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THE INFLUENCE OF MARKET ORIENTATION AND DIGITAL MARKETING ON MARKETING PERFORMANCE WITH COMPETITIVE ADVANTAGE AS AN INTERVENING VARIABLE IN MICRO, SMALL AND MEDIUM ENTERPRISES

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Abstract

Market orientation as a strategic factor in understanding customer needs is integrated with digital marketing which is a modern tool in reaching market targets. This research aims to investigate the influence of market orientation and digital marketing on product competitive advantage, as well as its impact on the marketing performance of Micro, Small and Medium Enterprises (MSMEs). This research uses a quantitative approach with the population being MSMEs in the Manufacturing sector in Sumedang Regency. The sample in this study was 27 people. The data analysis method in this research is the Partial Least Square-Structural Equation Modeling (PLS-SEM) analysis technique. The results of the research show that market orientation has an influence on competitive advantage. Digital marketing has no influence on competitive advantage. Market orientation, digital marketing, and excellence Competitiveness has an influence on marketing performance. Market orientation has an influence on performance through competitive advantage.

Keywords: Market Orientation, Competitive Advantage, Digital Marketing, Marketing Performance, Micro, Small and Medium Enterprises (MSMEs).

A. INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) have a central role in advancing the Indonesian economy, becoming the backbone that makes a significant contribution to income distribution and economic growth in society (Munthe et al., 2023). In the midst of various industrial sectors, MSMEs create jobs, stimulate local economic activity, and support economic inclusivity by empowering business actors at various levels of society (Nuraeni, 2018).

The existence of MSMEs not only reflects economic diversity, but is also a concrete manifestation of the creative power and resilience of the local economy (Syahbudi & Ma, 2021). With the right support, MSMEs can become significant agents of change in overcoming economic challenges and improving community welfare. The increasing role of technology, especially digital

marketing, provides new opportunities for MSMEs to develop and compete in an increasingly global market (Sri & Ahmad, 2017).

Micro, Small and Medium Enterprises (MSMEs) in Indonesia play a major role in the economy with their numbers far exceeding large industries. With thousands or even millions of MSMEs spread across all corners of the country, this sector not only meets local needs but is also the main driver of economic growth (Romana, 2023). A large proportion of all business actors in Indonesia are dominated by MSMEs, reflecting the fact that the majority of entrepreneurs in Indonesia are on a micro and small scale (Greece & Maulida, 2017).

The advantages of MSMEs lie in the diversity of business sectors and their potential to stimulate inclusive growth. By providing business opportunities for people from various backgrounds, MSMEs not only create jobs but also encourage economic balance at the local and national levels (Trihudiyatmanto, 2019). Therefore, special attention needs to be paid to capacity building, training, and access to technology, including the use of digital marketing, so that MSMEs can continue to develop, compete globally, and make an optimal contribution to Indonesia's overall economic progress (Violinda, 2018).

To achieve success in gaining market share, Micro, Small and Medium Enterprises (MSMEs) generally have to implement various strategies that can increase their competitiveness (Yuliaty et al, 2020). The company's strategy, basically, is focused on achieving optimal performance, both in terms of finance and marketing. Especially in the context of MSMEs, marketing success has a significant impact on the company's overall performance (Azizah et al, 2020). Marketing is a key element that supports MSMEs to overcome increasingly tight competitive pressures. Currently, the inability to adapt to market dynamics and not implementing effective marketing strategies can affect the marketing performance of MSMEs directly or indirectly (Evangeulista et al, 2023).

The importance of marketing strategy lies in its ability to attract consumer attention, build a strong brand image, and position products or services optimally in a busy market (Tarmizi, 2018). MSMEs need to wisely choose marketing strategies that suit their business characteristics and target market. Implementing the right marketing strategy can help MSMEs to survive and develop in a dynamic business environment, ensure that their marketing performance reaches the expected level, and make a positive contribution to achieving the company's financial goals (Naimah et al, 2020).

In accessing markets, Micro, Small and Medium Enterprises (MSMEs) generally need to implement a number of alternative strategies. The main focus of the company's strategy is always directed at achieving optimal performance, both in terms of finance and marketing (Suryani, 2017). Marketing plays a central role in the overall business strategy of every company, especially considering the increasingly stringent pressure from market competition. In this context, the importance of marketing lies not only in efforts to increase the visibility of products or services, but also in being a crucial instrument in shaping brand image and understanding changing market dynamics (Saleh & Miah Said, 2019). Moreover, under intense competitive pressure, the marketing performance of MSMEs can be affected both directly and indirectly.

Marketing performance is a measure of achievement obtained from the overall marketing process activities of a company or organization (Hatta, 2015). Marketing performance is the level of achievement of a company in carrying out activities or activities for which it is responsible in

optimizing the achievement of the vision, mission and goals set by the company (Utaminingsih, 2016). This company's performance can be assessed by comparing the company's achievements with predetermined targets or with the performance of several companies in the same industry (Ratnawati, 2013). Many factors can influence marketing performance. Market orientation, digital marketing customers and competitive advantage can influence marketing performance.

Market orientation, as explained by Dalimunthe (2022), is an activity that involves searching for market information related to current and future consumer needs. In this context, information distribution takes place cross-functionally and involves effective responses from the entire organization. The main goal of market orientation is to create and satisfy customers by continuously assessing their needs and wants. The implementation of market orientation is expected to make a positive contribution to the marketing performance of Micro, Small and Medium Enterprises (MSMEs). Research conducted by Merakati et al (2017) supports this view by showing that market orientation has a significant influence on marketing performance.

Digital marketing, according to Chaffey et al. (2019), refers to activities to promote and search for markets through digital media online, using various means such as social networks. A similar perspective was conveyed by Kannan (2017), who defined digital marketing as marketing activities including branding, using various web-based media such as blogs, websites, e-mail, Adwords, and social networks. Digital marketing is an effective instrument for business actors, including Micro, Small and Medium Enterprises (MSMEs), to promote products and services and overcome limitations of time, distance and communication methods. According to Kingsnorth (2022), digital marketing can help open new markets that were previously closed. Digital marketing strategies that are generally implemented by MSME players, such as through platforms such as Facebook, Whatsapp, Instagram and Twitter, allow them to access the market more widely. In research by Leisander and Diah (2017), it was concluded that the implementation of digital marketing has a direct impact on marketing performance; The higher the level of digital marketing utilization by a business actor, the higher the marketing performance will be. Therefore, optimizing the application of digital marketing by MSME players can be considered the key to increasing sales volume and overall, improving marketing performance.

Competitive advantage refers to an offering that satisfies the needs of target consumers better than competitors (Barney, 1991). Porter (1985) provides another definition, defining competitive advantage as an element of business strategy that provides significant advantages for current and future competitors. Powell (2001) defines competitive advantage as a company's strategy in creating a more effective competitive advantage in the market. Competitive advantage can also be interpreted as a company's initiative in providing more value to consumers by offering lower prices or additional benefits that can justify higher prices. To formulate a competitive and effective marketing strategy plan, a company must obtain as much information as possible about its competitors. By continuously comparing products, prices, channels, and promotions with competitors, companies can identify existing competitive advantages and disadvantages (Wamaer et al., 2022). With this approach, companies can carry out strong campaigns against competitors and prepare to face competitor actions with a strong defense. Based on the description of the problem above, researchers are interested in conducting research with the title "The Influence of Market Orientation and Digital Marketing on Product Competitive Advantage and Its Impact on MSME Marketing Performance"

B. METHOD

This research is included in the type of quantitative research. The nature of this research is explained descriptively (descriptive explanatory). This research uses a survey approach via a questionnaire using a Likert scale on Google Form media. The population in this research are small and medium business actors in the manufacturing sector in Sumedang Regency. The sampling technique uses purposive sampling, namely the technique of determining samples with certain considerations (Sugiyono, 2011). There are 45 MSMEs in the manufacturing sector, only 27 of which meet these criteria. The data analysis method in this research is the Partial Least Square-Structural Equation Modeling (PLS-SEM) analysis technique using the SMART-PLS program. This research uses exogenous variables and endogenous variables. The exogenous variables consist of market orientation and digital marketing, the endogenous variables consist of marketing performance, and the moderating variable is competitive advantage. The conceptual framework of this research is as follows:

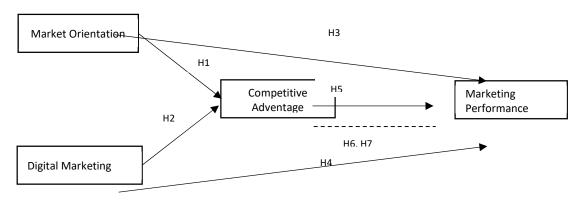


Figure 1 Conceptual framework of the research

Hypothesis

H1: Market orientation influences competitive advantage

- H2: digital marketing influences competitive advantage
- H3: Market orientation influences marketing performance
- H4: digital marketing influences marketing performance
- H5: Competitive advantage influences marketing performance
- H6: Market orientation influences marketing performance through competitive advantage
- H7: digital marketing influences marketing performance through competitive advantage

C. RESULTS AND DISCUSSION

Testing the Measurement Model (Outer model)

1. Validity test

Convergent validity of the measurement model can be evaluated through the correlation between the indicator scores and the variable scores. An indicator is considered valid if it obtains an Average Variance Extracted (AVE) value above 0.5, or shows that all outer loadings of the variable dimensions have a loading value > 0.5. Therefore, it can be concluded that this measurement meets the criteria for convergent validity, in accordance with the views expressed by Chin (1995).

Variable	Indicator	Loading Factor	Rules	Status	
Market orientation	X1	1,000	>0.5	Valid	
Digital marketing	X2	1,000	>0.5	Valid	
Competitive advantage	Z	1,000	>0.5	Valid	
Marketing performance	Y	1,000	>0.5	Valid	

	Table 1	Validity	Test results
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Source processed by researchers in 2023

The results of the validity test on the four instruments, as seen in Table 1, show valid results because each instrument has an Average Variance Extracted (AVE) value that exceeds 0.5. The table also lists the results of outer loading, which shows that these variables have external loading values that exceed 0.5. Therefore, it can be concluded that the indicators related to these variables are reliable and considered valid in the next analysis stage. Outward loadings that meet these standards indicate that the indicators have a strong correlation with the variables, confirming the validity of the concepts being measured.

2. Reliability Test

In the next stage, namely the internal consistency reliability test, it is carried out by assessing the composite reliability value which is expected to be in the range of 0.6 to 0.7, as well as the desired Cronbach's alpha value of >0.7. According to Ghozali (2016), reliability is a tool for measuring questionnaires which are indicators of a variable or construct. A questionnaire is considered reliable or reliable if the respondent's answers to statements are consistent and stable over time. This test aims to test accuracy, precision and consistency in measuring the construct or variable being studied. The results of the composite reliability and Cronbach' alpha data can be seen as follows:

Variable	Cronbach alpha	Composite Reliability	Status
Market orientation	1.000	1.000	Valid
Digital marketing	1.000	1.000	Valid
Competitive advantage	1.000	1.000	Valid
Marketing performance	1.000	1.000	Valid

Table 2 Reliability Test Results

Source processed by researchers in 2023

Table 2 shows the results of reliability tests on 4 instruments showing reliable results, because each instrument has a Cronback's alpha and composite reliability value of more than 0.70 and an AVE of more than 0.5.

3. Collinearity Test

The next stage, to determine the collinearity value, can be seen from the tolerance value expected to be > 0.2 and the Variance Inflation Factor (VIF) value < 5 (not serious problem) and > 10 (serious problem). The following are the results of the collinearity data:

Variable	VIF	Status
Market orientation	0.916	collinearity does not occur
Digital marketing	0.744	collinearity does not occur
Competitive advantage	0.6	collinearity does not occur
Marketing performance	0.6	collinearity does not occur

Table 3 Collinearity Test Results

Source processed by researchers in 2023

From Table 3, it can be seen that the Variance Inflation Factor (VIF) value for each indicator is below 5, so it can be concluded that there is no tendency for collinearity to occur between constructs.

Structural Model Testing (Inner Model)

1. Variance Inflation Factor (VIF) Test

This stage involves analysis to evaluate independent variables or independent variables that may have a high degree of correlation, which can impact the accuracy of the model's predictions. This evaluation uses the Variance Inflation Factor (VIF) method, where the desired VIF value is less than 5 to avoid collinearity problems between variables. The previous collinearity test results show that each indicator has a VIF value below 5, indicating the absence of collinearity problems between variables. Thus, it can be concluded that this condition allows the continuation of the research without significant collinearity problems between the independent variables.

2. Coefficient of Determination Test (R2)

The next step in this test is to analyze and assess the extent to which the endogenous construct or variable Y can be explained by the exogenous construct or variable) can be explained by variability in the independent (exogenous) variables based on the results of the tests that have been carried out. In this research, there are two endogenous latent variables that will have an R^2 value, namely Company Value and Competitive Advantage. The Coefficient of Determination (R^2) value is expected to be between 0 and 1, and the closer the value is to 1, the better the model is at explaining the relationship between variables. The following are the results of the Coefficient of Determination (R^2) test:

Variable	R Square	Adj. R Square
Competitive advantage	0.164	0.156
Marketing performance	0.643	0.638

Table 4 Coefficient of Determination Test results

Source processed by researchers in 2023

Based on the calculation results in the table above, it can be seen that the R-square value of Competitive Advantage is 0.164, which is equivalent to 16.4%. These results indicate that the Competitive Advantage variable is influenced by market orientation and digital marketing by 16.4%, while the remaining 83.6% is explained by other factors not included in the model. Meanwhile, for the Marketing Performance variable, the R-square value is 0.643, or around 64.3%. This shows that Marketing Performance is influenced by the factors in the model amounting to 64.3%, while the remaining 35.7% is explained by other variables not included in the model.

3. Patch Test Path Coefficients Direct Effect

In the path coefficients test, the results of the inner model test are used as a measurement to see and determine whether a hypothesis is accepted or rejected by paying attention to the significance value between constructs in the original sample, T-statistics and P-Values.

Variable	Original	T Values	P Values	Hypothesis
	sample			
Market orientation -> competitive advantage	0.868	11.721	0,000	H1 is accepted
Digital marketing -> competitive advantage	0.008	0.123	0.904	H2 is rejected
Market orientation -> marketing performance	0.394	6.078	0,000	H3 is accepted
Digital marketing -> marketing performance	0.233	3.240	0.003	H4 is accepted
competitive advantage -> marketing	0.201	2.801	0.003	H5 is accepted
performance				

 Table 5 Path coefficients direct effect

Source processed by researchers in 2023

Based on table 5, the results of the Path Coefficients Direct Effect show that:

- a. Market orientation has a positive and significant influence on competitive advantage. Judging from the results, the T-values are 11,721 > 1.96 and the P-values are 0.000 < 0.05. So it can be said that H1 is accepted.
- b. Digital marketing has no influence on competitive advantage. Judging from the test values with T-values 0.123 < 1.96 and P-values 0.904 > 0.05. So it can be said that H2 is rejected.
- c. Market orientation has a positive and significant influence on marketing performance. Judging from the T-values 6.078 > 1.96 and P-values 0.000 < 0.05. So it can be said that H3 is accepted.
- d. Digital marketing has a positive and significant influence on marketing performance. Judging from the test results, the T-values are 3,240 > 1.96 and the P-values are 0.003 < 0.05. So it can be said that H4 is accepted.
- e. Competitive advantage has a negative and significant influence on marketing performance. Judging from the T-values 2.801 > 1.96 and P-values 0.003 < 0.05. So it can be said that H5 is accepted.

4. Test Specifics Indirect Effect

The results of this analysis are to determine the indirect effect in this research, namely testing the intervening variable as a link between the independent variable and the dependent variable. Intervening test results can be seen in the following table:

Variable	Original	Т	Р	Hypothesis
	sample	Values	Values	
Market orientation -> competitive	0.078	2.867	0.005	H6 Accepted
advantage -> Marketing performance				
Digital marketing -> competitive	0.007	1.457	0.717	H7 Rejected
advantage -> marketing performance				

Table 6	5 S	pecific	Indired	t Effect
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Source processed by researchers in 2023

Based on the results of Table 6. Which is the result of the Path Coefficients Indirect Effect, it shows that

- a. Market orientation has a positive and significant influence on marketing performance through competitive advantage. Judging from the test value, the T-values are 2.867 > 1.96 and the P-values are 0.005 < 0.05. So it can be said that H6 is accepted.
- b. Digital marketing does not have a significant effect on marketing performance through competitive advantage. Judging from the test value, the T-values are 1.457 < 1.96 and P-values 0.717 > 0.05. So it can be said that H7 is rejected.

Discussion

The Influence of Market Orientation on Marketing Performance

Market orientation has a positive and significant influence on competitive advantage. Judging from the results, the T-values are 11,721 > 1.96 and the P-values are 0.000 < 0.05. So it can be said that market orientation has an influence on the competitive advantage of MSMEs in the manufacturing sector in Sumedang Regency . MSMEs in the manufacturing sector that adopt market orientation effectively in Sumedang Regency have a better ability to achieve competitive advantage in their marketing performance. Market orientation, which involves seeking market information and responding quickly to market changes, plays a crucial role in shaping the differentiation and competitiveness of MSMEs. These results provide the implication that developing a marketing strategy based on market understanding and flexibility to market changes can improve the competitive position of MSMEs in the manufacturing sector in the region. This research is in line with research conducted (Sawika & Dewi, 2018) which states that there is an influence between market orientation and competitive advantage.

The influence of digital marketing on competitive advantage

Digital marketing has no influence on competitive advantage. Judging from the test values with T-values 0.123 < 1.96 and P-values 0.904 > 0.05. So it can be said that H2 is rejected. This indicates

that the relationship between digital marketing and competitive advantage cannot be considered as statistically significant. Some factors that may cause this result include the lack of integration or ineffective use of digital marketing strategies by MSMEs in the manufacturing sector, as well as the existence of external factors that influence the relationship between digital marketing and competitive advantage. Therefore, these findings highlight the importance of understanding the context and factors that can moderate the relationship between digital marketing and competitive advantage in the context of MSMEs in Sumedang Regency. This research contradicts research conducted by Swastuti (2020), which states that digital marketing positively and significantly influences competitive advantage.

The influence of market orientation on marketing performance

Market orientation has a positive and significant influence on marketing performance. Judging from the T-values 6.078 > 1.96 and P-values 0.000 < 0.05. So it can be said that market orientation has a positive and significant influence on the performance of MSMEs in the manufacturing sector in Sumedang Regency. These results indicate that the effect of market orientation on MSME performance is statistically significant. Market orientation, which involves searching for market information and responding quickly to market dynamics, is a key factor in improving the performance of MSMEs in the manufacturing sector. MSMEs' ability to adapt to market changes, understand customer needs, and adjust marketing strategies effectively drives their performance improvements. Thus, this research provides a better understanding of the importance of market orientation in the context of MSMEs in the manufacturing sector in Sumedang Regency, which can be a basis for developing more effective and sustainable marketing strategies. This research is in line with research.

The influence of digital marketing on marketing performance

Digital marketing has a positive and significant influence on marketing performance. Judging from the t-test results, the values are 3,240 > 1.96 and P-values 0.003 < 0.05. So it can be said that there is an influence between digital marketing on the marketing performance of MSMEs in the manufacturing sector in Sumedang Regency. These findings indicate that the relationship between digital marketing and MSME marketing performance is statistically significant. This shows that the implementation of digital marketing strategies makes a positive contribution to the marketing performance of MSMEs in the manufacturing sector in the region. These findings provide further understanding of the potential and effectiveness of digital marketing as an important instrument in improving the marketing performance of MSMEs in a very dynamic environment such as the manufacturing sector in Sumedang Regency. By optimally utilizing digital platforms, MSMEs can expand market reach, build brand image, and achieve better marketing advantages in industrial competition. This research is in line with research by Sudirjo et al (2023) which states that there is an influence between digital marketing and marketing performance.

The influence of competitive advantage on marketing performance

Competitive advantage has a negative and significant influence on marketing performance. Judging from the T-values 2.801 > 1.96 and P-values 0.003 < 0.05. So it can be said that there is an influence between competitive advantage and the marketing performance of MSMEs in the manufacturing sector in Sumedang district. These results illustrate that MSMEs that are able to achieve competitive advantage in the manufacturing sector in Sumedang Regency tend to achieve better marketing performance. Competitive advantage, which includes elements such as product

innovation, superior customer service, or competitive pricing strategies, plays a crucial role in shaping the positive image and competitiveness of MSMEs in the market. These findings provide an important contribution in the context of MSME marketing strategies, by highlighting the importance of developing competitive advantages to improve their marketing performance in the manufacturing sector in the region. This research is in line with research by Nofrizal (2021) which states that competitive advantage influences marketing performance.

The influence of market orientation on marketing performance through competitive advantage

Market orientation has a positive and significant influence on marketing performance through competitive advantage. Judging from the test value, the T-values are 2.867 > 1.96 and the P-values are 0.005 < 0.05. So it can be said that market orientation influences marketing performance through competitive advantage in Manufacturing MSMEs in Sumedang Regency. These findings indicate that MSMEs that adopt a market orientation effectively in the manufacturing sector in Sumedang Regency tend to achieve competitive advantage, which in turn, positively influences their marketing performance. The implication of these findings is that focusing on market orientation can be an effective strategy for MSMEs to strengthen their competitive position and improve marketing performance in the context of the manufacturing industry in the region. This research is in accordance with research by Rahadini & Lamidi (2020) which states that there is an influence of market orientation on marketing performance through competitive advantage.

The influence of digital marketing on marketing performance through competitive advantage

Digital marketing does not have a significant effect on marketing performance through competitive advantage. Judging from the test value, the T-values are 1.457 < 1.96 and P-values 0.717 > 0.05. So it can be said that there is no influence of digital marketing on marketing performance through competitive advantages in Manufacturing MSMEs in Sumedang Regency. These findings indicate that the relationship between digital marketing, competitive advantage, and marketing performance cannot be considered as statistically significant. Some potential factors that could explain these results may include suboptimal implementation of digital marketing strategies, lack of adaptation of MSMEs to digital trends, or the existence of contextual factors that moderate the relationship between digital marketing performance. Therefore, MSME entrepreneurs in the manufacturing sector in Sumedang Regency need to reconsider their digital marketing approaches and strategies to increase their impact on competitive advantage and marketing performance. This result contradicts research by Hudha et al (2022) which states that there is an influence between digital marketing and marketing which is mediated by competitive advantage.

D. CONCLUSION

Based on the research results and discussions that have been analyzed by researchers, the conclusions are as follows :

- 1. Market orientation has an influence on the competitive advantage of MSMEs in the manufacturing sector in Sumedang Regency.
- 2. Digital marketing has no effect on the competitive advantage of MSMEs in the manufacturing sector in Sumedang Regency.

- 3. Market orientation has a positive and significant influence on the performance of MSMEs in the manufacturing sector in Sumedang Regency.
- 4. Digital marketing has an influence on the marketing performance of MSMEs in the manufacturing sector in Sumedang Regency.
- 5. Competitive advantage has an influence on the marketing performance of MSMEs in the manufacturing sector in Sumedang district.
- 6. Market orientation influences marketing performance through competitive advantage in Manufacturing MSMEs in Sumedang Regency.
- 7. Digital marketing has no influence on marketing performance through competitive advantages in Manufacturing MSMEs in Sumedang Regency

There are several limitations in this research, because this study was conducted through a sample taken from small businesses in the manufacturing sub-sector, as a result the findings of this research are limited to this sample. Therefore, different results may be obtained when future studies are carried out on other sector MSMEs or MSMEs registered with the Sumedang Regency UKM Service. Limitations that can be used as consideration for further research include adding independent variables with other variables such as product innovation, entrepreneurial orientation, differentiation strategy and other variables.

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