

E-Marketing Usage As An Increase In Competitive Advantage Through Product Innovation And Marketing Performance (Survey On MSMEs In Central Java)

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ABSTRACT

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MSMEs are the most important pillar of the Indonesian economy. MSMEs have a very significant contribution to the national economy (GDP). MSMEs also have an important role in advancing the regional economy to make MSMEs conduct the increasingly competitive business competition. This requires every MSME to have its advantages to compete in the global world. This research aims to test the influence of e-marketing usage on competitive advantage through product innovation and marketing performance. The sampling technique uses purposive sampling with a sample of 347 MSMEs in Central Java. Data analysis techniques use path analysis with Warp PLS 5.0 software. The results showed that e-marketing usage has a positive and significant effect on product innovation and competitive advantage, and e-marketing usage has a positive and significant effect on competitive advantage through product innovation. However, e-marketing usage does not affect marketing performance and e-marketing usage does not affect competitive advantage through product innovation.

Introduction

MSMEs are the most important pillar of the Indonesian economy. MSMEs have a very significant contribution to the national economy (GDP). Based on data from the Ministry of Cooperatives and SMEs, the number of MSMEs currently reaches 64.2 million with a contribution to GDP of 61.07% or worth 8,573.89 trillion rupiahs. The contribution of MSMEs to the Indonesian economy includes the ability to absorb 97% of the total workforce and can collect up to 60.4% of the total investment. The existence of this very large contribution makes the target of the national entrepreneurship ratio in the National Medium-Term Development Plan (RPJMN) to reach 3.9% and new entrepreneurial growth of 4% by 2024. In addition to a large contribution to the

Country, MSMEs also have another advantage, namely their high level of flexibility, relative to their competitors (Statistik, 2021)

In addition, MSMEs have an important role in advancing the regional economy. Efforts to grow MSMEs are at least based on three reasons, namely 1) MSMEs aim to absorb labour, 2) income equality and 3) poverty alleviation. The existence of this reason makes the challenges faced by MSMEs to strengthen the structure of the national economy quite heavy. Therefore, the empowerment of MSMEs is needed to be more directed at increasing the long process of small entrepreneurs becoming medium entrepreneurs and micro-entrepreneurs into small businesses. However, to make it happen MSMEs experience several obstacles such as skills, expertise, managing human resources, marketing information and financial records. To minimize these obstacles, a strategy is needed so that MSME players are ready to improve sectors of the economy based on independence or competitive advantage in the competition of the ASEAN Economic Community (AEC) ([Shaltoni et al., 2018](#)).

MSMEs are classified as marginal types of businesses because of the relatively simple use of technology, low capital levels, access to low credit, and tend to be oriented to the local market. Therefore, it is necessary to pursue the right strategy to empower MSMEs so that the welfare of the community increases. Various strategic roles are owned by the MSME sector, but this sector is also faced with various problems. In its application, it was found that related problems experienced by MSMEs included (1) lack of capital, (2) difficulties in marketing, (3) intense business competition, (4) raw material difficulties, (5) lack of technical production of expertise, (6) lack of business managerial skills and quality of human resources of managers, (7) lack of skills in terms of financial management, (8) business climate (licensing, laws and regulations) that are less conducive. Other small and informal business constraints and problems are also caused by difficult access to information and productive resources such as capital and technology, which results in the limited ability of small businesses to develop ([Kurniawan & Fauziah, 2014](#)).

The existence of various obstacles and problems owned by MSMEs makes business competition more competitive. This requires every MSME to have its advantages to compete in the global world. This advantage will distinguish them from competitors and be able to win the business competition. (Porter, 1985) in his book competitive advantage explains that competitive advantage can be achieved if the company implements a generic strategy. While the generic strategy in question is low cost (low cost), differentiation (differentiation), and focus (focus).

([Narver & Slater, 1990](#)) revealed that companies must have a market orientation that is considered a business culture to achieve competitive advantage by creating superior customer value. ([Day & Bens, 2005](#)) also said that to facilitate market orientation in the era of the industrial revolution, technology-based marketing strategies or e-marketing usage are needed. E-marketing usage is useful for developing value chain efficiency, reducing costs, getting positive promotions from



person to person and increasing customers for competitive advantage. (Drennan & McColl-Kennedy, 2003) stated several things that can be done through e-marketing usage, namely ordering (ordering), sales and payment. The existence of e-marketing usage makes business performance increase and competitive advantage also increases. In addition, the advantage of e-marketing usage is easy to use, more secure security and can reach a wider range of consumers across the country. The results of studies conducted by (Maçik et al., 2012; Rahayu & Day, 2017) support this statement that the use of e-marketing usage directly increases the competitive advantage of businesses, especially MSMEs.

(Foroudi et al., 2017) explained that e-marketing usage can affect a large number of MSME assets both tangible and intangible. MSMEs that use e-marketing usage can increase product innovation produced and have advantages in the form of improved marketing performance. (Tawas & Djodjobo, 2014) explained in their research that increasing product innovation will make the competitive advantage of MSMEs also increase. (Tan & Sousa, 2015) also revealed that increased marketing performance will also increase competitive advantage for MSMEs as a result of increasing the advantages MSMEs.

(Govindaraju et al., 2015) revealed that e-marketing usage as a medium of increasing competitive advantage in Indonesia has been implemented by companies on large scale. However, MSMEs as one of the economic drivers in Indonesia still have not implemented e-marketing usage optimally. Central Java as one of the rapidly growing provinces has a large number of MSMEs. The number of MSMEs in Central Java from 2014 - 2021 is as follows.

Table 1
Number of MSMEs in Central Java

Year	Number of MSMEs	Absorption of labour (Person)	Turnover (in Billion Rp)	Assets (in Billion Rp)
2014	99.681	608.893	24.587	13.947
2015	108.937	740.740	29.113	19.046
2016	115.751	791.767	43.570	22.891
2017	133.679	918.455	49.247	26.249
2018	143.738	1.043.320	55.691	29.824
2019	161.458	1.312.400	67.550	38.158
2020	167.391	1.298.007	67.087	38.353
2021	172.498	1.308.907	67.196	38.481

Source: Central Java Small and Medium Enterprise Cooperative Office, 2021

Based on the table above, the number of MSMEs in Central Java has increased from 2014 to 2021. The increase was quite significant followed by an increase in the absorption of labour, turnover and assets from MSMEs. However, MSMEs in Central Java still apply e-marketing. According to BPS data, only 17.02% of MSMEs in Central



Java have implemented e-marketing usage in businesses. The reason is that MSMEs in Central Java are reluctant to use, among others, as much as 68.3% because it is more convenient to sell directly (offline), 47.75% are not interested in selling online, and 31.8% lack knowledge or expertise (Statistik, 2019). The low application of e-marketing usage by MSMEs will make it difficult for MSMEs to compete in the global world. The government's target is that by 2023 must enter the digital market.

Research on e-marketing has been done before, (Shaltoni et al., 2018) revealed that e-marketing is a breakthrough in the world of marketing where one can use information and internet technology to market products to consumers. (Sidek et al., 2020) also revealed that e-marketing usage has a significant positive effect on competitive advantage. (Nurhayati, 2020) also stated that e-marketing usage has a significant positive effect on competitive advantage, e-marketing usage has a positive effect on marketing performance and e-marketing usage has a significant positive effect on competitive advantage through marketing performance.

The novelty of this research with previous research is the development of (Nurhayati, 2020) by adding product innovations as variable mediation. In this endemic era, it is very necessary for product innovation so that MSMEs can compete in the global world to face THEA. In addition, the government's target that requires MSMEs in 2023 to enter the digital market world makes MSMEs must be aware of e-marketing usage and product innovation. Based on the above presentation, this study aims to find out the role of e-marketing usage on competitive advantage through product innovation and marketing performance in MSMEs in Central Java.

Literature Review

Competitive Advantage Theory

The competitive advantage theory was introduced by (Anthony et al., 2012) where there are three strategies to get a competitive advantage, namely: Cost leadership strategy (cost leadership strategy) which is the ability of companies to set the price of products or services more affordable than competitors. Then, differential strategy (differential strategy) is a company able to make products and services that are different from competitors. As well as a focus strategy (focus strategy) is a strategy to get to a certain niche market rather than reaching the entire market. Competitive advantage not only requires the three things mentioned above but also requires a technology that can provide information quickly to its customers. (Stokes, 2011) revealed that the technology is referred to as e-marketing where e-marketing is a very fast and convenient medium in business transactions such as sales and purchases including coming up with ideas and information needed by companies. In other words, through e-marketing usage, the company can create and develop the website it has to create a new strategy to improve its business.

Competitive Advantage



Competitive advantage indicates the power possessed by a company or organization against competition from competitors. (Cravens & W, 1996) divides the source of competitive advantage into 3 components. Firstly superior skills allow the organization to select and execute strategies that will distinguish the organization from its competitors. These skills include technical, managerial, and operational abilities. Secondly, superior resources allow the formation of dimensions of excellence. For example, a strong network of work, production capabilities, marketing power (experienced salespeople), technology and natural resources. When superior control includes the ability to monitor and analyze business processes and results.

The value (value) provided by consumers is the basis for creating a competitive advantage. This value can be created through lower prices compared to competitors or unique product benefits (Cravens & W, 1996). In practice, this value can be owned by small or large companies. They can take advantage of technological developments that can provide unique products to consumers or reach a wider market at competitive prices (Rahayu & Day, 2017).

E-Marketing usage

Changes in global trends that lead to the use of digital media as a competitive advantage for companies cause the adoption of e-marketing to be increasingly important. (Chong et al., 2010) explained that the advantage of MSMEs using e-marketing is to increase sales to increase competitive advantage. In addition, MSMEs in Indonesia that utilize e-marketing have the potential to expand the market, increase sales, increase the company's image, and increase employee productivity benefits (Rahayu & Day, 2017). According to the results of a study conducted by (Maçik et al., 2012), companies use e-marketing as a competitive advantage and testing in the domestic market, if successful, the company will apply it in foreign markets.

In addition, the use of e-marketing by MSMEs has also been proven to increase innovation in products and increase marketing performance which leads to competitive advantage (Foroudi et al., 2017). (Soto-Acosta et al., 2018) stated that MSMEs that utilize IT capabilities can produce product innovations and lead to a competitive advantage. The results of the same study were presented by (Hendrawan et al., 2019) the use of e-marketing will improve the marketing performance of MSMEs in Indonesia. (Pradiani, 2018) revealed that the use of social media as an e-marketing medium affects increasing MSMEs marketing. (Nurhayati, 2020) also stated in his research that e-marketing usage has a positive effect on competitive advantage and marketing performance. (Labanauskaitė et al., 2020) stated that, e-marketing tools used in the Lithuanian tourism industry are effective, although, there are strategies that are not fully operational or not used at all.

Then, (Gunawan & Sulaeman, 2020) also stated Digital marketing is influenced by the knowledge of ICT adoption and Innovation. (Dr. Abdallah Mishaal Obeida et al., 2021) showed his study found out that E-Marketing has an effect on all the



dimensions of the competitive advantage. (Khamaludin et al., 2021) stated that the results of data analysis show that social media marketing has a significant effect on marketing performance. (Fachriyan et al., 2021) his research the results showed that among the six e-marketing mix variables, place and people variables had a significant effect on marketing performance. (Respatiningsih, 2021) also stated the results of his study showed that the use of e-commerce has an impact on improving the marketing performance of MSMEs, and these findings also indicate that competitive advantage has a role a mediating the effect of ecommerce on marketing performance during the Covid pandemic 19. Based on the description of the previous study, the hypotheses proposed are:

H1: E-marketing usage has a positive and significant effect on product innovation

H2: E-marketing usage has a positive and significant effect on competitive advantage

H3: E-marketing usage has a positive and significant effect on marketing performance

Product Innovation

Innovation in products is needed considering the increasingly fierce business competition, therefore if MSMEs continue to innovate will have a competitive advantage (Muhammad Bukhori Dalimunthe, 2017). Previous research has suggested a link between product innovation and competitive advantage, especially in MSMEs. (Setiawan, 2012) stated that product innovation also increases the competitive advantage of MSMEs songket in Palembang. Then, (Tawas & Djodjobo, 2014) stated that product innovation can affect competitive advantage in MSMEs in Manado City. (Kamboj & Rahman, 2017) suggests that companies that focus on innovation strategies will increase their competitive advantage. (Haryono & Marniyati, 2018) stated in their findings that innovation affects competitive advantage directly or indirectly through business performance.

(Suendro, 2010) concluded the results of a study that MSMEs that innovate their products will affect marketing performance and ultimately increase competitive advantage. (Fadhilah & Andriyansah, 2017) the findings of the study that product innovation produced by MSMEs will improve marketing performance. The results of a study conducted by (Afriyie et al., 2020; Mursid et al., 2019) suggest that product innovation can significantly affect marketing performance. (Kuncoro & Suriani, 2018) also showed the results of the study show that the effect of Product innovation (PI) on sustainable competitive advantage (SCA) is positive significant. Based on the description of the previous study, the hypotheses proposed are:

H4: Product innovation has a positive and significant effect on competitive advantage

Marketing performance

Several previous studies have proven that marketing performance will increase the competitive advantage of MSMEs. (Tan & Sousa, 2015) stated that the company



will excel if it can have marketing performance and is accompanied by a competitive advantage strategy (low-cost strategy and differentiation strategy). (Haryono & Marniyati, 2018) concluded their findings that business performance can affect competitive advantage. (Suendro, 2010) suggests that the increasing growth of marketing performance will create a sustainable competitive advantage. (Nuryakin, 2018) suggests that the ability to market a business needs to be maintained by the organization to get a competitive advantage. (Jamshi & Ganeshkumar, 2017) stated that the company's good performance will increase its competitive advantage. (Udriyah et al., 2019) also showed Market orientation and innovation also have significant effects on business performance both directly and indirectly through competitive advantage, not only that, market orientation, innovation, and competitive advantage give contributions to the business performance. (Nurhayati, 2020) stated that marketing performance has a positive effect on competitive advantage. Based on the description of the previous study, the hypotheses proposed are:

H5: Marketing performance has a positive and significant impact on competitive advantage

Here is an image of the frame of mind in this study:

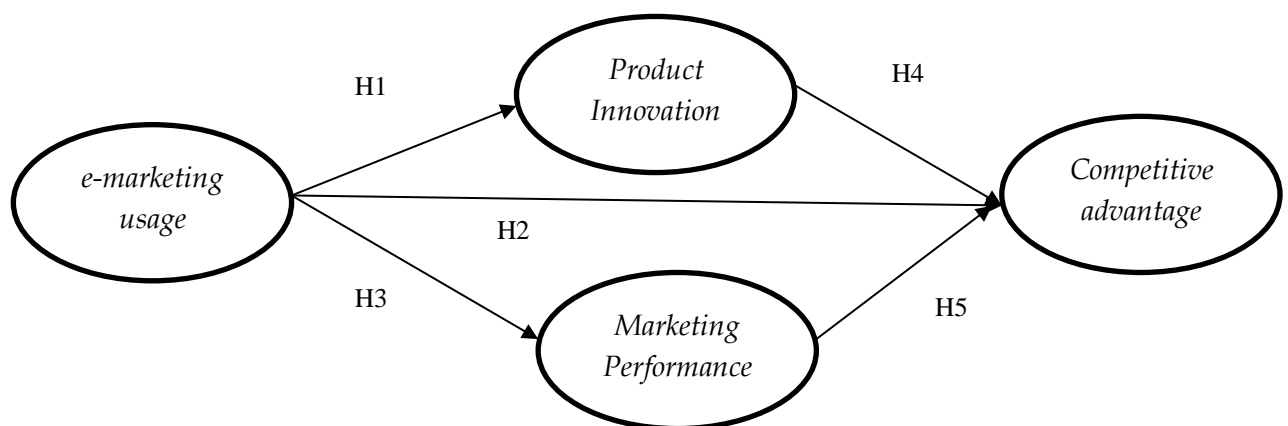


Figure 1. Frame of Mind

Method

This research is included in quantitative studies with MSME populations spread across Central Java, namely Surakarta, Karanganyar, Sragen, Sukoharjo, Klaten, Boyolali, and Magelang. This study sample is MSMEs consisting of MSME production / Non-Agricultural, Agriculture, Trade and services. This research sample is as many as 347 MSMEs.

Sampling in this study using purposive sampling techniques wherein the data collection using criteria, namely MSMEs have joined in sales through e-commerce such as shopee, tokopedia, lazada, instagram, facebook or what App business. Data retrieval techniques by conducting surveys in the form of questionnaire deployments. Questionnaires were distributed to 500 MSMEs through Gform in MSME communities



spread across Surakarta, Karanganyar, Sragen, Sukoharjo, Klaten, Boyolali, and Magelang.

The data analysis technique in this study used Warp PLS 5.0 software. Testing is carried out using 2 substructural models, namely the measurement model (outer model) and the structural model (inner model). The outer model serves to assess the validity and reliability of the model which includes convergent validity, determinant validity, composite reliability and Cronbach's alpha. The inner model serves as an evaluation of the model by using R^2 for dependent constructs, path coefficient values or t-value (Abdillah & Jogiyanto, 2015). The rule of thumb path coefficient score or inner model is indicated by the p-value value must be <0.05 with a significance level of 5% (Kock, 2015).

Result and Discussion

Result

Measurement model (Outer Model)

Measurement model testing (outer model) is used to validate the built research model. The two parameters are construct validity testing (convergent validity and determinant) and construct internal consistency (reliability) testing. Tests of construct validity and internal consistency have been met all with indicator 39. After testing the validity of the construct and consistency is met, hypothesis testing will be carried out.

Model structural (inner Model)

Hypothesis testing is done using a structural model (inner model) which serves to test the relationships between variables. Here are the results of testing structural models (inner models) in this study:

Table 2 Path Coefficients

Variable	Path Coefficient	P-Values	Result
EMS => CA	0,578	<0.001	Significant positives
EMS => PI	0,703	<0.001	Significant positives
EMS => MP	-0,027	0,427	Insignificant
PI => CA	0,501	<0.001	Significant positives
MP => CA	0.458	0.025	Significant positives

Source: Processed Primary Data, 2022 (significance, 5%)

Information:

EMS: E-Marketing usage,

CA: Competitive advantage,



PI: Product Innovation,
MP: Marketing Performance

Discussion

Hypothesis 1 testing: e-marketing usage has a positive and significant effect on product innovation

Statistical test results prove that e-marketing usage has a positive and significant effect on product innovation (p-value <0.001 and path coefficients 0.703). This result can be said that **H1 accepted**, meaning that the higher the use of e-marketing usage, the higher the product innovation owned by MSMEs. The capacity to use e-marketing usage makes MSMEs have high competitiveness through the invasion of products created. The higher the intensity of the use of e-marketing of an MSME, the greater the opportunity for product innovation created by MSMEs such as product differentiation. Therefore, e-marketing media provides a support system for the development of MSMEs.

The results of this study are in line with [Setiawan \(2012\)](#) and [Dalimunthe \(2017\)](#) where the resulting product innovation is influenced by the use of e-marketing. Then, the results of this study also are in line with [\(Labanauskaitė et al., 2020\)](#) stated that, e-marketing tools used in the Lithuanian tourism industry are effective, although, there are strategies that are not fully operational or not used at all. [\(Gunawan & Sulaeman, 2020\)](#) also stated Digital marketing is influenced by the knowledge of ICT adoption and Innovation. [\(Cravens & W, 1996\)](#) stated that the use of information media can support the innovation process carried out. Information media will speed up the transfer and process of information so that MSMEs can find out how the desires of consumers. The use of e-marketing usage increases as evidenced by the existence of media to facilitate sales transactions, namely e-commerce in collaboration with online transportation service providers such as gojek with gofood or grabfood for culinary entrepreneurs.

Hypothesis 2 testing: e-marketing usage has a positive and significant effect on competitive advantage

Statistical test results prove that e-marketing usage has a positive and significant effect on competitive advantage (p-value <0.001 and path coefficients 0.578). This result can be said that **H2 accepted**, meaning that the higher the use of e-marketing usage, the higher the competitive advantage achieved by MSMEs. The use of e-marketing usage has many benefits with existing platforms that make it easier for MSMEs to explore their products. This is done with the aim that MSMEs have high competitiveness at the level of their competitors. Therefore, the higher the mobility of the use of e-marketing makes the higher the level of competition between MSMEs.

The results of this study are in line with [Chong et al. \(2010\)](#) and [Maçik et al. \(2012\)](#) where the use of e-marketing strategies can be a competitive advantage for



MSMEs. MSMEs will be easier to reach a wider market and ease of communicate directly with consumers than not utilizing e-marketing media. [Nurhayati \(2020\)](#) also said in his research that e-marketing usage has a positive effect on competitive advantage. Then, the results of this study also are in line with [\(Dr. Abdallah Mishael Obeida et al., 2021\)](#) showed his study found out that E-Marketing has an effect on all the dimensions of the competitive advantage. The higher the use of e-marketing usage, it can result in an advantage in lower costs and more varied products so that MSMEs can compete with their competitors and achieve a competitive advantage in the global world.

Hypothesis 3 testing: e-marketing usage has a positive and significant effect on marketing performance

Statistical test results prove that e-marketing usage has a positive and significant effect on marketing performance (p-value <0.427 and path coefficients - 0.027). This result can be said to be **H3 rejected** meaning that e-marketing usage does not affect marketing performance. That is, marketing performance is not influenced by e-marketing usage. The high use of e-marketing usage does not affect the marketing performance of MSMEs. This is because msme on average use digital marketing with a basis more effectively and more efficiently than offline marketing.

The results of this study are not following the study conducted by [Rahayu and Day \(2017\)](#) which stated that MSMEs still view the use of e-marketing as not being deemed necessary to improve marketing performance. This can be caused because there are still many MSMEs who feel comfortable selling directly (offline). The results of this study are also different from [Nurhayati \(2020\)](#) which revealed that e-marketing usage has a positive and significant effect on marketing performance. Then, the results of this study also are in line with, [\(Khamaludin et al., 2021\)](#) the results of data analysis show that social media marketing has a significant effect on marketing performance. Also with the study of [\(Fachriyan et al., 2021\)](#) his research the results showed that among the six e-marketing mix variables, place and people variables had a significant effect on marketing performance. E-marketing, which is now getting stronger, has a lot of influence on marketing performance.

Testing hypothesis 4: e-marketing usage has a positive and significant effect on competitive advantage through product innovation

Statistical test results prove that e-marketing usage has a positive and significant effect on competitive advantage through product innovation (p-value <0.001 and path coefficients 0.703 and p-value <0.001 and path coefficients 0.501). This result can be said to be **H4 accepted** means that product innovation can mediate the relationship between e-marketing usage and competitive advantage. If the use of e-marketing usage increases, competitive advantage will also increase through product innovation. The intensity of the use of e-marketing makes competition between competitors higher, especially supported by the innovation of various MSME products.



The results of this study are following research conducted by [Kamboj and Rahman \(2017\)](#) which states that companies that are always innovating will have a competitive advantage over competitors. Then, the results of this study also are in line with [\(Kuncoro & Suriani, 2018\)](#) also showed the results of the study show that the effect of Product innovation (PI) on sustainable competitive advantage (SCA) is positive significant. [Sidek et al. \(2020\)](#) also said that product innovation has an impact in the relationship of e-marketing usage with competitive advantage. This is in accordance with the competitive advantage theory which states that competitive advantage can be achieved by doing 3 main things, one of which is product innovation such as differentiation strategy where the company is able to create products that are different from its competitors.

Hypothesis 5 testing: e-marketing usage has a positive and significant effect on competitive advantage through marketing performance

Statistical test results prove that e-marketing usage has a positive and significant effect on competitive advantage through marketing performance (p-value <0.427 and path coefficients -0.027 and p-value <0.025 and path coefficients 0.458). This result can be said to be **H5 rejected** means that marketing performance is not able to mediate the relationship between e-marketing usage and competitive advantage. Marketing performance cannot mediate the relationship between e-marketing usage and competitive advantage because the average MSME marketing is done using digital marketing media. MSMEs have utilized existing platforms (for example: Shoppee, pedia stores, lazada or facebook and whats App) to support the sale of MSME products. The existence of e-marketing usage makes it easier for MSMEs to introduce their products to prospective customers and facilitates interaction with prospective customers.

The results of this study do not match (Walker, 2004) which states that marketing performance can increase the use of e-marketing usage to achieve a competitive advantage. The results of this study are also different from [\(Udriyah et al., 2019\)](#) also showed Market orientation and innovation also have significant effects on business performance both directly and indirectly through competitive advantage, not only that, market orientation, innovation, and competitive advantage give contributions to the business performance. . Then, the results of this study also are in line with, [Nurhayati \(2020\)](#) which said that e-marketing usage has a positive and significant effect on competitive advantage through marketing performance.

Conclusion

The results of this study resulted in the conclusion that E-marketing usage has a significant positive effect on product innovation, e-marketing usage has a significant positive effect on competitive advantage and e-marketing usage has a significant positive effect on competitive advantage through product innovation. However, this study shows that e-marketing usage has no effect on marketing performance and e-



marketing usage has no effect on competitive advantage through marketing performance.

This research can have a positive impact on MSMEs in the use of digital marketing. The existence of digital marketing makes MSME brands more known to the public. In addition, through digital marketing facilitates interaction with customers. The higher the use of digital marketing in MSME marketing, it can minimize marketing costs. E-marketing usage can also increase product innovation owned by MSMEs such as product differentiation so as to make MSME products can compete with their competitors in the global world.

This research still has limitations, which only cover a small part of Central Java. For further research, you can add a wider sample in the Central Java region. In addition, further research can use other variables that can affect the competitive advantage of MSMEs, especially the present endemic period and the era of society 5.0.

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