
The Role of Competitive Advantage as a Mediation of Digital Marketing on Marketing Performance

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Abstract:

The objective of this study is to investigate, through an empirical case study of Batik MSMEs in Semarang City, how competitive advantage functions as a mediator between digital marketing and marketing performance. The study's participants were Semarang City's Batik MSME owners. In this study, there were up to 100 respondents in each sample. Data analysis using PLS-SEM is used in this study. The study's findings demonstrate the considerable impact that digital marketing has on competitive advantage. Moreover, there is a notable impact of digital marketing on marketing performance. For There is a noticeable impact of competitive advantage on marketing performance. Additionally, the impact of digital marketing on marketing performance, through the medium of competitive advantage, is particularly noteworthy for Batik MSMEs in Semarang City.

Keywords: *Batik MSMEs, competitive advantage, digital marketing, marketing performance*

1. Introduction

Because the government in Indonesia strongly supports the development carried out by MSME business players, the development of MSMEs has continued to significantly increase (Dewi, Widagdo, Martini, & Suardana, 2022). Within Indonesia, MSMEs play a significant role. That is to say, beginning with increasing job opportunities, utilizing labor, creating the GDP, and offering a safety net, particularly to enable low-income individuals to engage in profitable economic activity. Greater than the contribution of major enterprises, MSMEs contribute more to the creation or expansion of the GDP. MSMEs can be said to play a direct role as providers of means of equalizing the economic level of small to medium-sized people and also indirectly play a role in overcoming the problem of poverty. Therefore, MSMEs are one answer to expanding employment and alleviating poverty because they can absorb quite a large workforce.

Basically, the MSME business itself is a very broad field, one of which is batik. As we know, batik itself has been recognized by UNESCO. Of course, this opens up a

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gap for batik MSMEs which are one of the business units that are currently increasingly developing and starting to use digital media, this is due to the existence of various promotional media that offer digital systems. Apart from that, there has been a shift in consumer shopping styles from offline to online since the COVID 19 pandemic in 2019, making MSME players have to start marketing online. Therefore, it is very important for prospective MSMEs or MSME scale entrepreneurs to have a fairly broad insight into very varied marketing strategies. One of them is by using digital marketing.

The term "digital marketing" refers to marketing initiatives, such as branding, that make use of different online channels. Digital marketing helps businesses attract new customers, develop their preferences, advertise, retain existing ones, and boost sales—all of which add up to higher profitability. According to (Kotler Philip dan Gerry Armstrong, 2016), Utilizing digital marketing tools like websites, social media, mobile advertisements, and other applications to reach customers via smartphones anywhere, at any time, is known as digital marketing and social media. Because digital marketing uses credit as the only form of payment, transactions are completed more quickly and affordably. According to (Ifana, N., & Yuliarini, 2020) the findings of a survey done by MSME participants, this has significantly impacted the average 100% increase in sales volume. (Dewi, Widagdo, Martini, & Suardana, 2022) demonstrate how the performance of the industry is directly impacted by digital marketing. Meanwhile, (Yanti & Ferayani, 2023) demonstrate how marketing performance is not mediated by digital marketing in relation to competitive advantage. On the other hand, Agustiana, (2021) states that digital marketing, competitive advantage, and business success in the good category influence business success. This demonstrates how the performance of marketing is impacted by digital marketing.

A notion called "marketing performance" is used to assess how well a business markets its goods (Tjiptono, 2015). Units like revenue, customer growth, and customer churn are used in firm marketing performance measurement to better characterize marketing success and competitiveness (Yanti & Ferayani, 2023). In summary, marketing performance serves as an indicator of how well the company's product marketing strategy is working. According to (Barreto et al., 2023) to obtain superior marketing performance, it is necessary to utilize technology used by a group of organizations or businesses. The use of technology that can be used by MSME players in Indonesia is by implementing digital marketing strategies. Using new innovations to face market competition turns out to be quite effective in winning the existing market. Therefore, MSME players are required to always innovate both in internal company affairs and to increase competitive advantage.

According to (Vera Sylvia Saragi Sitio, 2019), competitive advantage is a strategy to be superior to competitors. A company's capacity to gain a competitive edge stems from its resources and traits (Sasmita et al., 2021), when a company's actions in a market or industry provide economic value and when several competitors take similar actions, it has a competitive advantage. Hence, a company's capacity to make the most of all of its resources to create goods that surpass rivals in every way, satisfying

customers and increasing the company's market share, is what is known as a competitive advantage.

This research departs from gaps in the research of previous researchers. This study aims to explore the role that competitive advantage plays as a mediator in the relationship between digital marketing and MSME marketing performance (Freddy Rangkuti, 2017). This research will be tested on batik MSMEs in Semarang City. It is envisaged that MSME owners will use the research findings to help them choose the best marketing plan.

2. Methodology

This study employs a quantitative methodology (Sugiyono, 2016). Digital marketing is the independent variable (X), marketing performance is the dependent variable (Y1), and competitive advantage is the intervening variable (Y2) in this study (KAWIANA et al., 2021). The two categories of data used in this study's data sources are primary and secondary data. by using Semarang City's MSMEs engaged in batik as the research subject. With a sample size of 100 respondents, the population in this study consists of batik MSME owners in Semarang City who use social media to promote their products and sell online. employing non-probability sampling strategies, followed by questionnaire-based data gathering approaches and PLS SEM data analysis (Informasi et al., 2024).

3. Empirical Findings/Result

Instrument Test

Partial Least Square (PLS) is a variance-based Structural Equation Modeling (SEM) model used for analysis (Ghozali, 2021a). The assessment of the structural model (inner model) and the assessment of the outer model measurement findings are the two main assessments that serve as the foundation for the Partial Least Square (PLS) model evaluation. One of the criteria for a validity test in a study is the significance of each indicator's outer loading on the latent variable. Measurements of the outer model are assessed using the Partial Least Square (PLS) test, a multivariate statistical technique that can handle several response variables and explanatory factors concurrently (Ghozali, 2021b). The following will be the test's description:

Measurement Model (Outer Model)

Examined are the convergent validity and composite reliability of the block indicator reflected indicator measurement model.

a. Convergent Validity

The validity of reflexive indicators as variable measurements is determined by convergent validity, which is evident from the outer loading of each variable indicator. A good validity value for the instrument is defined as an outer loading value greater than 0.70 (Jonathan, 2010). A value of 0.50 is the minimum permissible outer loading value; values less than this can be disregarded in the analysis (Ghozali, 2016)

Table 1. Outer Loading Results

Indicator	Latent Variable Score	Loading Limit	Information
X1.1	0,766	0,5 – 0,7	Valid
X1.2	0,594	0,5 – 0,7	Valid
X1.3	0,828	0,5 – 0,7	Valid
Y1.1	0,864	0,5 – 0,7	Valid
Y1.2	0,812	0,5 – 0,7	Valid
Y1.3	0,677	0,5 – 0,7	Valid
Y2.1	0,817	0,5 – 0,7	Valid
Y2.2	0,722	0,5 – 0,7	Valid
Y2.3	0,806	0,5 – 0,7	Valid
Y2.4	0,774	0,5 – 0,7	Valid

Source: Processed primary data, 2024

It is evident from the study's findings that there are cross-loadings between indicators and the variable measuring constructs that are larger than 0.50 to 0.70. This suggests that every indicator is highly reliable and merits additional examination in the research.

b. Composite Reliability

Use the Cronbach's Alpha approach through the Algorithm Report menu by examining the Quality Criteria Composite Reliability value in the Smart PLS application program to conduct reliability tests on the instruments or questionnaires used in this study. If the correlation coefficient is more than 0.70, the findings are deemed credible (Muhtarom et al., 2022). This allows the testing instrument to be deemed dependable, indicating that it is capable of providing consistent measurements when used as a measurement tool (Ghozali, 2021a). The following table displays the reliability test results:

Table 2. Composite Reliability Results

Variabel	Composite Reliability	Criteria
Digital Marketing (X)	0,777	0,7
Competitive Advantage (Y1)	0,830	0,7
Marketing Performance (Y2)	0,862	0,7

Source: Processed primary data, 2024

It is evident from Table 2 above that the Composite Reliability values are higher than 0.70. This suggests that the construct-measuring indicators produce good results that are higher than the 0.70 standardized value. This theory suggests that when tested again on the same subjects, the factors of performance, motivation, organizational commitment, discipline, and supervision can produce findings that are quite consistent.

c. Discriminant Validity

The criteria for evaluating discriminant validity are established by contrasting each construct's Average Variance Extracted (AVE) with the association it has with other

constructs in the model. The model has enough discriminant validity if the AVE value for each concept is higher than the correlation between the other components.

Table 3. Discriminant Validity Results

Variable	Average Variance Extracted (AVE)
Digital Marketing (X)	0,542
Competitive Advantage (Y1)	0,622
Marketing Performance (Y2)	0,610

Source: Processed primary data, 2024

It is clear from the discriminant validity test results that each variable's Average Variance Extracted (AVE) of the constructs is greater than the 0.5 threshold. Thus, it may be said that those study variables' construct values have strong discriminant validity.

Inner Model

This study evaluates the role that competitive advantage plays in mediating the relationship between digital marketing and marketing performance using the Structural Equation Modeling (SEM) method. The test results led to the following conclusions:

Table 4. Equation of Partial Least Square (PLS) Digital Marketing Path to Marketing Performance Mediated by Competitive Advantage

Variable	Original Sample	Sample Mean	Standard Deviation	T Statistics
Digital Marketing -> Competitive Advantage	0,333	0,355	0,106	3,151
Digital Marketing -> Marketing Performance	0,268	0,279	0,109	2,467
Competitive Advantage -> Marketing Performance	0,337	0,337	0,098	3,447

Source: Processed primary data, 2024

Using the preceding table as a guide, the following equation can be used to determine the impact of digital marketing on marketing performance as mediated by competitive advantage:

$$Y1 = 0.333$$

$$Y2 = 0.268 X + 0.337 Y1$$

From this equation it shows that:

- In the original sample, for the Digital Marketing variable, a positive parameter value of 0.333 was obtained with a T-statistic value of 3.151. This indicates that as the influence of Digital Marketing increases, so does its impact on Competitive Advantage.
- In the original sample, for the Digital Marketing variable, a positive parameter value of 0.268 was obtained with a T-statistic value of 2.467. This indicates that

as the influence of Digital Marketing increases, so does its impact on Marketing Performance.

- c. In the original sample, for the Competitive Advantage variable, a positive parameter value of 0.337 was obtained with a T-statistic value of 0.3447. This suggests that as the influence of Competitive Advantage increases, its impact on Marketing Performance also increases.

Hypothesis testing

Table 5. Equation of Partial Least Square (PLS) Digital Marketing Path to Marketing Performance Mediated by Competitive Advantage

Variable	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ((O/STDEV))	P Values
Digital Marketing -> Competitive Advantage	0,333	0,355	0,106	3,151	0,002
Digital Marketing -> Marketing Performance	0,268	0,279	0,109	2,467	0,014
Competitive Advantage -> Marketing Performance	0,337	0,337	0,098	3,447	0,001

Source: Processed primary data, 2024

1. The Influence of Digital Marketing on Competitive Advantage

The T-statistic and P-values for the impact of Digital Marketing (X1) on Competitive Advantage (Y1), based on the output results, are 3.151 and 0.002, respectively. It is possible to interpret the T-statistic value of $3.151 > 1.96$ and the P-value of $0.002 < 0.050$ as evidence that the test accepts the first hypothesis, which states that Digital Marketing (X1) significantly influences Competitive Advantage (Y1).

2. The Influence of Digital Marketing on Marketing Performance

The T-statistic and P-values for the impact of Digital Marketing (X1) on Marketing Performance (Y2) are 2.467 and 0.014, respectively, based on the output data. Given that the P-value is $0.014 < 0.050$ and the T-statistic is $2.467 > 1.96$, it can be concluded that the test accepts the second hypothesis, which states that Digital Marketing (X1) significantly affects Marketing Performance (Y2).

3. The Influence of Competitive Advantage on Marketing Performance

The T-statistic and P-values for the impact of Competitive Advantage (Y1) on Marketing Performance (Y2) are 3.447 and 0.001, respectively, based on the output data. Given that the P-value is less than 0.050 and the T-statistic value is more than 1.96, it can be concluded that the test supports the third hypothesis, which states that competitive advantage (Y1) significantly affects marketing performance (Y2).

Direct and Indirect Influence

To identify the categories of competitive advantage-mediated direct and indirect influence between Digital Marketing factors and Marketing Performance, as shown in the following image:

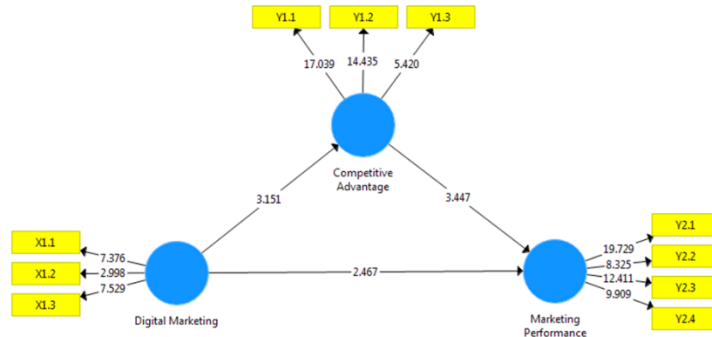


Figure 1. Path Analysis Using the PLS Method

Source: Processed primary data, 2024

Digital Marketing's Impact on Marketing Performance via Competitive Advantage

Based on the PLS test results, the path analysis results between Digital Marketing and Marketing Performance mediated by Competitive Advantage can be explained as follows:

- The direct impact of digital marketing on marketing performance is 2.467, whereas the initial sample estimate of 3.447 shows the effect of competitive advantage as a mediating variable on marketing performance.
- The indirect impact of digital marketing on marketing performance, or 10.86, is obtained by multiplying the direct impact of digital marketing on competitive advantage (3.151) by the effect of competitive advantage on marketing performance (3.447).
- The computation results above demonstrate that the indirect influence is greater in value than the direct effect: 13.33 is greater than 2.467. According to one interpretation of the computation's outcome, Competitive Advantage can act as a mediating element between Digital Marketing and Marketing Performance.

R-Square Predictive Relevance

R-square predictive relevance functions are used to assess how well the model estimates the parameters and builds the observed values (Dewi, Widagdo, Martini, Suardana, et al., 2022). A predictively relevant model is one whose R-Square value is greater than zero; a predictively irrelevant model is one whose value is less than zero. The calculating process in this study was aided by the Smart PLS program, as shown in the following table:

Table 6. R-Square Value

	R Square	R Square Adjusted
Digital Marketing's Impact on Competitive Advantage	0,111	0,102
The Mediating Role of Competitive Advantage in the Influence of Digital Marketing on Marketing Performance	0,245	0,230

Source: Processed primary data, 2024

Based on the explanation of the previous table, the R-Square value of the Digital Marketing variable on Competitive Advantage is 0.102. The model is deemed to have predictive importance since the R-Square value is greater than 0. This explanation can be understood as the 10.2% variation in the model's Digital Marketing variable, which accounts for Competitive Advantage.

Competitive Advantage is mediating the effect of the Digital Marketing variable on Marketing Performance, according to an R-Square value of 0.230. It is consequently believed that the model has predictive significance because the R-Square value is greater than 0. According to this explanation, the variance of 23% in the Digital Marketing and Competitive Advantage model can be used to explain the Marketing Performance variable.

4. Discussions

Direct Impact of Digital Marketing on Marketing Performance

This relationship highlights the immediate influence of digital marketing efforts on marketing performance metrics. Digital marketing encompasses a wide range of activities, including online advertising, social media marketing, email campaigns, and website optimization. The positive coefficient of 2.467 suggests that as organizations invest more resources and effort into digital marketing initiatives, they tend to experience improvements in various aspects of marketing performance, such as brand awareness, customer engagement, lead generation, and ultimately, sales revenue. This underscores the importance of a robust digital marketing strategy in driving overall marketing success in today's digitally-driven landscape.

Effect of Competitive Advantage as a Mediating Variable on Marketing Performance

Competitive advantage refers to the unique strengths and capabilities that enable a company to outperform its competitors and achieve superior business performance. In this context, competitive advantage serves as a mediator between digital marketing efforts and marketing performance outcomes. The significant coefficient of 3.447 suggests that organizations that can effectively leverage digital marketing to enhance their competitive positioning are more likely to experience greater marketing performance benefits. These benefits may include increased market share, higher

profitability, greater customer loyalty, and enhanced brand equity. By strategically differentiating themselves from competitors through digital channels, organizations can create sustainable competitive advantages that drive long-term marketing success.

Indirect Impact of Digital Marketing on Marketing Performance via Competitive Advantage

This relationship quantifies the combined effect of digital marketing on marketing performance when mediated through competitive advantage. The substantial coefficient of 10.86 indicates that the influence of digital marketing on marketing performance is significantly amplified when organizations are able to leverage their competitive advantages effectively. Essentially, digital marketing acts as a catalyst for enhancing competitive advantages, which, in turn, leads to greater marketing performance outcomes. Organizations that excel in leveraging digital channels to strengthen their competitive positioning can achieve a multiplier effect on their marketing effectiveness, resulting in accelerated growth, increased market share, and sustained competitive success.

In summary, the detailed analysis of each relationship underscores the interconnectedness between digital marketing, competitive advantage, and marketing performance. By understanding and optimizing these relationships, organizations can develop more effective strategies to thrive in today's dynamic and highly competitive business environment.

5. Conclusions

The preceding chapter's study findings enable the following deductions to be made: digital marketing significantly and favorably affects the marketing performance of batik MSMEs in Semarang City. This demonstrates that MSME firm owners will have a greater competitive edge the better their digital marketing is executed. Batik MSMEs in Semarang City have a considerable and favourable competitive advantage thanks to digital marketing. This demonstrates that marketing performance will increase with the quality of digital marketing executed by MSME firm owners. In batik MSMEs in Semarang City, marketing success is positively and significantly impacted by competitive advantage. This shows that the marketing effectiveness of MSMEs will increase in direct proportion to their competitive advantage. Competitive advantage may have an impact on the relationship that mediates this link because of the strong correlation between it and the association between digital marketing and marketing performance.

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