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Analysis of MSMEs Sustainability through Competitive Business Advantage from a Service Dominant Logic Perspective

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Abstract: This study aims to analyze the effect of marketing innovation and market orientation on business sustainability from the Service-Dominant Logic (SDL) perspective. A quantitative approach was employed using a survey method involving souvenir businesses in Indonesia. Data were analyzed using Structural Equation Modeling–Partial Least Squares (SEM-PLS). The results show that marketing innovation and market orientation have a positive and significant effect on business competitiveness and sustainability. In addition, business competitiveness positively influences sustainability. These findings indicate that the ability to develop innovative marketing strategies and understand market needs plays an important role in maintaining business sustainability. This study contributes to the development of the Service-Dominant Logic perspective by emphasizing value creation through marketing innovation and market orientation to support sustainable business performance.

Keywords: Marketing Innovation, Market Orientation, Business Competitiveness, Business Sustainability, Service-Dominant Logic.

INTRODUCTION

Marketing innovation refers to organizational efforts to renew the way marketing activities are designed and implemented, meaning that the approach is not limited to what is being sold, but also to how value is offered, communicated, and delivered to customers. Marketing innovation is defined as the implementation of new marketing practices that result in significant changes in product or service design/packaging, distribution, promotion, or pricing (Purchase & Volery, 2020). The urgency of marketing innovation has become increasingly important as companies are required to effectively attract customers, differentiate themselves from competitors, and improve productivity through marketing strategies that are responsive to market demands. In line with this, findings from a systematic review indicate that marketing innovation implemented by firms generally focuses on strengthening the pillars of product, price, place (distribution), and promotion to enhance organizational performance (Garcia et al., 2023). In the digital era, marketing innovation is often driven by consumer communication patterns, such as the phenomenon of electronic word of mouth (e-WOM), which describes consumer communication regarding brands or products through the internet

that subsequently becomes a reference for other consumers in considering purchasing decisions (Yulivio et al., 2024). At the same time, purchasing decisions are strongly influenced by digital ecosystems such as social media, influencer marketing, online reviews, and personalization, encouraging firms to adopt e-commerce channels as part of their marketing strategies (Anggryani et al., 2025).

Market orientation is one of the key concepts in modern marketing management because it determines the extent to which organizations are able to understand the market and continuously respond to the dynamics of customer needs. In an increasingly competitive and high-risk economic environment, particularly in developing countries, firms are required to systematically manage market information in order to survive, improve performance, and regulate market information processing activities, ranging from information collection and dissemination to the utilization of such information, thereby becoming an essential foundation for enhancing competitiveness and business performance (Hoang & Thanh, 2021).Market orientation can be viewed as a firm's strategic direction in creating superior customer value through the integration of customer needs information, competitor intelligence, and cross-functional internal coordination (Li et al., 2021). In the context of Micro, Small, and Medium Enterprises (MSMEs), market orientation is a factor that cannot be overlooked. Market orientation has a positive and significant effect on business performance. MSMEs that are able to understand consumer preferences, monitor competitors' strategies, and coordinate their internal functions have been proven to achieve better performance compared to MSMEs that rely solely on intuition without a strong market information foundation (Theofadilla & Handoyo, 2024). These findings strengthen the argument that the development of market orientation is important not only for large firms but also for MSMEs operating in highly competitive sectors such as the creative economy and souvenir businesses. The dimensions of market orientation are closely related to customer orientation as one of its main components.

Customer orientation reflects the extent to which firms place customer needs and expectations at the center of strategic decision-making and positively influences the financial performance of service firms (M. Z. Islam & Zhe, 2022). These findings are further supported by evidence showing that customer orientation enhances service innovativeness, which subsequently mediates the relationship between customer orientation and financial performance. The relationship between market orientation, innovation, and value creation becomes increasingly relevant when analyzed from the Service-Dominant Logic (SDL) perspective. SDL views service, namely the application of competencies for the benefit of others, as the fundamental basis of exchange, and argues that value is not created unilaterally by firms but is co-created through interactions among various actors within the service ecosystem (Vargo et al., 2020).

Competitive advantage refers to an organization's ability to create superior and more relevant value compared to competitors through the utilization of resources, capabilities, and adaptive strategies in responding to environmental changes. In the context of increasingly dynamic competition, competitive advantage is understood as a continuous process that requires innovation, organizational learning, and the ability to respond to market needs effectively and efficiently (Putra et al., 2021). For Micro, Small, and Medium Enterprises (MSMEs), competitive advantage becomes a strategic factor in maintaining business sustainability amid limited resources and intense competitive pressures. Previous studies indicate that MSMEs' competitive advantage is derived from cost efficiency, product differentiation, service quality, and the ability to build relationships with stakeholders within the business ecosystem (Haloho et al., 2021). Thus, competitive advantage is developed through the combination of internal capabilities and the ability to effectively manage external responses. From the Service-Dominant Logic (SDL) perspective, competitive advantage is viewed as the result of a value co-creation process involving business actors, customers,

governments, and other actors within the service system. Competitive advantage is not solely determined by resource ownership, but also by an organization's ability to manage interactions, service experiences, and collaboration effectively (Simbolon et al., 2024). This perspective emphasizes that competitive advantage is relational in nature and is strongly influenced by the quality of engagement among actors.

Business sustainability refers to a company's ability to maintain its performance and existence in the long term by balancing economic, social, and environmental aspects. This concept has become a major concern in modern business strategies due to increasing pressure from stakeholders, including investors, customers, and regulators, for companies to adopt sustainable business practices based on environmental, social, and governance (ESG) principles. Sustainable business practices have been found to positively influence financial performance, particularly Return on Assets (ROA) and Return on Equity (ROE) (Pérez Estébanez & Sevillano Martín, 2025). However, business sustainability among MSMEs faces more complex challenges due to limited resources, lower competitiveness, and restricted access to markets and technology. Consequently, business sustainability, particularly its economic and social dimensions, significantly influences the marketing competitiveness of MSMEs in Indonesia (Munandar et al., 2025).

Service-Dominant Logic (SDL) was first introduced by Vargo and Lusch in 2004 as a new marketing paradigm that shifted the focus from goods-dominant logic toward service exchange as the fundamental basis of value creation. SDL emphasizes that value is not created unilaterally by producers, but is co-created through interactions among firms, customers, and other actors within the service ecosystem (Vargo et al., 2004). In the context of Micro, Small, and Medium Enterprises (MSMEs), SDL provides a strong conceptual framework for linking marketing innovation and market orientation with business sustainability. Marketing-related factors such as market orientation and internet-based marketing have a significant influence on business sustainability and MSME marketing performance (Munandar et al., 2025). These findings indicate that the ability of MSMEs to understand the market and innovate in marketing represents part of the value co-creation process that supports business sustainability.

There are still gaps in the implementation of marketing innovation, market orientation, and government support toward the sustainability of souvenir MSMEs in Indonesia. Although souvenir MSMEs have significant potential to support tourism development and the local economy, many business actors have not yet optimized marketing innovation in terms of product development, promotion, and the utilization of digital media, resulting in relatively low business competitiveness. In addition, government support in the form of training, mentoring, access to capital, and marketing facilitation has not been fully utilized by MSME actors. These conditions create various challenges for the sustainability of souvenir MSMEs in Indonesia, particularly in facing competition and changes in consumer behavior. Based on these issues, this study aims to examine how marketing innovation is implemented by souvenir MSMEs in Indonesia from the Service-Dominant Logic perspective, how MSME actors perceive tourists as value co-creators within the SDL concept, the role of government support as a service ecosystem actor in encouraging marketing innovation, and the integration of marketing innovation, market orientation, and government support based on Service-Dominant Logic in maintaining the sustainability of souvenir MSMEs in Indonesia.

METHOD

This study employed a quantitative research approach using a survey method. The respondents consisted of 228 souvenir business owners in Indonesia. The sample size was determined using the Cochran formula, which is commonly applied to estimate sample sizes in large or unknown populations. Data were collected through questionnaire distribution and analyzed using Structural Equation Modeling–Partial Least Squares (SEM-PLS) to examine

the relationships between marketing innovation, market orientation, business competitiveness, and business sustainability from the Service-Dominant Logic (SDL) perspective.

RESULTS AND DISCUSSION

Based on results research, characteristics respondents show that souvenir SMEs in the Regency Samosir dominated by active individuals operate his business in fulfil tourism market needs and typical souvenirs area. Results of structural model testing show that marketing innovation has an influence positive towards competitive business advantage. Findings This indicates that the ability of MSMEs in develop method more marketing creative, utilizing digital media, and create an attractive promotional strategy capable increase superiority compete business. The research results also show that market orientation has an influence positive towards competitive business advantage, which indicates that understanding to need customers and market changes become factor important in create greater value superior compared to competitors. Furthermore, competitive business advantage is proven influential positive towards MSMEs sustainability, which shows that MSMEs that have superiority in products, services and business strategies tend own more capabilities Good in maintain sustainability his efforts. Research results participate show that marketing innovation has an influence positive towards MSMEs sustainability, so the more tall level innovation marketing is carried out, the more big opportunities for MSMEs to survive and thrive in environment competitive business. In general overall, findings study This confirm that sustainability of souvenir MSMEs in the Regency Samosir No only determined by ability adapt to market needs, but also by the ability create innovation capable marketing produce superiority compete and support sustainability business in term long.

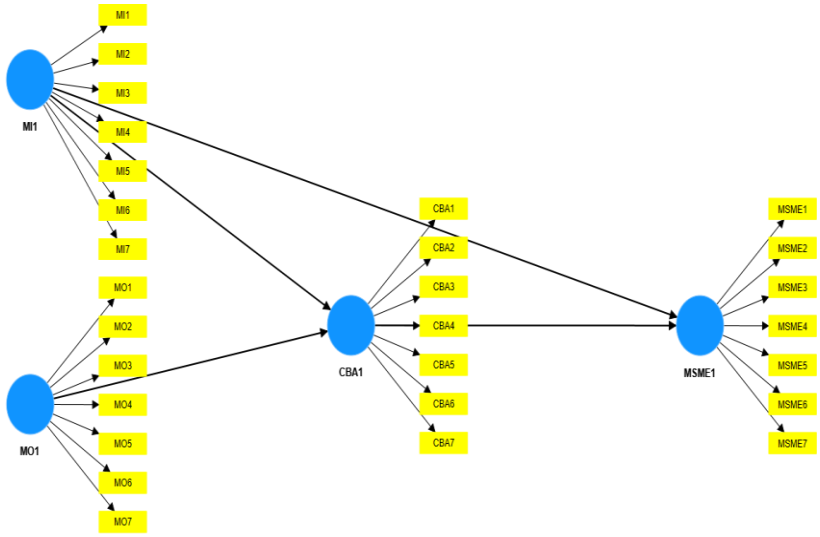


Figure 1. Smart PLS Model

Characteristics respondents in study This describe souvenir SMEs in the Regency Samosir which became object research. Structural model study show connection between marketing innovation and market orientation towards competitive business advantage and the influence of marketing innovation and competitive business advantage on MSMEs sustainability based on results Data processing using Partial Least Squares-Structural Equation Modeling (PLS-SEM). The coefficient value track show direction and strength connection intervariable research, whereas t- statistic and p-value are used For test significance the influence of each variable in the research model.

Hypothesis Testing

Table 1. Hypothesis Testing Results

Hypothesis	Connection Between Variables	Original Sample (O)	T Statistics	P Values	Results
H1	Competitive Business Advantage → MSMEs Sustainability	0. 2 79	4. 887	0. 000	Accepted
H2	Marketing Innovation → Competitive Business Advantage	0. 627	18, 001	0. 000	Accepted
H3	Marketing Innovation → MSMEs Sustainability	0. 583	10, 337	0. 000	Accepted
H4	Marketing Orientation → Competitive Business Advantage	0. 246	5, 973	0. 000	Accepted

Based on results structural model testing, all hypothesis in study This proven accepted Because own influence positive and significant. Marketing innovation shows the biggest influence towards competitive business advantage. Findings This indicates that the capabilities of souvenir MSMEs in the Regency Samosir in develop innovative marketing strategies become factor main in create superiority compete. Implementation innovation marketing allows perpetrator business offer greater value interesting for consumers, strengthening position business in the market, as well as increase ability in face competition growing business competitive. This result show that effort update in activity marketing own a very important role in build Power MSME competitiveness.

Marketing innovation is also proven influential positive and significant towards MSMEs sustainability. Findings This show that the sustainability of MSMEs is greatly influenced by their ability perpetrator business in adjust their marketing strategy with development needs and preferences consumers. Innovation marketing helping MSMEs maintain connection with customers, improve Power pull products, as well as expand market opportunities that can be support growth business in a way sustainable. The results show that active MSMEs do innovation marketing own more opportunities big For maintain sustainability his business compared to lack of effort do update in activity marketing.

Market orientation shows influence positive and significant towards competitive business advantage. Findings This indicates that understanding to need customers and market conditions become base important in create superiority compete. MSMEs that are capable understand change request consumers and respond market development in general appropriate tend more easy create appropriate products and services with hope customers. Ability the give greater value Good for consumer so that strengthen position competitive business in the middle increasing competition dynamic.

Proven competitive business advantage influential positive and significant towards MSMEs sustainability. Findings This show that the sustainability of MSMEs is influenced by their ability business in maintain advantages possessed compared to competitors. Advantages strong competition push improvement loyalty customers, expanding market opportunities, as well as strengthen ability business in face change environment business. Research results This confirm that marketing innovation and market orientation play a role in forming a competitive business advantage, while competitive business advantage becomes supporting factors creation sustainability of souvenir MSMEs in the Regency Samosir.

Discussion

Results study show that marketing innovation has an influence positive and significant towards competitive business advantage. Findings This indicates that the more tall the capabilities of souvenir MSMEs in the Regency Samosir in develop innovative marketing strategies, increasingly big advantages too compete that can created. Innovation marketing allows perpetrator business reach a wider market wide, increase Power pull products, as well as create different values compared to competitors. These results in line with Service-Dominant Logic perspective which emphasizes that creation mark for customer become source main superiority competitive company.

The results of the model testing show that all over connection between the proposed variables in study This proven significant. Marketing innovation has an influence positive towards competitive business advantage with mark coefficient track of 0. 627, the t-statistic value is 18. 001, and the p-value is 0. 000, which indicates that improvement innovation marketing capable strengthen superiority competing MSMEs. Marketing innovation is also proven influential positive towards MSMEs sustainability with coefficient of 0. 583, the t-statistic value is 10. 337, and the p-value is 0. 000, so that the more tall innovation applied marketing so the more high sustainability business that can achieved. In addition, market orientation has an influence positive towards competitive business advantage with coefficient of 0. 246, the t-statistic value is 5. 973, and the p-value is 0. 000, which indicates that ability understand market and customer needs contribute in create superiority competitive.

Competitive business advantage also has an influence positive towards MSMEs sustainability with coefficient of 0. 279, the t-statistic value of 4. 887, and the p-value of 0. 000. The findings This show that superiority compete become factor important in support sustainability of MSMEs. In general overall, results study indicates that marketing innovation and market orientation are factor strategic capable increase competitive business advantage, which ultimately contribute to sustainability of souvenir MSMEs in the Regency Samosir. Research result show that all over hypothesis accepted with influence positive and significant (p-value < 0. 001). Marketing innovation has influence the biggest on competitive business advantage (β = 0. 627; t = 18. 001), followed by its influence on MSMEs sustainability (β = 0. 583; t = 10. 337). In addition, market orientation has an effect positive on competitive business advantage (β = 0. 246; t = 5. 973), while competitive business advantage has an effect positive on MSMEs sustainability (β = 0. 279; t = 4. 887). Findings This show that improvement innovation marketing and market orientation are capable strengthen superiority compete which in the end support sustainability of souvenir MSMEs in the Regency Samosir.

CONLUSION

This research prove that marketing innovation and market orientation have an influence positive and significant on the competitive business advantage of souvenir MSMEs in the Regency Samosir. Competitive business advantage is also proven influential positive and significant towards MSMEs sustainability. Marketing innovation in general direct influential positive and significant towards MSMEs sustainability. Findings This show that improvement innovation marketing and market orientation are capable strengthen superiority compete which in the end support the sustainability of MSMEs. Therefore that, competitive business advantage becomes factor important in guard sustainability business, with marketing innovation as variables that provide the strongest influence in the research model.

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