

THE IMPACT OF MARKETING STRATEGY, PRODUCT INNOVATION, AND DIGITAL LITERACY ON IMPROVING THE PERFORMANCE OF SMEs IN PALANGKA RAYA CITY WITH COMPETITIVE ADVANTAGE AS A MEDIATION VARIABLE

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Abstract: Most SMEs in Palangka Raya City still rely heavily on traditional marketing methods. This situation indicates that most SMEs have not yet been able to adapt to developments in modern marketing technology, resulting in limited competitiveness, low market penetration, and slow business growth compared to businesses in other regions. The objective of this study is to examine the influence of marketing strategies, product innovation, digital literacy, and competitive advantage on SME performance, as well as to determine the influence of marketing strategies, product innovation, and digital literacy on SME performance through competitive advantage as a mediating variable. This study includes a sample of 230 SMEs in Palangka Raya City across the handicrafts, food and beverages, and retail sectors. The research method used is quantitative, employing Partial Least Squares. The findings indicate that marketing strategies, product innovation, digital literacy, and competitive advantage have a significant and positive impact on SME performance; furthermore, competitive advantage mediates the relationship between marketing strategies, product innovation, and digital literacy and SME performance. This study contributes to the SME literature by integrating strategic, innovative, and digital capabilities within a single model and demonstrating that competitive advantage serves as an important mechanism through which these capabilities improve business performance. Practically, the findings provide guidance for SME owners and policymakers in developing market-oriented strategies, strengthening innovation capabilities, improving digital literacy, and designing support programs that enhance the long-term competitiveness of SMEs in emerging regional economies.

Keywords: *Competitive Advantage, Digital Literacy, Marketing Strategy, Product Innovation, SME Performance.*

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1. Introduction

Contribution of SMEs is over than 60%to GDP with employment of more than 97% (Haryanti & Hidayah, 2023). SMEs are a crucial aspect at the national and regional levels, including in Palangka Raya City, Central Kalimantan Province. Cooperatives & SMEs Service of Central Kalimantan Province (2023) reported that there are more than 20,000

active SMEs with significant contributions to Regional Original Income (PAD), with the culinary, trade, and creative industries sectors ranking among the top three.

Evidence provided by Cooperatives & SMEs Service of Central Kalimantan Province (2022) indicates that traditional marketing methods remain the main marketing strategy adopted by most SMEs in Palangka Raya City. The result demonstrates a relatively low level of digital marketing adoption among SMEs, specifically 55% of businesses depend on word-of-mouth promotion, 15% rely exclusively on local exhibitions, 25% utilize social media platforms, and only 5% have integrated marketplaces and e-commerce into their marketing activities. The low use of technology is a result of the inability of SMEs to adapt to modern technological developments, resulting in limited competitiveness, low market penetration, and slower business growth compared to those that are more adaptive to digital marketing.

Palangka Raya City SME Survey (2023) also found that 40% of SMEs had not innovated at all in the last three years, another 35% had only innovated in simple aspects such as packaging, and only 20% were able to innovate by presenting new variations or features to products, while only 5% of SMEs carried out high-level innovation involving technology, unique differentiation or strong added value. Cooperatives & SMEs Service of Central Kalimantan Province (2022) shows that 45% of SMEs do not use digital technology at all, 25% of SMEs only use social media passively, 20% of SMEs optimize social media, and 10% have utilized marketplaces for digital payments.

Previous studies have demonstrated that marketing-related capabilities, product innovation, and digital literacy contribute to SME performance. Fatonah and Haryanto (2022), for example, examined market orientation, product innovation, competitive advantage, and marketing performance among batik SMEs. However, their study focused on market orientation rather than the broader implementation of marketing strategies. Sakti et al., (2025) investigated digital literacy and SME productivity but positioned marketing intensity, rather than competitive advantage, as the mediating variable. Similarly, Djiu et al., (2024) examined competitive advantage as a mediator between technological capability, social media usage, and SME export performance, without incorporating product innovation and marketing strategy into the model.

Research on innovation has also confirmed the importance of competitive advantage as a mechanism for improving SME performance. Nevertheless, previous models have commonly emphasized innovation capability and strategic flexibility rather than simultaneously examining marketing strategy, product innovation, and digital literacy. Rakib et al., (2024) integrated digital literacy, business innovation, and competitive advantage, but the dependent variable was business existence, and marketing strategy was not included. Furthermore, previous research has produced differing mediation results, Sinaga (2025) found that competitive advantage mediated the effect of social media on SME performance but did not mediate the effect of market orientation. Therefore, the current study addresses these conceptual and empirical gaps by integrating marketing strategy, product innovation, digital literacy, competitive advantage, and SME performance within a single model. Its contribution lies in examining whether competitive advantage simultaneously explains how the three strategic capabilities improve SME performance. The study also provides contextual novelty by testing the model among SMEs in Palangka Raya City, which face specific limitations concerning traditional marketing practices, product differentiation, digital adoption, infrastructure, and market access.

Market dynamics and changes in consumer behavior in the digital era are a bridge between marketing strategy, product innovation and digital literacy on SME performance. If

we look back, the three problems are interrelated and are often influenced by low digital literacy. This phenomenon is increasingly relevant after pandemic, where consumer behavior significantly changed and consumers are shopping more digitally. Lack of digital marketing adoption may hinder SMEs competitiveness, thereby constraining their ability to sustain market performance Calvin et al., (2023) SMEs that are able to adopt digital marketing tend to survive and experience an increase in turnover, while those that are unable tend to experience a drastic decline in sales. Therefore, conducting research on effects of marketing strategies, product innovation, and digital literacy of SMEs in Palangka Raya City is urgently needed.

2. Literature Review

2.1. Resource Based View

Resource-Based-View (RBV) underlines the Company's ability to align the organization and acquire, develop and mobilize resources to achieve competitive advantage (Lau & Wong, 2024). Lubis (2022) explains that company resources include assets, capabilities, organizational procedures, company characteristics, knowledge and various other factors that are under the company's control (Estensero et al., 2022)

2.2. Marketing Strategy

Marketing strategy implementation serves as a key mechanism for fostering competitive advantage and driving superior business performance (Sugiyono, 2021). Digital marketing adoption has shown a positive outcomes for SMEs performance (Arfan & Hasan, 2022) because enabling business to reach broader customer segments with greater cost-efficiency (Deb et al., 2022). Calvin et al., (2023) also explained other online platform in SMEs marketing strategy to build consumer engagement and loyalty. It is emphasized how digital marketing has become a key strategy for SMEs to improve visibility in market and increase sales performance.

2.3. Product Innovation

Product innovation is the process of generating new ideas or creating something that shows changes in products or services (Tavani et al., 2021), changes are needed to meet market needs which also continue to develop and provide added value for customers (Herdiana et al., 2022). Kurniawati (2022) emphasized that innovation does not stop at changing designs or features, but also includes the use of technology in business processes. SMEs that innovate tend to experience an increase in turnover and are able to attract a wider market (Diana et al., 2022). From this perspective, there appears to be an urgency to innovate, but innovation is one of the main challenges for the City of Palangka Raya.

2.4. Digital Literacy

Captured from operational perspectives, digital literacy also facilitates faster adaptation to emerging trend which enhances business competitiveness (Asmayawati et al., 2024. which in turn support SMEs in optimizing digital platforms to enhance business performance (Khoiriyah et al., 2022). furthermore, Hartanti (2023) emphasizes digital financial management and also highlighted that digital literacy support SMEs making more precise and efficient decisions. Captured from operational perspectives, digital literacy also facilitates faster adaptation to emerging trend which enhances business competitiveness (Asmayawati et al., 2024).

2.5. Competitive Advantage

Competitive advantage represents an organization's capacity to outperform competitors through the provision of superior value, enhanced quality, and distinctive products that are difficult for competitors to imitate (Rehman et al., 2021). This can be realized when the Company is able to offer products or services that have higher value than competitors (Herdiana, 2022). Consistent product innovation and effective marketing strategies can strengthen position in the market and create positive perceptions for consumers. Mubarok (2023) emphasized the involvement of digital literacy in supporting competitive advantage.

2.6. SMEs Performance

It is the level of achievement of business results that shows the success of SMEs in various aspects (Bashir, 2022). Empirical evidence by Huda et al., (2023) suggests marketing strategy, product innovation, and digital literacy are critical factors in fostering superior SMEs performance, especially Tyasari & Patrikha (2023) found the positive role of digitalization on SME performance, especially in increasing sales volume and expanding markets.

Framework

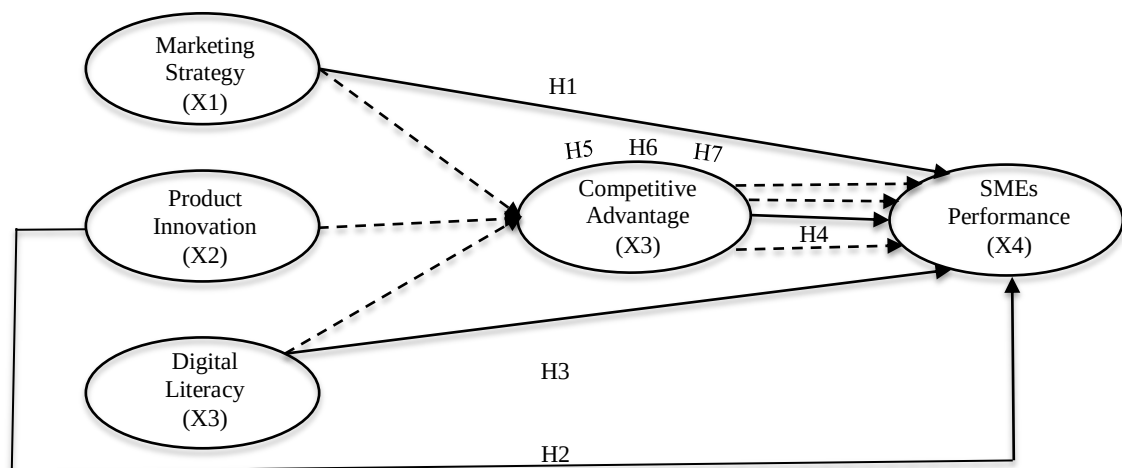


Figure 1. Research Model

Marketing strategies are implemented to attain marketing objectives by identifying an addressing consumer need and wants. Arfan & Hasan (2022) explained how marketing strategies positively contribute to enhancing SMEs performance. Herdiana et al., (2022) found that product innovation significantly influences SMEs performance. Digital literacy defined as the capability to understand and utilize digital technologies within business operations. Huda et al., (2023) explained that digital literacy improves operational efficiency, while Mubarok (2023) highlighted its contribution to SMEs performance. In addition, competitive advantage recognized as an essential factor in influencing organizational performance. Tyasari & Patrikha (2023) demonstrated that competitive advantage significantly affects SMEs performance.

Furthermore, Foroudi (2023) stated that customer-oriented marketing strategies strengthen SMEs competitive advantage. Product innovation enables SMEs to establish distinctive strengths that are difficult for competitors to replicate. Kurniawati (2022)

highlighted the pivotal role of innovation in establishing and sustaining competitive advantage by enhancing product quality and creating greater value. Meanwhile, digital literacy supports SMEs in obtaining market information, responding to technological developments, and maximizing digital platform utilization. Huda et al., (2023) further argued that a higher level of digital literacy can reinforce SMEs competitive advantage.

3. Research Methods

Population and Sample

This study utilizes a quantitative approach to investigate the impact of three independent variables on competitive advantage and SMEs performance in Palangka Raya City. Palangka Raya City was selected as the research location due its substantial growth in SMEs and its economic contribution towards Central Kalimantan Province. Data collection was conducted between November 2025 until December 2025 through survey method. This study focused on SMEs operating within Palangka Raya City as the target population. Sample size followed the recommendation of Hair et al., (2020), which suggests to 10 times total indicator. This study employed 23 indicators, a total sample of 230 SMEs from Palangka Raya City was obtained. Respondents were chosen based on a purposive sampling method to ensure their relevance to the study objectives. Respondents were selected based on the following eligibility criteria: ownership of an SMEs operating in the handicraft, food and beverage, or trade sector; annual revenue between. The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS software.

Table 1. Variable Indicators and Measurement Items

Variable	Code	Items	References
Marketing Strategy	SP1	Our company has been using digital marketing strategies.	Deb et al., (2022)
	SP2	Our company plans to use digital marketing strategies.	
	SP3	Our company has a positive attitude on the use of digital marketing strategies.	
	SP4	Our company considers digital marketing strategies to be more affordable.	
	SP5	Our company considers digital marketing strategies easier than conventional marketing methods.	
Product Innovation	IP1	Our company has different products compared to other companies.	Tavani et al., (2021)
	IP2	Our company is quick to release new products.	
	IP3	Our company is the first to introduce new products to the market.	
	IP4	Our company regularly releases interesting new products to try.	
Digital Literacy	LD1	Our company is able to use digital technology tools to support operational activities.	Asmayawati et al., (2024)
	LD2	Our company understands the importance of digital security in protecting company data.	

Variable	Code	Items	References
	LD3	Our company is involved in work activities that utilize digital technology.	
	LD4	Our company is able to filter digital information used in decision making.	
	LD5	Our company utilizes social media effectively to support business activities.	
Competitive Advantage	KB1	Our company has better product quality than competitors.	Rehman et al., (2021)
	KB2	Our company has different products from competitors.	
	KB3	Our company offers benefits that competitors do not.	
	KB4	Our company has products that are more advanced than similar products on the market.	
SMEs Performance	KU1	Our company's financial performance is better compared to competitors.	Bashir (2022)
	KU2	Our company's market share is greater than that of competitors.	
	KU3	Our company's sales growth is higher compared to competitors.	
	KU4	Our company is able to develop better products compared to competitors.	
	KU5	Our company's overall business development is better than competitors.	

Source: Data processed, 2026

4. Result and Discussion

4.1. Result

Outer Model Assessment

The outer model evaluation focused on assessing the validity and reliability of the measurement mode.

Convergent validity test

Convergent validity was established when indicator outer loadings exceeded 0.70 and the average variance extracted (AVE) value was greater than 0.50.

Table 2. Outer Loading

Variable	Code	Items	Outer Loading
Marketing Strategy	SP1	Our company has been using digital marketing strategies.	0.760
	SP2	Our company plans to use digital marketing strategies.	0.787
	SP3	Our company has a positive attitude on the use of digital marketing strategies.	0.758
	SP4	Our company considers digital marketing strategies to be more affordable.	0.766
	SP5	Our company considers digital marketing strategies easier than conventional marketing methods.	0.759

Variable	Code	Items	Outer Loading
Product Innovation	IP1	Our company has different products compared to other companies.	0.730
	IP2	Our company is quick to release new products.	0.817
	IP3	Our company is the first to introduce new products to the market.	0.809
	IP4	Our company regularly releases interesting new products to try.	0.794
Digital Literacy	LD1	Our company is able to use digital technology tools to support operational activities.	0.763
	LD2	Our company understands the importance of digital security in protecting company data.	0.762
	LD3	Our company is involved in work activities that utilize digital technology.	0.778
	LD4	Our company is able to filter digital information used in decision making.	0.766
	LD5	Our company utilizes social media effectively to support business activities.	0.714
Competitive Advantage	KB1	Our company has better product quality than competitors.	0.782
	KB2	Our company has different products from competitors.	0.799
	KB3	Our company offers benefits that competitors do not.	0.824
	KB4	Our company has products that are more advanced than similar products on the market.	0.800
SMEs Performance	KU1	Our company's financial performance is better compared to competitors.	0.737
	KU2	Our company's market share is greater than that of competitors.	0.736
	KU3	Our company's sales growth is higher compared to competitors.	0.761
	KU4	Our company is able to develop better products compared to competitors.	0.760
	KU5	Our company's overall business development is better than competitors.	0.705

Source: Data processed, 2026

As presented in Table 1, all indicators demonstrate adequate outer loading values, as each loading exceeds the minimum acceptable threshold of 0.70.

Discriminant validity test

The discriminant validity in this study is in the form of cross loading, where an indicator is said to be valid if it has the highest loading factor on its latent variable compared to other latent variables.

Table 3. Cross Loading

Outer Loading	Marketing Strategy	Product Innovation	Product Innovation	Competitive Advantage	Competitive Advantage
SP1	0.760	0.433	0.507	0.443	0.467
SP2	0.787	0.410	0.465	0.482	0.520
SP3	0.758	0.438	0.471	0.436	0.428

Outer Loading	Marketing Strategy	Product Innovation	Product Innovation	Competitive Advantage	Competitive Advantage
SP4	0.766	0.488	0.502	0.477	0.479
SP5	0.759	0.506	0.510	0.506	0.452
IP1	0.490	0.730	0.479	0.412	0.403
IP2	0.447	0.817	0.530	0.480	0.490
IP3	0.469	0.809	0.552	0.542	0.516
IP4	0.504	0.794	0.599	0.500	0.498
SP1	0.760	0.433	0.507	0.443	0.467
SP2	0.787	0.410	0.465	0.482	0.520
SP3	0.758	0.438	0.471	0.436	0.428
SP4	0.766	0.488	0.502	0.477	0.479
SP5	0.759	0.506	0.510	0.506	0.452
IP1	0.490	0.730	0.479	0.412	0.403
IP2	0.447	0.817	0.530	0.480	0.490
IP3	0.469	0.809	0.552	0.542	0.516
IP4	0.504	0.794	0.599	0.500	0.498
LD1	0.516	0.564	0.763	0.430	0.463
LD2	0.466	0.560	0.762	0,441	0,465
LD3	0.557	0.515	0.778	0.492	0.483
LD4	0.481	0.533	0.766	0.512	0.497
LD5	0,410	0,441	0,714	0,569	0,497
KB1	0.504	0.472	0.551	0.782	0.559
KB2	0.444	0.462	0.513	0,799	0,515
KB3	0.495	0.506	0.510	0.824	0.439
KB4	0,519	0,537	0,510	0,800	0.484
KU1	0.460	0.476	0.538	0.530	0.737
KU2	0.405	0.418	0.444	0.443	0.736
KU3	0.446	0.411	0.436	0.447	0.761
KU4	0.458	0.467	0.449	0.418	0.760
KU5	0.494	0.469	0.480	0.466	0.705

Table 2 shows that all indicators are valid because they have the highest loading factor on their latent variables compared to other latent variables.

Composite reliability

Composite reliability has a value of 0 to 1. An indicator can be declared reliable if it has a value equal to or greater than 0.6.

Table 4. Composite Reliability Test

Variables	Composite Reliability	Cronbach's Alpha	Remarks
Marketing Strategy	0.877	0.824	reliable
Product Innovation	0.868	0.797	
Digital Literacy	0.870	0.814	

Competitive Advantage	0.878	0.814	
SMEs Performance	0.858	0.794	

Source: Data processed, 2026

Inner Model Assessment

R-Square Test

The coefficient of determination (R-Square) as an indicator of the perspective accuracy and explanatory strength of a structural model by measuring the proportion of variance in the dependent variable accounted for by the independent variables. An R^2 value $>0,67$ is generally considered substantial, values $>0,33$ are regarded as moderate, and values $>0,19$ are classified as weak.

Table 5. R-Square (R^2)

Variable	R-Square
SMEs Performance	0.533
Competitive Advantage	0.518

Source: Data processed, 2026

Table 4 shows the R-Square calculation results of 52.5% for the SME performance variable and 51.1% for the competitive advantage variable. The remainder, for SME performance, is 47.5% and for the competitive advantage variable 48.9% is affected by factors beyond the scope of this research.

Q Square

The Q-Square Test is related to the level of predictive relevance of the research model. If the value shown is >0 , it can be said that the values in the study have been well reconstructed. The Q-square value is calculated using the following formula:

$$\begin{aligned}
 Q^2 &= 1 - (1 - R1^2) (1 - R2^2) \\
 &= 1 - (1 - 0,658^2) (1 - 0,700^2) \\
 &= 1 - (1 - 0,561) (0,510) \\
 &= 1 - 0,286 \\
 Q^2 &= 0.713
 \end{aligned}$$

Based on the Q^2 calculation, a predictive relevance value of 0.713 was obtained. This result indicates that the research model has quite good relevance, as the Q^2 value is greater than 0 (zero).

Hypothesis Test

The hypothesis testing results reported in Table 5 reveal that marketing strategy, product innovation, and digital literacy exert positive and statistically significant effects on SMEs performance, both directly and indirectly through competitive advantage. The findings indicate that all hypothesized relationships satisfy the established significance thresholds, as evidenced by p-values below 0,50 and t-statistics exceeding 1,96. These results suggest that marketing strategy, product innovation, and digital literacy play critical roles in enhancing competitive advantage, which subsequently contributes to improved SMEs performance.

Table 6. Path Coefficient (Direct Effect)

	Original Sample (O)	T- Statistics	P- Value	Remarks
Marketing Strategy → SMEs Performance	0,223	3,259	0,001	Accepted
Product Innovation → SMEs Performance	0,181	2.233	0,026	Accepted
Digital Literacy → SMEs Performance	0,216	2,691	0,007	Accepted
Competitive Advantage → SMEs Performance	0,236	3,433	0,001	Accepted

Source: Data processed, 2026

Table 7. Path Coefficient (Indirect Effect)

Marketing Strategy → Competitive Advantage → SMEs Performance	0.223	2.698	0.007	Accepted
Product Innovation → Competitive Advantage → SMEs Performance	0.181	2.305	0.022	Accepted
Digital Literacy → Competitive Advantage → SMEs Performance	0.216	2.394	0.017	Accepted

Source: Data processed, 2026

4.2. Discussion

Marketing strategy has an influence on the SMEs performance. This is also in accordance with research that has been conducted by Arfan & Hasan (2022) where in their research it was found that marketing strategies have a significant and positive effect on the performance of SMEs. SMEs are able to implement the right marketing strategy through the determination of a clear target market, effective promotion strategies, product adjustments to consumer needs, and the optimal use of marketing channels, which can improve the performance of SMEs. Product innovation has an influence on the SMEs performance. This is also in accordance with research that has been conducted by Hadi (2023) where in their research it was found that product innovation has a significant and positive effect on the performance of SMEs. This means that if SMEs are able to innovate products through product design development, quality improvement, addition of product variations, and product adjustments to consumer needs and tastes, it can improve SMEs performance. Digital literacy has an influence on the SMEs performance. This is also in accordance with research that has been conducted by Huda et al., (2023) where in their research it was found that digital literacy has a significant and positive effect on the performance of SMEs. This means that if SMEs have a good level of digital literacy through the ability to operate digital technology, utilize digital platforms for marketing, manage information effectively, and understand the use of digital media in business activities, it can improve the SMEs

performance. The results of this study are also supported by previous research conducted by Mubarak (2023) which stated that digital literacy affects the SMEs performance.

Competitive advantage has an influence on the SMEs performance. This is also in accordance with research that has been conducted by Tyasari & Patrikha (2023) where in their research it was found that competitive advantage has a significant and positive effect on the performance of SMEs. This means that if SMEs are able to create a competitive advantage through product uniqueness, better quality than competitors, competitive prices, and the ability to meet consumer needs and desires in a superior manner, then it can improve the SMEs performance. Marketing strategy for SMEs performance through competitive advantage as a mediation variable. This is also in accordance with research conducted by Foroudi (2023) where in his research it was found that marketing strategies affect the SMEs performance through competitive advantage. When SMEs are able to implement the right marketing strategy through clear target market determination, effective promotion strategies, product adjustments to consumer needs, and optimal use of marketing channels, it will increase the competitive advantage of SMEs which can ultimately encourage improvement in SMEs performance. Another research was conducted by Ayodele et al., (2024) which stated that marketing strategies affect the performance of SMEs through competitive advantage.

Product innovation on SMEs performance through competitive advantage as a mediation variable. This is also in accordance with research conducted by Kurniawati (2022) where in his research it was found that product innovation affects the performance of SMEs through competitive advantage. When SMEs are able to innovate products through product design development, quality improvement, addition of product variety, and product adjustment to consumer needs and tastes, it will increase the competitive advantage of SMEs which can ultimately encourage improvement in SMEs performance. The results of another study conducted by Broncano et al., (2024) which states that product innovation affects the performance of SMEs through competitive advantage. Digital literacy on SMEs performance through competitive advantage as a mediation variable. This is also in accordance with research conducted by Huda et al., (2023) where in his research it was found that digital literacy affects the performance of SMEs through competitive advantage. When SMEs have a good level of digital literacy through the ability to operate digital technology, utilize digital platforms for marketing, manage information effectively, and understand the use of digital media in business activities, it will increase the competitive advantage of SMEs which can ultimately encourage improvement in SMEs performance. The results of this study were also conducted by Wulandari et al., (2025) who stated that digital literacy affects the performance of SMEs through competitive advantage.

5. Conclusion

Drawing upon the research findings and discussion, the following conclusions are established:

1. Marketing strategy positively and significantly affects SME performance. Appropriate market targeting, effective promotion, product adjustment to customer needs, and optimal marketing channels enable SMEs to expand their market reach and improve business performance.
2. Product innovation positively and significantly affects SME performance. Improvements in product design, quality, variety, and suitability to consumer preferences help SMEs create greater value and strengthen their performance.

3. Digital literacy positively and significantly affects SME performance. The ability to use digital technology, digital marketing platforms, and information management tools allows SMEs to operate more efficiently, reach wider markets, and improve business outcomes.
4. Competitive advantage positively and significantly affects SME performance. Product uniqueness, superior quality, competitive prices, and the ability to respond to customer needs strengthen SMEs' market position and support performance improvement.
5. Competitive advantage mediates the effect of marketing strategy on SME performance. Effective marketing strategies improve SME performance by strengthening market positioning, customer reach, and competitiveness.
6. Competitive advantage mediates the effect of product innovation on SME performance. Product innovation enhances performance when it creates distinctive products, better quality, and added value that differentiate SMEs from their competitors.
7. Competitive advantage mediates the effect of digital literacy on SME performance. Digital capabilities contribute to better performance by enabling SMEs to improve operational efficiency, strengthen digital marketing, access broader markets, and develop a stronger competitive position.

Suggestion

SMEs in Palangka Raya City can improve their marketing strategies by strengthening their positive attitudes toward using digital marketing strategies in promotional activities. This can be achieved by increasing their understanding of the benefits of digital marketing for business development, such as expanding market reach and increasing promotional effectiveness. Furthermore, SMEs can participate in training and mentoring related to digital marketing, particularly in the optimal and sustainable use of social media and other digital platforms, so that business owners are better prepared and confident in implementing digital marketing strategies. This is expected to encourage consistent use of digital marketing strategies and thus improve the performance of SMEs in Palangka Raya City.

SMEs in Palangka Raya City can increase product innovation by strengthening their ability to differentiate their products to create uniqueness compared to other companies' products. This can be achieved through developing more creative product designs, adding variations or product features, and utilizing innovative ideas derived from consumer needs and input. Furthermore, SMEs can conduct simple market research periodically to understand consumer trends and preferences so that the products they produce are not only novel but also have added value and unique appeal. This is expected to increase the competitiveness of SME products and encourage sustainable business performance improvements.

SMEs in Palangka Raya City can improve their digital literacy by strengthening their ability to effectively utilize social media to support business activities. This can be achieved through improving social media management skills, such as planning engaging content, posting consistently, and utilizing analytics features to evaluate the performance of digital promotions. In addition, SMEs

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