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# *Digital Marketing* and *Marketing Performance*: The Mediating Role of *Product Innovation* and *Competitiveness*

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## Abstrak

Pemanfaatan kanal digital tidak selalu menghasilkan capaian usaha yang lebih baik, sehingga perlu dipahami bagaimana pemasaran digital diterjemahkan menjadi hasil pemasaran. Penelitian ini bertujuan untuk menguji pengaruh *digital marketing* terhadap *marketing performance* dengan *product innovation* dan *competitiveness* sebagai mediator paralel pada usaha mikro, kecil, dan menengah (UMKM) sektor *food and beverage* di Yogyakarta. Penelitian ini menggunakan pendekatan kuantitatif dengan survei *cross-sectional* melalui kuesioner daring terhadap 107 pemilik atau pengelola UMKM yang dipilih melalui *purposive sampling*. Data dianalisis dengan *partial least squares–structural equation modeling* (PLS-SEM) menggunakan SmartPLS 4 berdasarkan *dynamic capabilities theory*. *Digital marketing* tidak berpengaruh langsung terhadap *marketing performance*. Namun, *digital marketing* berpengaruh positif terhadap *product innovation* dan *competitiveness*, yang keduanya selanjutnya berpengaruh positif terhadap *marketing* performance. *Product innovation* dan *competitiveness* terbukti memediasi pengaruh *digital marketing* terhadap *marketing performance*. Pengaruh *digital marketing* terhadap *product innovation* merupakan hubungan terkuat, sedangkan *competitiveness* berpengaruh lebih besar terhadap *marketing performance* daripada *product innovation*. Temuan ini menunjukkan bahwa manfaat pemasaran digital bergantung pada kemampuan untuk mengubah informasi pelanggan menjadi pembaruan produk dan penguatan daya saing.

**Kata Kunci:** *digital marketing; marketing performance; product innovation; competitiveness*.

## Abstract

The use of digital channels does not always lead to better business performance; therefore, it is important to understand how digital marketing translates into marketing outcomes. This study aims to examine the effect of digital marketing on marketing performance, with product innovation and competitiveness acting as parallel mediators, amongst micro, small and medium-sized enterprises (MSMEs) in the food and beverage sector in Yogyakarta. This study employs a quantitative approach using a cross-sectional survey via an online questionnaire administered to 107 MSME owners or managers selected through purposive sampling. The data were analysed using partial least squares–structural equation modelling (PLS-SEM) with SmartPLS 4, based on dynamic capabilities theory. Digital marketing does not have a direct effect on marketing performance. However, digital marketing has a positive effect on product innovation and competitiveness, both of which in turn have a positive effect on marketing performance. Product innovation and competitiveness were found to mediate the effect of digital marketing on marketing performance. The effect of digital marketing on product innovation is the strongest relationship, whilst competitiveness has a greater effect on


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marketing performance than product innovation. These findings indicate that the benefits of digital marketing depend on the ability to transform customer information into product innovations and enhanced competitiveness.

**Keywords:** *digital marketing; marketing performance; product innovation; competitiveness.*

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# INTRODUCTION

Advances in digital technology have transformed the way businesses present their offerings, interact with consumers, and gather market information (Grewal et al., 2020). Digital channels are no longer used solely to disseminate promotions, these platforms also provide a space for two-way communication and learning about customer needs (Dobričanin & Aleksić, 2025). Nevertheless, the use of digital technology does not always lead to better business outcomes. The literature indicates that the relationship between digital marketing activities and business outcomes may involve organizational capabilities as a mediating mechanism (Apasrawirote et al., 2022; Zhang et al., 2025). Therefore, the issue that needs to be understood is not merely the use of digital channels, but rather how these activities translate into tangible marketing outcomes.

Marketing performance is a measure of the success of marketing strategies and activities in achieving market outcomes (Zahara et al., 2023), that is, the outcomes of marketing strategies and activities over a specific period (Hadrian et al., 2021). This variable helps distinguish marketing outcomes from the intensity of a company's activities, such as the number of posts or digital interactions, which do not necessarily reflect business growth. In this study, marketing performance is focused on sales growth, customer growth, and market reach expansion. These three aspects adapt the measures of marketing outcomes used in business research while keeping the study's focus on results directly related to the market.

One factor expected to influence marketing performance is digital marketing, the use of digital channels to convey product information, manage promotions, communicate with customers, and gather feedback on market conditions (Chinakidzwa & Phiri, 2020; Salhab, 2024). Digital marketing is also understood as the use of technology and digital channels to convey product information, conduct promotions, communicate with customers, and manage market relationships (Adiyono et al., 2021). These activities have the potential to increase the visibility of offerings and make it easier for consumers to access the necessary information before making a purchase. However, empirical evidence regarding the relationship between the two is not yet consistent. A study by Zahara et al. (2023) found a significant effect of digital marketing capability on marketing performance, whereas a study by Graciafernandy et al. (2023) found no significant effect of digital marketing on


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marketing performance. This discrepancy must be understood by considering the research context and the distinction between the use of digital marketing and the capability to manage it

Product innovation is positioned as one mechanism capable of explaining this relationship. Product innovation refers to the introduction of new products or updates to existing products to meet consumer needs through changes in quality, characteristics, variety, design, and packaging (Opazo-Basáez et al., 2022; Maulana et al., 2025). Information obtained through digital interactions can serve as input for tailoring offerings to customer needs (Şenyapar, 2024). Thus, the benefits of digital marketing are expected to stem not only from the delivery of marketing messages but also from product updates supported by market knowledge. Research by Sudarti and Dewi (2022) found that product innovation capability mediates the relationship between digital knowledge sharing and marketing performance. Although the constructs used differ from those of digital marketing and product innovation in this study, these findings still support the logic of mediation based on digital information.

In addition to facilitating product updates, market information from digital channels can strengthen a business's competitiveness; thus, competitiveness is examined as a second mechanism. Competitiveness is defined as a business's ability to maintain and strengthen its relative position against competitors through product value, quality, service, and market adaptation (Oduro & Mensah-Williams, 2023). While product innovation focuses on updating offerings, competitiveness emphasizes the ability to face competition through product value, responsive service, and adaptation to market changes (Sudirjo, 2023). Digital marketing is expected to support these capabilities by helping companies understand customers and communicate the unique aspects of their offerings. Although the study by Dahmiri et al. (2024) found a positive effect of competitive advantage on marketing performance, competitiveness is not considered a synonym for competitive advantage. Therefore, the proposed relationship still requires appropriate definitions and measurements.

Dynamic capabilities theory, proposed by Teece et al. (1997), serves as the theoretical foundation for the relationship among these variables, emphasizing that a company's success in a changing environment depends on its ability to integrate, build, and reconfigure internal and external competencies. This framework is further elaborated through the processes of sensing, seizing, and transforming, which encompass the identification of opportunities, the exploitation of opportunities, and the renewal of organizational resources. In this study, digital marketing is positioned as a facilitator in identifying market needs, while product innovation and competitiveness function as two mechanisms that explain how digital information and interactions contribute to marketing outcomes. This approach explicitly does not


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equate the use of technology with dynamic capabilities but rather emphasizes the importance of transforming information into strategic action.

This study focuses on micro, small, and medium-sized enterprises (MSMEs) in the food and beverage (F&B) sector in Yogyakarta. This choice of subjects is supported by a study on business digitization policies by Rajagopal and Vinayachandran (2026) as well as research on the adoption of digital marketing by Vitsentzatou et al. (2022). Both studies position the utilization of digital technology as a relevant issue in business development within the F&B sector. Unlike those two studies, this research does not stop at describing the level of technology adoption but uses that context to examine the relationship between digital marketing activities and marketing outcomes. The scope of this study also differs from research limited to specific business groups; thus, previous findings do not automatically apply to all F&B MSMEs in Yogyakarta.

Based on this literature, there are three research gaps underpinning this study. First, differing findings regarding the direct effect of digital marketing on marketing outcomes (Graciafernandy et al., 2024) highlight the need to elucidate the underlying mechanisms. Second, the mediating roles of innovation and competitive advantage have been discussed by Sudarti and Dewi (2022) and Graciafernandy et al. (2024), but using constructs such as digital marketing capability, product innovation capability, and competitive advantage; thus, it remains unclear whether product innovation and competitiveness, which are conceptually distinct, can explain indirect effects within a single model. Third, studies on digitalization and the adoption of digital marketing in the F&B industry (Vitsentzatou et al., 2022; Rajagopal & Vinayachandran, 2026) provide a contextual foundation but have not yet explained the mechanisms linking the use of digital channels to marketing outcomes.

This study aims to examine the effect of digital marketing on marketing performance, with product innovation and competitiveness serving as parallel mediators, by testing direct relationships, effects on each mediator, and indirect effects. This model does not test the chain of relationships among the mediators, allowing the roles of both to be assessed separately. The novelty of this study lies in testing two conceptually distinct mechanisms, product innovation and competitiveness, to identify whether the contribution of digital marketing occurs through one of these pathways or both. This contribution is not based on the claim that this combination of variables has never been studied, but rather on the clarity of the boundaries between constructs, the testing of parallel mediation, and its application to F&B SMEs in Yogyakarta.

# LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

## Dynamic Capabilities Theory

Dynamic capabilities theory explains a company's ability to integrate, build, and reconfigure both internal and external competencies to cope with environmental


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changes (Teece et al., 1997). This framework emphasizes that a company's success depends on its ability to renew its resources, not merely on possessing them. According to Teece (2007), this process is broken down into sensing, the ability to identify opportunities and threats; seizing, the ability to capitalize on opportunities; and transforming, the ability to renew organizational resources and routines.

This study uses this theory as a framework to explain the role of digital marketing in identifying market needs, with product innovation and competitiveness serving as the mechanisms expected to mediate its benefits on marketing performance. The use of digital channels does not in and of itself indicate dynamic capabilities; its relevance lies in a business's ability to process customer information into updated offerings and strategic adjustments.

## Hypothesis Development

### Digital marketing and marketing performance

Digital marketing expands a business's reach to potential customers who cannot be directly reached, while also making it easier for consumers to access information on menus, prices, and promotions before deciding to make a purchase (Kabiraj & Joghee, 2023). Two-way communication through digital channels also maintains relationships with customers, thereby encouraging repeat purchases and recommendations. Through these mechanisms, the use of digital channels is expected to increase sales, the number of customers, and market reach. Empirical support is provided by the study by Chinakidzwa and Phiri (2020), which found a significant effect of digital marketing capability on marketing performance. **$H_1$: Digital marketing has a positive effect on marketing performance.**

### Digital marketing and product innovation

In dynamic capabilities theory, businesses capable of identifying market opportunities (sensing) can capitalize on them by adapting their offerings (seizing) (Teece, 2007). Digital channels serve as a source of information for the sensing process because customer reviews, comments, and orders directly and quickly reveal preferences, complaints, and unmet needs. This information can be used to develop new menu items, improve quality, adjust portion sizes, and update packaging. Thus, the more intensively a business utilizes digital marketing, the greater its opportunity to generate product innovations. This logic aligns with the finding that digital marketing capability has a significant effect on innovation capability (Indrayani et al., 2025). **$H_2$: Digital marketing has a positive effect on product innovation.**

### Digital marketing and competitiveness

Dynamic capabilities theory emphasizes that competitive ability depends on a business's capacity to understand environmental changes and adapt its resources (Teece et al., 1997; Teece, 2007). Digital marketing supports this process in three


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ways. First, digital interactions help businesses understand customer needs and market trends. Second, digital channels enable businesses to communicate product differentiators, such as quality, value, and service, directly to consumers. Third, rapid responses to inquiries, complaints, and shifts in demand strengthen adaptability. Consequently, businesses that actively utilize digital marketing are expected to hold a stronger position compared to their competitors (Bruce et al., 2023). **$H_3$: Digital marketing has a positive effect on competitiveness.**

**Product innovation and marketing performance**

Products updated to meet consumer needs, in terms of variety, quality, and packaging, provide customers with new reasons to buy. These updates can attract new customers, encourage repeat purchases, and expand market reach because the products are more relevant to a broader segment. Within the framework of dynamic capabilities theory, updating offerings is a form of seizing opportunities that is expected to generate value for the market (Teece, 2007). Empirical support is provided by Sudarti and Dewi (2022), who found a positive influence of product innovation capability on marketing performance. **$H_4$: Product innovation has a positive effect on marketing performance.**

**Competitiveness and marketing performance**

Businesses with strong competitiveness are able to maintain product value, uphold quality and service, and adapt to market changes. These capabilities make it easier to retain customers amid competition and attract customers who previously chose competitors. Consequently, sales, customer numbers, and market reach are expected to grow. In dynamic capabilities theory, the ability to adapt resources to environmental changes is indeed the foundation of sustainable business performance (Teece et al., 1997). Empirical support is provided by Munandar et al. (2025), who found a positive and significant effect of competitiveness on marketing performance. **$H_5$: Competitiveness has a positive effect on marketing performance.**

**Digital marketing and marketing performance: the mediating role of product innovation**

The effect of digital marketing on marketing performance is expected to occur through the use of customer information to drive product updates. Digital marketing provides market information in the form of reviews, comments, and orders. This information is translated by product innovation into more relevant offerings, and it is these more relevant offerings that increase sales, customer numbers, and market reach. In other words, the value of new digital information is transformed into marketing outcomes when it is realized in product updates. Empirical support is provided by Indrayani et al. (2025), who found that innovation mediates the relationship between digital marketing capabilities and marketing performance. **$H_6$:**


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**Product innovation mediates the positive effect of digital marketing on marketing performance.**

**Digital marketing and marketing performance: the mediating role of competitiveness**

Competitiveness is expected to serve as another channel through which the benefits of digital marketing are channeled into marketing performance. Understanding the market and communicating product value through digital channels can strengthen a business's ability to compete against rivals, and this enhanced competitiveness subsequently supports growth in sales, customers, and market reach. In line with this, the literature indicates that the relationship between digital marketing activities and performance may involve mediating mechanisms, such as competitive advantage (Sudari & Pambreni, 2024), although this does not constitute a direct test of competitiveness as a mediator. Thus, theoretically, it is possible that competitiveness also serves as a mediating mechanism in this relationship. **$H_7$: Competitiveness mediates the positive effect of digital marketing on marketing performance.**

Figure 1 presents the research framework illustrating the influence of digital marketing on marketing performance, both directly and through product innovation and competitiveness as mediators. Both mediation paths were tested separately to explain the role of each variable in channeling this influence.

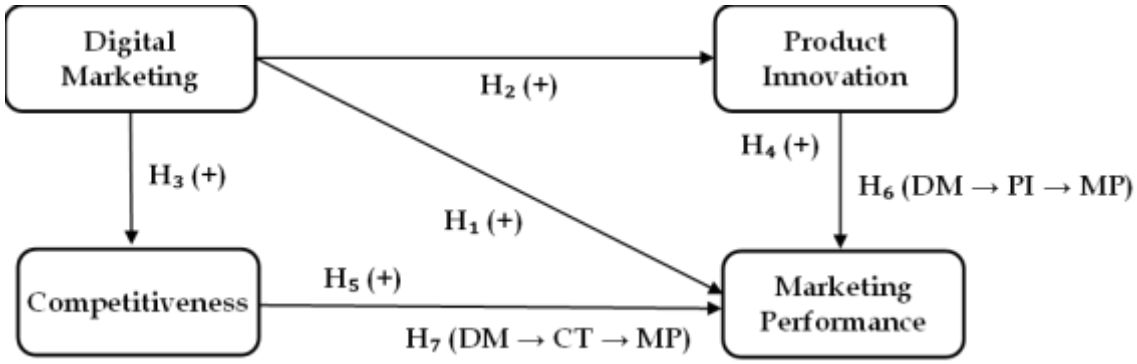



**Figure 1. Research Framework**

## METHODOLOGY

This study employs a quantitative approach with a cross-sectional survey design to examine the effect of digital marketing on marketing performance, with product innovation and competitiveness serving as parallel mediators. The study population consists of MSMEs in the food and beverage (F&B) sector in Yogyakarta. The sample was selected using purposive sampling based on the criteria that respondents be owners or managers of MSMEs operating in the F&B sector in Yogyakarta, have been in business for at least two years, and have used at least one


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digital marketing channel during the past six months. These criteria were chosen to ensure that respondents had sufficient business experience and had utilized digital marketing, thereby enabling them to evaluate the statements in the questionnaire.

Respondents were owners or managers who understood marketing activities and business development. The final sample consisted of 107 respondents, each representing one SME. This sample size met the minimum requirements for PLS-SEM based on the guidelines by Hair et al. (2022), which consider statistical power of 80%, a significance level of 5%, the minimum desired $R^2$ value, and the maximum number of arrows pointing to a single construct. In this model, marketing performance receives three pathways: from digital marketing, product innovation, and competitiveness. For a minimum $R^2$ of 0.25, the required minimum sample size is 59 respondents (Hair et al., 2022); thus, 107 respondents were deemed adequate.

Primary data were collected via an online questionnaire. The instrument included respondent and business characteristics as well as 14 items measuring the variables. Digital marketing was measured using three items adapted from Patma et al. (2021), product innovation using three items from Tirtayasa and Rahmadana (2023), and competitiveness using three items from Keelson et al. (2024). Meanwhile, marketing performance was measured using five indicators adapted from Kocak et al. (2017) and Toni et al. (2022). All items were measured using a five-point Likert scale, ranging from 1 "strongly disagree" to 5 "strongly agree."

Data analysis was conducted using partial least squares–structural equation modeling (PLS-SEM) via SmartPLS 4. Evaluation of the measurement model included convergent validity through outer loading > 0.70 and average variance extracted (AVE) > 0.50, reliability through Cronbach's alpha and composite reliability ≥ 0.70 (Hair et al., 2022), as well as discriminant validity via the Fornell–Larcker criterion (Fornell & Larcker, 1981) and the heterotrait-monotrait ratio (HTMT) < 0.90 (Henseler et al., 2015). Indicator multicollinearity was evaluated using the variance inflation factor (VIF) with a threshold of < 3 (Hair et al., 2022).

The structural model evaluation included the coefficient of determination () and path coefficients. Hypotheses were tested using bootstrapping with 5,000 subsamples (Hair et al., 2022). In two-tailed tests with a 5% significance level, a hypothesis is considered supported if the t-statistic > 1.96, the p-value < 0.05, and the direction of the coefficient aligns with the hypothesis (Hair et al., 2022).

Mediation was evaluated through the specific indirect effects on each path, with both mediators included simultaneously. The type of mediation was determined based on the significance of the direct and indirect effects (Zhao et al., 2010).

## RESULTS AND DISCUSSION

The respondents in this study were 107 MSME operators in the F&B sector in Yogyakarta. The characteristics of the respondents are presented in Table 1.


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**Table 1. Characteristics of Respondents**

| Characteristics | Category | Frequency | Percentage (%) |
|---|---|---|---|
| Gender | Male | 44 | 41.1 |
| | Female | 63 | 58.9 |
| Age | ≤ 25 years | 37 | 34.6 |
| | 26–35 years | 41 | 38.3 |
| | ≥ 36 years | 29 | 27.1 |
| Highest Level of Education | High School or Equivalent | 31 | 29.0 |
| | Diploma | 19 | 17.7 |
| | Bachelor's Degree | 57 | 53.3 |
| Years in Business | 2–3 years | 14 | 13.1 |
| | 4–5 years | 39 | 36.4 |
| | > 6 years | 54 | 50.5 |
| Type of Business | Food | 22 | 20.6 |
| | Beverages | 18 | 16.8 |
| | Food and Beverages | 67 | 62.6 |
| Primary Digital Platform | Instagram | 21 | 19.6 |
| | Tiktok | 26 | 24.3 |
| | Whatsapp | 11 | 10.3 |
| | Gofood | 49 | 45.8 |

Source: processed primary data (2026)

Based on Table 1, the respondents were predominantly women (58.9%) and aged 35 or younger (72.9%), with the 26–35 age group being the largest (38.3%). More than half of the respondents held a bachelor's degree (53.3%). In terms of business experience, half of the respondents had been in business for more than six years (50.5%), making them sufficiently experienced to assess the impact of marketing on their business performance, and the majority sold both food and beverages (62.6%). GoFood is the primary digital platform (45.8%), followed by TikTok (24.3%), Instagram (19.6%), and WhatsApp (10.3%). GoFood's dominance indicates that the sample's digital marketing relies heavily on food delivery platforms. This composition shows that all respondents have utilized digital channels in their marketing, making it relevant to the context of this study.

The research model presented in Figure 1 was tested using partial least squares–structural equation modeling (PLS-SEM) with SmartPLS version 4. The results of the data analysis are presented in Figure 2, which shows the relationships among the variables along with the indicators comprising each construct. The analysis was conducted in two stages: first, an evaluation of the measurement model to ensure that each construct was properly measured; and second, an evaluation of the structural model to test the relationships among variables in accordance with the hypotheses.


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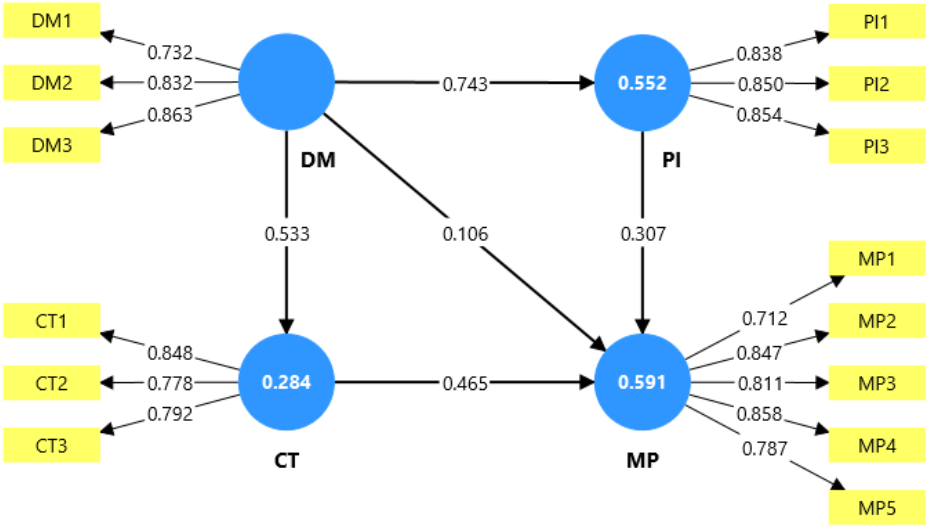



**Figure 2. Measurement Model Results**

Based on Table 2, all indicators across the four constructs have outer loadings above the minimum threshold of 0.70 (Hair et al., 2022). Thus, each indicator is capable of representing the construct it measures; consequently, all indicators are deemed valid and retained, with none eliminated. The VIF values for all indicators were also below the threshold of 3, indicating that there were no multicollinearity issues among the indicators and that each indicator provided information that did not overlap with that of the others.

In terms of reliability, the Cronbach's alpha and composite reliability values for all constructs exceeded 0.70. This indicates that respondents' answers for each group of statements were consistent, making the research instrument reliable. Convergent validity was met because the AVE value for each construct exceeded 0.50, meaning that each construct was able to explain more than half of the variation in its constituent indicators.

**Table 2. Results of the Measurement Model Evaluation**

| Construct | Outer Loading | VIF | Cronbach's Alpha | Composite Reliability | Average Variance Extracted (AVE) |
|---|---|---|---|---|---|
| **Digital Marketing** | | | 0.737 | 0.852 | 0.658 |
| DM1 | 0.732 | 1.274 | | | |
| DM2 | 0.832 | 1.672 | | | |
| DM3 | 0.863 | 1.783 | | | |
| **Product Innovation** | | | | | |
| PI1 | 0.838 | 1,601 | 0.804 | 0.884 | 0.718 |
| PI2 | 0.850 | 1.835 | | | |
| PI3 | 0.854 | 1.834 | | | |
| **Competitiveness** | | | 0.733 | 0.848 | 0.650 |
| CT1 | 0.848 | 1.580 | | | |
| CT2 | 0.778 | 1.513 | | | |
| CT3 | 0.792 | 1.337 | | | |
| **Marketing** | | | 0.862 | 0.901 | 0.647 |


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| | | |
|---|---|---|
| **Performance** | | |
| MP1 | 0.712 | 1.495 |
| MP2 | 0.847 | 2.304 |
| MP3 | 0.811 | 1.942 |
| MP4 | 0.858 | 2,470 |
| MP5 | 0.787 | 1,810 |

Source: processed primary data (2026)

Discriminant validity was tested to ensure that each construct is truly distinct from the other constructs in the model. The first test used the Fornell–Larcker criteria presented in Table 3. The square root of the AVE for each construct on the diagonal of the table is greater than its correlation with other constructs. This means that each construct is more strongly correlated with its own indicators than with other constructs, so that the four constructs can be empirically distinguished (Fornell & Larcker, 1981).

**Table 3. Results of the Fornell–Larcker Discriminant Validity Test**

| | DM | PI | CT | MP |
|---|---|---|---|---|
| **Digital Marketing** | 0.811 | | | |
| **Product Innovation** | 0.743 | 0.848 | | |
| **Competitiveness** | 0.533 | 0.588 | 0.806 | |
| **Marketing Performance** | 0.582 | 0.659 | 0.702 | 0.805 |

Source: processed primary data (2026)

These results are corroborated by the HTMT test in Table 4. Most construct pairs fall below the 0.90 threshold (Henseler et al., 2015). The competitiveness and marketing performance pair is relatively high but still within acceptable limits. One exception is the hypothesis regarding digital marketing's effect on product innovation, which exceeds this threshold, resulting in a sufficiently high empirical correlation between the two. This is reasonable because information from digital channels does indeed serve as input for product updates and is noted as a limitation of the study. Nevertheless, the Fornell–Larcker criteria are still met, so the overall discriminant validity is deemed adequate, and the measurement model is suitable for proceeding to the structural equation modeling stage.

**Table 4. Results of the Heterotrait–Monotrait Ratio (HTMT) Discriminant Validity Test**

| | DM | PI | CT | MP |
|---|---|---|---|---|
| **Digital Marketing** | | | | |
| **Product Innovation** | 0.953 | | | |
| **Competitiveness** | 0.729 | 0.755 | | |
| **Marketing Performance** | 0.736 | 0.790 | 0.869 | |

Source: processed primary data (2026)

After the measurement model was deemed valid, the evaluation continued with the structural model. The first step was to assess the model's ability to explain the endogenous variables using the coefficient of determination ($R^2$), as presented in Table 5.


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**Table 5. Coefficient of Determination ($R^2$)**

| Endogenous Variables | $R^2$ | Adjusted $R^2$ |
|---|---|---|
| **Product Innovation** | 0.552 | 0.547 |
| **Competitiveness** | 0.284 | 0.277 |
| **Marketing Performance** | 0.591 | 0.579 |

Source: processed primary data (2026)

Based on Table 5, digital marketing explains product innovation to a moderate extent. This indicates that product updates among F&B MSMEs are significantly influenced by the use of digital channels. Conversely, digital marketing's ability to explain competitiveness remains relatively weak, suggesting that business competitiveness is also shaped by factors outside the model. Marketing performance is moderately explained by the combination of digital marketing, product innovation, and competitiveness, meaning the model does a fairly good job of explaining marketing outcomes. The small difference between $R^2$ and adjusted $R^2$ indicates that the model estimates are relatively stable (Hair et al., 2022).

**Table 6. Hypothesis Testing Results**

| Hypothesis | Original sample (O) | Sample mean (M) | Standard deviation (STDEV) | T-statistic (\|O/STDEV\|) | P-values |
|---|---|---|---|---|---|
| Digital Marketing → Marketing Performance | 0.106 | 0.098 | 0.119 | 0.896 | 0.370 |
| Digital Marketing → Product Innovation | 0.743 | 0.743 | 0.066 | 11.252 | 0.000 |
| Digital Marketing → Competitiveness | 0.533 | 0.532 | 0.097 | 5.482 | 0.000 |
| Product Innovation → Marketing Performance | 0.307 | 0.314 | 0.118 | 2.592 | 0.010 |
| Competitiveness → Marketing Performance | 0.465 | 0.468 | 0.107 | 4.334 | 0.000 |
| Digital Marketing → Product Innovation → Marketing Performance | 0.228 | 0.234 | 0.093 | 2.443 | 0.015 |
| Digital Marketing → Competitiveness → Marketing Performance | 0.248 | 0.249 | 0.076 | 3.274 | 0.001 |

Source: processed primary data (2026)

Table 6 presents the results of hypothesis testing conducted using the bootstrapping procedure at a 5% significance level. Based on Table 6, only the direct effect of digital marketing on marketing performance was not significant. Conversely, digital marketing was found to influence product innovation and competitiveness, and both of these factors, in turn, influence marketing performance. In the hypothesis test results, both mediation paths were found to be significant. Since the direct effect was not significant while the indirect effects were significant, product innovation and competitiveness act as full mediators (Zhao et al., 2010). In


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other words, digital marketing only impacts marketing performance when it acts through these two mechanisms.

## Discussion

### Digital Marketing and Marketing Performance

The research results indicate that the use of digital marketing does not have a direct effect on marketing performance. This finding aligns with Graciafernandy et al. (2024). From the perspective of dynamic capabilities theory (Teece et al., 1997; Teece, 2007), the use of digital channels merely provides resources and information, whereas new market achievements emerge when a business is able to process that information into strategic actions, such as product updates and strengthening its competitive position. These results do not imply that digital marketing is ineffective; rather, its benefits depend on how the information obtained is utilized by the business**.** Conceptually, digital marketing is expected to enhance marketing performance through expanded customer reach, easier access to product information, and closer communication with consumers (Graciafernandy et al., 2024). However, since all respondents have utilized digital channels, the use of these channels is presumed to have become a common practice that does little to differentiate achievements among businesses. Consequently, F&B SMEs need to assess the quality of their digital channel management, not merely their existence, to ensure that digital activities truly lead to growth in sales, customers, and market reach.

### Digital Marketing and Product Innovation

Digital marketing has been shown to have a positive impact on product innovation. Customer reviews, comments, and orders on digital channels provide direct insight into market preferences and needs. This information is then translated into the development of new menu items, quality improvements, portion adjustments, and packaging updates. These findings reflect the processes of "sensing", identifying market needs, and "seizing", capitalizing on them to create new offerings, as described in dynamic capabilities theory (Teece, 2007). These results are also consistent with previous research highlighting the role of digital information in driving innovation (Chinakidzwa & Phiri, 2020; Sudarti & Dewi, 2022; Vărzaru & Bocean, 2024). For F&B SMEs, digital channels serve as a low-cost and rapid source of feedback, as business owners can directly observe customer responses to menus, flavors, prices, and product presentation without the need for expensive market research. Thus, the more actively a business utilizes digital channels to interact with customers, the greater its chances of developing product updates that align with market needs.

### Digital Marketing and Competitiveness

Digital marketing has been shown to have a positive impact on competitiveness. Digital channels help businesses understand customers, communicate product differentiation, and respond more quickly to market changes, thereby strengthening their position relative to competitors (Teece et al., 1997; Teece, 2007). These findings reflect the "sensing" and "transforming" processes in dynamic capabilities theory, wherein market information from digital channels is used to adjust product value,


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service quality, and how businesses address competition. These results align with previous research showing that the use of digital marketing has a positive and significant impact on both business and product competitiveness (Arista & Hermawan, 2025; Safitri et al., 2026). This influence confirms that digital marketing is a strategic resource that tangibly strengthens competitiveness, while other factors such as price, service quality, location, and business networks play a complementary role. The implication is that business operators need to prioritize the use of digital marketing as the primary driver of competitiveness and integrate it with the strengthening of non-digital aspects to ensure competitiveness is fully developed. Thus, digital marketing tangibly influences competitiveness.

**Product Innovation and Marketing Performance**

Product innovation has been shown to have a positive effect on marketing performance. Product updates make offerings better aligned with consumer preferences, thereby driving purchases, attracting new customers, and expanding market reach (Teece, 2007). This finding aligns with Sudarti and Dewi (2022), who demonstrated the positive influence of product innovation capability on marketing performance. From a dynamic capabilities perspective, these results reflect the transforming proces, that is, when market knowledge is transformed into product updates that subsequently yield tangible market outcomes. These results also indicate that innovation benefits the market when it stems from customer needs, which in this sample are presumed to originate from digital interactions. For F&B SMEs, products updated to match customer tastes and preferences are more readily accepted by the market, thereby driving growth in sales, customer numbers, and market reach. Consequently, F&B SME operators need to use customer feedback, such as reviews, comments, and direct messages on digital channels, as the basis for developing menus, flavors, portion sizes, and packaging. With this approach, innovation does not stop at introducing new products but is directed toward measurably improving marketing outcomes.

**Competitiveness and Marketing Performance**

Competitiveness has been shown to have a positive effect on marketing performance, with a higher coefficient than product innovation, although the difference between the two was not statistically significant. Businesses that are able to maintain product value, quality, and responsive service, as well as adapt to market changes, find it easier to retain customers while increasing sales (Teece et al., 1997). This finding aligns with Graciafernandy et al. (2024) regarding the role of competitive advantage, closely related to competitiveness, in marketing performance. From a dynamic capabilities perspective, these results reflect a business's ability to reconfigure resources and adapt to market changes, thereby generating tangible market outcomes through its relative position vis-à-vis competitors. For F&B SMEs, intense competition and consumers' tendency to switch choices mean that a business's ability to highlight distinctive features, maintain quality, and serve customers quickly plays a major role in retaining existing customers, attracting new ones, and expanding market reach. Consequently, F&B SME operators need to make strengthening competitiveness a strategic priority, for example, by emphasizing product uniqueness, maintaining consistent quality, and


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responding quickly to customers. Product innovation remains important, but it must be balanced with clear business positioning relative to competitors so that product updates truly lead to improved marketing performance.

**Digital Marketing and Marketing Performance: The Mediating Role of Product Innovation**

Product innovation has been shown to mediate the effect of digital marketing on marketing performance. The direct effect of digital marketing on marketing performance is not significant, whereas its indirect effect through product innovation is significant, indicating that this mediation is full (Zhao et al., 2010). This means that the benefits of digital marketing are only realized in market performance when customer feedback is translated into product updates. Digital activities such as posts, interactions, and promotions do not automatically increase sales, the number of customers, or market reach, unless such activities are used to update offerings in line with consumer needs. These findings align with evidence of innovation mediation in previous research (Sudarti & Dewi, 2022), although the constructs used are closely related but not identical. The implication is that F&B SMEs need to make the ability to transform customer feedback into product improvements the key link between digital activities and marketing outcomes; thus, digital activities should be directed toward menu development, quality, and packaging, not merely toward increasing visibility.

**Digital Marketing and Marketing Performance: The Mediating Role of Competitiveness**

Competitiveness was also found to fully mediate the effect of digital marketing on marketing performance (Zhao et al., 2010), as its direct effect was not significant, whereas its indirect effect via competitiveness was significant. These findings align with those of Jung and Shegai (2023) and Safitri et al. (2026), who support the role of competitiveness as a link between the use of digital marketing and business performance. Market understanding and the communication of product value through new digital channels impact sales, customer numbers, and market reach when manifested in a stronger business position relative to competitors, for example, through clear product differentiation, consistent quality, and responsive service. From a dynamic capabilities perspective, this process reflects a business's ability to reconfigure its resources in response to market changes. Consequently, F&B SMEs need to leverage digital channels not only to increase visibility but also to reinforce product uniqueness, maintain consistent quality, and respond quickly to customers, thereby ensuring that digital activities translate competitiveness into improved marketing performance.

## CONCLUSIONS

This study examined the effect of digital marketing on marketing performance, with product innovation and competitiveness serving as parallel mediators, among 107 F&B MSMEs in Yogyakarta. The results indicate that digital marketing does not have a direct effect on marketing performance but has a positive effect on product innovation and competitiveness, both of which, in turn, have a


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positive effect on marketing performance. Both mediation paths were significant and full, leading to the acceptance of six out of seven hypotheses.

The essence of these findings is that the benefits of digital marketing do not lie solely in the use of its channels but in the ability to transform customer information into product updates and enhanced competitiveness. These two mechanisms operate simultaneously with relatively balanced contributions. Competitiveness has a larger coefficient regarding marketing performance than product innovation, although this difference was not statistically tested. These findings reinforce the empirical evidence regarding the role of competitiveness as a mediator and are consistent with dynamic capabilities theory.

In practice, F&B MSME operators need to view digital marketing as a means of learning from customers, by utilizing reviews and comments to refine their products and clarify their business differentiators. Digital marketing also needs to be integrated with the strengthening of non-digital aspects, as it accounts for only a small portion of competitiveness. This study has several limitations. Its scope is limited to F&B MSMEs in Yogyakarta selected through purposive sampling with a relatively small sample size, so generalizations must be made with caution. The cross-sectional design, using online questionnaire data from one respondent per business, also does not allow for definitive causal conclusions. Furthermore, digital marketing and product innovation exhibit a high degree of empirical closeness in the HTMT test. Future research could expand the geographic area, sector, and sample size; use a longitudinal design or data from multiple sources; consider other factors that shape competitiveness, such as price and service quality; and statistically test the comparative strength of the two mediation pathways.

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