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Several Factors Affecting Marketing Performance and Competitive Advantage in Micro, Small, and Medium Enterprises in Berau Regency

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Abstract: This study aims to analyze the influence of marketing communication strategies, selling prices, and product innovation on competitive advantage through marketing performance in MSMEs in Berau Regency. The research is motivated by the low competitiveness of MSMEs and the need to strengthen marketing strategies amidst a dynamic business environment. A quantitative approach was used with the Partial Least Squares–Structural Equation Modelling method. The sample consisted of 60 MSMEs selected based on the criteria of active business ownership and completeness of research data. Data were collected through questionnaires distributed to MSME actors through various associations, including Rumah Kemas Bartiwakkal, Diskoprindag, Rumah BUMN Pertamina, Hands on, and other related communities. The results show that marketing communication strategies and product innovation have a significant positive effect on competitive advantage, while price does not have a significant effect. Marketing communication strategies and prices have a significant positive effect on marketing performance, but product innovation does not have a significant effect. Marketing performance has a significant positive effect on competitive advantage but does not mediate the relationship between the three independent variables and competitive advantage. These findings emphasize the importance of strengthening more targeted communication and innovation strategies to improve the competitiveness of MSMEs in Berau Regency.

Keywords: Marketing Communication Strategy, Price, Product Innovation, Marketing Performance, Competitive Advantage, MSMEs.

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are an integral part of the national economy and have a significant impact on Indonesia's economic growth. According to Kotler and Keller (2016), MSMEs are defined as independent, productive economic activities run by individuals or groups, contributing to job creation and improving community welfare. Data from the Ministry of Cooperatives and SMEs (2021) shows that the number of MSMEs in Indonesia has reached 64.2 million units, contributing 61.07 per cent of the Gross Domestic Product (GDP), or approximately IDR 8,573.89 trillion. Furthermore, the MSME sector

employs more than 117 million workers, equivalent to 97 percent of the total national workforce. These figures demonstrate that MSMEs are not merely a marginal sector but rather the backbone of the Indonesian economy, strategically positioned to maintain long-term economic stability and growth.

Regionally, the role of MSMEs is increasingly evident, particularly in areas with high economic development potential. The East Kalimantan Central Statistics Agency (2024) noted that the number of MSMEs in the province experienced a significant increase from 307,343 units in 2021 to 460,147 units in 2023. Although the growth in the quantity of MSMEs shows a positive trend, the challenges faced are increasingly complex along with global market dynamics and changes in consumer behavior. The development of the Indonesian Capital City (IKN) in East Kalimantan opens up both opportunities and threats for local MSMEs. One such potential area is Berau Regency, which is expected to become a driving force for MSME development in the region.

However, the reality faced by MSMEs in Berau Regency shows an unbalanced growth pattern. Data from the Berau Regional Trade and Commerce Office (2021–2024) reveals an interesting and yet concerning phenomenon regarding the development of MSMEs by category. Over three years, significant imbalances in the growth of various MSME categories were observed, particularly in the business quality dimension, reflecting the challenges faced by MSMEs in Berau Regency in building sustainable competitiveness.

Table 1. Development of MSMEs in Berau Regency 2021–2023

Year	Micro	Growth (%)	Small	Growth (%)	Intermediate	Growth (%)
2021	12,737	–	286	–	15	–
2022	14,098	10.7	289	1.0	14	-7.0
2023	14,148	0.4	289	0.0	14	0.0

Source: Berau Trade and Commerce Office (2021–2024)

The growth patterns reflected in the table show worrying dynamics. Although the number of micro-SMEs continues to grow, this growth has slowed drastically from 10.7 percent in 2022 to just 0.4 percent in 2023. Even more worrying is the stagnation in the small and medium-sized MSME category, which should be a transitional stage towards larger and more sustainable businesses. This situation reflects the weakness of MSME upgrading mechanisms and the lack of strong competitiveness in responding to changes in the business environment. According to Porter (1985), companies that fail to develop competitive advantage strategies through differentiation, cost leadership, or market focus will struggle to survive in long-term competition. Similarly, Barney (1991), using the Resource-Based View framework, asserts that sustainable competitive advantage can only be achieved if a company manages valuable, rare, difficult-to-imitate, and non-substitutable resources.

The problems faced by MSMEs in Berau Regency are not only internal factors but also influenced by suboptimal marketing communication strategies, pricing, and product innovation. Kotler and Keller (2016) explain that the marketing mix, consisting of product, price, place, and promotion, is a key instrument in achieving effective marketing performance. Strong marketing performance, as stated by Ejrami et al. (2016), plays a crucial role as a bridge to achieving sustainable competitive advantage. Previous research has shown mixed and inconsistent results. Guisi (2018) found that marketing communication strategy significantly influences marketing performance, but different results were shown by research by Sitorus (2017) and Guisi (2018), which stated that its influence was insignificant on competitive advantage. Similarly, research on product selling price and product innovation shows inconsistent results. This phenomenon creates a significant research gap regarding the relationship mechanisms between variables and the specific context of MSMEs in the research location.

This study attempts to fill this gap by analyzing the influence of marketing communication strategies, selling prices, and product innovation on competitive advantage through marketing performance as a mediating variable in MSMEs in Berau Regency. The novelty of this study lies in the integration of local context with a conceptual model that positions marketing performance as a mediator, as well as the addition of relevant indicators such as the use of local social media-based digital marketing in marketing communication strategies. This research is important to provide practical and measurable strategic recommendations for MSMEs in Berau Regency to increase competitiveness in the era of global competition and the transition towards the Indonesian Capital City.

The purpose of this study is to analyse the direct influence of marketing communication strategies, selling prices, and product innovation on competitive advantage, as well as the indirect influence through marketing performance as a mediating variable. Furthermore, this study also aims to provide a theoretical contribution to understanding the role of marketing performance in linking strategic factors to achieving competitive advantage. Practically, the findings of this study are expected to serve as a guide for MSMEs and local policymakers in designing effective and sustainable MSME development strategies in Berau Regency.

METHOD

Research Design

This study used an associative design with quantitative methods to test direct and indirect relationships between variables (Sugiyono, 2017). The analysis technique used Structural Equation Modelling (SEM) based on Partial Least Squares (PLS) with SmartPLS 4.0, as it is suitable for complex models with many latent variables and small sample sizes (Hair et al., 2014). Data were collected through a 5-point Likert scale questionnaire, supplemented by interviews and observations for a deeper understanding of the context.

Unit of Analysis

The unit of analysis is the owners or managers of MSMEs in Berau Regency who are directly involved in decision-making on marketing strategies, pricing, and product innovation (Sugiyono, 2017). The unit of analysis also includes the products or services offered, the marketing systems implemented, and the local business environment of Berau Regency, including the impact of the development of the Indonesian Capital City (IKN) on MSME competitiveness.

Operationalization of Variables

Operationalisation of variables transforms abstract concepts into measurable variables (Sugiyono, 2017) with a minimum of two statement items per indicator (Hair et al., 2014). The following is a summary of the operationalisation:

Table 2. Operationalization of Variables

Variables	Indicator	Scale
Marketing Communication Strategy (X₁)	Advertising, Public Relations, Sales Promotion, Online Marketing/Social Media	Likert 1-5
Price (X₂)	Affordability, Price-Quality Matching, Competitiveness, Price-Benefit Matching	Likert 1-5
Innovation (X₃)	Product Innovation, Service Innovation, Process Innovation, Marketing Innovation	Likert 1-5
Competitive Advantage (Y)	Product Differentiation, Cost Leadership, Market Focus, Value Added	Likert 1-5
Marketing Performance (M)	Sales Growth, Customer Growth, Profitability, Customer Satisfaction & Loyalty	Likert 1-5

Source: Kotler & Keller (2016), Tjiptono (2015), Ferdinand (2014), Porter (1985), Barney (1991)

Population and Sample

The population is active MSMEs in Berau Regency that market products or services, managed by owners or managers involved in strategic decisions, and have been operating for at least 1 year, so that respondents have adequate strategy implementation experience (Sugiyono, 2017). The sample was determined by purposive sampling with the following criteria: (1) operating in Berau Regency, (2) having offline/online marketing activities, (3) operating for ≥ 1 year, (4) respondents are strategic decision makers. Based on the PLS-SEM guidelines of Hair et al. (2014) with the "10-times rule" (10 times the largest number of arrows to the endogenous construct), this study requires a minimum of 40 respondents (10×4 arrows). However, for optimal estimation stability, 100 respondents were used for more robust and reliable results (Hair et al., 2014).

Data Types and Sources

The study used quantitative data through a Likert-scale questionnaire that was statistically analysed (Sugiyono, 2017). Primary data was obtained directly from respondents through a questionnaire to measure perceptions of marketing communication strategies, selling prices, product innovation, and competitive advantage. Secondary data was obtained from MSME reports, BPS publications, academic journals, and local government documents to provide an overview of MSME conditions and external factors (Sugiyono, 2017). The combination of the two resulted in a comprehensive and accurate analysis.

Method of collecting data

Data collection used four methods (Sugiyono, 2017). First, a questionnaire was used as the primary method, using closed-ended questions on a 5-point Likert scale to measure the variables of marketing communication strategy, product selling price, product innovation, competitive advantage, and marketing performance. Second, interviews with MSME owners or managers provided in-depth information on strategy implementation and the challenges faced. Third, direct observation to observe marketing activities, customer interactions, and product innovation in the field confirmed the accuracy of the questionnaire responses. Fourth, documentation from official sources such as the Central Statistics Agency (BPS), MSME service reports, and academic publications provided secondary data to support the analysis.

Data Analysis Tools

The analysis tool uses Structural Equation Modelling (SEM) based on Partial Least Squares (PLS) with SmartPLS 4.0 (Hair et al., 2019). The analysis consists of two stages: First, the evaluation of the outer model (measurement model) tests convergent validity through outer loading (≥ 0.7) and Average Variance Extracted/AVE (≥ 0.5), discriminant validity through HTMT (≤ 0.90), and reliability through Composite Reliability/CR (≥ 0.7) and Cronbach's Alpha (≥ 0.7) (Hair et al., 2019). Second, the evaluation of the inner model (structural model) tests the causal relationship through the path coefficient, R-square (R^2) for the explanatory ability of the variables, effect size (f^2) with the criteria of $0.02 =$ small, $0.15 =$ medium, $0.35 =$ large (Cohen, 1988 in Hair et al., 2021), predictive relevance (Q^2) with the criteria of $Q^2 > 0$, and bootstrapping significance test with the criteria of t-statistic ≥ 1.96 or p-value ≤ 0.05 at a 95% confidence level (Hair et al., 2021).

Research Hypothesis

Based on the previous theories and research that have been analyzed in the previous chapter, the research hypothesis is formulated as follows:

1. H1: The better the marketing communication strategy implemented, the higher the marketing performance will be.
2. H2: The more appropriate the pricing is, the higher the marketing performance will be.

3. H3: The higher the level of innovation carried out, the higher the marketing performance will be.
4. H4: The better the marketing communication strategy implemented, the higher the competitive advantage will be.
5. H5: The more competitive the price offered, the higher the competitive advantage.
6. H6: The higher the innovation implemented, the stronger the competitive advantage will be.
7. H7: The higher the marketing performance, the stronger the competitive advantage.
8. H8: The better the marketing communication strategy, the better the competitive advantage will be strengthened through increased marketing performance.
9. H9: The more appropriate the pricing strategy implemented, the more it will strengthen competitive advantage through increased marketing performance.
10. H10: The higher the innovation carried out, the more it will strengthen competitive advantage through increased marketing performance.

RESULTS AND DISCUSSION

Research result

Characteristics of Respondents and MSMEs

The research sample consisted of 60 respondents who were owners or managers of MSMEs in Berau Regency. Understanding the characteristics of the respondents and MSMEs is crucial because it provides a demographic overview and business profile that serve as the source of the research data (Sugiyono, 2015).

Table 3. Characteristics of Respondents and MSMEs

Characteristics	Aspect	Amount	Percentage
Gender	Man	20	33%
	Woman	40	67%
Age	17-20	1	2%
	20-30	23	38%
	30-40	25	42%
	40-50	11	18%
Education	Elementary-Middle School	7	12%
	SENIOR HIGH SCHOOL	26	43%
	S1	24	40%
	S2	3	5%
Respondent Role	Business Owner	52	87%
	Employee	8	13%
Length of Business	1-5 years	31	52%
	6-10 years	23	38%
	11-15 years	1	2%
	16-20 years	5	8%
Business Legality	NIB & NPWP	60	100%
	Tanjung Redeb	37	62%
Business Location	Sambaliung	11	18%
	Teluk Bayur	5	8%
	Gunung Tabur	4	7%
	Tabalar	2	3%
	Segah	1	2%
	Type of business	Snacks (Crisps, Sweet, Savory)	26
Condiments (spices, shredded meat, chili sauce, etc.)		7	12%
Heavy Food		8	13%
Fashion		9	15%
Drink		8	13%
Brownies Cake N'Cookies		3	5%
Souvenir		1	2%

Source: Primary Data

Based on the data obtained, the majority of respondents were women (67%) with a productive age group of 30-40 years (42%), dominated by high school education (43%) and bachelor's degree (40%), and 87% were business owners who directly managed their businesses. Most of the MSMEs have been operating for 1-5 years (52%) with complete business legality (100% have NIB and NPWP), spread across various sub-districts, with the largest concentration in Tanjung Redeb (62%). The type of business is dominated by snacks (43%), followed by fashion (15%), heavy meals (13%), drinks (13%), condiments (12%), and others. These characteristics indicate that respondents have sufficient experience and knowledge to provide accurate information on marketing strategies, selling prices, product innovation, and business performance, so that the data obtained is very relevant and can be accounted for for research purposes.

Validity Test

Validity testing was conducted to ensure that each indicator truly measures the intended construct (Hair et al., 2019). The results of the convergent validity test showed that after eliminating indicators that did not meet the outer loading criteria ≥ 0.7 , all indicators had loading values between 0.753-0.880, and the Average Variance Extracted (AVE) value for each variable had met the minimum threshold of 0.5 (Marketing Communication Strategy: 0.632, Price: 0.660, Innovation: 0.757, Competitive Advantage: 0.606, Marketing Performance: 0.701). The discriminant validity test using Cross Loading showed that all indicators had the highest loading on their own construct compared to other constructs. The results of the Fornell-Larcker Criterion proved that the square root of the AVE value of each construct was greater than the correlation with other constructs. The HTMT test showed all values below 0.90, confirming that each construct is unique and does not overlap with other constructs (Hair et al., 2019). Thus, the measurement model has met the criteria for good convergent and discriminant validity.

Reliability Test

Reliability testing was conducted to measure the internal consistency of indicators in measuring constructs (Hair et al., 2019). The test results showed that all variables had Cronbach's Alpha values above 0.70 (ranging from 0.707 to 0.858), Composite Reliability (CR) values above 0.70 (ranging from 0.837 to 0.904), and rho_A values above 0.70 (ranging from 0.706 to 0.865). These values exceeded the minimum required threshold, indicating that each construct had excellent internal consistency and that the indicators were able to measure the variables stably and accurately (Hair et al., 2019). Thus, all research instruments met the reliability criteria and were suitable for use in the next stage of analysis.

Model Fit Test

A model fit test was conducted to assess the suitability of the research model to the empirical data (Hair et al., 2019). The test results showed a Standardised Root Mean Square Residual (SRMR) value of 0.097, which is smaller than the threshold of 0.10, indicating that the model has a good level of fit between the observed and predicted covariances by the model. The Normed Fit Index (NFI) value of 0.615 indicates a level of fit below the ideal standard (≥ 0.90), but this is still acceptable in the context of PLS-SEM because the PLS approach is more oriented towards predictive ability than overall model fit (Henseler et al., 2016). Thus, the research model has an acceptable level of fit for the next stage of structural analysis.

R Square (R²)

The R-Square (R²) value is used to measure the ability of exogenous variables to explain endogenous variables in the research model (Hair et al., 2021). The analysis results show an R²

value for Competitive Advantage of 0.547, meaning that 54.7% of the variation in competitive advantage is explained by marketing communication strategy, price, innovation, and marketing performance, while 45.3% is influenced by other factors outside the model. This value is in the moderate category, indicating quite good explanatory power. For Marketing Performance, the R^2 value of 0.323 indicates that 32.3% of the variation is explained by the three independent variables, with 67.7% influenced by other external factors. This value is in the weak category, but overall the model has acceptable explanatory power (Hair et al., 2021).

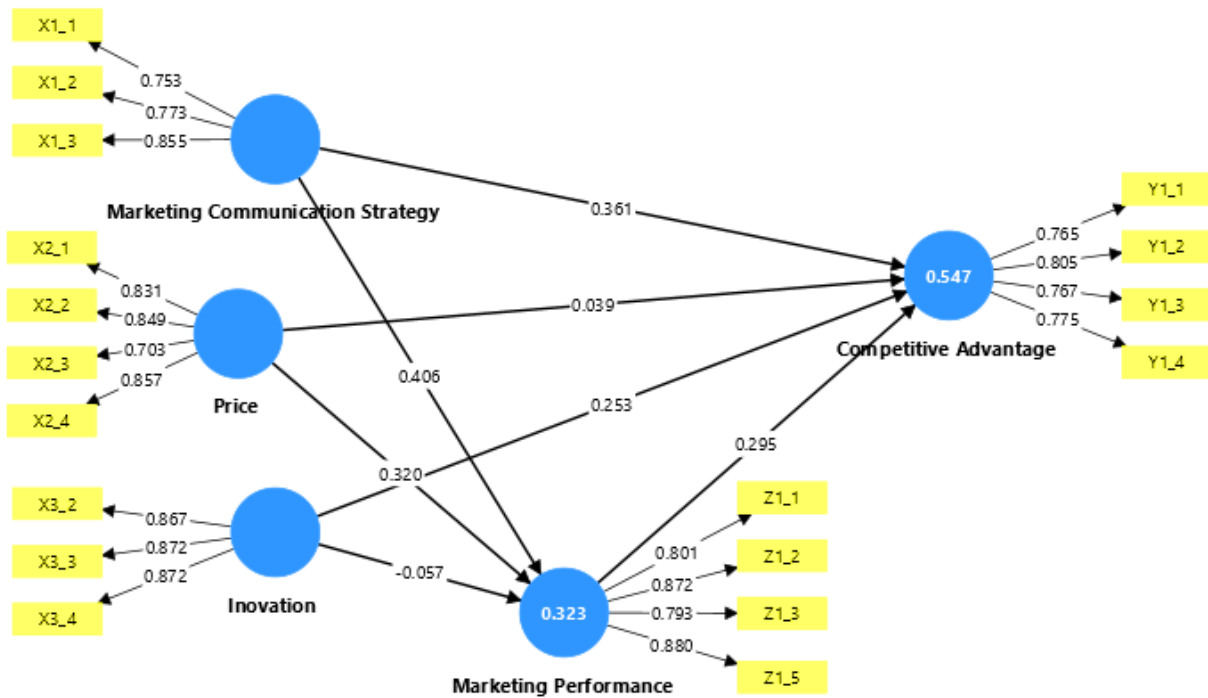


Figure 1. PLS SEM Algorithm output to see R^2
Source: PLS SEM 4.1.1.5

Effect Size (f^2)

Effect Size (f^2) is used to measure the relative influence of independent variables on the dependent variable in the model (Hair et al., 2021). The test results show: Marketing Communication Strategy → Competitive Advantage has $f^2 = 0.186$ (moderate influence), indicating that increasing marketing communication strategy activities contributes significantly to competitive advantage. Marketing Communication Strategy → Marketing Performance has $f^2 = 0.188$ (moderate influence), indicating that communication plays an important role in improving marketing performance. Price → Competitive Advantage has $f^2 = 0.002$ (very small/no influence), indicating that pricing strategy has not contributed significantly to competitive advantage in practice. Price → Marketing Performance has $f^2 = 0.108$ (small influence), meaning that pricing has a real impact, although not dominant. Innovation → Competitive Advantage has $f^2 = 0.090$ (small effect) and Innovation → Marketing Performance has $f^2 = 0.003$ (very small), indicating that innovation provides a limited contribution. Marketing Performance → Competitive Advantage has $f^2 = 0.130$ (small effect), meaning that marketing performance contributes positively but is limited to competitive advantage (Hair et al., 2021).

Hypothesis Testing

Hypothesis testing was conducted using bootstrapping with the following criteria: the hypothesis is accepted if the t-statistic is > 1.96 and the p-value is < 0.05 ; the hypothesis is rejected if the t-statistic is < 1.96 and the p-value is > 0.05 (Hair et al., 2019; Ghozali & Latan,

2015). This test aims to determine whether the direct and indirect effects between variables are statistically significant, thus providing empirical answers to the ten research hypotheses that have been developed based on previous theories and research.

Table 4. Hypothesis Testing

Hypothesis	Track	Coefficient	T-Statistic	P-Value	Information
H1	Marketing Communication Strategy → Marketing Performance	0.406	2,655	0.004	Proven
H2	Price → Marketing Performance	0.320	2,220	0.013	Proven
H3	Innovation → Marketing Performance	-0.057	0.380	0.352	Not Proven
H4	Marketing Communication Strategy → Competitive Advantage	0.361	2,677	0.004	Proven
H5	Price → Competitive Advantage	0.039	0.346	0.365	Not Proven
H6	Innovation → Competitive Advantage	0.253	2,353	0.009	Proven
H7	Marketing Performance → Competitive Advantage	0.295	2,156	0.016	Proven
H8	Marketing Communication Strategy → Marketing Performance → Competitive Advantage	0.120	1,575	0.058	Not Proven
H9	Price → Marketing Performance → Competitive Advantage	0.094	1,430	0.076	Not Proven
H10	Innovation → Marketing Performance → Competitive Advantage	-0.017	0.357	0.360	Not Proven

Source: SmartPLS 4.1.1.5

Hypothesis Testing Results:

1. H1-Marketing Communication → Marketing Performance (Proven): The better the marketing communication strategy, the better the marketing performance. This hypothesis is proven by the t-statistic of 2.655 (>1.96) and p-value of 0.004 (<0.05), coefficient of 0.406. These results prove that an effective marketing communication strategy can significantly improve marketing performance.
2. H2-Price → Marketing Performance (Proven): The better the price, the better the marketing performance. This hypothesis is proven by the t-statistic of 2.220 (>1.96) and p-value of 0.013 (<0.05), coefficient of 0.320. Competitive and appropriate pricing can improve marketing effectiveness and sales performance of MSMEs.
3. H3-Innovation → Marketing Performance (Not Proven): The better the innovation, the better the marketing performance. This hypothesis is not proven with a t-statistic of 0.380 (<1.96) and a p-value of 0.352 (>0.05), with a coefficient of -0.057. This indicates that innovation efforts have not had a direct impact on improving marketing performance.
4. H4-Marketing Communication Strategy → Competitive Advantage (Proven): The better the marketing communication strategy, the better the competitive advantage. This hypothesis is proven by the t-statistic of 2.677 (>1.96) and p-value of 0.004 (<0.05), coefficient of 0.361. The effectiveness of the marketing communication strategy directly strengthens the competitive position of MSMEs in the market.
5. H5-Price → Competitive Advantage (Not Proven): The better the price, the better the competitive advantage. This hypothesis is not proven with a t-statistic of 0.346 (<1.96) and a p-value of 0.365 (>0.05), a coefficient of 0.039. Pricing policy alone is not enough to create a competitive advantage without the support of other factors such as innovation and product differentiation.
6. H6-Innovation → Competitive Advantage (Proven): The better the innovation, the better the competitive advantage. This hypothesis is proven by the t-statistic of 2.353 (>1.96) and p-value of 0.009 (<0.05), coefficient of 0.253. Targeted innovation can create product differentiation and strengthen the competitiveness of MSMEs.

7. H7-Marketing Performance → Competitive Advantage (Proven): The better the marketing performance, the better the competitive advantage. This hypothesis is proven by the t-statistic of 2.156 (>1.96) and p-value of 0.016 (<0.05), coefficient of 0.295. Improved marketing performance directly strengthens the ability of MSMEs to compete in the market.
8. H8-Mediation of Marketing Communication Strategy → Marketing Performance → Competitive Advantage (Not Proven): Marketing performance mediates the effect of marketing communication strategy on competitive advantage. This hypothesis is not proven with a t-statistic of 1.575 (<1.96) and a p-value of 0.058 (>0.05), a coefficient of 0.120. Marketing performance has not been able to effectively mediate the relationship between marketing communication strategy and competitive advantage.
9. H9-Price Mediation → Marketing Performance → Competitive Advantage (Not Proven): Marketing performance mediates the effect of price on competitive advantage. This hypothesis is not proven with a t-statistic of 1.430 (<1.96) and a p-value of 0.076 (>0.05), a coefficient of 0.094. Price has not provided a significant contribution through the mediation path of marketing performance on competitive advantage.
10. H10-Mediation of Innovation → Marketing Performance → Competitive Advantage (Not Proven): Marketing performance mediates the effect of innovation on competitive advantage. This hypothesis is not proven with a t-statistic of 0.357 (<1.96) and a p-value of 0.360 (>0.05), a coefficient of -0.017. Innovation is unable to significantly influence competitive advantage through the mediation pathway of marketing performance.

Discussion

The Influence of Marketing Communication Strategy on Marketing Performance

The results of the study indicate that marketing communication strategies have a positive and significant effect on marketing performance (t-statistic = 2.655, p-value = 0.004). This means that the better the marketing communication strategy implemented, the higher the marketing performance of MSMEs. This finding aligns with Guisi's (2018) study, which found that marketing communication strategies have a positive effect on marketing performance. Kotler & Keller (2016) emphasized that a planned and integrated marketing communication strategy builds brands and increases marketing effectiveness. Smith & Zook (2011) added that an integrated communication strategy increases customer engagement and drives sales results. However, Oduro & Mensah-Williams (2023) found different results, where the effect was not significant, possibly due to differences in industry context or company resources. This study provides empirical evidence that an effective marketing communication strategy is a key factor in improving the marketing performance of MSMEs in Berau Regency.

The Influence of Price on Marketing Performance

The results of the study showed that price had a positive and significant effect on marketing performance (t-statistic = 2.220, p-value = 0.013). Appropriate pricing can increase product attractiveness and marketing performance. This finding aligns with research by Cahyaningtyas et al. (2021) and Tirtayasa (2022), which found that product selling price had a positive effect on marketing performance. Kotler & Armstrong (2021) explain that price is a key element of the marketing mix that influences consumer purchasing decisions. Tjiptono (2015) emphasizes that pricing strategies must consider consumer value perceptions and competitor conditions to maximize marketing performance. This study confirms that competitive pricing that aligns with product value significantly contributes to improving the marketing performance of MSMEs.

The Influence of Product Innovation on Marketing Performance

The results of the study showed that product innovation had no significant effect on marketing performance (t-statistic = 0.380, p-value = 0.352). This indicates that the innovation

has not had a direct impact on improving marketing performance. This difference from the research of Wati & Nasution (2022), which found a positive effect, is likely due to the innovation not being translated into a concrete marketing strategy or the innovation not being aligned with market needs. Kotler & Keller (2016) emphasise that innovation must be integrated with a comprehensive marketing strategy to impact performance. Without synergy with other marketing mix elements, innovation tends to only improve internal processes without measurable marketing results (Tjiptono, 2015). These findings indicate the need to strengthen the integration between product innovation and active marketing strategies in MSMEs in Berau Regency.

The Influence of Marketing Communication Strategy on Competitive Advantage

The results of the study indicate that marketing communication strategies have a positive and significant effect on competitive advantage (t-statistic = 2.677, p-value = 0.004). This means that the more effective the marketing communication strategy, the higher the competitive advantage achieved. This finding aligns with research by Perkasan, Utomo & Abidin (2022) and Pratono, Herdiana & Wen (2022), which found that marketing communication strategies significantly influence competitive advantage. Kotler & Keller (2016) emphasized that effective marketing communication builds strong brands and customer loyalty, strengthening competitive positions. However, Sitorus (2017) and Guisi (2018) found an insignificant effect, indicating that effectiveness depends on the company's external and internal context. Shimp & Andrews (2013) emphasized that consistent and persuasive communication builds customer loyalty and strengthens competitiveness. This study provides evidence that an effective marketing communication strategy is an important strategic tool for creating competitive advantage for MSMEs.

The Influence of Price on Competitive Advantage

The results of the study showed that price had no significant effect on competitive advantage (t-statistic = 0.346, p-value = 0.365). This means that pricing policy has not significantly contributed to the competitive advantage of MSMEs. This difference with the research of Pratiwi (2022) and Taan (2017), which found a positive effect, is likely due to Berau MSMEs focusing more on aspects of quality, innovation, and product differentiation than pricing strategy. Nursyamsi et al. (2024) align with these findings, showing that the effect of price on competitive advantage is insignificant. Porter (1985) explains that competitive advantage can be achieved through differentiation or market focus, not just cost leadership. Barney (1991) emphasizes that sustainable competitive advantage arises from valuable and unique resources, not just pricing strategy. This study demonstrates the need for MSMEs to combine price with other factors such as innovation and marketing communication strategies to create a strong competitive advantage.

The Influence of Product Innovation on Competitive Advantage

The results of the study show that product innovation has a positive and significant effect on competitive advantage (t-statistic = 2.353, p-value = 0.009). The higher the level of innovation, the greater the competitive advantage achieved. This finding is in line with research by Taan (2017) and Guan-qi (2024), which found that innovation contributes significantly to competitive advantage. Kotler & Keller (2016) emphasized that product innovation is a key element in creating differentiation and building long-term competitive advantage. Schumpeter (1934) stated that innovation is a key driver of economic growth and competitiveness. However, Syairi & Supriyanto (2023) found different results, possibly due to the implementation of innovation that is less strategic or does not match market needs. This study confirms that targeted product innovation is a crucial factor in creating competitive advantage for MSMEs.

The Influence of Marketing Performance on Competitive Advantage

The results of the study show that marketing performance has a positive and significant effect on competitive advantage (t-statistic = 2.156, p-value = 0.016). This means that improving marketing performance directly strengthens the competitive position of MSMEs. This finding aligns with research by Ejrami et al. (2016) and Salim et al. (2021), which found that marketing performance significantly influences competitive advantage. Ferdinand (2014) emphasized that good marketing performance, demonstrated through increased sales, customer growth, and profitability, is an indicator of success that drives sustainable competitive advantage. Kotler & Keller (2016) explained that effective marketing performance not only generates sales but also builds customer loyalty and a strong brand image. Barney (1991) and Porter (1985) emphasized that strategic resource management to produce superior performance is the key to competitive advantage. This study emphasizes the importance of maximizing marketing performance as a direct determinant of competitive advantage.

The Mediating Role of Marketing Performance between Marketing Communication Strategy and Competitive Advantage

The results of the study indicate that the indirect effect of marketing communication strategy on competitive advantage through marketing performance is insignificant (t-statistic = 1.575, p-value = 0.058). Although marketing communication strategy has a direct effect on both variables, the mediation pathway has not been proven strong. This finding differs from research by Guisi (2018) and Oduro & Mensah-Williams (2023) which showed variations in the effectiveness of the mediating role of marketing performance. Kotler & Keller (2016) explain that the transformation of the impact of marketing communication strategy into competitive advantage through marketing performance also depends on the company's internal capabilities, such as product quality and innovation. Tjiptono (2015) emphasizes that mediating marketing performance requires the integration of communication with other factors in the marketing mix. This study demonstrates the need for MSMEs to strengthen the integration of marketing communication strategy with internal aspects and other strategies so that marketing performance can effectively mediate the relationship with competitive advantage.

The Mediating Role of Marketing Performance between Price and Competitive Advantage

The results of the study showed that the indirect effect of price on competitive advantage through marketing performance was insignificant (t-statistic = 1.430, p-value = 0.076). Although price influences marketing performance, the mediation pathway to competitive advantage has not been proven significant. Research by Pratiwi (2022) and Syairi & Supriyanto (2023) showed similar results, indicating that price alone is insufficient to build competitive advantage through marketing performance mediation without the support of other marketing mix elements. Kotler & Armstrong (2021) explained that strategic pricing must be synchronized with other marketing mix elements, such as product quality and promotion, to have a significant impact on competitive advantage. Cahyaningtyas et al. (2021) emphasized that optimal pricing must be balanced with an effective marketing communication strategy to maximize marketing performance. These findings demonstrate the importance of integrating pricing strategy with comprehensive marketing elements so that marketing performance can effectively mediate the achievement of competitive advantage.

The Mediating Role of Marketing Performance between Innovation and Competitive Advantage

The results of the study indicate that the indirect effect of innovation on competitive advantage through marketing performance is insignificant (t-statistic = 0.357, p-value = 0.360). Although innovation has a direct effect on competitive advantage, the mediation pathway

through marketing performance has not been proven. Research by Nursyamsi et al. (2024) and Syairi & Supriyanto (2023) showed similar results, indicating that product innovation has not translated into increased marketing performance strong enough to mediate competitive advantage. Kotler & Keller (2016) explain that innovation must be integrated with a comprehensive marketing strategy to impact marketing performance and competitive advantage. Without synergy between innovation, promotion, distribution, and customer experience, innovation tends to have a direct effect but not through the marketing performance pathway (Tjiptono, 2015). This study emphasizes the importance of MSMEs strengthening marketing capabilities and integrating innovation with elements of a comprehensive marketing mix so that marketing performance can effectively mediate the relationship between innovation and competitive advantage.

CONCLUSION

This study concludes that marketing communication strategy and product innovation have a significant positive effect on competitive advantage, while price influences marketing performance but indirectly on competitive advantage; marketing performance is proven to have a significant effect on competitive advantage but is unable to mediate the influence of the three independent variables, indicating a more dominant direct effect. The practical implication of this finding is that MSMEs must focus on strengthening their marketing communication strategies through digital marketing, strategic pricing based on product value, and continuous innovation to create competitive advantage. Supporting institutions such as MSME associations, Rumah Kemas, and Diskoprintdag have a crucial role in providing training, mentoring, and access to resources for MSMEs. Academically, this study contributes to the MSME marketing literature and opens up opportunities for further research by adding other variables such as digitalisation, service quality, and entrepreneurial orientation, as well as expanding the sample for a higher level of generalisation.

The recommendations provided include: (1) MSMEs improve their digital-based marketing communication strategies with training support from the association, (2) improve pricing based on cost and market analysis with the assistance of local governments, (3) increase product innovation sustainably with facilities and creative workshops from supporting institutions, (4) conduct regular evaluations of marketing performance with tools from the association, and (5) further research needs to consider moderating variables, expand the region, and increase the number of samples for more comprehensive and generalizable results.

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