

# Research Horizon

ISSN: 2808-0696 (p), 2807-9531 (e)

## Research Horizon

Volume: 06  
Issue: 02  
Year: 2026  
Page: 795-808

## Citation:

Budiman, A., & Supriadi, Y. N. (2026). Marketing innovation linking digital marketing, strategy, and MSME performance in Jakarta. *Research Horizon*, 6(2), 795-808.

## Article History:

Received: January 14, 2026  
Revised: January 25, 2026  
Accepted: April 27, 2026  
Online since: April 30, 2026

## Marketing Innovation Linking Digital Marketing, Strategy, and MSME Performance in Jakarta

Aditty Budiman<sup>1</sup>, Yudi Nur Supriadi<sup>\*</sup>

<sup>1</sup> Universitas Pembangunan Nasional Veteran Jakarta, Jakarta, Indonesia

<sup>\*</sup> Corresponding author: Yudi Nur Supriadi ([yudinursupriadi@upnrvj.ac.id](mailto:yudinursupriadi@upnrvj.ac.id))

## Abstract

This study aims to examine the effects of digital marketing and marketing strategy on the marketing performance of MSMEs, while investigating whether marketing innovation mediates these relationships within a government-operated digital procurement platform. A quantitative explanatory research design was employed. Data were collected through a survey of 369 MSMEs actively registered on the E-order platform managed by the Jakarta Provincial Procurement Service Agency. The data were analyzed using SmartPLS 4 to assess both direct and indirect relationships among the constructs. The findings reveal that digital marketing has a positive and significant effect on marketing innovation and marketing performance. Marketing strategy also shows a strong and significant direct influence on marketing performance and emerges as the most dominant determinant. However, marketing innovation does not significantly affect marketing performance and does not mediate the relationships between digital marketing, marketing strategy, and marketing performance. The results suggest that, within institutionally regulated digital procurement environments, MSME marketing performance is driven primarily by direct strategic execution and effective utilization of digital marketing capabilities rather than innovation-based mechanisms. These findings provide practical insights for MSME managers and policymakers in designing more effective digital marketing and strategic support programs.

## Keywords

Digital Marketing, Marketing Innovation, Marketing Strategy, Marketing Performance.

## 1. Introduction

Digital technologies have become a transformative force that fundamentally reshapes competitive dynamics across global markets, requiring firms in diverse industries to continuously recalibrate their strategies to remain viable and competitive under conditions of increasing volatility and uncertainty (Atanasova, 2024). Beyond altering organizational processes, digital transformation has substantially reconfigured consumer expectations, which now emphasize immediacy, accessibility, personalization, and seamless digital interactions across multiple channels. Contemporary marketing scholarship consistently demonstrates that digitalization has shifted value creation mechanisms toward analytics-driven decision making, technology-enabled engagement, and experience-centered marketing logics (Kraus et al., 2022; Valdez-Juárez et al., 2025).

Within this evolving landscape, digitally mediated customer experience has emerged as a central pillar of marketing effectiveness and relational sustainability. Prior research by Ahmad et al. (2022) highlights that the perceived quality of digital interactions increasingly determines customer retention and long-term value creation. Jung and Shegai (2023) and Deku et al. (2024) indicate that digital marketing should be understood not merely as a communication instrument, but as a strategic organizational capability that enhances performance outcomes when coherently aligned with marketing strategy. Consequently, digital marketing has gained recognition as a critical competitive resource, particularly for Micro, Small, and Medium Enterprises (MSMEs) operating in digitally intensive environments (Setiawan et al., 2025).

Despite its strategic relevance, the capacity to respond effectively to digital transformation remains uneven among MSMEs, which represent a cornerstone of Indonesia's economic structure (Idrus, 2024). While MSMEs contribute approximately 61.1% of national GDP and are dominated by micro-scale enterprises (98.68%), many remain constrained by limited digital competencies, insufficient human capital, and underdeveloped technology-based marketing capabilities (Kraus et al., 2022; Anatan & Nur, 2023). Empirical evidence suggests that digital adoption among Indonesian MSMEs is frequently fragmented and tactical rather than strategic, resulting in limited marketing impact despite platform participation (Rachinger et al., 2019; Sunggara et al., 2024).

From a service-dominant logic perspective, marketing success depends less on digital channel availability than on firms' abilities to solve customer problems and co-create value through meaningful interactions (Sadiq & Waheed, 2023). However, MSME performance in developing economies is often interpreted as an automatic consequence of technology adoption, neglecting the importance of strategic integration and execution. This highlights the need to examine complementary mechanisms that strengthen the performance effects of digital marketing.

Marketing innovation has therefore attracted growing scholarly attention as a potential strategic mechanism (Putra, 2025). Defined as the capability to design and implement novel marketing approaches in response to market dynamics, marketing innovation is frequently theorized as a link connecting digital marketing and marketing strategy to performance outcomes (Nambisan et al., 2021; Naidoo, 2022). Drawing on the resource-based view and dynamic capabilities theory, marketing innovation enables MSMEs to transform digital resources into sustainable competitive advantages (Porter, 2008; Park, 2020).

Nevertheless, empirical findings regarding its mediating role remain inconclusive and context sensitive. This issue is particularly salient in Jakarta, which records the highest proportion of digitally advanced MSMEs (42.6%) nationwide (Alifudin et al., 2024). Although the provincial government has introduced the E-order platform to facilitate MSME access to public procurement markets, participation has not

translated into proportional transactional outcomes. Internal data reveal that only 12% of registered MSMEs actively transact through the platform, indicating that platform availability alone is insufficient without effective strategic integration and marketing innovation (Development Planning and Regional Procurement Services Agency of the Administrative City of Jakarta, 2025). Against this background, this study examines the mediating role of marketing innovation in the relationship between digital marketing, marketing strategy, and marketing performance of MSMEs in Jakarta, offering empirical insights from an emerging economy context.

## **2. Literature Review and Hypothesis Development**

### **2.1. Digital Marketing, Marketing Performance, and Marketing Innovation**

Digital marketing is the use of digital technologies and online platforms to create, communicate, and deliver value to customers through interactive and data-driven processes. It has evolved from a promotional tool into a strategic capability that enhances customer engagement, enables personalization, and expands market reach (Kraus et al., 2022). For MSMEs, digital marketing reduces entry barriers, lowers costs, and facilitates access to broader markets (Sunggara et al., 2024). Empirical studies consistently show that digital marketing positively affects marketing performance, particularly through increased brand visibility, customer engagement, and sales growth across both emerging and developed economies (Jung & Shegai, 2023; Safitri & Komaryatin, 2025). In MSMEs, social media, online marketplaces, and e-commerce platforms enable real-time customer interaction and feedback, enhancing responsiveness and competitiveness. However, their effectiveness depends on strategic alignment and organizational capability, as digital marketing does not automatically improve performance without a clear strategy and proper use of customer data (Hanssens et al., 2014). Its impact is therefore determined by how well it is integrated into the overall marketing strategy.

Marketing innovation is defined as the implementation of new marketing methods involving significant changes in product design, promotion, pricing, or distribution to meet better customer needs and market dynamics (Park, 2020; Purchase & Volery, 2020). In the digital era, marketing innovation is driven by digital technologies that enable firms to develop new engagement approaches and value propositions. Digital marketing supports MSMEs by providing access to customer data, analytics, and interactive platforms that foster innovation, allowing firms to test promotions, personalize communication, and optimize customer journeys more efficiently. Prior research indicates that digital marketing capabilities enhance market sensing and customer responsiveness, thereby encouraging marketing innovation (Nambisan et al., 2019; Naidoo, 2022). Empirical evidence by Jung and Shegai (2023) and Gao et al. (2023) confirms a positive relationship, showing that digital marketing innovation improves organizational capabilities in small firms and that MSMEs adopting such innovations tend to expand markets and strengthen customer relationships.

H1: Digital marketing has a positive effect on the marketing performance.

H2: Digital marketing has a positive effect on marketing innovation.

### **2.2. Marketing Strategy, Marketing Performance, and Marketing Innovation**

Marketing strategy represents a firm's long-term orientation in selecting target markets, positioning offerings, and allocating marketing resources to achieve competitive advantage (Porter, 2008). For MSMEs, an effective marketing strategy is essential for navigating competitive pressures and resource constraints, particularly in dynamic and digitally mediated markets. Previous studies consistently report a strong positive relationship between marketing strategy and

marketing performance. Firms that implement coherent and adaptive marketing strategies tend to achieve higher sales growth, market share, and customer satisfaction (Sopha et al., 2021). In the MSME context, strategic clarity enables firms to utilize limited resources more efficiently and to align marketing activities with customer needs. Despite the growing importance of digital tools, marketing strategy remains a critical determinant of performance outcomes. Sharabati et al. (2024) emphasize that digital marketing initiatives are more effective when guided by a clear strategic framework rather than implemented in an ad hoc manner. This suggests that marketing strategy plays a direct and influential role in shaping marketing performance.

Marketing strategy not only affects performance directly but also shapes firms' ability to innovate in marketing practices. Strategic orientation influences resource allocation, market interpretation, and responses to competition, which in turn affect innovation activities. From a dynamic capabilities perspective, proactive and adaptive strategies enhance firms' capacity to develop marketing innovations in response to changing customer needs and technological shifts (Porter, 2008). Prior studies by Nambisan et al. (2019) also indicate that strategic flexibility and market orientation support marketing innovation by encouraging experimentation and learning. However, evidence on the strategy–innovation relationship remains mixed, particularly in MSMEs. Some studies report positive effects, while others find weak or insignificant relationships due to limited resources and implementation capability (Kraus et al., 2022).

H3: Marketing strategy has a positive effect on marketing performance.

H4: Marketing strategy has a positive effect on marketing innovation.

### **2.3. Marketing Innovation and Marketing Performance**

Marketing innovation is widely regarded as a potential source of competitive advantage because it enables firms to differentiate their offerings, enhance customer experience, and improve value delivery in increasingly dynamic markets. From a theoretical perspective, innovative marketing practices are expected to strengthen marketing performance by increasing customer attraction, retention, and long-term loyalty (Park, 2020). By introducing new approaches in promotion, pricing communication, digital engagement, and customer relationship management, firms can better respond to shifting consumer preferences and competitive pressures. In addition, marketing innovation allows organizations to create more personalized and interactive value propositions, which are particularly important in digital-driven markets where customer expectations continue to evolve rapidly.

Several empirical studies support the positive impact of marketing innovation on performance outcomes. Nambisan et al. (2019) and Naidoo (2022) found that firms engaging in marketing innovation tend to achieve higher market responsiveness, stronger customer engagement, and improved overall performance. In the context of MSMEs, marketing innovation can help overcome structural limitations such as limited resources and scale disadvantages by enabling more efficient and targeted market reach. However, other studies also highlight that the impact of marketing innovation is not always direct or immediate. Kraus et al. (2022) argue that innovation outcomes depend heavily on organizational readiness, digital capability, and market acceptance. In resource-constrained MSMEs, marketing innovation may even introduce additional complexity without guaranteeing proportional performance gains.

H5: Marketing innovation has a positive effect on marketing performance.

### 2.4. The Mediating Effect of Marketing Innovation

The mediating role of marketing innovation has received increasing attention in contemporary marketing research. Jung and Shegai (2023) argue that digital marketing and marketing strategy may not only affect marketing performance directly but also indirectly by enabling firms to develop and implement innovative marketing practices that better align with evolving customer needs and market dynamics. In this sense, marketing innovation functions as a key mechanism through which strategic and digital capabilities are transformed into superior performance outcomes. However, empirical findings regarding this mediating relationship remain inconclusive. While several studies confirm that marketing innovation significantly mediates the relationship between strategic and digital capabilities and firm performance, other studies report weak or non-significant mediation effects, particularly in MSME contexts where innovation processes are often informal, fragmented, and constrained by limited resources.

Ferreira et al. (2020) and Chatterjee et al. (2022) these inconsistent findings suggest that the mediating role of marketing innovation is highly context-dependent and may vary according to firms' internal capabilities, managerial competencies, and external institutional environments. In MSMEs, in particular, the effectiveness of marketing innovation as a mediating mechanism may be influenced by limited financial resources, lack of skilled human capital, and weak technological infrastructure, which can hinder the full realization of innovative marketing practices. Nevertheless, marketing innovation is still theoretically considered an important explanatory mechanism linking digital marketing and marketing strategy to marketing performance. Therefore, this study explicitly investigates the mediating role of marketing innovation in these relationships.

H6: Marketing innovation mediates the relationship between digital marketing and marketing performance.

H7: Marketing innovation mediates the relationship between marketing strategy and marketing performance.

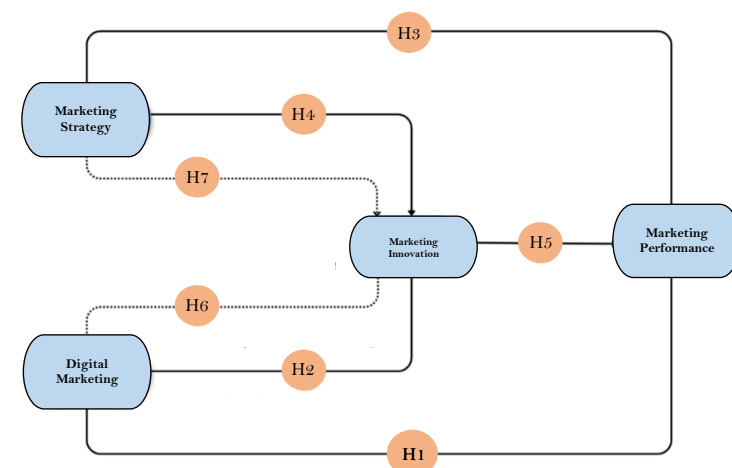


Figure 1. Research Framework

Figure 1 illustrates a conceptual research model that explains the relationships among marketing strategy, digital marketing, marketing innovation, and marketing performance. The model shows that marketing strategy and digital marketing are expected to directly and indirectly influence marketing innovation, which subsequently affects marketing performance. In addition, both strategic and digital marketing are also proposed to have direct effects on marketing performance, indicating their dual roles as both antecedents of innovation and independent drivers

of performance outcomes. The framework emphasizes that marketing performance in MSMEs is shaped by the integration of strategic orientation and digital capabilities through the mediating role of marketing innovation (Kumar et al., 2020; Astuti & Handayani, 2021; Lubis et al., 2025).

### 3. Methods

This study employs a quantitative approach with an explanatory research design to analyze and explain the causal relationships between digital marketing and marketing strategy on MSME marketing performance, with marketing innovation positioned as a mediating variable. The explanatory design is considered appropriate because it enables systematic and empirical hypothesis testing based on numerical data collected through surveys, thereby providing objective evidence regarding the direction and strength of relationships among the research variables (Sugiyono, 2022). To ensure that theoretical constructs are measured accurately, this study applies operational definitions that translate abstract concepts into measurable and empirically observable indicators (Sekaran & Bougie, 2020). Within the proposed research framework, digital marketing and marketing strategy are specified as independent variables, marketing innovation as an intervening variable, and marketing performance as the dependent variable. All constructs were measured using a structured questionnaire with a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree), to capture respondents' perceptions in a consistent and standardized manner.

The research population comprises all MSMEs actively registered on the E-order application managed by the Regional Procurement Service Agency (*Badan Pelayanan Pengadaan Barang/BPPBJ*) of the Jakarta Provincial Government, totaling 5,891 business units. Given the relatively homogeneous characteristics of the population as users of a government digital platform, probability sampling was employed using the simple random sampling technique, ensuring that each population member had an equal opportunity to be selected. The sample size was determined using the Slovin formula with a 5% margin of error, resulting in a final sample of 369 respondents (Santoso, 2004; Podsakoff et al., 2012). Primary data were collected through the online distribution of questionnaires using Google Forms to MSMEs utilizing the E-order platform. This data collection method was chosen for its efficiency, broad reach, and suitability to respondents who are already familiar with digital platforms. All collected responses were subsequently screened and processed to ensure data completeness and response consistency prior to further analysis.

Data analysis was conducted using Partial Least Squares–Structural Equation Modeling (PLS-SEM) with SmartPLS software. PLS-SEM was selected due to its suitability for predictive and complex models, its ability to analyze latent variable relationships simultaneously, and its robustness to non-normal data and moderate sample sizes (Kock, 2015; Ghozali, 2021; Sarstedt et al., 2021). The measurement model (outer model) was evaluated using outer loadings and Average Variance Extracted (AVE) to assess convergent validity, while reliability was tested through Cronbach's alpha and composite reliability. The structural model (inner model) was assessed using  $R^2$  to determine explanatory power and  $Q^2$  to evaluate predictive relevance. Hypothesis testing was performed through bootstrapping at a 5% significance level to obtain path coefficients, t-statistics, and p-values. In addition, the mediating effect of marketing innovation was assessed using the Variance Accounted For (VAF) approach to determine both the existence and the nature of the mediation effect (Carrión et al., 2017).

#### 4. Results

Verificatory analysis was employed to empirically test the proposed hypotheses using statistical estimation results. The conceptual framework of this study posits digital marketing and marketing strategy as independent variables, marketing innovation as a mediating variable, and marketing performance as the dependent variable, examined within the context of MSMEs actively participating in the E-order platform administered by the Jakarta Provincial Procurement Service Agency.

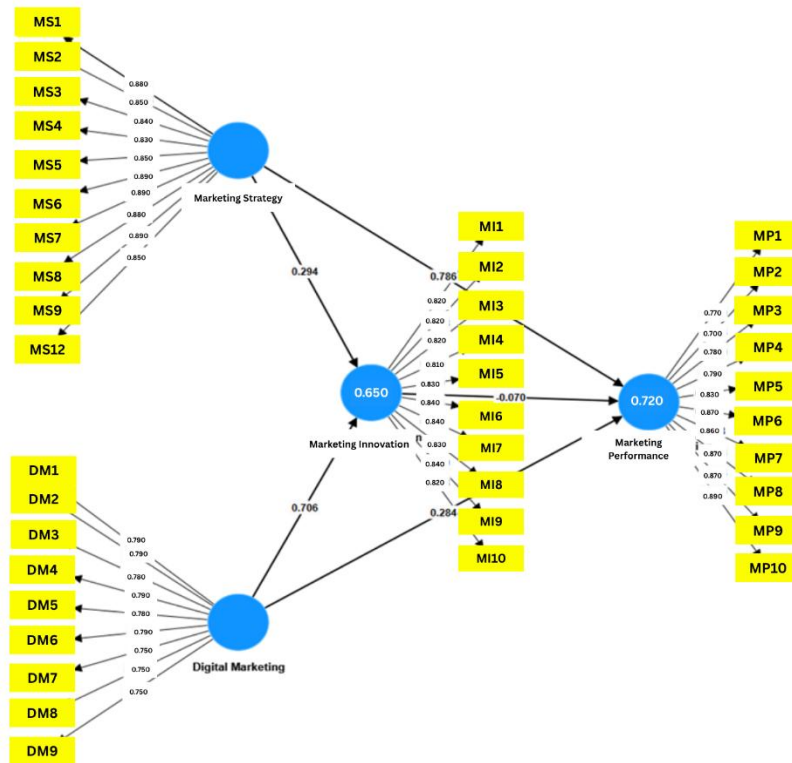


Figure 2. Model Structural

Figure 2 presents a Structural Equation Modeling (SEM-PLS) path diagram illustrating the relationships between marketing strategy, digital marketing, marketing innovation, and marketing performance, where each construct is measured by its respective indicators. The structural paths show the hypothesized relationships among variables, indicating that marketing strategy and digital marketing contribute to marketing innovation, while all three variables ultimately influence marketing performance, with marketing innovation also serving as a mediating construct within the model.

Table 1. Outer Loadings, Cronbach’s Alpha, Composite Reliability, and AVE

Variable	Indicator	Outer Loading	CA	CR	AVE
Marketing Strategy	MS1	0.880	0.91	0.94	0.74
	MS2	0.850			
	MS3	0.840			
	MS4	0.830			
	MS5	0.850			
	MS6	0.890			
	MS7	0.890			
	MS8	0.880			
	MS9	0.890			
	MS12	0.850			

Variable	Indicator	Outer Loading	CA	CR	AVE
Digital Marketing	DM1	0.790	0.87	0.90	0.58
	DM2	0.790			
	DM3	0.780			
	DM4	0.790			
	DM5	0.780			
	DM6	0.790			
	DM7	0.750			
	DM8	0.750			
	DM9	0.750			
Marketing Innovation	MI1	0.820	0.91	0.93	0.69
	MI2	0.820			
	MI3	0.820			
	MI4	0.810			
	MI5	0.830			
	MI6	0.840			
	MI7	0.840			
	MI8	0.830			
	MI9	0.840			
	MI10	0.820			
Marketing Performance	MP1	0.770	0.89	0.92	0.66
	MP2	0.700			
	MP3	0.780			
	MP4	0.790			
	MP5	0.830			
	MP6	0.870			
	MP7	0.860			
	MP8	0.870			
	MP9	0.870			
	MP10	0.890			

Table 1 shows the outer loading results, indicating that all indicators of marketing strategy, digital marketing, marketing innovation, and marketing performance are valid and reliably measure their respective constructs. Marketing strategy shows very strong indicator loadings ranging from 0.83 to 0.89, while digital marketing presents adequate loadings between 0.75 and 0.79. Marketing innovation also demonstrates consistently high loadings from 0.81 to 0.84, and marketing performance ranges from 0.70 to 0.89, with all values exceeding the minimum acceptable threshold of 0.70, indicating strong indicator reliability across all constructs.

In addition, the reliability and validity of the constructs are supported by Cronbach's Alpha (CA), Composite Reliability (CR), and Average Variance Extracted (AVE). Marketing strategy shows CA = 0.90, CR = 0.88, and AVE = 0.75; digital marketing shows CA = 0.86, CR = 0.89, and AVE = 0.60; marketing innovation shows CA = 0.93, CR = 0.90, and AVE = 0.68; while marketing performance shows CA = 0.90, CR = 0.87, and AVE = 0.68. All constructs meet the recommended criteria, confirming that the measurement model is reliable, internally consistent, and has good convergent validity.

**Table 2.** Coefficient of Determination (R<sup>2</sup>) & Q Square

Variable	R Square	Q Square
Marketing Innovation	0.65	0.54
Marketing Performance	0.72	0.58

Based on the analysis conducted using SmartPLS 4, the coefficient of determination (R<sup>2</sup>) and Q Square values for the endogenous constructs are presented

in Table 2. The results show that the structural model has a strong explanatory and predictive capability. The R<sup>2</sup> value of 0.65 for marketing innovation indicates that 65% of the variance in marketing innovation is explained by the exogenous variables in the model, while the remaining 35% is influenced by other factors outside the model. Meanwhile, the R<sup>2</sup> value of 0.72 for marketing performance shows that 72% of the variance in marketing performance is explained by the predictor variables, indicating a substantial level of explanatory power.

In addition, the Q Square values of 0.54 for marketing innovation and 0.58 for marketing performance indicate strong predictive relevance of the model. Since both values are above 0.50, it confirms that the model has a high level of predictive accuracy in explaining and predicting both endogenous constructs. These results demonstrate that the proposed model is both explanatory and predictive in nature, with strong structural performance.

**Table 3.** Path Coefficients and Hypothesis Testing Results

Structural Path	Original Sample	Sample Mean	Std. Deviation	t-statistics	P-values	Decision
Digital Marketing → Marketing Innovation	0.706	0.671	0.202	3.497	0.000	Supported
Digital Marketing → Marketing Performance	0.235	0.248	0.076	3.079	0.002	Supported
Marketing Strategy → Marketing Performance	0.765	0.752	0.076	10.025	0.000	Supported
Marketing Strategy → Marketing Innovation	0.294	0.329	0.202	1.453	0.146	Not Supported
Marketing Innovation → Marketing Performance	-0.070	-0.044	0.085	0.826	0.409	Not Supported

Based on the results presented in Table 3, the structural model indicates several important relationships among the variables. Digital marketing shows a positive and significant effect on marketing innovation ( $\beta = 0.706$ ;  $t = 3.497$ ;  $p < 0.05$ ), meaning that stronger implementation of digital marketing practices contributes to the development of marketing innovation among MSMEs. In addition, digital marketing also has a significant direct effect on marketing performance ( $\beta = 0.235$ ;  $t = 3.079$ ;  $p < 0.05$ ), indicating that digital marketing is able to improve marketing performance directly without necessarily being mediated by innovation.

Marketing strategy, on the other hand, does not have a significant effect on marketing innovation ( $\beta = 0.294$ ;  $t = 1.453$ ;  $p > 0.05$ ), suggesting that strategic planning alone is not sufficient to stimulate innovation activities. However, marketing strategy shows a strong and significant positive effect on marketing performance ( $\beta = 0.765$ ;  $t = 10.025$ ;  $p < 0.05$ ), highlighting its dominant role in driving MSME performance outcomes. Meanwhile, marketing innovation does not have a significant effect on marketing performance ( $\beta = -0.070$ ;  $t = 0.826$ ;  $p > 0.05$ ), indicating that innovation does not act as a mediating variable in this relationship. The findings suggest that MSME marketing performance is primarily driven by

direct effects of digital marketing and marketing strategy rather than through marketing innovation as an intervening mechanism.

To further examine the mediating role of marketing innovation, indirect effects among the study variables were analyzed. The results are summarized in Table 4.

**Table 4.** Indirect Effects

Path Relationship	Original Sample	Sample Mean	Std. Deviation	t-statistics	P-values	Decision
Digital Marketing → Marketing Innovation → Marketing Performance	-0.048	-0.052	0.058	0.826	0.409	Not Supported
Marketing Strategy → Marketing Innovation → Marketing Performance	-0.021	-0.019	0.045	0.467	0.641	Not Supported

Based on the results presented in Table 4, the mediation analysis indicates that marketing innovation does not significantly mediate the relationship between digital marketing and marketing performance, as well as between marketing strategy and marketing performance. Specifically, the indirect effect of digital marketing through marketing innovation is negative and not significant ( $\beta = -0.048$ ;  $t = 0.826$ ;  $p = 0.409$ ), while the indirect effect of marketing strategy through marketing innovation is also negative and not significant ( $\beta = -0.021$ ;  $t = 0.467$ ;  $p = 0.641$ ). These findings suggest that marketing innovation fails to function as an effective mediating mechanism in the model. Instead, MSME marketing performance is more strongly influenced by the direct effects of digital marketing and marketing strategy rather than through innovation-based pathways.

## 5. Discussion

This study examined the effects of digital marketing and marketing strategy on MSME marketing performance, with marketing innovation as a mediating variable in the context of MSMEs operating on the E-order platform of BPPBJ DKI Jakarta. The findings provide several important theoretical and practical contributions, particularly regarding how digital capabilities and strategic orientation shape performance in a regulated digital marketplace. The results show that digital marketing has a significant positive effect on both marketing innovation and marketing performance. This finding is in line with Gao et al. (2023), who argue that digital marketing enhances MSME performance by strengthening customer engagement and market responsiveness. It also supports Sharabati et al. (2024) and Safitri and Komaryatin (2025), who found that digital marketing adoption significantly improves SME marketing outcomes through enhanced strategic interaction with customers. In a broader sense, this finding is consistent with Kraus et al. (2022) and Atanasova (2024), who emphasize that digital transformation improves competitiveness and adaptability in SMEs. However, unlike some studies that position digital marketing primarily as an enabler of innovation (Nambisan et al., 2019), this study confirms that its impact is also directly performance-driven, especially in platform-based procurement environments such as E-order.

Marketing strategy is found to have a strong and significant direct effect on marketing performance, confirming its dominant role in determining MSME

success. This supports Porter (2008) and Park (2020), who emphasize that strategic positioning and execution are key determinants of competitive advantage. It is also consistent with Sopha et al. (2021) and Setiawan et al. (2025), who found that well-formulated marketing strategies significantly enhance MSME performance. However, this finding contrasts with some digital-era studies by Nambisan et al. (2019) that suggest innovation plays a stronger role than traditional strategic planning, indicating that in regulated environments, strategy remains more decisive than innovation.

Marketing strategy does not significantly influence marketing innovation. This result contradicts Nambisan et al. (2019), who argue that strategic orientation should stimulate innovation capability in digital contexts. However, it aligns with Rachinger et al. (2019), Anatan and Nur (2023), and Alifudin et al. (2024), who highlight that MSMEs often face structural limitations such as low digital readiness and resource constraints, which hinder the transformation of strategy into innovation outcomes. This suggests that strategic planning alone is insufficient without adequate digital capability support.

Furthermore, marketing innovation does not significantly affect marketing performance and fails to mediate the relationship between digital marketing and marketing performance, as well as between marketing strategy and marketing performance. This finding contradicts Jung and Shegai (2023) and Valdez-Juárez et al. (2025), who emphasize marketing innovation as a key mechanism linking digital capability to performance. However, it is consistent with Hanssens et al. (2014), who argue that the effectiveness of innovation is highly context-dependent. In regulated environments such as E-order procurement systems, performance is more strongly determined by compliance, price competitiveness, and procedural accuracy rather than innovation-based differentiation, which limits the effectiveness of marketing innovation as a mediating mechanism.

These findings extend the literature by demonstrating that while digital marketing and marketing strategy significantly enhance MSME performance, marketing innovation does not always function as a mediating mechanism. This challenges the dominant assumption in prior studies (Jung & Shegai, 2023) that innovation universally drives performance outcomes. Instead, the results highlight that in institutionally constrained digital environments, direct strategic execution and digital capability utilization are more influential than innovation-based pathways. This study implies that marketing innovation is not always an effective mediating mechanism, highlighting the importance of context in digital environments. It shows that MSME performance is more strongly driven by direct digital marketing and marketing strategy rather than innovation. MSMEs should focus on strengthening digital capabilities and strategic execution to improve performance.

## **6. Conclusion**

The findings indicate that digital marketing has a significant positive effect on both marketing innovation and marketing performance, showing that the use of digital channels and technology-based customer engagement contributes directly to improved performance outcomes. Marketing strategy also has a strong and significant direct effect on marketing performance, highlighting that strategic clarity, positioning, and execution are key determinants of MSME success in a regulated digital procurement environment. However, marketing innovation does not significantly affect marketing performance and does not mediate the relationship between digital marketing, marketing strategy, and marketing performance, indicating that performance improvements are driven more by direct strategic and digital capabilities rather than innovation mechanisms.

This study implies that the role of marketing innovation is context-dependent and not always a key pathway in explaining performance outcomes. MSMEs are encouraged to prioritize strengthening digital marketing capabilities and improving strategic execution rather than relying solely on innovation-based approaches, while platform managers and policymakers should support digital readiness and strategic capacity building.

This study has several limitations. The cross-sectional design limits the ability to capture changes over time, and the use of self-reported data may introduce bias. In addition, the study is limited to MSMEs within a single digital procurement platform, which may affect the generalizability of the findings. The high explanatory power of the model should also be interpreted with caution due to potential construct overlap and common method bias. Future research is recommended to use longitudinal designs to better capture dynamic relationships among variables. Researchers should also consider incorporating objective performance data, such as sales or transaction records, to improve measurement accuracy. Comparative studies across different digital platforms and institutional settings are also suggested to enhance generalizability and deepen understanding of how digital marketing, strategy, and innovation interact in different contexts.

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### ***Acknowledgment***

We gratefully acknowledge the contributions of individuals who supported the completion of this article.

### ***Funding Information***

This research did not receive any funding.

### ***Conflict of Interest Statement***

The authors declare that there is no conflict of interest.

### ***Ethical Approval and Originality Statement***

Ethical approval was obtained for this study. The manuscript represents original work and has not been previously published, nor is it under consideration by another journal.

### ***Data Disclosure Statement***

The data that support the findings of this study are available from the corresponding author upon reasonable request.



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