

The Influence Of Digital Marketing On Competitive Advantage And Performance of Micro, Small And Medium Enterprises

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Keywords

Digital Marketing, Competitive Advantage, Performance

ABSTRACT

This study aimed to determine the influence of Digital Marketing on Competitive Advantage and MSME Performance. The research employed a Quantitative Method utilizing SPSS and SEM (Structural Equation Model) assisted analysis tools with the Lisrel program. The analysis results reveal that digital marketing exerts a positive and significant effect on competitive advantage, digital marketing significantly impacts MSME performance positively, competitive advantage significantly influences MSME performance positively, and Digital Marketing positively affects MSME performance through competitive advantage.

INTRODUCTION

Micro, Small, and Medium Enterprises in the food and beverage sector are experiencing notable growth as they increasingly embrace digital media (Asikin & Fadilah, 2024). This trend can be attributed to the diverse promotional opportunities provided by digital marketers, such as platforms like Grabfood and Gofood. This era of 4.0 to 5.0 can be used to develop business. Utilizing digital marketing is one approach to convey product promotions as a strategy to dominate the market (Chakti, 2019; Komalasari et al., 2021). Essentially, the idea behind digital marketing involves leveraging expansive platforms like television and the internet, where these mediums present visual representations, such as infographics, showcasing the company's marketed products; (Kumar et al., 2020; Tiago & Veríssimo, 2014). Digital marketing can connect with diverse audiences at any time and place, significantly surpassing traditional marketing, which is constrained by time, location, and audience reach (Das, 2018; Putri & Marlien, 2022).

Challenges in conducting promotional and trading activities effectively and efficiently hinder MSME actors from acquiring information about products desired by consumers, satisfying consumer preferences, meeting producers' or MSME actors' product needs, and setting clear business targets and reaching a broader consumer base (Rahardja, 2022).

This research explores the impact of digital marketing on competitive advantage, the influence of digital marketing on performance, the relationship between competitive advantage and performance, and the effect of digital marketing on performance mediated through competitive advantage (Rahardja, 2022). This empirical study seeks to assess the impact of digital marketing on both competitive advantage and the performance of Micro, Small, and Medium Enterprises (MSMEs) (Melović et al., 2020). Additionally, it aims to examine the influence of competitive advantage on performance and the effect of digital marketing on performance when mediated through competitive advantage (Gani & Faroque, 2021).

Digital marketing has become more prevalent with the advancement of the digital age, facilitated by easy access to the internet (Tariq et al., 2022). Online shopping, an outcome of widespread internet usage, enables consumers to share positive experiences, promoting word-of-mouth among other consumers (Leeflang et al., 2014). This promotional effect in online shopping contributes to broader product marketing through digital marketing or e-commerce systems. Digital marketing is described as the utilization of digital technology to establish a channel that effectively meets consumer needs and serves to attain company objectives (Saebah & Asikin, 2022).

The definition of digital marketing, according to the American Marketing Association (AMA, 2009), refers to the actions, organizations, and procedures enabled by digital technology in the creation, communication, and delivery of values to consumers and other relevant stakeholders (Tariq et al., 2022).

Digital marketing employs digital media via the Internet, utilizing websites, social media, email, databases, mobile/wireless channels, and digital television (Leeflang et al., 2014). The aim is to expand the reach to target consumers and gain insights into their profiles, behaviours, product preferences, and loyalty. These efforts are directed towards accomplishing marketing objectives.

Understanding digital marketing by Järvinen (2015) digital marketing is a marketing practice that encompasses internet-based media. According to the American Marketing Association (AMA), digital marketing is a set of activities and processes involving institutions that utilize digital technology to convey, create, and communicate messages to consumers and other interested parties.

Leveraging digital marketing is highly impactful as a strategy for gaining a competitive advantage, especially for MSME players aiming to promote their products in the digital marketplace. Rachmadi (2020) offers diverse interpretations of e-marketing, one definition characterizing it as the company's endeavour to inform, communicate, promote, and sell its products and services using internet-based media.

Competitive advantage involves enhancing a company's value to its customers. It is a factor that enables a company to achieve higher profits compared to the average advantage attained by competitors in the industry. Competitive advantage is the core of a company's success in a competitive market. Competitive advantage stems from the value or advantages a company can generate for its customers. A company can establish a competitive advantage by implementing one of the three generic strategies.

According to Hynes (2021) pursue competitive advantage through cost leadership, differentiation, and focus. The generic strategy for achieving competitive advantage encompasses these approaches.

The cost advantage strategy involves a company positioning itself as a low-cost producer within its industry. The origins of this cost advantage can be diverse and are contingent upon the industry's structure. To succeed, low-cost producers must identify and capitalize on all potential cost-saving sources. Cost leadership emphasizes producing standardized products at meager costs to cater to price-sensitive consumers.

The differentiation strategy involves striving to distinguish our services and products from others. The products and services must possess unique advantages or distinctive features that attract or allure consumers. According to David Hunger and Thomas Wheelen in Kotler (2000), differentiation is a proactive approach aimed at achieving above-average outcomes in a specific business, as customer loyalty resulting from distinctive features can contribute to an expanded market share. While competitive strength is pursued through different means compared to the overarching cost advantage strategies, employing this strategy does not imply overlooking cost considerations. Rather, cost is not the primary focal point.

The final generic strategy is focus, concentrating on a particular group of buyers, product line segment, or geographic market. While a low-cost and differentiation strategy aims to achieve broad industry-wide objectives, a focused strategy is designed to effectively cater to specific targets. This strategy is grounded on the notion that by doing so, the company can better and more efficiently cater

to its specific strategic objectives compared to its wider competitors. The aim of focus is to optimize service within a defined target. Implementing this strategy necessitates the company to channel its efforts toward serving a narrow market segment.

Furthermore, Gebrie (2021) states that competitive strategy is a combination of the end that is fought for by wealth and skills relative to competitors, which includes financial resources, technological position, brand identification, and others. Strengths and weaknesses combined with these values determine the internal limits to the competitive strategies that the company can implement successfully.

Jalilvand (2017) states that in an industry whether it produces products or services, an organization's ability in competition will be determined by the five competitive forces or the state of competition in an industry depends on five basic competitive forces namely the threat of new competitors, strong suppliers, powerful buyers, substitute products, as well as the intensity of competition or seizing positions between competitors.

Performance of Micro, Small and Medium Enterprises, Performance is a series of various management activities that provide an overview of the extent of the results of activities that have been achieved in carrying out their duties and responsibilities in public accountability in the form of progress, success and shortcomings that occur (Linawati, 2015). Performance refers to the level of achievement of the company in a certain period of time. Performance in the company can be seen from the company's sales level, margin level, return on capital, turnover rate and market share achieved. The MSME sector is one of the important sectors for the economic resources of the Indonesian people. This is in addition to the fact that these efforts are the backbone of the people's economic system which is not only aimed at reducing the problem of inequality between groups, incomes and between business actors, or poverty alleviation and labor absorption.

Performance is the value of a set of worker behaviors that contribute, both positively and negatively, to the completion of organizational goals. Performance is the result of work related to organizational goals such as quality, efficiency and other performance of effectiveness. Wahiddudin (2019) states that performance is about doing the work and the results achieved from that work. Micro, Small and Medium Enterprises (MSMEs) are an essential part of the economy of a country or a region; the development of the Small and Medium Enterprises sector gives its own meaning to efforts to increase economic growth and reduce a country's poverty rate.

The growth and development of the MSME sector are often interpreted as indicators of development success, especially for countries with low per capita income. The country's MSME industry faces a difficult situation amid changes in the increasingly complex business environment. Competition also becomes very tight along with the rapid flow of free trade, which automatically makes competition come from all directions, domestically, regionally, and globally. The huge role of MSMEs explains that MSMEs must be improved even better. MSMEs can survive and compete if they can implement good management management. Management, in general, includes marketing, production, human resources (HR), and finance. Certain concepts and designs at the strategy level are critical success factors. Analysis of markets, customers and products is essential in a complex world.

METHODS

The initial step in this research is to conduct a comprehensive literature review on digital marketing, competitive advantage, and factors affecting the performance of MSMEs. A literature review will help understand the related theories and build a solid knowledge base for the study.

Furthermore, quantitative research methods can be applied using questionnaires as primary data collection instruments. The questionnaire must be carefully designed to measure MSME owners' perceptions of the digital marketing they do, their perceptions of the competitive advantages they have, and their business performance. The study population may consist of MSME owners in a particular

region, with samples taken randomly to improve the generalizability of the results. Data can be collected through online surveys or in-person interviews depending on respondents' preferences.

Data analysis can then be performed using statistical techniques such as regression analysis to test the relationship between the independent variable (digital marketing) and the dependent variable (competitive advantage and business performance) (Ridzki et al., 2023). This analysis will help determine how much digital marketing affects MSMEs' competitive advantage and performance. In addition, in-depth interviews with several MSME owners can also be conducted to gain deeper insight into how digital marketing contributes to their competitive advantage and business performance.

RESULTS

Descriptive Research Variables

Digital Marketing (X).

Digital marketing, or digital marketing proposed by Chaffey and Chadwick (2016: 11) Digital marketing is a marketing activity that uses digital media using the internet that utilizes media in the form of the web, social media, email, and digital tv, to increase target consumers and to find out the profile of behaviour, product value, and loyalty of customers or target consumers to achieve marketing goals. The indicators of digital marketing strategy variables are measured by six (6) indicators, namely: Digital marketing variables are measured by six indicators, namely using Digital TV (X1.1), social media (X1.2), email (X1.3), mobile / wirelss (X1.4), Internet (X1.5), and database (X1.6).

Discussion

This discussion is focused on decisions resulting from hypothesis testing as an effort to answer the formulation of research problems. The results of the analysis of hypothesis testing are described as follows:

The Influence of Digital Marketing Strategy on Competitive Advantage

Based on the results of research from the path analysis, digital marketing strategies have a significant favourable influence on competitive advantage. This shows that the better the digital marketing strategy, the better the competitive advantage. Digital marketing strategy has a significant favourable influence on competitive advantage with $P = 0.000 < 0.05$ with a coefficient value of 0.504, this coefficient shows that the better the marketing strategy, the better the competitive advantage will also be in a positive direction. The coefficient of influence is marked positive, meaning that a good digital marketing strategy increases competitive advantage. The results of the first hypothesis testing prove this statement and can be interpreted that a good digital marketing strategy can exert a real (meaningful) influence on competitive superiority.

The results of this study support the theory put forward by Chaffey and Chadwick (2016: 11) that Digital marketing is a marketing activity that uses digital media using the internet that utilizes media in the form of the web, social media, email, and digital tv, to increase target consumers and to find out the profile of behaviour, product value, and loyalty of the customers or target consumers to achieve marketing goals. Research results presented by Herman (2018) show that competitive advantage is the result of implementing a strategy that utilizes various resources owned by the company. Thus, digital marketing strategies can increase the competitive advantage of MSMEs.

The results of this study also support the findings of research conducted by Wiktor (2021), which shows that the more companies rely on digital marketing in their business, the more significant its impact on brand promotion and positioning. Also, according to research conducted by Blichfeldt (2021), Where the results show the influence of digital technology on performance, as well as research carried out by Foroudi (2017), The results show that the use of digital technology has influenced all aspects of human activities, including marketing, and research conducted by De Pelsmacke (2018), The influence of digital marketing on marketer performance, the results of the study show that digital marketing has a direct and indirect effect on marketing performance.

The Influence of Digital Marketing Strategy on MSME Performance

The results of the analysis show that digital marketing strategies have a significant positive influence on the performance of MSMEs. This indicates that the more appropriate the digital marketing strategy, the better the performance of MSMEs. Digital marketing strategies have a significant positive influence on MSME performance with $P = 0.021 < 0.05$ with a coefficient value of 0.441. This coefficient with a positive direction shows that the better the digital marketing strategy, the better the performance of MSMEs. The coefficient of influence is marked positive, which means that a good digital marketing strategy will result in an increase in the performance of MSMEs in the food sector. The results of the third hypothesis test prove that digital marketing strategies have a positive and significant effect on the performance of MSMEs. This statement can be interpreted that a good marketing strategy is proven to be able to have a real (meaningful) influence on the performance of MSMEs in the food sector.

The results of this study support the theory put forward by Chaffey (2022) that digital marketing is the application of digital technology that forms online channels to market (websites, e-mail, data bases, digital TV and through various other recent innovations including blogs, feeds, podcasts, and social networks) that contribute to marketing activities and what is developed by Sinambela (2016:480) that employee performance is the ability of employees to do certain skills. For this reason, with digital marketing strategies, MSME players can improve performance by utilizing the ability of employees to do something (Etim et al., 2021). Thus, the results of this study are in line with the theory that digital marketing strategies can improve the performance of MSMEs.

The findings of this study support the findings of research conducted by Chang (2016) The findings show heterogeneous economic benefits across different types of advertising, with direct implications for managers in analyzing ad effectiveness and external stakeholders in assessing company performance. Kano (2022), Companies that use digital marketing The results of the study show that the more companies rely on the use of digital marketing in their business, the more significant the impact and supporting research conducted by Blichfeldt (2021), the results show the influence of digital technology on performance.

The Effect of Competitive Advantage on MSME Performance

The results of hypothesis testing can be observed from the results of path analysis showing that competitive advantage has a significant positive influence on the performance of MSMEs. This shows that the better the competitive advantage, the better the performance of MSMEs in the food sector. Competitive advantage has a significant positive influence on MSME performance with $P = 0.005 < 0.05$ with a coefficient value of 0.603, this coefficient with a positive direction shows that the better the competitiveness, the better the performance of MSMEs.

The coefficient of influence is positively signed, meaning that a good competitive advantage will result in an increase in MSME performance. The results of the fifth hypothesis test prove that the competitive advantage strategy has a positive and significant effect on the performance of MSMEs. This statement can be interpreted that highly competitive advantage is proven to be able to have a real (meaningful) influence on the performance of MSMEs or this shows that the better the superior the performance of MSMEs, the better the performance of MSMEs will be better.

The results of this study support the theory put forward by Teng (2007) that competitive advantage is the result of implementing strategies that utilize various resources owned by the company. As well as theory Parnell (2005) which states that competitive strategy is a combination of goals championed by wealth and skills relative to competitors which include financial resources, technological position, brand identification, and work theory proposed by Leitão (2019) that performance is the value of a series of worker behaviors that contribute, both positively and negatively, to the completion of organizational goals. Thus, the results of this study are in accordance with the theory that by having a competitive advantage, MSME actors in the food sector can improve their performance.

The Effect of Digital Marketing Strategy on MSME Performance Mediated by Competitive Advantage

The results of hypothesis testing can be observed from the results of path analysis showing that digital marketing strategies have an indirect effect on the performance of MSMEs in the food sector through competitive advantage. This means that a good and appropriate marketing strategy will create a better competitive advantage and ultimately have an impact on the better performance of MSMEs in the food sector. Based on the sobel test, it shows that the influence of digital marketing strategies through competitive advantages on the performance of MSMEs in the food sector. has a p-value of $0.023 < 0.05$. Based on these results, it can be explained that the influence of digital marketing strategies through competitive advantages on the performance of MSMEs in the food sector is positive and significant.

The influence of digital marketing strategies on MSME performance through this positive and significant competitive advantage can be interpreted that the role of competitive advantage variables is very dominant to improve MSME performance, where the competitive advantage variable with the indicators has a meaningful role where the indicator with the highest score value of 4.42 is the use of the internet which shows that this indicator has a very meaningful role meaning that MSME actors It is important to always utilize the use of the internet in an effort to increase competitive advantage which will ultimately improve the performance of MSMEs, and followed by other indicators as described above.

CONCLUSION

Based on the results of the analysis and discussion, it can be concluded that implementing a digital marketing strategy has a significant positive impact. The use of digital media, including online marketing platforms, can increase order, market reach, and competitiveness of MSMEs. By using digital marketing tools such as social media, these companies can expand coverage, increase interaction with customers, and successfully build and maintain a larger customer base. In addition, utilizing online food ordering platforms such as Grabfood and Gofood helps MSMEs in the food and beverage sector reach potential customers more efficiently. Therefore, investing resources in digital marketing is key to improving the competitive advantage and overall performance of MSMEs in this digital era.

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International Journal of Social Service and Research (IJSSR)

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