

## ANALYSIS OF THE RELATIONSHIP BETWEEN DIGITAL MARKETING STRATEGIES AND CUSTOMER ORIENTATION WITH THE COMPETITIVE ADVANTAGE OF SMES

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### ABSTRACT

MSMEs in Banten tend to have marketing strategies that are less flexible in facing market changes. The rapid development of digital technology and increasingly complex consumer behavior requires a new marketing approach. To overcome this problem, this research examined how digital marketing and market orientation can influence the competitive advantage of MSMEs in Banten. This research used a quantitative approach with a population of 3.174 MSME enterprises engaged in KBLI-10 or the food industry in Banten Province. Through multistage sampling with purposive sampling and proportional random sampling methods, 347 MSME actors were identified as respondents in this study. Data were collected using a survey/questionnaire method and analyzed using simple and multiple linear regression. The results showed that digital marketing and market orientation positively and significantly affected competitive advantage, both partially and simultaneously. Therefore, this research implies that the more MSMEs focus on increasing digital marketing efforts and market orientation, the greater the opportunity to improve the competitive advantage of MSMEs in Banten Province.

**Keywords:** Digital Marketing; Market Orientation; MSMEs (Micro, Small, and Medium Enterprises).

### ABSTRAK

UMKM di Banten cenderung memiliki strategi pemasaran yang kurang fleksibel dalam menghadapi perubahan pasar. Pesatnya perkembangan teknologi digital dan perilaku konsumen yang semakin kompleks memerlukan pendekatan pemasaran baru. Untuk mengatasi permasalahan tersebut, penelitian ini mengkaji bagaimana pengaruh pemasaran digital dan orientasi pasar keunggulan kompetitif UMKM di Banten. Penelitian ini menggunakan pendekatan kuantitatif dengan populasi sebanyak 3.174 pelaku UMKM yang bergerak di bidang KBLI-10 atau industri makanan di Provinsi Banten. Melalui multistage sampling dengan metode purposive sampling dan proporsional random sampling, diperoleh 347 pelaku UMKM diidentifikasi sebagai responden dalam penelitian ini. Data dikumpulkan dengan menggunakan metode survei/kuesioner dan dianalisis menggunakan regresi linier sederhana dan berganda. Hasilnya menunjukkan bahwa pemasaran digital dan orientasi pasar berpengaruh positif dan signifikan terhadap keunggulan bersaing, baik secara parsial maupun simultan menyiratkan bahwa semakin UMKM fokus pada peningkatan upaya pemasaran digital dan

*orientasi pasar, maka semakin besar peluang untuk meningkatkan keunggulan kompetitif UMKM di Provinsi Banten.*

**Kata kunci:** Pemasaran Digital; Orientasi Pasar; UMKM.

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## A. INTRODUCTION

The rapid pace of globalization and digitalization has led to the presence of information and communication technology, which has changed business paradigms worldwide, including in Indonesia (Yufriadi et al., 2024). The ease of market access, both domestic and international, can support the competitiveness of Indonesian small and medium enterprises (Sedyastuti, 2018). Unfortunately, the characteristics of local small and medium enterprises remain weak in utilizing technology and innovation (Rina Rachmawati et al., 2022). The marketing scope of SME products in the domestic market is generally limited to the regions where the SMEs are located. The marketing tends to be localized in certain areas. From the FGD conducted, several technical ministries have implemented programs supporting the marketing aspects of SMEs in the domestic market. For instance, the Ministry of Trade has established local trade forums that function as connectors between SMEs across regions. Partnerships between SMEs and modern retail businesses and support for implementing online sales systems through e-catalogues or e-marketing have also been initiated. These programs, which significantly help SMEs access the market, often have a small scale, resulting in less optimal impact. The challenge for the government is to create larger-scale programs to have a broader impact. Online programs such as e-catalogues and e-marketing need to be the focus of attention (Astuti & Fathun, 2020; Fadhil et al., 2023; Nabilla, 2021; Pambudi, 2021; Rahman et al., 2019).

This also reflects the weak market-oriented position of domestic small and medium enterprises, which is an organizational culture that creates behaviors leading to the best outcomes for buyers and superior performance for SMEs (Salim Al Idrus, 2021). This weak market orientation impacts the competitive advantage of SMEs and their marketing performance. This issue is inseparable from social marketing theory, which adopts a series of strategy designs and programs to influence individuals and potential buyers to voluntarily change their behavior to improve welfare (Haryanto, 2020). This concept is used to reduce barriers and improve quality through the planning process of commercial marketing to create pleasant, easy, and popular behavior (Kotler, P., & Lee, 2008). The impact of this concept is that companies achieve superior performance that differentiates them from similar competitors.

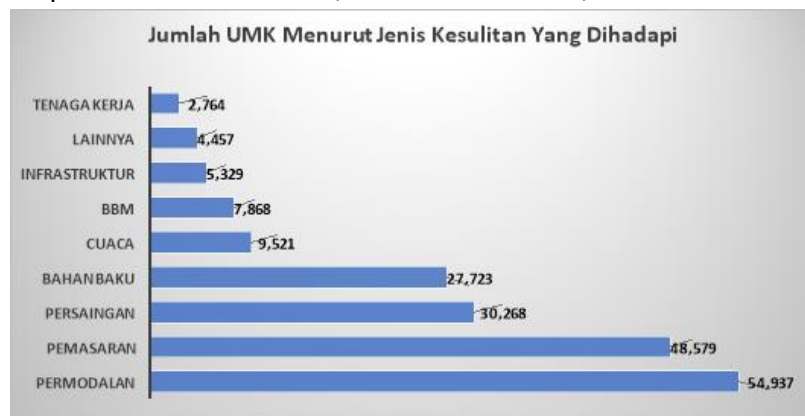
Nationally, the distribution of SME sectors in the country dominates in number, far surpassing medium and large-scale enterprises. The province of Banten still lags in the number of micro and small business units, as shown in the image below:



**Figure 1.1** Total SMEs in Each Province in Indonesia in 2021 (BPS, 2020)

The Micro, Small, and Medium Enterprises (MSMEs) sector in Banten Province, as one of the pillars of the national economy, is not immune to the influence of this digital transformation. MSMEs face new challenges and opportunities as consumer behavior becomes increasingly digitally connected. Amidst intensifying competition, MSMEs need to adopt effective strategies to maintain and enhance their competitiveness. One key strategy that can be adopted is digital marketing and market orientation. The position of Banten Province's SMEs, ranked 11th nationally in terms of the number of business units, is not without reason, considering several weaknesses in competitiveness within the small and medium enterprise sector in Banten Province.

In terms of the types of problems faced by the SME sector in Banten Province, the current situation mirrors the difficulties encountered nationally, where the most dominant issues are related to capital, marketing, and competition. For SMEs in Banten Province specifically, the number of SMEs experiencing capital difficulties amounts to 54,937 business units, while those facing marketing-related issues total 48,579 business units, and those related to competition amount to 30,268 business units, as illustrated below:



**Figure 1.2** Number of SMEs in Banten Province Based on Level of Difficulty (BPS, 2020)

Issues related to competitive advantage caused by the low capability in digital marketing within the small and medium enterprise sector in Banten Province result in limited open market opportunities and impact marketing performance. Problems related to market orientation are indicated by the fact that most product marketing in the small

and medium enterprise sector in Banten Province can only be absorbed by household consumers (Syapsan, 2019).

Many small and medium enterprises (SMEs) in Banten have not yet optimally utilized digital marketing technology. This may be due to limitations in knowledge, skills, or resources owned by business operators. This inability prevents SMEs from reaching a broader and more diverse market, both at regional and national levels. As a result, the potentially large market opportunities remain closed, and SMEs are unable to improve their sales and marketing performance (Rizqi et al., 2022).

Digital marketing has become a very important tool in the modern business landscape. By using digital platforms such as social media, search engines, and websites, MSMEs can reach consumers more efficiently and effectively compared to traditional marketing methods. Additionally, digital marketing enables MSMEs to collect and analyze consumer data in real-time, which can be used to develop more targeted marketing strategies (Wardhani & Romas, 2021). This is highly relevant considering the high internet penetration and smartphone usage in Indonesia, creating significant opportunities for MSMEs to optimize their digital presence (Alfarizi et al., 2023).

On the other hand, market orientation refers to a company's ability to understand and respond to consumer needs and desires (Wiwoho, 2019). A strong market orientation allows MSMEs to identify market trends, anticipate changes in consumer preferences, and adjust their products or services to remain relevant and competitive (Darmawan et al., 2023). With good market orientation, MSMEs can more quickly adapt to market dynamics, which is crucial for maintaining a competitive edge.

However, despite the various benefits of digital marketing and market orientation, their implementation within the MSME sector in Banten Province still faces several obstacles. First, the level of digital literacy among MSME operators is still relatively low (Basrowi et al., 2025; Purwaningsih et al., 2024). Many MSME operators do not fully understand how to effectively utilize digital technology to market their products. Second, resource limitations, both in terms of finances and skilled labor, are also significant challenges. Third, access to adequate digital infrastructure is not evenly distributed across Banten Province (Basrowi, 2012; Basrowi et al., 2022a).

Many small and medium enterprises (SMEs) in Banten have not yet optimally utilized digital marketing technology. This may be due to limitations in knowledge, skills, or resources owned by business operators. This inability prevents SMEs from reaching a broader and more diverse market, both at regional and national levels. As a result, the potentially large market opportunities remain closed, and SMEs are unable to improve their sales and marketing performance (Basrowi & Meida, 2019; Rahmatullah & Basrowi, 2023).

Focusing marketing efforts solely on household consumers indicates a narrow market orientation (Anin & Manane, 2020). SMEs in Banten need to expand their market coverage by targeting other segments such as businesses, institutions, and consumers outside the region. Dependence on the household market can make SMEs vulnerable to demand fluctuations and changes in consumer behavior within this group. Market

diversification becomes essential to reduce risks and enhance business stability (Sihite, 2022).

The low adoption of digital marketing is also related to a lack of innovation in products and marketing strategies. SMEs need to be more innovative in creating and marketing products that can meet the needs of various market segments (Basrowi; et al., 2019; Hendriawan et al., 2023). The use of digital tools such as social media, e-commerce, and data analytics can help SMEs understand market trends and consumer preferences, ultimately driving product innovation and better differentiation.

Addressing these obstacles requires a comprehensive and collaborative approach from various parties. Local governments need to play an active role in providing training and assistance to MSME operators to improve their digital literacy. Additionally, partnerships with the private sector and educational institutions can help provide the necessary resources and technology for MSMEs (Basrowi, 2019; Basrowi et al., 2019; Habiburrahman et al., 2023). Equally important, MSME operators themselves need to be aware and willing to continuously learn and innovate in adopting digital marketing and market orientation (Azhani Pricillia & Thayib Hasroel Moh, 2019; Sofiah et al., 2023).

This research has several differences and uniqueness compared to other studies, as the researchers strive to explore research gaps derived from previous relevant studies to be refined more deeply and comprehensively using the scientific philosophy related to marketing science concentration (Basrowi et al., 2022b; Fajar et al., 2023). This creates the state of the art, which forms the essence and novelty of this research. Several research gaps are identified from different dimensions and can be followed up from previous research results (Lee, Y. Y., & Falahat, 2019; Monferrer et al., 2023; Nadanyiova, M., Majerova, J., & Gajanova, 2021). The first research gap is identified from the deficiencies in previous research results as shown in the following table:

**Table 1.** Riset Gap

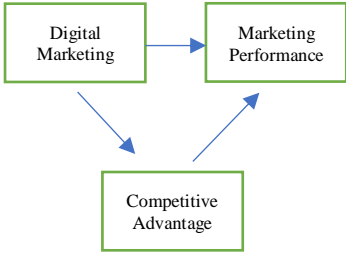

Type of Research Gap	Researcher & Year	Previous Research Deficiencies
There are deficiencies in previous research that will be addressed in this study.	Bruce (2023)	The adoption of digital marketing has diverse contexts across different segments, so the SMEs used might not be comprehensive. Therefore, the micro-enterprise segment also needs to be tested to provide an alternative perspective on the phenomenon
	Nadanylova et al (2021)	This study uses limited territorial validity for SMEs, employing specific brand preferences and certain customers, making it impossible for the research results to be generalized and used as practical recommendations broadly. However, this study can still provide insights into the positive impact of digital marketing on improving marketing performance

Type of Research Gap	Researcher & Year	Previous Research Deficiencies
	Lee & Falahat (2019)	This study has several limitations. First, the collected data indicates a dynamic relationship pattern due to its cross-sectional nature. Second, the model intends to focus only on the internal aspects of the company; thus, external influences such as market factors and government support are not considered. Third, the findings are limited to the manufacturing sector, so future research could extend to the service industry and examine dynamic relationship patterns using longitudinal data.

Source: Bruce (2023); Nadanylova et al (2021); Lee & Falahat (2019)

Meanwhile, other research results indicate that competitive advantage cannot mediate the influence of digital marketing on marketing performance (Lestari, R., Pradani, T., & Digidowiseiso, 2022). These results show that competitive advantage cannot enhance the impact of digital marketing on marketing performance (Pramuki, N. M. W. A., & Kusumawati, 2021). The gap between these research results can be seen in Table 1.2 below:

**Table 1.2.** Research Gap Based on the Gap in Previous Research Results

Type of Research Gap	Researcher & Year	Previous Research Deficiencies	Research Results
There are differences and gaps between previous research results.	Lestari et al (2022)	 <pre> graph TD     DM[Digital Marketing] --&gt; MP[Marketing Performance]     DM --&gt; CA[Competitive Advantage]     CA --&gt; MP             </pre>	Digital marketing has a positive and significant effect on competitive advantage and marketing performance. Competitive advantage has a positive and significant effect on marketing performance, but digital marketing does not have a significant effect on marketing performance through competitive advantage.
	Pramuki & Kusumawati (2020)	 <pre> graph TD     DM[Digital Marketing] --&gt; MP[Marketing Performance]     DM --&gt; CA[Competitive Advantage]     CA --&gt; MP             </pre>	Digital marketing has a positive and significant effect on competitive advantage and marketing performance. Competitive

Type of Research Gap	Researcher & Year	Previous Research Deficiencies	Research Results
			advantage has a positive and significant effect on marketing performance. Digital marketing does not have a significant effect on marketing performance through competitive advantage.

*Source: Lestari et al (2022); Pramuki & Kusumawati (2020)*

Based on the empirical gap and research gap mentioned above, the researchers are interested in exploring in greater depth the management of digitalization and product innovation as variables that are considered capable of providing solutions to improve marketing performance through competitive advantage for SMEs in Banten Province. Thus, SMEs in Banten Province can be better prepared to face the challenges of globalization and take advantage of the opportunities offered by the digital revolution to achieve sustainable competitive advantage.

**B. RESEARCH METHOD**

This study will use a quantitative approach with a survey method (Gürbüz, 2017). The quantitative approach is chosen to measure the influence of digital marketing, market orientation, and competitive advantage variables objectively and measurably. The population in this study consists of 3.174 MSME enterprises operating in KBLI-10 or the food industry in Banten Province. The sampling technique to be used is probability sampling with the cluster sampling method. Banten Province will be divided into several regional clusters, and from each cluster, SME samples will be randomly selected proportionally. The sample size calculation is based on a minimum sample size of five times the number of indicators; with 66 indicators, the minimum sample that can be analyzed using the SEM method is  $5 \times 66 = 330$ . Primary data will be collected through a survey method using a structured questionnaire. The questionnaire will be distributed online via a digital survey platform and directly to SME operators in Banten. The questionnaire will cover questions related to digital marketing, market orientation, competitive advantage. The respondent's answer scale used in the questionnaire is based on a Likert model scale with 5 alternative answers, namely: Strongly Agree (SS), Agree (S), Somewhat Agree (CS), Disagree (TS), and Strongly Disagree (STS). The data in this study are analyzed using multiple linear regression. Instrument Testing (Validity and Reliability Testing), and finally, hypothesis testing through the Structural Equation Modeling (SEM) method using the data processing technique of Confirmatory Factor Analysis (CFA).

**C. RESULTS AND DISCUSSION**

**Result**

Based on the results of characteristic tests on 347 respondents, the first characteristic of respondents based on their city/district of origin is as follows: Serang Regency with 37 respondents, Lebak Regency with 95 respondents, Pandeglang Regency with 66 respondents, and Tangerang Regency with 51 respondents. Meanwhile, respondents from Cilegon City are 21 people, Serang City with 16 respondents, Tangerang City with 30 respondents, and South Tangerang City with 31 respondents. Based on the results of descriptive characteristic tests of respondents who use online media profiles to market their products, out of 347 respondents, 310 respondents, or 89.34% use the Facebook (FB) application for marketing, while 37 respondents or 10.66% do not use Facebook. Based on the test results of 347 respondents who use the Instagram (IG) application for marketing, 29 respondents, or 8.36% use Instagram (IG), while 318 respondents, or 91.64% do not use Instagram. The next test results indicate that all 347 respondents, or 100%, use the WhatsApp (WA) application to market their products. Meanwhile, the descriptive test results show that 29 respondents, or 8.36% use YouTube, while 318 respondents, or 91.64% do not use YouTube. The next descriptive test results indicate that 71 respondents or 20.46% use TikTok to market their products, while 276 respondents, or 79.54% do not use TikTok

**Validity and Reliability**

**Table 1.3.** Validity Test of the Digital Marketing Variable

Indicator	r	r table	sign	α	Conclusion
DM1	0,661	0,3610	0,000	0,05	Valid
DM2	0,898	0,3610	0,000	0,05	Valid
DM3	0,860	0,3610	0,000	0,05	Valid
DM4	0,758	0,3610	0,000	0,05	Valid
DM5	0,900	0,3610	0,000	0,05	Valid
DM6	0,541	0,3610	0,002	0,05	Valid
DM7	0,869	0,3610	0,000	0,05	Valid
DM8	0,674	0,3610	0,000	0,05	Valid
DM9	0,880	0,3610	0,000	0,05	Valid
DM10	0,898	0,3610	0,000	0,05	Valid
DM11	0,710	0,3610	0,000	0,05	Valid
DM12	0,855	0,3610	0,000	0,05	Valid
DM13	0,855	0,3610	0,000	0,05	Valid
DM14	0,883	0,3610	0,000	0,05	Valid

*Source: Data processing results, SPSS, 2024*

Reliability testing is an analysis used to test the consistency and stability of scores (measurement scales). An instrument is said to be reliable when it is used repeatedly to measure the same object, thus producing consistent data. The reliability test in this study uses the Cronbach's Alpha method, with the results obtained using SPSS as follows:



Alfa Cronbach	N Item
.983	14

Based on the results of reliability testing through testing valid statements against 30 respondents, a result of  $r = 0.983$  is obtained, which is greater than 0.70. Therefore, the items on the digital marketing indicators are considered reliable.

**Table 1.4.** Validity Test of Market Orientation (OP) Variables

Indicator	r	r table	Sig	$\alpha$	Conclusion
OP1	0,775	0,3610	0,000	0,05	Valid
OP2	0,726	0,3610	0,000	0,05	Valid
OP3	0,723	0,3610	0,000	0,05	Valid
OP4	0,963	0,3610	0,000	0,05	Valid
OP5	0,903	0,3610	0,000	0,05	Valid
OP6	0,924	0,3610	0,000	0,05	Valid
OP7	0,924	0,3610	0,000	0,05	Valid
OP8	0,818	0,3610	0,000	0,05	Valid
OP9	0,835	0,3610	0,000	0,05	Valid
OP10	0,764	0,3610	0,000	0,05	Valid
OP11	0,943	0,3610	0,000	0,05	Valid
OP12	0,825	0,3610	0,000	0,05	Valid
OP13	0,799	0,3610	0,000	0,05	Valid
OP14	0,949	0,3610	0,000	0,05	Valid
OP15	0,854	0,3610	0,000	0,05	Valid

*Source: Data processing results, SPSS, 2024*

**Table 1.5** Market Orientation (OP) Reliability Statistics

Alfa Cronbach	N Item
.968	15

*Source: Data processing results, SPSS, 2024*

Based on the results of reliability testing through testing valid statements against 30 respondents, the results have been processed resulting in  $r=0.968$ , which is greater than 0.70. Therefore, the items on the market orientation indicators are considered reliable.

**Table 1.6.** Validity Test of Competitive Advantage (KB) Variables

Indicator	r	r table	Sig	$\alpha$	conclusion
KB1	0,924	0,3610	0,000	0,05	Valid
KB2	0,906	0,3610	0,000	0,05	Valid
KB3	0,822	0,3610	0,000	0,05	Valid
KB4	0,899	0,3610	0,000	0,05	Valid
KB5	0,734	0,3610	0,000	0,05	Valid
KB6	0,756	0,3610	0,000	0,05	Valid
KB7	0,816	0,3610	0,000	0,05	Valid
KB8	0,878	0,3610	0,000	0,05	Valid
KB9	0,876	0,3610	0,000	0,05	Valid
KB10	0,786	0,3610	0,000	0,05	Valid

Source: Data processing results. SPSS, 2024

Table 1.10 Competitive Advantage (KB) Reliability Statistics

Alfa Cronbach	N Item
.968	15

Source: Data processing results. SPSS, 2024

### Hypothesis Testing

The measurement model testing in this study uses second-order analysis, which measures variables against the intended indicators. This approach is also known as Confirmatory Factor Analysis (CFA), used to test the validity and reliability of indicators used to measure each latent variable. The test results of each indicator are shown in the following figure:

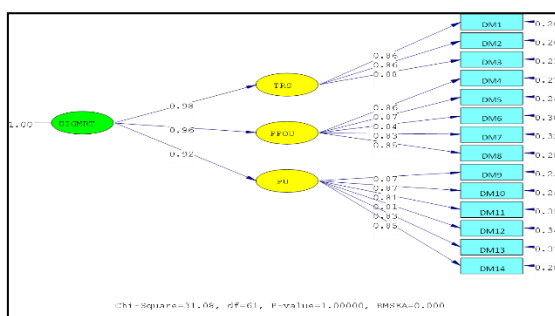


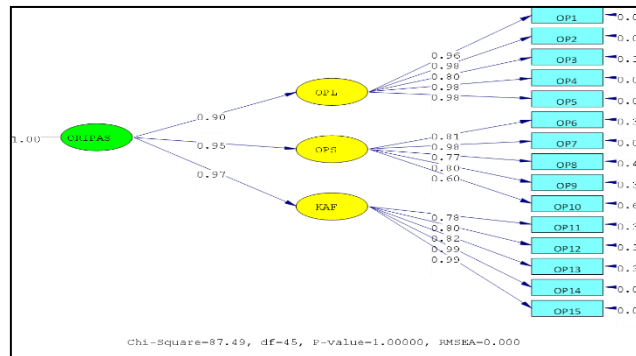
Figure 1. Measurement Results of the Digital Marketing Variable Model

Based on the second-order model measurement results of the digital marketing variable, it is known that all 14 indicators have a standardized loading factor (SLF) of  $\geq 0.50$ , which means all indicators are valid and none are excluded from the research model. The Loading Factor results are then used to measure the Value Extracted (VE) Variance to support composite validity, where all 14 indicators show VE values of  $\geq 0.50$ , indicating composite validity. Meanwhile, the Composite Reliability (CR) results show values of  $\geq 0.70$ , indicating that all indicators used have good reliability or consistency in measuring the digital marketing variable.

Furthermore, in the second-order analysis model measurement of the digital marketing variable, three dimensions were found: trust, PEOU, and PU, with SLF values of  $\geq 0.50$  and VE values of  $\geq 0.50$ , indicating the validity of these dimensions. The CR results also show values of  $\geq 0.70$ , indicating good reliability and consistency in measuring each dimension (Muti'ah et al., 2023; Rustandi et al., 2023; Saefullah & Basrowi, 2022).

Based on the second-order measurement results of the three dimensions of the digital marketing variable, the trust dimension has the highest SLF value compared to the PEOU and PU dimensions, at 0.98. This result indicates that the trust dimension most dominantly influences the digital marketing variable. Trust plays a crucial role in digital marketing because it is a key factor in ensuring consumers feel secure when making online transactions. Consumers who trust the security of transactions are more likely to make purchases through digital platforms (Gafur et al., 2023; Hardianto et al., 2023; Kurniawati et al., 2023).

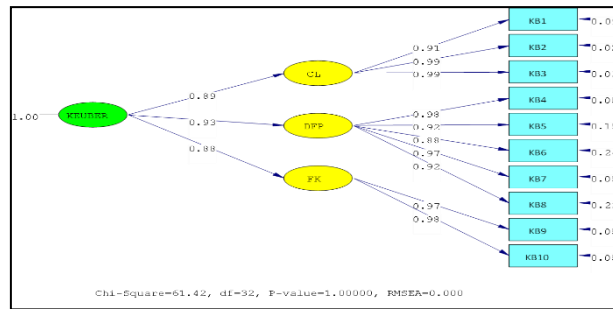
The testing results of the third variable, namely product orientation, using 3 dimensions consisting of 15 indicators, yielded standardized loading factor (SLF) and error measurement as follows:



**Figure 1.4** Measurement Results of Market Orientation Variable Model

Based on the second-order model measurement results of market orientation, it was found that all 15 indicators had a standardized loading factor (SLF)  $\geq 0.50$ , indicating the validity of all indicators, with none of them being excluded from the research model. The loading factor results were then used to measure the Variance Extracted (VE) value to support composite validity, and a value of  $VE \geq 0.50$  was obtained, indicating the composite validity of all 15 indicators. Meanwhile, the CR results showed a value of  $\geq 0.70$ , indicating that all the indicators used had good reliability or consistency in measuring the market orientation variable. Meanwhile, the second-order analysis measurement results of the market orientation variable found that the three dimensions, namely customer orientation, competitor orientation, and inter-functional coordination, had SLF values  $\geq 0.50$ , with variance extracted (VE) values  $\geq 0.50$ , indicating the validity of these three dimensions. Meanwhile, the CR results showed a value of  $\geq 0.70$ , indicating that all the indicators used had good reliability and consistency in measuring each dimension (Nibel & Basrowi, 2022; Tonich & Basrowi, 2022b, 2022a). Based on the second-order measurement results of the three dimensions of the market orientation variable, the inter-functional coordination dimension had the highest SLF value compared to the customer orientation and competitor orientation dimensions, namely 0.97. These results indicate that the coordination dimension is important for market orientation because it helps organizations maximize value for customers and respond quickly to changes in the business environment (Basrowi, 2016; Basrowi & Fauzi, 2018; Marwanto et al., 2020).

The testing results of the third variable, namely competitive advantage, using 3 dimensions consisting of 10 indicators yielded standardized loading factor (SLF) measurements and errors as follows:



**Figure 1.5** Measurement Results of Competitive Advantage Variable Model

Based on the second-order model measurement results of competitive advantage, it was found that all 10 indicators had a standardized loading factor (SLF)  $\geq 0.50$ , indicating the validity of all indicators, with none of them being excluded from the research model. The loading factor results were then used to measure the Variance Extracted (VE) value to support composite validity, and a value of  $VE \geq 0.50$  was obtained, indicating the composite validity of all 10 indicators. Meanwhile, the CR results showed a value of  $\geq 0.70$ , indicating that all the indicators used had good consistency in measuring the competitive advantage variable.

Meanwhile, the second-order analysis measurement results of the competitive advantage variable found that the three dimensions, namely cost leadership, product differentiation, and focus, had SLF values  $\geq 0.50$ , with variance extracted (VE) values  $\geq 0.50$ , indicating the validity of these three dimensions. Meanwhile, the CR results showed a value of  $\geq 0.70$ , indicating that all the indicators used had good consistency in measuring each dimension.

Based on the second-order measurement results of the three dimensions of the competitive advantage variable, the product differentiation dimension had the highest SLF value compared to the cost leadership and focus dimensions, namely 0.93. These results indicate that the product differentiation dimension is significantly important for competitive advantage because it can help companies differentiate themselves from competitors and create unique added value for customers.

**Discussion**

This research finds that digital marketing and market orientation significantly positively influence the competitive advantage of SMEs in Banten. Both variables were measured with high validity and reliability using the SEM method. The results indicate that digital marketing through the dimensions of trust and product innovation through product diversity significantly contribute to marketing performance. Effective digital marketing can build consumer trust, while market orientation identifies trends and adjusts products. These findings align with previous research emphasizing the importance of digital marketing and market orientation for SMEs. However, there is a contextual difference where market orientation shows a strong influence in Banten because the local market values product variation. The implications of this research are important for SME practitioners and policymakers to adopt digital technology and promote product

innovation. Overall, this research emphasizes the importance of integrating digital marketing and market orientation to enhance the competitive advantage of SMEs.

The study employs a rigorous methodology utilizing second-order analysis, particularly Confirmatory Factor Analysis (CFA), to assess the validity and reliability of constructs within the realms of digital marketing, market orientation, and competitive advantage. This section provides a comprehensive discussion of the findings within each variable.

**Digital Marketing Variable:**

The examination of the digital marketing variable reveals robust results across multiple dimensions. The standardized loading factor (SLF) analysis indicates strong validity, with all 14 indicators demonstrating SLF values  $\geq 0.50$ . This underscores the suitability of the chosen indicators for measuring the latent construct of digital marketing. Moreover, the confirmation of composite validity through Value Extracted (VE) analysis further strengthens the credibility of the measurement model.

The identification of three key dimensions—trust, Perceived Ease of Use (PEOU), and Perceived Usefulness (PU)—enriches our understanding of the multifaceted nature of digital marketing. Notably, the trust dimension emerges as particularly influential, with a substantial SLF value of 0.98. This finding underscores the pivotal role of trust in shaping consumer behavior in digital environments, aligning with existing literature emphasizing the significance of trust in facilitating online transactions.

**Market Orientation Variable:**

Similar to the digital marketing variable, the examination of market orientation reveals compelling results indicative of construct validity and reliability. All 15 indicators exhibit SLF values  $\geq 0.50$ , affirming their suitability for capturing the essence of market orientation. The subsequent confirmation of composite validity and satisfactory Composite Reliability (CR) values further solidify the measurement model's robustness.

The delineation of three distinct dimensions—customer orientation, competitor orientation, and inter-functional coordination—adds granularity to our comprehension of market orientation dynamics. Notably, the inter-functional coordination dimension emerges as particularly salient, boasting the highest SLF value of 0.97. This underscores the pivotal role of organizational coordination in maximizing customer value and adaptability in dynamic market environments.

**Competitive Advantage Variable:**

The analysis of competitive advantage yields promising results reflective of construct validity and reliability. All 10 indicators exhibit SLF values  $\geq 0.50$ , attesting to their efficacy in capturing the nuances of competitive advantage. The subsequent confirmation of composite validity and satisfactory CR values further fortify the measurement model's credibility.

The delineation of three pivotal dimensions—cost leadership, product differentiation, and focus—offers insights into the multifaceted nature of competitive advantage. Significantly, the product differentiation dimension emerges as particularly

noteworthy, boasting the highest SLF value of 0.93. This underscores the pivotal role of product differentiation in fostering competitive advantage by enabling firms to carve out unique value propositions and differentiate themselves from rivals.

#### **Overall Implications:**

The findings collectively underscore the importance of trust in driving digital marketing effectiveness, the centrality of inter-functional coordination in fostering market orientation, and the significance of product differentiation in achieving competitive advantage. These insights have profound implications for practitioners seeking to optimize their marketing strategies and gain a competitive edge in today's dynamic business landscape. Moreover, the methodological rigor employed in this study sets a benchmark for future research endeavors seeking to unravel the intricacies of these pivotal constructs

#### **D. CONCLUSION**

Digital marketing has a positive and significant influence on the competitive advantage in the SME sector in Banten Province. The influence of digital marketing is measured using three dimensions, and the dimension that has the most dominant influence in shaping the digital marketing variable with the highest standardized loading factor contribution value is the trust dimension, with the highest indicator being that digital marketing can help market SME products.

Market orientation has a positive and significant influence on the competitive advantage in the SME sector in Banten Province. The influence of market orientation is measured using three dimensions, and the dimension that has the most dominant influence in shaping the market orientation variable with the highest standardized loading factor contribution value is the coordination between functions dimension, with the highest indicator being the socialization of customer complaints and discussion of market development trends.

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