4, product innovation has a positive effect on marketing performance; H5, competitive advantage has a positive effect on marketing performance; H6, competitive advantage mediates the effect of digital marketing on marketing performance; and H7, competitive advantage mediates the effect of product innovation on marketing performance.

RESEARCH METHODS

The study employs a quantitative associative-causal design using a cross-sectional survey approach. The unit of analysis is kerupuk and/or amplang MSMEs in Kotawaringin Timur Regency, while the respondent unit consists of owners or managers who understand the marketing activities of their businesses. The study population comprises active MSMEs producing kerupuk and/or amplang. A non-probability sampling technique with a purposive sampling approach is used because respondents must satisfy characteristics that are consistent with the objectives of the analysis.

Respondent eligibility criteria include the following: the business is located in Kotawaringin Timur Regency; produces kerupuk and/or amplang; has operated for at least one year; markets its products commercially; and the respondent is an owner or manager who understands the business's marketing activities. The underlying research proposal uses 20 indicators and establishes a target sample equal to six times the number of indicators, resulting in 120 respondents. This number is used as the analytical scenario in the present article draft. Before submission, the final number and profile of respondents must be adjusted to reflect the actual field data obtained.

The instrument uses a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). Digital marketing is measured using five indicators: use of digital channels,

content quality and consistency, digital interaction with customers, expansion of market reach, and evaluation of digital responses. Product innovation is measured through the development of variants or flavors, quality improvement, design or packaging renewal, adaptation to customer needs, and the speed of introducing product updates. Competitive advantage is measured through product uniqueness, superior quality, price value, service superiority, and characteristics that are relatively difficult to imitate. Marketing performance is measured through sales growth, customer growth, market expansion, repeat purchases, and increased sales through new channels.

Data are analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4. Measurement-model assessment includes outer loadings, Average Variance Extracted (AVE), Cronbach's alpha, Composite Reliability, and the Heterotrait-Monotrait Ratio (HTMT). Outer loadings of at least 0.70 and AVE values above 0.50 are used as criteria for convergent validity, while Cronbach's alpha and Composite Reliability values above 0.70 indicate adequate reliability. HTMT values below 0.90 are used to assess discriminant validity (Hair et al., 2022).

Structural-model assessment includes the Variance Inflation Factor (VIF), coefficient of determination (R^2), effect size (f^2), predictive relevance (Q^2), path coefficients, t-statistics, and p-values. Hypotheses are tested using bootstrapping with 5,000 subsamples at a 5% significance level. A direct-effect hypothesis is considered supported when the coefficient is in the hypothesized direction, the t-statistic exceeds 1.96, and the p-value is below 0.05. Mediation is evaluated using specific indirect effects, and an indirect effect is considered statistically significant when its p-value is below 0.05.

It should be emphasized that the statistical values presented in the results section of this article are simulated to remain consistent with the requested analytical scenario, in which all direct effects are statistically significant and one of the two indirect effects is not significant. The simulation is intended to support the development of the article structure, tables, discussion flow, and implications. These values do not constitute empirical evidence and must not be treated as field results until they are replaced with actual data and the corresponding SmartPLS output.

RESULTS AND DISCUSSION

Respondent Characteristics and Variable Description

Under the analytical scenario, 120 questionnaires are considered usable. The respondent profile is dominated by microenterprises employing 1-4 workers, with many businesses having operated for 2-10 years, while digital channels are increasingly becoming part of their marketing activities. This composition reflects the relatively flexible nature of food-based MSMEs, although these businesses continue to face resource constraints. These characteristics are important because marketing decisions in micro-scale enterprises are generally made directly by owners or managers; consequently, respondent perceptions closely reflect day-to-day operational and marketing decisions.

Table 1. Respondent and Business Characteristics (Simulation, n = 120)

Characteristic	Category	Frequency	%
Gender	Male	47	39.2
	Female	73	60.8
Product type	Kerupuk	46	38.3
	Amplang	39	32.5
	Kerupuk and amplang	35	29.2
Business age	< 2 years	15	12.5
	2-5 years	44	36.7
	6-10 years	36	30.0
	> 10 years	25	20.8
Number of employees	1-4 employees	91	75.8
	5-19 employees	26	21.7
	≥20 employees	3	2.5
Monthly turnover	< IDR 5 million	28	23.3
	IDR 5-10 million	35	29.2
	> IDR 10-25 million	34	28.3
	> IDR 25-50 million	17	14.2
	> IDR 50 million	6	5.0

The mean scores of all constructs are also in the high category: digital marketing = 4.08, product innovation = 4.11, competitive advantage = 4.02, and marketing performance = 4.06. This pattern indicates that respondents in the simulated research scenario tend to evaluate their digital activities, product renewal, competitive position, and marketing outcomes positively. However, descriptive scores are not used to infer causal relationships; relationships among the variables are tested using the PLS-SEM model.

Table 2. Construct Descriptive Statistics (Simulation)

Construct	Mean	Std. Dev.	Category
Digital Marketing	4.08	0.52	High
Product Innovation	4.11	0.49	High
Competitive Advantage	4.02	0.51	High
Marketing Performance	4.06	0.50	High

Measurement Model Assessment

The measurement model is assessed to ensure that the indicators adequately represent their respective constructs. All outer-loading values in Table 3 exceed 0.70. Accordingly, all 20 indicators satisfy the criterion for convergent validity, and no indicator needs to be eliminated in the simulated model. The highest loadings are observed for DM4 in digital marketing, IP2 in product innovation, KB2 in competitive advantage, and KP2 in marketing performance. Substantively, this pattern suggests that expanded digital reach, improved product quality, consistent competitive quality, and customer growth are strong representations of their respective constructs.

Table 3. Indicator Outer Loadings (Simulation)

Construct	Indicator	Outer Loading	Decision
Digital Marketing	DM1	0.815	Valid
	DM2	0.842	Valid
	DM3	0.801	Valid
	DM4	0.873	Valid
	DM5	0.788	Valid
Product Innovation	IP1	0.806	Valid
	IP2	0.858	Valid
	IP3	0.823	Valid
	IP4	0.779	Valid
	IP5	0.841	Valid
Competitive Advantage	KB1	0.824	Valid
	KB2	0.862	Valid
	KB3	0.806	Valid
	KB4	0.789	Valid
	KB5	0.847	Valid
Marketing Performance	KP1	0.834	Valid
	KP2	0.871	Valid
	KP3	0.816	Valid
	KP4	0.852	Valid
	KP5	0.805	Valid

The reliability results in Table 4 show Cronbach's alpha values ranging from 0.879 to 0.892 and Composite Reliability values ranging from 0.912 to 0.921. All values exceed the 0.70 threshold without approaching an excessive level of redundancy. AVE values range from 0.675 to 0.699, indicating that more than half of the variance in the indicators is explained by their respective constructs. These results demonstrate that the measurement model has adequate internal consistency and convergent validity.

Table 4. Reliability and Convergent Validity (Simulation)

Construct	Cronbach's Alpha	Composite Reliability	AVE
Digital Marketing	0.882	0.914	0.680
Product Innovation	0.879	0.912	0.675
Competitive Advantage	0.884	0.915	0.682
Marketing Performance	0.892	0.921	0.699

Discriminant validity is assessed using HTMT. As shown in Table 5, all inter-construct values are below 0.90. The highest value is 0.668 for the relationship between digital marketing and marketing performance, which remains within the acceptable threshold. Thus, the constructs demonstrate adequate empirical distinctiveness and no indication of a discriminant-validity problem.

Table 5. Heterotrait-Monotrait Ratio (HTMT) (Simulation)

Construct	DM	IP	KB	KP
Digital Marketing	-			
Product Innovation	0.332	-		
Competitive Advantage	0.612	0.451	-	
Marketing Performance	0.668	0.643	0.618	-

Structural Model Assessment

VIF values for all structural paths are below 3.00, indicating no collinearity problem that would distort coefficient estimation. The R^2 value for competitive advantage is 0.364, indicating that digital marketing and product innovation explain 36.4% of the variance in competitive advantage. The R^2 value for marketing performance is 0.472, indicating that digital marketing, product innovation, and competitive advantage jointly explain 47.2% of the variance in marketing performance. Q^2 values for both endogenous constructs are greater than zero, indicating predictive relevance. The f^2 values show that the largest contributions occur for the path from digital marketing to competitive advantage and the path from product innovation to marketing performance.

Table 6. Structural Model Summary (Simulation)

Indicator	Competitive Advantage	Marketing Performance
R^2	0.364	0.472
Adjusted R^2	0.292	0.427
Q^2	0.206	0.318

Table 7. VIF and Effect Size (f^2) (Simulation)

Path	VIF	f^2	f^2 Interpretation
Digital Marketing → Competitive Advantage	1.074	0.337	Moderate-to-large
Product Innovation → Competitive Advantage	1.074	0.143	Small
Digital Marketing → Marketing Performance	1.356	0.123	Small-to-moderate
Product Innovation → Marketing Performance	1.111	0.244	Moderate
Competitive Advantage → Marketing Performance	1.438	0.073	Small

Direct-Effect Hypothesis Testing

The bootstrapping results in Table 8 show that all five direct paths have positive and statistically significant coefficients at the 5% level. Accordingly, H1 through H5 receive statistical support in the simulated results. Digital marketing has the largest effect on competitive advantage ($\beta = 0.492$), whereas product innovation has the largest direct effect on marketing performance ($\beta = 0.391$). Competitive advantage also has a statistically significant direct effect on marketing performance ($\beta = 0.206$), indicating that differentiation and

superior value contribute independently to marketing outcomes alongside digital marketing and product innovation.

Table 8. Direct Effects and Hypothesis Decisions (Simulation)

Hypothesis/Path	β	Std. Error	t-stat.	p-value	Decision
H1 DM $\rightarrow$ CA	0.492	0.079	6.243	<0.001	Significant
H2 PI $\rightarrow$ CA	0.179	0.079	2.238	0.027	Significant
H3 DM $\rightarrow$ MP	0.314	0.082	3.727	<0.001	Significant
H4 PI $\rightarrow$ MP	0.396	0.072	5.423	<0.001	Significant
H5 CA $\rightarrow$ MP	0.226	0.083	2.479	0.015	Significant

Indirect Effects and Mediation Testing

For the indirect effects, the path from digital marketing to marketing performance through competitive advantage has a coefficient of 0.101, a t-statistic of 2.544, and a p-value of 0.011. Because the direct effect of digital marketing on marketing performance is also significant and has the same direction, the result indicates complementary partial mediation. By contrast, the indirect path from product innovation to marketing performance through competitive advantage has a coefficient of 0.036, a t-statistic of 1.556, and a p-value of 0.120, and is therefore not statistically significant. Because the direct effect of product innovation on marketing performance is significant, this pattern can be categorized as direct-only non-mediation. Thus, H6 is supported, whereas H7 is not supported.

Table 9. Specific Indirect Effects (Simulation)

Hypothesis/Indirect Path	β	t-stat.	p-value	Decision	Type
H6 DM $\rightarrow$ CA $\rightarrow$ MP	0.101	2.544	0.011	Significant	Partial mediation
H7 PI $\rightarrow$ CA $\rightarrow$ MP	0.047	1.556	0.122	Not significant	No mediation

Result of H1: Digital Marketing and Competitive Advantage

The simulated results indicate that digital marketing has a positive and statistically significant effect on competitive advantage. The coefficient of 0.492 represents the largest direct effect on the competitive-advantage construct. Substantively, this result suggests that the ability of MSMEs to use digital channels, develop content, interact with customers, expand reach, and interpret market responses can create a superior market position. This advantage does not arise merely from maintaining a social-media presence; rather, digital channels can improve accessibility, service speed, information transparency, and customer proximity. For kerupuk and amplang products, consumers can obtain information about flavor variants, prices, sizes, packaging, purchase locations, and ordering procedures without having to visit the business premises.

This finding is consistent with Hudha et al. (2022) and Sucitha et al. (2023), who position competitive advantage as a strategic outcome of digital activities. Syarifah et al. (2026) also show that social media marketing positively affects competitive advantage among food SMEs. From a Resource-Based View perspective, digital capability becomes a valuable capability when it involves more than simply owning an account; it also encompasses content-

creation knowledge, responsiveness to consumers, customer networks, online reputation, and the ability to convert response data into decisions. Such a combination is relatively more difficult to imitate than the mere use of the same digital platforms.

The implication is that MSMEs should shift their focus from superficial activity indicators, such as the number of posts, toward indicators that reflect competitive value. Response speed, consistency of information, photo quality, testimonials, transaction convenience, and the ability to maintain post-purchase communication can become meaningful sources of differentiation. Digital marketing that is integrated with service and operational activities is more likely to create tangible competitive advantage than sporadic social-media use.

Result of H2: Product Innovation and Competitive Advantage

Product innovation has a positive and statistically significant effect on competitive advantage, although its coefficient is smaller than that of digital marketing. This result indicates that changes in flavor variants, quality, size, shape, and packaging can strengthen differentiation. In the snack-food category, consumers are often confronted with many similar products, making easily recognizable differences particularly important. Innovation that is aligned with market needs can create stronger reasons for purchase, such as distinctive flavors, packaging that is safer for shipping, sizes that match consumer needs, or designs that are more suitable for souvenirs.

This finding is consistent with Kencana and Giantari (2021), Mamengko et al. (2023), and Pramuki and Kusumawati (2024), who identify a relationship between innovation and competitive advantage. However, the relatively small effect size suggests that not every innovation automatically becomes a source of advantage. A new product or packaging design creates competitive value only when consumers perceive the change as relevant, distinctive, and beneficial. Innovations that are easy to imitate or misaligned with consumer preferences may increase costs without strengthening market position.

For kerupuk and amplang MSMEs, innovation should begin with customer information and real market problems. Complaints about products becoming stale can be translated into packaging innovations; demand for souvenirs can be addressed through more attractive packages; consumers seeking different price points can be served through size variations; and changing tastes can be addressed through tested flavor variants. This approach brings innovation closer to market needs and increases the likelihood that it will contribute to competitive advantage.

Result of H3: Digital Marketing and Marketing Performance

Digital marketing has a positive and statistically significant effect on marketing performance. This finding supports Djakasaputra et al. (2021), Sultoni et al. (2022), Zahara et al. (2023), and Kumbara (2025) regarding the importance of digital channels for expanding MSME markets and sales. The direct effect indicates that some of the benefits of digital marketing can be reflected in market outcomes without being transmitted entirely through competitive advantage. Digital media can increase the frequency of customer contact,

facilitate repeat ordering, broaden promotional reach, and reduce information barriers, thereby exerting a direct effect on customer and sales growth.

In the context of kerupuk and amplang MSMEs, these direct benefits can be observed when WhatsApp accelerates ordering, Instagram and TikTok increase awareness, online marketplaces provide access to customers outside the region, or promotional content stimulates purchases during specific periods. This result differs from Ramadhani et al. (2022) and Ningsih et al. (2024), who identify limitations in the direct effect in particular contexts. These differences may be attributable to the degree of digital adoption, product type, channel-management capability, and the extent to which digital promotion is integrated with the transaction process.

The managerial implication is that digital activities should be evaluated using outcome-oriented performance indicators. MSME owners should monitor order sources, growth in new customers, repeat-purchase rates, responses to promotions, and the contribution of digital channels to sales. Through such relatively simple measurements, business owners can identify the most effective channels and allocate their time and expenditures more efficiently.

Result of H4: Product Innovation and Marketing Performance

Product innovation has a positive and statistically significant effect on marketing performance, with a coefficient of 0.396, the largest among the direct predictors of marketing performance. This finding supports Khamaludin et al. (2022), Harini et al. (2022), and Sasono et al. (2023), who argue that the capability to renew products can improve marketing outcomes. Innovation provides consumers with reasons to try, repurchase, and recommend a product. In snack-food markets, improvements in packaging, quality, flavor, and size may generate relatively rapid effects because consumers experience these changes directly.

The magnitude of the direct effect may also explain why the mediating path from product innovation to marketing performance through competitive advantage is not statistically significant in the simulated scenario. In other words, innovation can create functional and commercial value directly without necessarily first establishing a stable perception of superiority over competitors. A new flavor variant, for example, may increase sales by creating novelty and encouraging product trial, but it may not constitute an advantage that is difficult to imitate. Similarly, redesigned packaging may increase product appeal even when competitors are able to implement comparable changes.

For business owners, innovation should be managed as a continuous and measurable process. Each product update should be evaluated in terms of market acceptance, sales growth, repeat purchases, additional costs, and the ability to maintain quality. Innovations that increase sales but are easily imitated may still benefit short-term performance, whereas innovations combined with a distinctive brand identity, recipes, consistent quality, and customer experience have a greater likelihood of becoming sources of long-term competitive advantage.

Result of H5: Competitive Advantage and Marketing Performance

Competitive advantage has a positive and statistically significant effect on marketing performance. This finding is consistent with Pramuki and Kusumawati (2024), Muis et al.

(2024), and Hardiansyah and Mikhratunnisa (2026). Superior value gives consumers reasons to choose, repurchase, and recommend a product. For kerupuk and amplang MSMEs, a combination of distinctive taste, consistent quality, convincing packaging, appropriate price-value alignment, responsive service, and local identity can strengthen customer preference.

The coefficient for competitive advantage is smaller than the direct effects of product innovation and digital marketing on performance. This does not imply that competitive advantage is less important; rather, it indicates that the marketing performance of food-based MSMEs may be influenced through several pathways simultaneously. Digital activities provide direct market access, innovation directly increases product attractiveness, and competitive advantage strengthens the firm's ability to sustain value in a competitive environment. These three mechanisms can operate complementarily.

The implication is that MSMEs need to define their competitive advantage in specific and communicable terms. Generic claims such as "delicious" or "high quality" can easily be adopted by all competitors. Competitive advantage becomes stronger when it is translated into concrete evidence, such as a distinctive flavor based on particular ingredients, a defined standard of crispness, packaging that preserves product quality for longer periods, rapid order responses, or souvenir packages that embody a Kotawaringin Timur identity.

Result of H6: The Mediating Role of Competitive Advantage in the Relationship between Digital Marketing and Marketing Performance

The indirect effect of digital marketing on marketing performance through competitive advantage is statistically significant. Because the direct effect of digital marketing on performance is also significant and has the same direction, the resulting pattern is complementary partial mediation. This finding indicates that digital marketing operates through two pathways. The first is a direct pathway, through which digital channels increase access, interaction, and transactions. The second operates through competitive advantage, as well-managed digital capabilities can make a business more responsive, easier to find, more trustworthy, and closer to customers.

This result is consistent with Hudha et al. (2022) and Sucitha et al. (2023), who show that competitive advantage can mediate the effect of digital marketing on marketing performance. Theoretically, the result supports the Resource-Based View: digital resources generate stronger strategic effects when they are transformed into valuable capabilities and positions. Access to digital platforms is widely available, but the ability to develop customer relationships, reputation, market data, and service responsiveness through those platforms can become more firm-specific.

For MSMEs, this result implies that digital marketing should not focus solely on reach but should also create reasons for customer preference. Content can be used to demonstrate production processes, raw-material quality, testimonials, local identity, methods for preserving crispness, and consistency of service. In this way, promotion moves beyond attracting attention and strengthens the perception that the product offers superior value relative to available alternatives.

Result of H7: The Mediating Role of Competitive Advantage in the Relationship between Product Innovation and Marketing Performance

In contrast to H6, the indirect effect of product innovation on marketing performance through competitive advantage is not statistically significant. The indirect-effect coefficient of 0.047 with a p-value of 0.122 indicates that, in the simulated model, product innovation does not need to establish competitive advantage before improving marketing performance. Because the direct effect of product innovation on marketing performance is significant, the pattern represents direct-only non-mediation. This finding is important because it shows that the mechanism underlying product innovation may differ from that underlying digital marketing.

Conceptually, innovation in food-based MSMEs is often incremental and can be directly recognized by consumers. New flavor variants, package sizes, or designs may stimulate product trial and short-term sales. However, these innovations may not be sufficiently rare or difficult to imitate to create a stable competitive advantage. If competitors can quickly imitate a flavor variant or packaging design, the effect of innovation on performance may still emerge while the pathway through competitive advantage remains weak. This finding can be compared with Mamengko et al. (2023) and Muis et al. (2024), who show that the role of intervening variables may differ depending on context and the strength of relationships among variables. The result differs from Kristinae, Meitiana, Ushakov, et al. (2026) in the ThaiFest context, where perceived marketing innovation is found to partially mediate the effects of FoMO and WOM on perceived sales performance. These differences suggest that the strength of mediation is likely to depend on the type of innovation being measured, market characteristics, and the speed with which consumers respond to marketing stimuli.

The implication is that MSMEs should distinguish between innovations intended to stimulate sales and innovations intended to build competitive advantage. Sales-oriented innovation may focus on seasonal needs, market trends, or new product bundles. By contrast, innovation aimed at long-term competitive advantage should be protected and reinforced through branding, recipe consistency, quality standards, customer relationships, product-origin narratives, distinctive packaging design, and distribution capability. Through such integration, innovations that initially produce direct effects may develop into more sustainable sources of competitive advantage.

Theoretical and Practical Implications

Theoretically, the model results indicate that competitive advantage is not a universal mediator for all marketing capabilities. Digital marketing exhibits a partial-mediation pattern, whereas product innovation exhibits direct-only non-mediation. This distinction enriches the explanatory scope of the Resource-Based View because different resources may follow different value-creation pathways. Digital capabilities tend to require conversion into relational superiority and market access, whereas product innovation can provide direct benefits when product improvements are immediately accepted by consumers.

Practically, the first priority for MSMEs is to strengthen digital marketing in ways that support differentiation: content, responsiveness, transactions, testimonials, and product

identity should be directed toward reinforcing visible competitive advantages. The second priority is to maintain a disciplined product-innovation cycle by utilizing customer feedback, sales by product variant, complaints, and purchasing patterns. The third priority is to combine innovation with elements that are more difficult to imitate, such as consistent quality, recipes, brands, service experience, and customer networks. For local governments, MSME support programs should go beyond training businesses to create social-media accounts and should also include content strategy, branding, packaging, customer-response analysis, quality improvement, and the integration of digital channels with distribution.

CONCLUSIONS AND RECOMMENDATIONS

Based on the simulated PLS-SEM results, digital marketing and product innovation have positive and statistically significant effects on competitive advantage. Digital marketing, product innovation, and competitive advantage also have positive and statistically significant direct effects on marketing performance. Accordingly, all direct-effect hypotheses, H1 through H5, are supported. For the indirect effects, competitive advantage significantly mediates the relationship between digital marketing and marketing performance; therefore, H6 is supported. Conversely, competitive advantage does not significantly mediate the effect of product innovation on marketing performance, and H7 is not supported. This pattern indicates that digital marketing generates additional benefits when it successfully creates competitive advantage, whereas product innovation in the simulated research scenario exerts a more dominant direct effect on marketing performance.

Kerupuk and amplang MSME owners are advised to manage digital marketing as a capability integrated with service, reputation, and differentiation; implement innovation based on market needs and data; and develop concrete sources of advantage through quality, identity, packaging, service, and value that are difficult to imitate. Local governments can strengthen MSME development programs through digital assistance combined with product development, branding, packaging, business legality, and expanded distribution. Future research may incorporate market orientation, brand image, customer engagement, or digital capability and compare business groups according to scale, business age, and intensity of digital-platform use.

The primary limitation of this draft is that the numerical results have been constructed as a simulation for article-development purposes. Therefore, the manuscript must not be submitted as an empirical study until all results tables, respondent characteristics, outer-model values, inner-model values, and bootstrapping results have been replaced with actual field data and SmartPLS output. Once actual data are available, the overall discussion structure may be retained, but the interpretation must be revised to reflect the empirical results obtained.

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