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Microeconomic Drivers of Competitive Advantage: The Influence of Innovation and Digital Marketing on Rezeky Payet Business

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Abstract:

The Micro, Small, and Medium Enterprises (MSMEs) sector plays a pivotal role in driving economic growth, particularly in North Sumatra. One such MSME is Rezeky Payet Indonesia, which has recently experienced a decline in competitive advantage, as indicated by decreasing sales volume. This study investigates the influence of innovation and digital marketing as microeconomic drivers of competitive advantage in the Rezeky Payet business. The research population comprises all end consumers who have made purchases at Rezeky Payet, with an undetermined total number. Consequently, the sample size of 96 respondents was determined using the Lemeshow formula, appropriate for unknown population sizes. The results show that both innovation and digital marketing have significant partial effects on competitive advantage. Moreover, when considered simultaneously, these two variables exhibit a strong and statistically significant influence on the competitive advantage of Rezeky Payet. These findings underscore the importance of continuous innovation and effective digital marketing strategies in enhancing the competitive positioning of MSMEs.

Keywords: *Innovation, Digital Marketing, Competitive Advantage, MSMEs, Rezeky Payet*

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1. Introduction

In today's increasingly competitive business environment, appearance and fashion play a strategic role in shaping both social identity and professional presence. Clothing serves not only as a functional necessity but also as a vehicle for self-expression and adaptation to social expectations (Pantano et al., 2021). For university students and professionals alike, personal presentation can enhance self-confidence, social credibility, and open future opportunities. Sequins, in particular, have emerged as prominent decorative elements within the fashion industry. Their sparkling visual appeal contributes not only to aesthetics but also to the artistic value of garments, strengthening brand identity and signaling creative craftsmanship (Fadhillah et al., 2022).

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In Indonesia, Micro, Small, and Medium Enterprises (MSMEs) contribute significantly to national economic growth, especially in the creative sectors such as fashion, culinary, and crafts (Muniroh & Diposumarto, 2023). In North Sumatra, the sequin garment industry has gained traction, supported by local government initiatives, exhibitions, and institutional programs that provide business capital, training, and marketing assistance (Indra et al., 2023). As MSMEs are increasingly encouraged to adopt innovation and digital strategies, businesses within the decorative fashion industry must evolve to remain competitive. However, despite its long-standing presence and market recognition, Rezeky Payet Indonesia—a sequin-focused MSME in Medan—has experienced a notable decline in market competitiveness, attributed to stagnation in innovation and weak digital marketing strategies.

The main problem addressed in this study is the weakening competitive advantage of Rezeky Payet Indonesia, as evidenced by declining sales and poor market penetration. In the current business landscape, competitive advantage is largely driven by the capacity to innovate and utilize digital tools to expand market presence (Afriyie et al., 2020; Ha & Ploenhad, 2019). However, Rezeky Payet has shown limited progress in these areas. Between 2019 and 2023, the company introduced no significant innovations in product design, sales channels, or branding strategies. Additionally, the company's digital presence remains underdeveloped, with minimal activity across social media platforms and no dedicated e-commerce infrastructure (Alnoor et al., 2020).

This situation reveals a gap in the literature and practice: while numerous studies have demonstrated the positive relationship between innovation, digital marketing, and MSME performance (Sharabati et al., 2024; Audita & Anief, 2024), empirical evidence remains limited in the context of highly specialized MSMEs within the fashion and decorative sectors in Indonesia. Prior studies such as Rezaei and Sharif (2021) and Jamaludin (2021) emphasize innovation in broad retail or technology-related MSMEs, yet few focus specifically on businesses like Rezeky Payet, which operate in niche aesthetic markets and rely heavily on cultural, artistic, and visual appeal.

This research addresses that gap by offering a contextualized analysis of how innovation and digital marketing shape competitive advantage in sequin-based MSMEs. The novelty of this study lies in its focus on microeconomic factors at the intersection of cultural aesthetics and digital business strategy—particularly in a regional MSME setting. Unlike earlier research that generalizes innovation outcomes across sectors (Lisetyaningrum & Padmantyo, 2024; Uzir et al., 2021), this study explores how design-based innovation and digital adaptation can synergize to elevate brand uniqueness and customer engagement in fashion crafts.

Furthermore, the study contributes to the literature by highlighting how the absence of technological adaptation directly impacts the strategic posture of decorative fashion MSMEs. As discussed by Khaliq (2016) and Pingkan and Sari (2023), knowledge management and business model innovation are essential for sustaining competitiveness, yet Rezeky Payet has not demonstrated strategic responsiveness in

these areas. The company's reluctance to modernize its sales infrastructure or collaborate with digital influencers and online communities undercuts its potential to expand market share and respond to evolving consumer behavior.

The relevance of digital marketing cannot be overstated, especially for MSMEs seeking visibility and growth in saturated markets. Digital platforms such as Instagram, Facebook, TikTok, and online marketplaces offer cost-effective channels for reaching new audiences and strengthening customer relationships (Wahyudi & Kurniawan, 2021). Unfortunately, Rezeky Payet Indonesia has not adopted these tools effectively, thereby limiting its ability to attract Gen Z and millennial customers who dominate the online fashion consumer base (Nainggolan & Sipayung, 2022; Utarayana & Sudiartha, 2021). This underscores the urgency for digital transformation, particularly in marketing communication and product showcasing.

The objective of this study is to examine the microeconomic drivers of competitive advantage at Rezeky Payet Indonesia by evaluating the influence of innovation and digital marketing. Specifically, the study aims to (1) analyze the partial influence of innovation on competitive advantage, (2) examine the partial influence of digital marketing on competitive advantage, and (3) assess the combined effect of innovation and digital marketing on strengthening the firm's market position. The findings will offer practical recommendations for MSMEs in similar industries to adopt strategic innovation and digital approaches to enhance long-term competitiveness.

2. Theoretical Background

Competitive Advantage

Competitive advantage refers to a company’s ability to deliver greater value to its customers compared to its competitors, resulting in above-average industry performance. Utarayana and Sudiartha (2021) state that competitive advantage can be achieved by strategically utilizing internal resources and distinctive capabilities that are difficult for competitors to replicate. This is aligned with Pingkan and Sari (2023), who emphasize that effective knowledge management significantly contributes to the development of sustainable competitive advantage for SMEs.

Moreover, Wahyudi and Kurniawan (2021) highlight that supply chain management plays a crucial mediating role in achieving competitive advantage and improving overall company performance. Silitonga and Sari (2023) also stress the importance of supply chain practices in enhancing SMEs’ competitiveness, suggesting that operational efficiency and value-added processes are vital contributors. According to Jamaludin (2021), superior performance is attainable when firms continuously improve operational activities and integrate strategic decision-making.

From another perspective, Khaliq (2016) and Rezaei and Sharif (2021) argue that the firm’s ability to leverage organizational knowledge and convert it into innovative strategies and processes is a major driver of competitive advantage. In line with this, Lisetyaningrum and Padmantyo (2024) assert that knowledge management positively

influences SME performance by supporting strategic agility and competitive responsiveness. Therefore, competitive advantage emerges from a firm's capacity to combine its unique resources, knowledge base, and operational systems into an integrated strategic framework that produces superior value for its stakeholders.

Innovation

Innovation, particularly product innovation, is the process of creating or improving products to meet changing consumer preferences, thus generating interest and influencing purchase decisions. According to Afriyie, Du, and Musah (2020), innovation originates from creative ideas and is reinforced by transformational leadership that encourages risk-taking and continuous improvement. Riyanti (2019, as cited in Fadhillah et al., 2022) describes innovation as the transformation of creativity into practical outcomes, enabling businesses to adapt to market demands.

Viki and Gons (2018, as cited in Audita & Anief, 2024) introduce the innovation framework as a stepwise process—from idea generation to business model validation and finally scaling. Widaningsih (2019, as cited in Muniroh & Diposumarto, 2023) adds that innovation must be intentional, planned, and aimed at offering something novel or significantly improved over existing solutions.

Lestari (2019, as referenced by Indra, Triyogo, & Ramadienna, 2023) defines innovation as a strategic endeavor utilizing technology and information to convert ideas into commercially viable offerings. In summary, innovation is a strategic process that leverages creativity, technology, and business acumen to increase value, functionality, and market competitiveness of products or services.

Digital Marketing

Digital marketing is a strategic approach that uses internet-based technologies and digital platforms to promote products or services. It plays a critical role in expanding market reach, engaging customers, and improving marketing effectiveness. According to Rahman (2024), digital marketing helps businesses build brand awareness, strengthen customer relationships, and drive sales in an increasingly competitive digital landscape.

Ramadian et al. (2024) emphasize that digital marketing allows for personalized engagement and provides measurable outcomes, making it indispensable for modern businesses. Rezeki et al. (2023) define it as the use of digital channels—including websites, social media, and online advertising—to promote products and build brand identity. Marnoto (2024) supports this view, adding that digital marketing extends beyond conventional methods by integrating various digital tools and devices.

Kurniawan (2023) highlights the value of digital marketing in enabling firms to access real-time data on customer preferences and behavior, thus supporting strategic decision-making. Similarly, Sharabati et al. (2024) conclude that digital marketing significantly enhances SME performance by optimizing engagement and improving resource allocation in the digital environment. Alnoor, Gopal, and Al-Abrrow (2020)

also found that effective digital marketing contributes to competitive advantage and overall business success.

In conclusion, digital marketing serves as a vital tool for modern businesses, offering scalable, data-driven, and interactive solutions to meet market challenges and drive sustainable growth.

3. Methodology

This study employs a quantitative research approach. Quantitative research is a systematic method that relies on numerical data and statistical tools to gather and analyze measurable variables. The population targeted in this research includes all end consumers who have made purchases from Rezeky Payet. However, since the exact population size is unknown, the Lemeshow formula was used to determine an appropriate sample size, which is suitable for studies with unspecified populations. Based on this method, 96 respondents were selected as the research sample. The sampling technique used is accidental sampling, a non-probability method where respondents are chosen based on spontaneous encounters. In this approach, individuals who meet predetermined criteria and are available during the data collection process are considered eligible to participate.

To analyze the collected data, this study employs multiple linear regression analysis. This statistical technique is used to examine the relationship between one dependent variable and two or more independent variables. It allows the researcher to evaluate the extent to which each independent variable influences the dependent variable, while controlling for the effects of others. The use of multiple regression is appropriate in this context, as it provides a comprehensive understanding of how factors such as competitive advantage, innovation, and digital marketing simultaneously affect consumer purchase decisions. Data were processed and analyzed using SPSS software to ensure accuracy and reliability of the results.

4. Empirical Findings/Result

Instrument Test
Validity test
The research instrument was initially tested for validity using the Pearson Product-Moment Bivariate Correlation method. The correlation coefficient between each item and the total score was compared against the Pearson critical value at a 5% significance level using a two-tailed test. Item validity testing is conducted to assess how accurately an item measures the intended construct. The significance test was based on the critical value of the correlation coefficient (r-table) at a 0.05 significance level using a two-tailed approach. An item is considered valid if the correlation coefficient (r-calculated) is positive and greater than the r-table value. Conversely, if the r-calculated is less than the r-table value, the item is deemed invalid (Priyatno, 2018). The results of the validity test for all variables indicated that all Corrected Item-

Total Correlation values exceeded the minimum threshold of 0.361. Therefore, it can be concluded that all statements in the questionnaire are valid.

Reliability Test

Reliability testing is generally used to assess the consistency of a questionnaire or interview results, aiming to ensure whether the instrument can be relied upon to accurately reflect the subject of the study. To determine the reliability outcome, the Cronbach's Alpha coefficient is typically interpreted. If the Cronbach's Alpha value is less than 0.6, it can be concluded that the data collected is not sufficiently reliable to support the findings of the research.

Table 1. Reliability Test Results

Variable	Reliability Value	Standard	Information
Innovation (X1)	0,776	0,6	Reliable
Digital Marketing (X2)	0,859		Reliable
Competitive Advantage (Y)	0,882		Reliable

Source: 2025 processed original data

Since each variable's Cronbach's Alpha coefficient esteem is higher than the study's pivotal esteem of 0.6, the unwavering quality calculations' comes about illustrate the legitimacy of each variable utilized within the think about.

Traditional assumption test

Test of normalcy

This test is used to determine whether the residuals in a regression model follow a normal distribution. In linear regression, it is important that the random error terms (e) are normally or approximately normally distributed to ensure the data is suitable for statistical analysis. A normally distributed regression model is ideal for valid statistical inference. One common method for assessing normality in regression is the probability plot technique, which involves comparing the cumulative distribution of the residuals to a normal distribution.

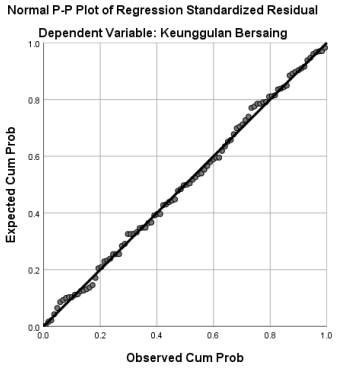

Figure 1. Results of the Normalcy Test

Source: 2025 processed original data

Residuals are considered normally distributed if the data points cluster around the diagonal line and follow its direction. This serves as a basis for determining normality. Conversely, if the data points deviate significantly from the diagonal line or do not

align with its direction, the residuals are not normally distributed. In the results above, the data points are aligned along the diagonal and follow its trend, indicating that the residuals are approximately normally distributed.

Test of Multicollinearity

Multicollinearity test aims to examine whether there is a high or perfect correlation among independent variables in a regression model. If perfect multicollinearity occurs between independent variables, the regression coefficients for those variables cannot be determined, and the standard error values become infinite. In cases where multicollinearity is high but not perfect, the regression coefficients can still be estimated; however, they will have large standard errors, meaning the coefficients cannot be accurately estimated. The commonly used cutoff values indicating the presence of multicollinearity are a tolerance less than 0.1 or a Variance Inflation Factor (VIF) greater than 10 (Supriadi, 2020).

Table 2. Results of the Multicollinearity Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	4.383	1.761		2.489	.015		
	Innovation	.351	.076	.378	4.603	.000	.775	1.290
	Digital Marketing	.364	.065	.457	5.572	.000	.775	1.290

a. Dependent Variable: Competitive Advantage

Source: 2025 processed original data

According to the decision-making criteria, multicollinearity is considered absent if the tolerance value is greater than 0.10 and the Variance Inflation Factor (VIF) is below 10. This indicates that there is no correlation among the independent variables. Based on the results shown in the table above, the tolerance values exceed 0.10 and the VIF values for each independent variable are well below 10. Therefore, it can be concluded that the independent variables in the regression model do not exhibit multicollinearity.

Test of Heteroscedasticity

The purpose of the heteroscedasticity test is to determine whether the residuals of one observation have constant variance relative to a fixed observation in the regression model. If the variance is constant, this condition is called homoscedasticity; if not, it is referred to as heteroscedasticity. For a valid regression model, it is essential that heteroscedasticity is not present. The presence of heteroscedasticity can be detected using a scatterplot test.

Test for Heteroscedasticity

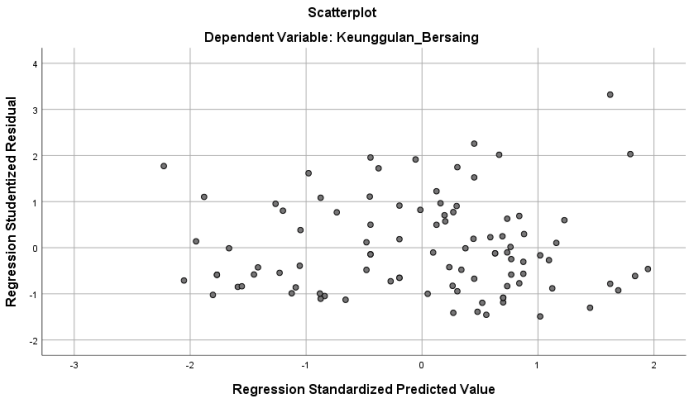

Figure 2. Heteroscedasticity Result
Source: 2025 processed original data

Decisions regarding the presence or absence of heteroscedasticity depend on whether the data distribution follows a specific pattern or is random. If the distribution is irregular and does not exhibit any clear pattern, it indicates the absence of heteroscedasticity. Based on the results above, there is no heteroscedasticity issue in the data, as the scatterplot shows a random distribution without any distinct pattern.

Analysis of Regression

Multiple regression analysis is a method used to determine whether there is a significant partial or simultaneous influence between two or more independent variables on one dependent variable (Priyatno, 2018). Based on the number of independent variables, regression is classified into two types: simple linear regression and multiple linear regression. Simple linear regression involves only one independent variable and one dependent variable, whereas multiple linear regression involves two or more independent variables and one dependent variable (Riyanto and Hatmawan, 2020).

Results of Multiple Linear Regression

Table 3. The Competitive Effects of Innovation and Digital Marketing

Coefficients[a]								
		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Model		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	4.383	1.761		2.489	.015		
	Innovation	.351	.076	.378	4.603	.000	.775	1.290
	Digital Marketing	.364	.065	.457	5.572	.000	.775	1.290

a. Dependent Variable: Competitive Advantage

Source: 2025 processed original data

The results of the multiple regression analysis indicate that both Innovation (X1) and Digital Marketing (X2) have a positive influence on Competitive Advantage (Y1), as evidenced by their positive regression coefficients. This suggests that any increase in Innovation and Digital Marketing is expected to enhance Competitive Advantage. The regression equation obtained from the analysis is: **Y1 = 4.383 + 0.351X1 + 0.364X2 + e**. The constant value (α) of 4.383 indicates that if both Innovation and Digital Marketing are held at zero, the baseline level of Competitive Advantage would be 4.383 units. The coefficient for Innovation (b1 = 0.351) implies that a one-unit increase in Innovation, while holding Digital Marketing constant, results in an increase of 0.351 units in Competitive Advantage. Similarly, the coefficient for Digital Marketing (b2 = 0.364) shows that a one-unit increase in Digital Marketing, assuming Innovation is constant, will increase Competitive Advantage by 0.364 units. These findings affirm that both innovation and digital marketing play significant roles in strengthening a firm's competitive advantage.

Godness Of Fit Test

Fractional Parameter Centrality Test (T Measurable Test)

The t test is utilized to test components that affect the independent variable on the subordinate variable solely (solely), so the t test is utilized. The t table condition = the number of respondents brief two or composed utilizing the condition: t table = 96 – 2 = 94, the t table regard is found to be 1.985.

Table 5. t Test Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	4.383	1.761		2.489	.015		
	Innovation	.351	.076	.378	4.603	.000	.775	1.290
	Digital Marketing	.364	.065	.457	5.572	.000	.775	1.290

a. Dependent Variable: Competitive Advantage

Source: 2025 processed original data

Regression analysis results lead to the following outcome:

1. Examination of the Innovation Variable (X1):
   The innovation variable has a t value of 4.603 with a significance level of 0.000. Since the t value is more than 1.985 in the t table and the significance value (Sig.) is 0.000 < 0.05, it can be said that Ha is accepted and H0 is rejected. This indicates that competitive advantage (Y1) is significantly influenced by innovation (X1). Thus, H1 is approved.
2. Analysis of the Digital Marketing Variable (X2):
   With a significance level of 0.000 and a calculated t value of 5.572 > t table 1.985, the digital marketing variable also has a significance value (Sig.) of 0.000 < 0.05. Thus, it can be concluded that digital marketing (X2) significantly influences competitive advantage (Y1), and therefore H0 is rejected and Ha is accepted. As such, H2 is approved.

Simultaneous Test (F Measurable Test)

The F test is utilized to test components that affect the independent variables on the subordinate variable simultaneously (together), so the F test is utilized. The F table condition = the number of independent variables and the number of respondents minus the number of independent variables minus one or composed utilizing the condition: df1 = 2 and df2 = 96 – 2 – 1 = 93, the F table regard is found to be approximately 3.09 at the 0.05 significance level.

Table 6. R Square Test Results,

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	552.314	2	276.157	49.397	.000[b]
	Residual	519.926	93	5.591		
	Total	1072.240	95			

a. Dependent Variable: Competitive Advantage

b. Predictors: (Constant), Digital Marketing, Innovation

Table 6 presents the results of the ANOVA (Analysis of Variance) used to test the simultaneous effect of the independent variables, Digital Marketing and Innovation, on the dependent variable, Competitive Advantage. The F-test value obtained is 49.397, which is significantly higher than the F table value of approximately 3.09 at a 0.05 significance level with degrees of freedom df1 = 2 and df2 = 93. The significance value (Sig.) is 0.000, which is less than 0.05, indicating that the regression model is statistically significant. This means that Digital Marketing and Innovation together have a significant influence on Competitive Advantage.

Coefficient of Determination (R Square)

The value of the coefficient of determination (R^2) ranges between zero (0) and one (1). A low R^2 value indicates that the independent variables have very limited ability to explain the variation in the dependent variable. Conversely, a value close to one suggests that the independent variables provide nearly all the necessary information to predict changes in the dependent variable.

Table 7. R Square Test Results,

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.718[a]	.515	.505	2.364

a. Predictors: (Constant), Digital Marketing, Innovation

b. Dependent Variable: Competitive Advantage

Source: 2025 processed original data

The comes about of the examination of the coefficient of assurance in different straight relapse with an R^2 (Balanced R Square) esteem of 0.505, which implies that the impact of the free factors money related demeanor and monetary involvement on identity factors is 50.5%, whereas the rest is affected by other components not considered.

5. Discussion

The findings of this study confirm the significant role of innovation and digital marketing in enhancing competitive advantage within the Rezeky Payet business. The regression analysis demonstrates that both variables have a positive and statistically significant influence on competitive advantage. This result aligns with prior research conducted by Afriyie et al. (2020), who emphasized that innovation is crucial for SMEs as it drives product differentiation and responsiveness to market changes, which in turn enhances their competitive edge. The ability of Rezeky Payet to implement innovative processes and continuously improve its product offerings reinforces its capacity to stand out in a competitive market environment. Similarly, Audita and Anief (2024) also found that innovation significantly contributes to MSME performance by creating a strong basis for strategic differentiation.

Moreover, digital marketing was shown to positively influence competitive advantage, supporting the view that digital platforms allow businesses to connect with wider audiences, improve engagement, and increase visibility. This supports the work of Alnoor et al. (2020), who argued that digital marketing enhances both competitive advantage and business performance by offering real-time interactions and data-driven strategies. Further, Sharabati et al. (2024) noted that modern digital transformations play a pivotal role in SME performance, particularly through their impact on marketing reach and customer experience. The integration of innovation and digital marketing in this study mirrors the findings of Indra et al. (2023), who highlighted that these two factors synergistically strengthen competitive advantage, especially when strategically aligned. The significance of the combined effect, as demonstrated by the F-test results, affirms that leveraging both innovation and digital tools is vital for achieving sustainable growth and adapting to the fast-evolving marketplace. In conclusion, this study not only reinforces the theoretical understanding of competitive advantage but also provides practical insights for SMEs like Rezeky Payet to prioritize innovation and digital strategies in order to maintain a competitive position.

6. Conclusions

The results of this study are expected to positively influence the Rezeky Payet business by enhancing its competitive advantage through the effective application of innovation and digital marketing strategies. Strengthened innovation practices contribute to product differentiation and operational efficiency, while digital marketing enables broader market reach and deeper customer engagement. Collectively, these factors support the overall growth, resilience, and sustainability of the business in an increasingly competitive market landscape.

Furthermore, these findings may serve as valuable input for stakeholders such as local business development institutions, government agencies, and industry partners in designing targeted programs and policies that promote innovation and digital literacy. Support mechanisms such as training, public outreach, access to digital marketing

platforms, and innovation funding can significantly empower businesses like Rezeky Payet to enhance their market competitiveness.

Nonetheless, this study is subject to certain limitations, particularly the relatively small sample size, which may limit the generalizability of the results. Future research is encouraged to involve a more diverse set of businesses and adopt a mixed-method approach, incorporating interviews, case studies, and direct observations. This would provide a more comprehensive understanding of how innovation and digital marketing contribute to competitive advantage, especially among small and medium-sized enterprises.

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