

Marketing Performance: Unpacking Market Orientation Mediated Innovation Capability and Sustainable Competitive Advantage of Small and Medium Enterprises Food

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Abstract: This research examines how market orientation influences marketing performance by mediating innovation capability and Sustainability Competitive Advantage. This research uses a quantitative approach to collect data and analyze the relationships between variables. The research sample consisted of 348 food-producing SME business actors in North Sumatra. Data analysis in this research uses Structural Equation Modeling (SEM) with the Partial Least Squares (PLS-SEM) method. The research results show that there is a direct influence of Innovation capability and sustainable Competitive Advantage on marketing performance. There is an influence of Market Orientation on Innovation Capability and Sustainable Competitive Advantage, but there is no influence of Market Orientation on Marketing performance. Then, innovation capability and sustainable competitive advantage have a mediating role in market orientation and marketing performance. This research provides a new contribution to understanding the factors that influence the marketing performance of SMEs. Combining market orientation, innovation capability and sustainable competitive advantage as mediation is an approach that has yet to be widely explored in previous literature. Practical implications for SME owners, business organizations, and government policies: Improving market orientation, innovation capabilities, and sustainability can help SMEs improve marketing performance, contributing to sustainable economic growth.

Keywords: business performance, competitive advantage, innovation capability.

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INTRODUCTION

Small and Medium Enterprises (SMEs) are central to global economic sustainability (Prashar, 2019; Bakos et al., 2020; Ndubisi et al., 2021). In every country, the contribution of SMEs to economic growth and job creation is very significant. Therefore, to maintain the sustainability of SMEs amid increasingly fierce competition and dynamic changes, it is necessary to develop an effective marketing strategy to maintain and



improve marketing performance. One of these strategies is to understand the market and improve marketing performance. If SMEs do not understand their market, customers or competitors well, they will find it challenging to design and implement an effective marketing strategy, and SMEs marketing will be misdirected, and the product or service offered will not meet customer needs or wants, which can lead to a lack of interest or response from the market.

Many SMEs need to understand sustainable marketing practices, focusing only on traditional marketing efforts rather than incorporating elements of sustainability into their strategy (Quaye & Mensah, 2019; Das et al., 2020; Gelderman et al., 2021). As a result, they may need help to capitalize on opportunities to create sustainable competitive advantages. Customers do not see the added value offered if marketing performance does not effectively communicate better product or service quality. Low product or service quality can hinder business sustainability and affect competitors' long-term advantages, as customers will switch to competitors who offer better quality.

Marketing performance is an essential component in contemporary business operations (Shanak & Abu-Alhaija, 2023), not only serving as the primary tool for achieving financial and business goals but also a gateway to success and growth (Akhtar et al., 2022; Gunawan et al., 2023). Thus, marketing performance can be interpreted as a way to evaluate how effective a company's marketing is in achieving business goals by involving the use of metrics, key performance indicators (KPI), and data analysis to determine whether marketing investments have achieved expected results or vice versa (Khalayleh & Al-Hawary, 2022). Wu et al. (2024), explains that marketing performance provides a basis for making better decisions about marketing strategies and ensures that marketing contributes positively to the overall success of SMEs. In addition, marketing performance also helps SMEs to differentiate from competitors to win the competition and remain relevant in a competitive market, and businesses must stand out and attract customers with a unique message that emphasizes the superiority of the goods or services offered (Ehrensperger et al., 2022).

Dhameria et al. (2021) and Novitasari et al. (2021) to achieve optimal marketing performance, SMEs need to understand and have sustainable competitive advantage because competitive advantage can differentiate SMEs from existing competitors in the long term. In this context, "sustainable" means that the competitive advantage can be maintained and renewed continuously to achieve optimal marketing results over a long period. X. Zhang et al. (2023); Javed et al. (2024), defines sustainable competitive advantage as a situation where a company or organization creates and maintains its competitive advantage in a sustainable way in economic, environmental and social terms. In this context, sustainability refers to a company's efforts to integrate business practices by considering their impact on society, the economy and the environment (Andersson et al., 2022; Samosir et al., 2023).

Elgarhy & Abou-Shouk (2023) Emphasized that there is a significant link between Sustainability Competitive Advantage and marketing performance; by integrating sustainability into marketing strategies, SMEs can achieve better results in terms of market share (Olazo, 2023; Susanti et al., 2023), brand image (Singh & Sharma, 2023) and customer loyalty (Le, 2023). Sustainability Competitive Advantage is no longer just an advantage but also a necessity for SMEs to develop and survive (Arsawan et al., 2022).

Heenkenda et al. (2022) Emphasized that SMEs focusing on sustainability in their operations tend to bring out more robust innovation capabilities; adopting sustainable practices often triggers companies to seek innovative solutions (Hanaysha et al., 2022), such as managing resources and creating unique products. The innovation capabilities SMEs possess can be a source of competitive advantage and will enable SMEs to stand out in the market (Ferreira & Coelho, 2022; Hanaysha et al., 2022).

Based on several studies Tolstoy et al. (2022); Djakasaputra et al. (2021); and Kartika (2021), marketing performance can be significantly improved with innovative products or services. This innovation attracts

consumer interest and increases the company's competitiveness in facing competitive market dynamics. Intelligent and timely marketing strategies must be developed to prioritize innovation and reach the target market appropriately (Gupta et al., 2021; Nasution et al., 2020). Thus, overall marketing performance can be improved by innovating marketing approaches such as using new technology or creative strategies.

In the context of developing innovation capability and achieving a sustainable competitive advantage and marketing performance, it is also essential to consider the vital role of market orientation. Kolbe et al. (2022), emphasized that market orientation helps SMEs achieve innovation capabilities, create products and services, and support sustainability improving marketing performance (Ferreira et al., 2022). Khamaludin et al. (2021) and Khan et al. (2022) define market orientation as a strategic approach used by companies or organizations to focus and commit to understanding and meeting the needs, preferences and expectations of their customers effectively and Tolstoy et al. (2022) Providing reinforcement Market orientation involves active efforts to gather, analyze, and displace customer needs, preferences, and expectations.

Market Orientation contributes positively to Marketing Performance (Puspaningrum, 2020) by providing a better understanding of customers, more relevant products, more effective marketing strategies, the ability to respond to market changes, increased customer loyalty, and competitive advantage (Novitasari et al., 2021; Farida & Setiawan, 2022).

One of the research gaps that focuses on SMEs still needs to be more about research; most research focuses on comprehensive research on market orientation variables, innovation capability, sustainability competitive advantage and marketing performance, only focusing on large companies (Mady et al., 2023; Dogbe et al., 2021), so there is an opportunity for a more in-depth exploration of how market orientation influences SMEs. "Research gaps also include the need to understand the factors that may moderate or mediate the relationship between these variables, such as innovation capability and sustainable competitive advantage, in influencing the relationship. Further research can help identify these factors and explain their role in strengthening or weakening the influence of key variables. In addition, this study can explore the role of external factors, such as changes in market trends, government regulations, and technological advancements, which may moderate the effectiveness of SME strategies. Thus, this study is expected to provide comprehensive insights for SMEs in designing adaptive and sustainable strategies amidst the challenges of a dynamic business environment.

This study thoroughly examines how SMEs can succeed in sustainable marketing through Market Orientation, Competitive Advantage, Innovation Capability, and Marketing Performance. There is still room for further exploration, challenges that need to be overcome, and opportunities that can be exploited. This study aims to fill the identified gaps by explaining the influence of contextual factors on SMEs, developing deeper measurements, and understanding the role of moderating factors in the relationship. In addition, this study also seeks to reveal how the synergy between marketing strategy and innovation can improve the competitiveness and sustainability of SMEs amidst global competition and dynamic market changes. Thus, this study is expected to provide practical contributions for SME actors in developing effective and sustainable marketing strategies.

METHODS

This study uses a quantitative approach, which focuses on collecting, analyzing, measuring, calculating, and objectively analyzing data, as well as testing hypotheses and making generalizations based on the findings found. The population of this study is MSME business actors in North Sumatra, totaling 595,779 units with criteria according to MSME Law No. 20 of 2008. This study used an accidental sampling technique. Then, the researchers analyzed all SMEs in North Sumatra. The sample calculation uses the Isaac and Michael tables with

a significant level of 5%, so a sample of 348 MSME business actors in North Sumatra is obtained. The SEM PLS data analysis technique is the right choice for analyzing data in the context of this study.

RESULTS & DISCUSSION

Descriptive Analysis of Respondents

This descriptive analysis is based on research data collected in the form of questionnaire responses obtained from 348 respondents to MSME food producers in North Sumatra (see Table 1). The research data collected is transformed into a numerical table to make it understandable and interpretable. Researchers use descriptive analysis to provide information regarding the demographic characteristics of respondents. The following are the results of descriptive research, among others:

Table 1 Distribution of Respondents

Characteristics	Category	Quantity	Percentage
Gender	Male	63	18.1
	Female	285	81.9
		348	100
Age	20 - 25	14	4.02
	26 - 30	22	6.32
	31 - 35	58	16.67
	36 - 40	102	29.31
	41 - 45	80	22.99
	46 - 50	65	18.68
	> 51	7	2.01
		348	100
Education background	High school and below	195	56.03
	Diploma	78	22.41
	Bachelor	75	21.56
		348	100
Status	Married	295	84.77
	Single	53	15.23
		348	100

In general, the respondents in this study were women aged between 36 and 50 years with a high school education level/D1/D2 who were married. With this understanding of the characteristics of the respondents, research can focus more on analyzing the relationship between the variables studied in the context of SMEs.

Outer Model Measurement

Outer Model Testing is an essential stage in Structural Equation Modeling (SEM) analysis using the Partial Least Squares (PLS-SEM) method. This stage aims to assess the quality of construct measurement in the research

model. Outer Model Testing includes construct evaluation to ensure that the construct is measured accurately and has adequate validity and reliability. Several tests conducted on the external model include Convergent Validity: Measured through the factor loading value between the latent variable and its indicators, with an expected value of > 0.7 . Discriminant Validity: Assessed based on the cross-loading factor to ensure the construct has adequate discriminant. The loading on the measured construct must be greater than the loading on other constructs. Average Variance Extracted (AVE): This shows how much the construct can explain the variance of its indicators, with an expected AVE value of > 0.5 . Composite Reliability: Measures the internal consistency of construct indicators, where a value of > 0.7 indicates high reliability. Cronbach's Alpha: Strengthens reliability testing, with expected values > 0.6 for each construct. Table 2 presents the results of the Outer Model test, which includes the values of the validity and reliability tests for each construct in this study:

Table 2 Outer Model Measurement Results

Construct	Indicator	Loading Factor	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Market Orientation	MO1	0,729	0,837	0,879	0,547
	MO2	0,7			
	MO3	0,727			
	MO4	0,769			
	MO5	0,728			
	MO6	0,783			
Innovation Capability	IC1	0,692	0,826	0,871	0,531
	IC2	0,83			
	IC3	0,682			
	IC4	0,73			
	IC5	0,751			
	IC6	0,677			
Sustainability-competitive advantage	SCA1	0,819	0,759	0,839	0,516
	SCA2	0,739			
	SCA3	0,735			
	SCA4	0,764			
	SCA6	0,487			
Marketing Performance	MP1	0,893	0,805	0,863	0,524
	MP2	0,704			
	MP3	0,677			
	MP4	0,735			
	MP5	0,836			
	MP6	0,693			

In the overall data produced in Table 1, all test results show that the constructs used in the research have sufficient validity and reliability to be used in further analysis.

Structural Model Evaluation (Inner Model)

The R² value indicates the level of determination of the exogenous variable towards its endogenous. The greater the R² value, the better the level of resolution.

Table 3, R-square and Adjusted R-square values for all constructs have a value of around 0.447; this indicates that the model used does not fully explain the variation in the measured constructs (such as Innovation Capability, Marketing Performance, or Sustainable Competitive Advantage). This could be caused by other factors outside the model that influence these constructs.

Table 3 R Square Value

Construct	R-square	R-square adjusted
Innovation Capability	0,447	0,445
Marketing Performance	0,455	0,451
Sustainable Competitive Advantage	0,473	0,470

Hypothesis testing

Testing for each relationship is carried out using a simulation with the bootstrapping method for the sample. This test aims to minimize the problem of abnormal research data. Test results using the bootstrapping method from SEM PLS analysis are as follows (Figure 1).

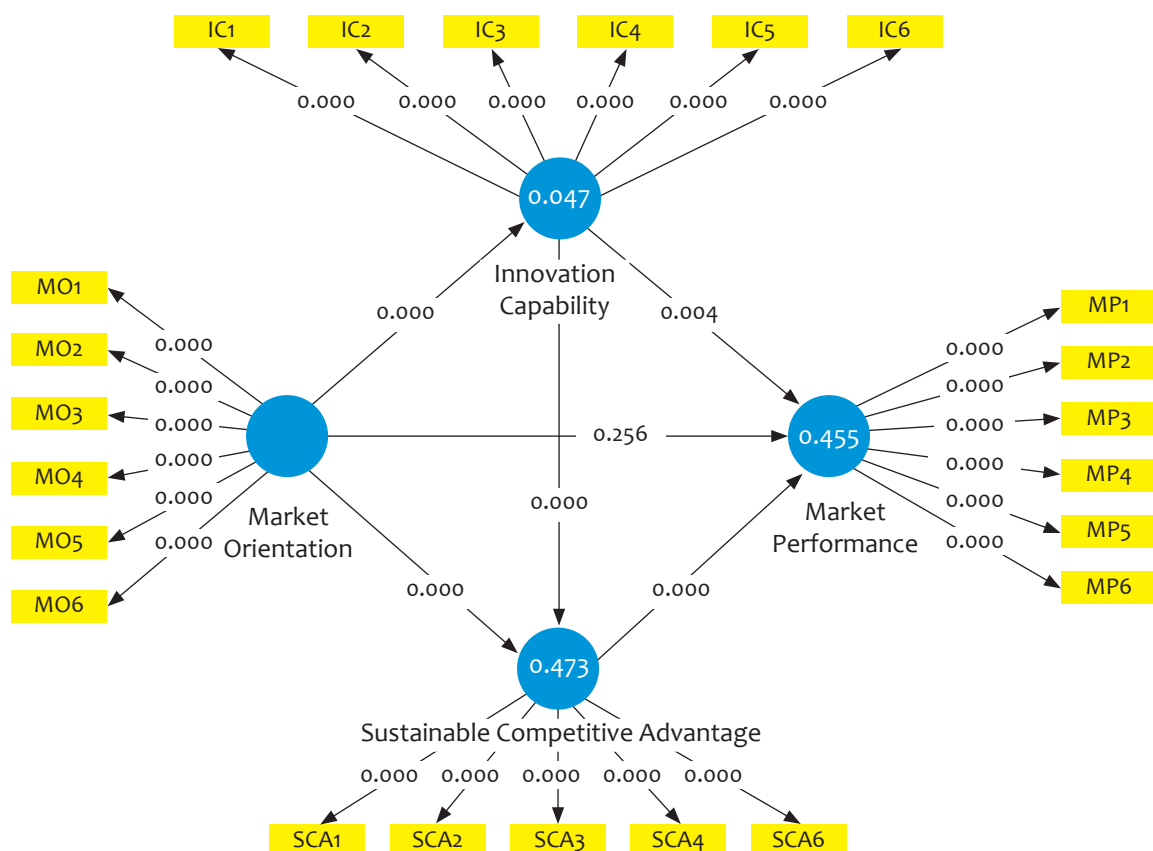


Figure 1 Research Structural Model

Bootstrapping data is used to test the hypothesis in this study. Hypothesis testing evaluates the T-statistic and P-value, where the hypothesis is considered significant if the P-value < 0.05. This analysis allows researchers to understand the direct, indirect, and total effects between variables (Table 4). In addition, interpreting the hypothesis test results through the inner model helps determine the strength and direction of the relationship between variables, which provides deeper insight into the dynamics of the relationship. This process also helps identify the validity and reliability of the model, thus ensuring that robust data supports the research conclusions.

Table 4 Direct Effect and Indirect Effect Hypothesis Test Results

Hypothesis	Direct Effect	Original sample (O)	Sample mean (M)	Standard Deviation (STDEV)	T statistics (O/STDEV)	P values	Decision
H1	Innovation Capability → Marketing Performance	0,145	0,146	0,054	2,669	0,004	Supported
H2	Innovation Capability → Sustainable Competitive Advantage	0,433	0,438	0,061	7,150	0,000	Supported
H3	Market Orientation → Innovation Capability	0,669	0,672	0,028	23,677	0,000	Supported
H4	Market Orientation → Marketing Performance	-0,038	-0,040	0,058	0,655	0,256	Rejected
H5	Market Orientation → Sustainable Competitive Advantage	0,318	0,314	0,062	5,130	0,000	Supported
H6	Sustainable Competitive Advantage → Marketing Performance	0,597	0,598	0,040	14,866	0,000	Supported
Indirect Effect							
H7	Innovation Capability → Sustainable Competitive Advantage → Marketing Performance	0,258	0,262	0,039	6,572	0,000	Supported
H8	Market Orientation → Innovation Capability → Sustainable Competitive Advantage	0,289	0,295	0,046	6,233	0,000	Supported
H9	Market Orientation → Innovation Capability → Marketing Performance	0,097	0,099	0,038	2,520	0,006	Supported
H10	Market Orientation → Innovation Capability → Sustainable Competitive Advantage → Marketing Performance	0,173	0,176	0,030	5,822	0,000	Supported
H11	Market Orientation → Sustainable Competitive Advantage → Marketing Performance	0,190	0,188	0,042	4,571	0,000	Supported

The influence of innovation capability on marketing performance

Innovation Capability significantly impacts marketing performance because SMEs can improve products and services. Companies with solid innovation capabilities can create better, revolutionary products or services. This creates a strong attraction for potential customers. According to (Aschemann-Witzel et al., 2022), innovation is the most effective instrument for creating strong product appeal. In line with the findings of Wongsansukcharoen

& Thaweepaiboonwong (2023) and (Somwethee et al., 2023) Stated that Innovation Capability influences marketing performance, reinforced by the results (Gangwani & Bhatia, 2024), that innovation capability will encourage product and service improvements, differentiation from competitors, marketing efficiency, increased customer satisfaction, and the ability to face market changes.

Innovation capability in SMEs plays a crucial role in supporting sustainable marketing practices, enabling companies to continuously adapt to changing consumer needs, improve marketing efficiency, and maintain competitive advantage. Relevant and trending product innovations meet current consumer preferences and build long-term loyalty by increasing customer satisfaction (Ayinaddis, 2023; Budiman & Ardhiyansyah, 2023). In addition, innovation in the marketing process, such as optimizing promotions and service differentiation, encourages SMEs to reach the market more efficiently and strengthen product appeal, positively impacting business competitiveness and sustainability (Le & Ikram, 2022).

The influence of innovation capability on sustainable competitive advantage

Innovation can be one of the main factors driving establishing and maintaining a sustainable competitive advantage. The findings of this study have proven that innovation capability significantly influences sustainable competitive advantage because SMEs with solid innovation capabilities can create products or services that are different and unique from those on the market. This can create significant differentiation in customers' eyes, make companies the first choice, and reduce competitive pressure. Sustainable Competitive Advantage can be achieved through investments with innovative capabilities because SMEs can adapt to changes, face new challenges, and meet customer needs differently. Research by X. Zhang et al. (2023) and Alghamdi & Agag (2024) have highlighted the close relationship between Innovation Capability and Sustainable Competitive Advantage; from the results of this study, it appears that organizations that can develop strong innovation capabilities tend to have better opportunities to achieve and maintain a competitive advantage in increasingly dynamic markets.

With strong Innovation Capabilities, SMEs can continue to develop unique and difficult-to-imitate products and services, thus providing distinctive added value in the eyes of consumers. Differentiation achieved through innovation allows companies to stay ahead of competitors, even in rapidly changing markets. Research by Ong et al. (2020) and Merkert et al. (2022), explain that innovation is not only about creating something new but also about the ability to adapt to changes in the business environment and customer preferences. The results of this study are reinforced by the findings of Elgarhy & Abou-Shouk (2023) show that Innovation Capabilities can help SMEs face new challenges and proactively respond to market dynamics, which is crucial to maintaining competitive advantage. By continuously improving Innovation Capabilities, SMEs can also optimize their internal resources and processes to achieve better efficiency, ultimately strengthening Sustainable Competitive Advantage. Innovation Capabilities encourage SMEs to maintain a competitive position in the market and present products and services that align with customer needs, extending the product life cycle and reducing the risk of being left behind in the competition.

Effect of Market orientation on innovation capability

Market orientation helps companies collect and analyze customer needs, preferences and behavior information. This knowledge becomes the raw material necessary to drive innovation. The results of this study have proven that Market Orientation has a positive and significant effect on Innovation Capability because SMEs operate in a market full of uncertainties and rapid changes. Market Orientation helps MSMEs understand and respond quickly to market changes through relevant innovation. According to Qu & Mardani (2023), market orientation

can enable SMEs to face market changes and adapt better. Agree with the Study Kolbe et al. (2022), that market orientation positively impacts SMEs' innovation capability, especially when they have limited resources. Through Market Orientation interactions, SMEs can better understand customer needs and problems, which can lead to innovative ideas. The market orientation possessed by SMEs helped them adopt new technology and implement innovation in their products and business processes and confirmed Tian et al. (2023), that market orientation facilitates the adoption of technology and innovation for SMEs.

In addition, Market Orientation encourages SMEs to adapt and adopt technologies and processes that support innovation, thereby strengthening Innovation Capabilities across all aspects of the business. This is confirmed by Tian et al. (2023), found that Market Orientation in SMEs accelerates the adoption of new technologies and drives innovation in products and business processes despite resource constraints. In uncertain markets and intense competition, Market Orientation acts as an adaptive mechanism that helps SMEs proactively respond to changes through innovations that align with customer needs to maintain competitiveness and extend the product life cycle in the market. Thus, Market Orientation increases awareness of consumer needs and provides a strong foundation for developing innovation capabilities that support long-term business sustainability and growth.

The influence of market orientation on marketing performance

Not all SME market conditions have the same dynamics. A strong market orientation sometimes does not directly result in improved marketing performance in some business contexts. Other factors besides market orientation can also affect marketing performance, such as intense competition, industry regulations, changes in consumer trends, and others, in line with the findings of this study, that there is no significant effect on marketing performance. The results of this study are consistent with those of Winarso et al., 2020, whose findings show no significant impact on market orientation and marketing performance. Despite having a strong market orientation, positive marketing results also require effective execution of marketing strategies. Sometimes, the need for proper execution or better coordination in implementing marketing strategies can reduce the positive impact of market orientation.

Market Orientation, although it does not always directly impact improving Marketing Performance, still has an essential role as a basis for developing effective strategies. With strong Market Orientation, SMEs can understand customer needs, preferences, and behavior in more depth, which can be the basis for formulating relevant marketing strategies. However, to achieve improved marketing performance, understanding the market needs to be integrated with effective execution, including product differentiation strategies, brand management, and pricing that is by consumer preferences (Kamarulzaman et al., 2023).

Research by Tirtayasa & Rahmadana (2023) and Alqahtani et al. (2024), although SMEs have good market orientation, positive marketing performance requires synergy between market understanding and well-coordinated marketing actions. In other words, Market Orientation can provide valuable information for decision-making, but this value will be realized in Marketing Performance only if the information is applied through appropriate and flexible marketing strategies. This also shows the importance of solid adaptability in SMEs, where marketing strategies are tailored to specific market contexts and implemented considering particular challenges and opportunities.

The influence of market orientation on sustainable competitive advantage

By having a robust Market Orientation, SMEs can more quickly capture new opportunities in the market. SMEs can respond to changes in consumer trends or market demand more nimbly. This can help SMEs develop

new products or modify existing products to meet emerging needs, as research findings prove that Market Orientation directly influences Sustainable Competitive Advantage. SMEs' market orientation can create sustainable differentiation by collecting customer data and information. SMEs that have in-depth knowledge of customers tend to be better able to create added value that is unique and difficult for competitors to imitate in a competitive business environment (Fatonah & Haryanto, 2022). The results of this research are supported by the findings of Kolbe et al. (2022) and Ed-Dafali et al. (2023), there is a close relationship between Market Orientation and Sustainable Competitive Advantage. A robust Market Orientation has a direct impact on achieving Competitive Advantage. By understanding and responding to customer needs and market changes, companies can create unique value, build customer loyalty, and remain relevant in an ever-changing business environment.

With a robust market orientation, SMEs can capture new opportunities faster, adapt to market changes, and develop appropriate products. This drives innovation and differentiation, essential for creating unique added value. In addition, market orientation encourages SMEs to collect and analyze customer data so they can identify trends and needs that may not be met. This knowledge improves decision-making, strengthens customer loyalty and creates a sustainable competitive advantage. Thus, market orientation supports adaptation to change and becomes the foundation for continuous innovation, making SMEs better prepared to face challenges and opportunities in a competitive market. Research findings show that Market Orientation directly affects Sustainable Competitive Advantage because SMEs that understand customer needs can develop new products or modify existing products, creating unique added value that is difficult for competitors to imitate (Algarni et al., 2023)

The influence of sustainable competitive advantage on marketing performance

Sustainable Competitive Advantage can be maintained by SMEs in the long term by creating sustainable value for customers and generating higher profits because the company has unique attributes or resources that are difficult for competitors to imitate. The influence of SCA on marketing performance is considerable and interrelated. The results of this study prove that SCA can influence marketing performance by providing goods and services that are unique, innovative, or have special features that are difficult for competitors to imitate. SCA can help MSMEs build strong brands. Customers tend to have more trust in well-known brands, increasing marketing campaign effectiveness. Study Nuryakin & Maryati (2022), have supported the findings of this study, which stated that there is an influence of Sustainable Competitive Advantage on Marketing Performance; by having SCA, SMEs can focus more on understanding the target market and developing appropriate marketing strategies.

The existence of a sustainable competitive advantage will impact on the long-term excellence of SMEs by designing sustainable value for customers and increasing profitability. The success of Sustainable Competitive Advantage depends on the ability of SMEs to develop unique attributes or resources, such as product quality, innovation, or customer service, which are difficult for competitors to imitate. The research findings of Praja et al. (2024) show that Sustainable Competitive Advantage contributes significantly to Marketing Performance because by providing unique and innovative products and services, SMEs meet customer needs and create strong differentiation in the market.

A study by Ichsan et al. (2022), confirm that Sustainable Competitive Advantage improves Marketing Performance and facilitates a better understanding of the target market. Thus, SMEs can formulate more targeted marketing strategies, focusing on customers' specific needs and preferences. This encourages creating

long-term relationships between companies and customers, which is crucial in maintaining a competitive advantage in an increasingly competitive market. Sustainable Competitive Advantage serves as a fundamental pillar in SME marketing strategies, as it not only increases the effectiveness of marketing campaigns but also helps create strong relationships with customers, generate sustainable value, and ultimately support long-term business sustainability.

The influence of mediating innovation capability and sustainable competitive advantage

Innovation Capability has a mediator effect on market orientation and marketing performance. This empirical study shows that SMEs can achieve marketing performance through Innovation Capability. This finding is consistent with research by Y. Zhang et al., (2023), when SMEs have a strong market orientation, they will naturally collect the information needed to direct the innovation efforts that will be carried out. This information becomes the primary raw material for creating innovation; these innovative products will create competitive advantages. Market orientation inspires innovation, and this innovation, in turn, creates sustainable competitive advantage, which causes Innovation Capability to act as a mediator between Market Orientation and Sustainable Competitive Advantage (Ricardianto et al., 2023). This mediation explains the causal flow between market orientation, innovation, and competitive advantage, helping companies build a strong foundation for long-term growth and success. Market Orientation stimulates innovation capability, creating a sustainable competitive advantage that improves marketing performance.

Studies by Ricardianto et al. (2023) and Y. Zhang et al. (2023), confirmed that Sustainable Competitive Advantage improves marketing performance and facilitates a better understanding of the target market. Thus, SMEs can formulate more targeted marketing strategies, focusing on specific customer needs and preferences. This encourages creating long-term relationships between companies and customers, which is crucial in maintaining a competitive advantage in an increasingly competitive market.

Sustainable Competitive Advantage serves as a fundamental pillar in SME marketing strategies, as it not only improves the effectiveness of marketing campaigns but also helps create strong relationships with customers, generate sustainable value, and, ultimately, support long-term business sustainability.

CONCLUSION

Innovation helps SMEs produce better or more unique products or services, increasing their attractiveness in the market. The ability to innovate differentiates the organization from competitors, giving it a significant competitive advantage. Innovation in marketing strategy can increase the efficiency and effectiveness of marketing efforts. Innovations meeting customer expectations can improve customer satisfaction, contributing to loyalty and recommendations. SMEs can innovate more quickly in response to changes in customer behavior or market trends. All this shows that strong innovative capabilities are a valuable asset in achieving better marketing performance, and leading experts in management and marketing have recognized this. Strong innovation capabilities are critical for SMEs to build sustainable competitive advantage. By innovating, SMEs can meet and exceed customer expectations and improve marketing efficiency and adaptability in facing market changes. This capability allows SMEs to create unique value that is difficult for competitors to imitate, strengthen customer loyalty, and support long-term business growth. Innovation is a means to survive, strengthen market position, and improve SME marketing performance in a dynamic business environment.

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