

MEDIATION OF DIGITAL INNOVATION ON DIGITAL MARKETING CAPABILITIES TOWARDS MARKETING PERFORMANCE (A Study on Food and Beverage MSMEs in Gedangan Sub-district)

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Abstract

Micro, Small, and Medium Enterprises (MSMEs) are one of the crucial sectors in the country's economy, contributing significantly, as evidenced by their share of 60.5% of the Republic of Indonesia's Gross Domestic Product. The total number of MSMEs in Indonesia reached 65 million units, with the food and beverage sector dominating with 23 million units in 2022. Although the contribution of MSMEs to regional and provincial revenue continues to increase, their performance has yet to reach its full potential, as evident from the declining sales experienced by MSMEs that still operate offline. To face market and technological developments, MSME actors must consider leveraging digital media in their marketing strategies.

This research aims to identify the influence of digital marketing capabilities and product innovation on the marketing performance of food and beverage MSMEs in the Gedangan sub-district of Sidoarjo. The research sample comprises 102 respondents selected through the nonprobability sampling technique with purposive sampling and collected data through questionnaires distributed to food and beverage MSMEs in the Gedangan sub-district of Sidoarjo. Data was analyzed using the Structural Equation Modeling-Partial Least Squares (SEM-PLS) method. The research results indicate that Digital Innovation is essential in mediating the influence between Digital Marketing Capabilities and Marketing Performance of food and beverage MSMEs in Gedangan, Sidoarjo. The development of digital innovation can be an effective strategy for improving the marketing performance of MSMEs by utilizing digital marketing capabilities. Therefore, MSME actors must enhance their digital marketing capabilities and adopt digital innovations to improve marketing performance.

Keywords:

Marketing performance; Digital marketing capabilities; Digital innovation; MSMEs

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Introduction

Micro, Small and Medium Enterprises (MSMEs) are vital to the Indonesian economy, contributing as much as 61% to the national Gross Domestic Product (GDP). In particular, East Java plays a significant role, with 9.78 million MSMEs and the second-highest GDP contribution in Indonesia, IDR. 649.54 trillion.

The city of Sidoarjo, part of East Java, contributed around Rp. 114.7 trillion to East Java's GDP with 150 thousand MSMEs, including 28,000 food and beverage MSMEs. This study focuses on food and beverage MSMEs in Gedangan Sidoarjo, which has 114 MSME units. Gedangan is attractive to research because it has many MSMEs compared to other sub-districts in Sidoarjo.

Even though the number of MSMEs continues to grow, in 2021, the bankruptcy rate for MSMEs in East Java will reach 20%, while growth is only 0.4%. The COVID-19 pandemic caused a significant decline in sales, especially in offline and online sales businesses. The East Java Cooperatives and SMEs Service identified five principal problems affecting MSMEs, with marketing problems being the largest, reaching 37%. The shift in people's behavior to online platforms is challenging for MSMEs. MSME development requires effective marketing strategies, adaptation to changes in consumer behavior, and rapidly developing technology.

Technology is an opportunity for MSMEs. Data from APJII shows that in 2021, 77.02% of Indonesia's population uses the internet, reaching 210,026,769 people out of a total population of 272,682,600. The rapid growth of the internet marks a shift from traditional to modern. In this context, digital innovation becomes important for MSMEs. Data from the KEMENKOPUKM in 2022 shows that MSMEs still rely on non-digital marketing, even though growth has occurred. MSMEs need to increase awareness about digital marketing to increase their competitiveness and attract consumer attention. Digital marketing capabilities are an essential key to the success of MSMEs.

In 2022, MSMEs that have gone digital will only reach 31.5% of the total MSMEs in Indonesia, with a higher figure, namely 44%, in East Java (data.diskopukm.jatimprov.go.id, 2022). However, the COVID-19 pandemic has caused a significant decline in sales. The main problem faced by MSMEs is marketing management. Therefore, digital marketing capabilities are essential, considering the shift to online media in activities, including buying and selling through platforms such as marketplaces and e-

commerce. MSMEs that have innovated with digital payments, digital financial recording, and digital product delivery, such as GoFood and GrabFood, can gain a competitive advantage. This research focuses on digital innovation and its impact on MSME marketing performance, including sales growth, market share, product innovation, and sales activities.

Albukhitan (2020) states that digital innovation is the use of technology to improve the performance or accessibility of MSMEs. MSME marketing performance reflects the effectiveness and efficiency of the marketing strategies used by MSMEs to promote their products or services and achieve predetermined marketing goals. MSME marketing performance can be measured based on several indicators: sales value, growth, and market share (Melanie et al., 2018). In intense competition, MSMEs must implement appropriate marketing strategies to succeed. Traditionally, MSMEs rely more on conventional marketing methods, such as print advertisements, brochures, or direct promotions. However, with the development of digital technology, MSMEs can take advantage of digital innovation to improve their marketing performance. Digital innovation refers to applying information and communication technology in business processes to increase efficiency and competitiveness and create added value.

In MSME marketing, digital innovation involves using online platforms, social media, websites, mobile applications, and other technologies to promote products or services to potential customers. The use of digital innovation by MSMEs offers many benefits. First, with an online presence, MSMEs can expand their market reach and access potential customers in various regions. Second, digital innovation allows MSMEs to create closer customer relationships through direct interaction, feedback, and more responsive customer service. Third, by using digital technology, MSMEs can collect and analyze customer data to understand their preferences and needs so they can develop more effective marketing strategies. Digital innovation has great potential to improve the marketing performance of MSMEs.

In an increasingly competitive business environment, MSMEs that can adopt and utilize digital innovation effectively experience increased marketing performance. Digital innovation in marketing can help MSMEs achieve marketing targets, increase brand awareness market share, and increase customer satisfaction and loyalty. Previous researchers have shown that innovation significantly impacts the growth of MSMEs. Ngugi, John Karanja, and Maurice Otieno Mcorege (2013), in research in Kenya, found that innovation had a positive impact on the growth of MSMEs in Kenya. Innovation does not only mean growth for MSMEs, but research conducted by Wulandari (2013) shows that innovation can influence the marketing

performance carried out in a company. Apart from that, the innovation implemented by companies positively impacts their marketing performance. Besides innovation, marketing skills also significantly influence a company's performance. Utomo and Susanta (2020) stated that digital marketing skills influence marketing performance, and marketing skills are essential for driving company performance. However, research conducted by Nirawati Prayogo (2019) states that there is no positive influence between e-marketing competence and marketing performance. This research was conducted because no previous research discussed the impact of digital marketing skills and digital innovation on the marketing performance of Gedangan Sidoarjo MSMEs.

Based on previous research, marketing capabilities greatly influence company performance, which can encourage company performance according to Utomo & Susanta (2020) and previous researchers such as Ngugi, John Karanja., Maurice Otieno Mcorege., (2013) in their research in Kenya found that innovation benefits growth Kenyan SMEs. This proves that innovation dramatically influences the growth of MSMEs. However, there is research that states that e-marketing capability does not have a positive effect on marketing performance (Nirawati & Prayogo, 2019). This research will see how digital marketing capabilities and innovation influence MSMEs' marketing performance in Gedangan Sidoarjo District.

Literature review Digital Marketing Capability and Digital Innovation

Digital marketing capabilities in this research refer to a company's ability to utilize digital media as part of its marketing strategy, especially market-oriented products, network distribution, and promotions. Digital marketing has several advantages over conventional marketing, including coverage. Digital marketing can expand the market with online-based technology so that it is more efficient. Apart from that, digital marketing also makes it easier for companies to find creative ideas so that companies can produce innovative new products.

Digital innovation refers to applying information and communication technology in business processes to increase efficiency and competitiveness and create added value. Digital capabilities have a positive and significant effect on digital innovation. Yasa et al. (2019). The positive and significant relationship between the digital capability variable and the digital innovation variable shows that digital marketing capabilities positively and significantly affect digital innovation. If MSMEs have digital capabilities, digital innovation from these MSMEs will always increase over time. The results of research conducted by Utomo Susanta (2020) reveal that digital marketing capability influences innovation capability.

This means that digital capabilities positively and significantly affect digital innovation. The positive and significant relationship between the digital capability variable and the digital innovation variable shows that digital capability has a positive and significant effect on digital innovation. If MSMEs have digital capabilities, digital innovation from these MSMEs will always increase over time.

H1: Digital Marketing Capabilities have a positive and significant effect on Digital Innovation

Digital Innovation and Marketing Performance

Al-Ansari et al. (2013) found that digital innovation can improve business performance. Furthermore, the research results of Francesco et al. (2019) also show similar results, namely that digital innovation has a positive and significant effect on business performance. Yasa et al. (2019) stated that digital innovation positively and significantly impacts business performance. This means that the higher the digital innovation carried out by SMEs in the IT sector, the better their business performance. Khin Ho (2019) stated that digital innovation mediates the influence of digital orientation and digital capabilities on financial and non-financial performance. Companies committed to leveraging digital technology and improving their ability to manage it will be able to develop innovative digital solutions that ultimately improve their organizational performance.

Meanwhile, Fitriasari et al. (2021) stated that digital innovation does not affect the performance of MSMEs. During the pandemic, MSME players considered that digital innovation was not crucial in improving the performance of their MSMEs. This is caused by many factors, including digital literacy and inadequate technological readiness, so MSME owners cannot improve their MSMEs' performance.

H2: Digital Innovation has a positive and significant effect on Marketing Performance

Digital Marketing Capability and Marketing Performance

Digital marketing ability or capability is the ability of MSME owners or managers to market products and services using digital channels. MSME marketing performance reflects the effectiveness and efficiency of the marketing strategies used by MSMEs to promote their products or services and achieve predetermined marketing goals. In intense competition, MSMEs must implement appropriate marketing strategies to succeed. Traditionally, MSMEs rely more on conventional marketing methods, such as print advertisements, brochures, or direct promotions. However, with the

development of digital technology, digital marketing capabilities are needed to improve marketing performance.

Previous research conducted by Sidi and Yogatama (2019) stated that digital marketing directly, positively, and significantly affects marketing performance. The higher the digital marketing, the higher the marketing performance

H3: Digital Marketing Capabilities have a positive and significant effect on Marketing Performance

Digital Marketing Capability, Digital Innovation, and Marketing Performance

According to Utomo and Susanta (2020), the results of previous research stated that digital marketing capability has a significant effect on innovation capability, digital marketing capability has a significant effect on marketing performance, and innovation capability has a significant effect on marketing performance. According to (Sidi Yogatama, 2019), digital marketing has a direct, positive, and significant effect on marketing performance. The higher the digital marketing, the higher the marketing performance.

According to Nirawati and Prayogo (2019), there is another opinion: there is no positive influence between e-Marketing Capability and marketing performance. The results of research conducted by Yasa et al. (2019) show that digital marketing has a direct, positive, and significant effect on marketing performance. The digital innovation variable as a mediating variable significantly affects the relationship between digital capability and business performance through the digital innovation variable.

This means that digital marketing capabilities directly, positively, and significantly affect marketing performance. The higher the digital marketing, the higher the marketing performance. Marketing capabilities are considered important in driving company performance. Digital marketing capabilities have a positive effect on sales success. Digital innovation is also considered to mediate digital capabilities on business performance significantly.

H4: Digital Innovation can significantly mediate Digital Marketing Capabilities and Marketing Performance

Research method

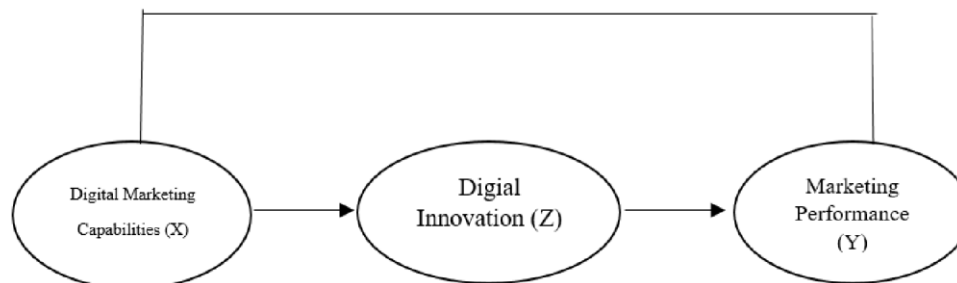
In this research, the type of research used is quantitative research. Quantitative research in this study was carried out by taking measurements

using a scale determined in the questionnaire distributed to respondents. The resulting data is in the form of statistical calculations, which are then interpreted descriptively as the final result of this research. Several variables used in this research include the independent variable (X), namely digital marketing capabilities, the dependent variable (Y), namely marketing performance, and the mediating variable, digital innovation. Data was obtained through a survey with a 4-point Likert scale questionnaire with categories between others strongly disagree, disagree, agree, and strongly agree.

The respondents of this research are Digital MSMEs in the food and beverage sector in Gedangan District, which have gone digital. Bank Indonesia has created a classification for MSMEs that are said to have gone digital. The questionnaire in this research was distributed to 102 Food and Beverage MSMEs in the Gedangan District that have gone digital with the characteristics of using social media, marketplaces, payment media, and digital financial records. Thus, the research sample chosen was MSME actors who had gone digital. The number of samples in this study was 102 respondents from Food and Beverage MSMEs in Gedangan District.

Data analysis used the Structural Equation Model (SEM) Partial Least Squared (PLS) with SmartPLS 4 software.

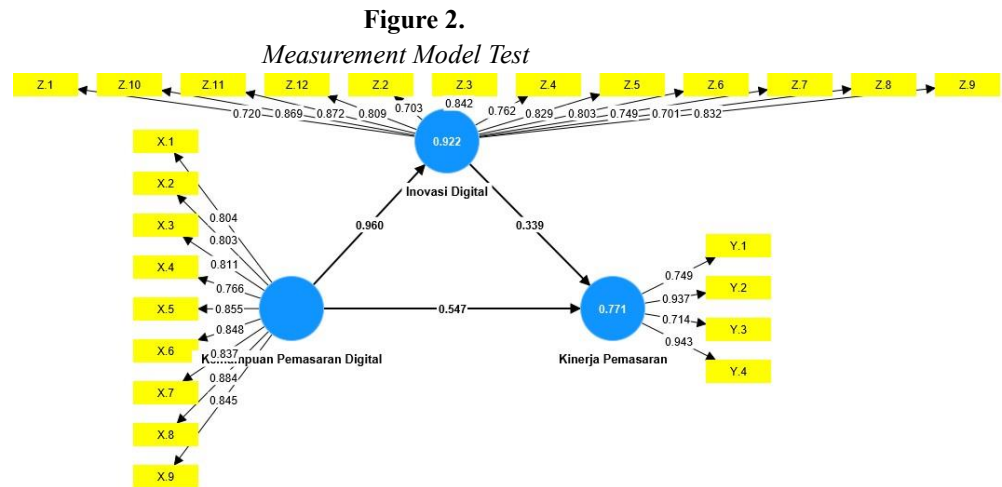
Figure 1.



Source: Processed by researchers

Data analysis and result Convergent Validity and Composite Reliability Results

All indicators are considered valid if they have a correlation value of more than 0.70 (Ghozali, 2021). Based on Figure 2, all indicators have a loading factor greater than 0.70, so the research indicators are valid, and there is feasibility in their use in this research. Shows that the composite reliability and Cronbach's alpha values for all variables are more significant than 0.70. So, the variable model meets good composite reliability and Cronbach's alpha values.



Source: Output Smart PLS 4 (2023)

Discriminant Validity Test Analysis Results

By finding an Average Variance Extracted (AVE) value > 0.50 , a discriminant or discriminant validity test is used to ensure that each indicator has a high correlation with its construct and is considered excellent or valid in a discriminant.

Table 1.
Discriminant Validity Test

	Average Variance Extracted (AVE)	Cut Off	Note
Digital Marketing Capabilities	0.687	>0.5	Valid
Digital Innovation	0.629	>0.5	Valid
Marketing Performance	0.709	>0.5	Valid

Source: Output Smart PLS 4, 2023

Reliability Test Analysis Results

Based on Table 2, it can be concluded that all variables in this study have Composite Reliability or Cronbach's alpha values above 0.7. This shows that all the variables tested in the research have good reliability.

Table 2.
Reliability Test

	Cronbach's Alpha	Composite Reliability	Cut Off	Results
Digital Marketing Capabilities	0.943	0.945	>0.7	Reliable
Digital Innovation	0.946	0.950	>0.7	Reliable
Marketing Performance	0.857	0.875	>0.7	Reliable

Source: Output Smart PLS 4, 2023

R-Square Test

Table 3.
R-Square Test

	R-Square	R-Square adjusted
Digital Innovation (Z)	0.922	0.921
Marketing Performance (Y)	0.771	0.766

Sumber: Output Smart PLS 4, 2023

The coefficient value of marketing performance determinants is 76.6% if the R Square value is multiplied by 100%, as shown in the table above.

According to these findings, marketing performance is influenced by independent variables amounting to 76.6% in research, which is classified as substantial, while the remaining 23.4% is explained by other variables not included in this research.

The digital innovation variable has a determinant coefficient and influence on the research of 92.1%, classified as substantial. This can explain why the independent variable of 92.1% can explain the digital innovation construct variable, and the rest is influenced by other factors that also influence digital innovation. This indicates that other factors have a lower influence than the independent variables in this study.

Prediction Relevance Test

The PLS model can also be evaluated by looking at the predictive relevance of Q-squared for the constructed model and the r-squared value. The following is the calculation of the Q-Square predictive relevance value in this research model:

$$\begin{aligned} Q &= 1 - (\sqrt{1-R_{12}}) \times (\sqrt{1-R_{22}}) \\ &= 1 - (\sqrt{1-0.922}) \times (\sqrt{1-0.771}) \\ &= 1 - (\sqrt{0.078}) \times (\sqrt{0.229}) \\ &= 1 - (0.280 \times 0.48) \\ &= 1 - 0.1344 \\ &= 0.8656 \end{aligned}$$

From the calculation above, the predictive significance value of Q-square is 0.8656, more significant than zero. This shows that the model has a predictive relevance that the model of 86.56% can explain.

Causality Test

The T-statistic on the influence of digital innovation on marketing performance is $2,172 > 1.96$. These results indicate that marketing performance is significantly influenced by variables related to digital innovation. Meanwhile, the estimated coefficient value is 0.339. The fact that the coefficient has a positive sign indicates that digital innovation is positively correlated with marketing. Positive adjectives are used to describe direct proportions.

The size of the T-Statistics on the influence of digital marketing capabilities on digital innovation is $99,872 > 1.96$. These results indicate that there is a significant influence on the digital marketing capability and digital innovation variables. On the other hand, the estimated coefficient has a magnitude of 0.960 and a positive sign, so it can be interpreted that better digital marketing capabilities have implications for better digital innovation.

The size of the T-Statistics on the influence of digital marketing capabilities on marketing performance is $3.419 > 1.96$. These results indicate a significant influence of the digital marketing capability variable on marketing performance. On the other hand, the estimated coefficient has a magnitude of 0.547 and a positive sign, so it can be interpreted that better digital marketing capabilities have implications for higher marketing performance.

Table 4.
Direct and Indirect Effects of Reliability Testing

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T statistics (O/STDEV)	P Values	Results
Digital Innovation -> Marketing Performance	0.339	0.364	0.156	2.172	0.03	Hypothesis Accepted
Digital Marketing Capabilities -> Digital Innovation	0.96	0.961	0.01	99.872	0	Hypothesis Accepted
Digital Marketing Capabilities -> Marketing Performance	0.873	0.869	0.041	21.490	0	Hypothesis Accepted
Digital Marketing Capabilities -> Digital Innovation -> Marketing Performance	0.326	0.35	0.151	2.158	0.031	Hypothesis Accepted

Source: Output Smart PLS 4, 2023

Significance of influence can be found if (P-value) < 0.05 (5%), but if P-Values > 0.05 (5%), it can be said that there is no significant influence.

Result

The Influence of Digital Marketing Capabilities on Digital Innovation of MSMEs in Gedangan Sidoarjo

Digital marketing capabilities in this research refer to a company's ability to utilize digital media as part of its marketing strategy, especially market-oriented products, network distribution, and promotions. Digital marketing has several advantages over conventional marketing, including coverage. Digital marketing can expand the market with online-based technology so that it is more efficient. Apart from that, digital marketing also makes it easier for companies to find creative ideas so that companies can produce innovative new products.

Digital innovation refers to applying information and communication technology in business processes to increase efficiency and competitiveness and create added value. In MSME marketing, digital innovation involves using online platforms, social media, websites, mobile applications, and other technologies to promote products or services to potential customers.

The estimated coefficient of 0.96 shows a positive relationship between digital marketing capabilities and digital innovation, as can be seen from the data, which shows that H1 can be accepted because the t-statistic is 99,872, which is higher than 1.96. The P value is 0, smaller than 0. .05. These results show the importance of implementing digital marketing capabilities in encouraging digital innovation in MSMEs. This also indicates that MSMEs developing good digital marketing capabilities have more significant potential to create relevant digital innovations and improve their business performance.

This research also shows that the Digital Marketing Capability variable significantly contributes to Digital Innovation in food and beverage MSMEs in Gedangan, Sidoarjo. The implication is that MSMEs that can optimize the use of social media, marketplace media, and other digital platforms in marketing efforts have more significant potential to create digital innovations that are relevant to the market.

In the digital era that continues to develop, adopting digital innovation is essential in maintaining the competitiveness of MSMEs by utilizing digital marketing capabilities to build customer communication. MSMEs can access a broader market, interact with consumers effectively, and develop new products or services that suit customer needs. This shows the importance of mastering digital marketing skills to encourage digital innovation in MSMEs in Gedangan, Sidoarjo.

The results of this research are validated by Yasai, Ekawati, and Rahmayanti (2019), which state that digital capability or digital marketing ability has a positive and significant effect on digital innovation.

The Influence of Digital Innovation on the Marketing Performance of MSMEs in Sidoarjo

Technological innovation is a crucial strategic tool for companies to increase competitiveness and performance. Companies that can develop digital innovation are expected to be the best and able to compete in the current era. According to Nambisan et al. (2017), digital innovation is the creation of market offerings, business processes, or models resulting from digital technology.

Digital innovation has great potential to improve the marketing performance of MSMEs. In an increasingly competitive business environment, MSMEs that can adopt and utilize digital innovation effectively experience increased marketing performance. Digital innovation in marketing can help MSMEs achieve marketing targets, increase brand awareness market share, and increase customer satisfaction and loyalty.

The estimated coefficient of 0.339 shows a positive relationship between digital innovation and marketing performance, as can be seen from the data showing that H2 can be accepted because the t-statistic is 2,172, which is higher than 1.96. The P value is 0.03, smaller than 0.05. These results show the importance of implementing digital innovation in driving marketing performance in MSMEs. This also indicates that MSMEs that can develop good digital innovation have more significant potential to improve marketing performance.

These results indicate that food and beverage MSMEs in Gedangan, Sidoarjo, that can create relevant and quality digital innovations have more significant potential to improve their marketing performance. Digital innovation can help MSMEs face competition, create unique products or services, and increase customer satisfaction. Apart from that, these results also show the importance of developing digital innovation as a strategy to improve the marketing performance of MSMEs. MSMEs need to continue to adapt to changes in technology and digital trends that occur to optimize innovation and increase their competitiveness.

These research results are validated by Utama and Susanta (2020), which state that innovation ability influences marketing performance.

The Influence of Digital Marketing Capabilities on the Marketing Performance of MSMEs in Sidoarjo

Digital marketing ability or capability is the ability of MSME owners or managers to market products and services using digital channels. MSME

marketing performance reflects the effectiveness and efficiency of the marketing strategies used by MSMEs to promote their products or services and achieve predetermined marketing goals. In intense competition, MSMEs must implement appropriate marketing strategies to succeed. Traditionally, MSMEs rely more on conventional marketing methods, such as print advertisements, brochures, or direct promotions. However, with the development of digital technology, digital marketing capabilities are needed to improve marketing performance.

The estimated coefficient of 0.873 shows that there is a positive relationship between digital marketing capabilities and digital innovation, as can be seen from the data, which shows that H3 can be accepted because the t-statistic is 0.041, which is higher than 1.96 and the P value is 0, which is smaller than 0.05. These results show the importance of implementing digital marketing capabilities to drive MSMEs' marketing performance. This also indicates that MSMEs that can develop good digital marketing capabilities have more significant potential.

These results indicate that food and beverage MSMEs in Gedangan, Sidoarjo, that can optimize digital marketing capabilities have more significant potential to improve their marketing performance. Digital marketing capabilities include using social media, marketplace media, digital platforms, and other digital technologies to promote products, reach target markets, and increase customer satisfaction. These results also show the importance of developing digital marketing capabilities to improve MSME marketing performance. In the ever-growing digital era, MSMEs need to utilize digital technology and digital media to reach a broader target market, optimize interactions with customers, and increase the effectiveness of their marketing.

Other research results show no positive influence between digital marketing capabilities and marketing performance (Norawati & Prayoga (2019). However, the results of this research are validated by Sidi and Yogatama (2019), who states that digital marketing has a direct, positive, and significant effect on marketing performance. The higher the digital marketing, the higher the marketing performance.

The Influence of Digital Marketing Capabilities and Marketing Performance Mediated by Digital Innovation on MSMEs in Sidoarjo City

The use of digital innovation by MSMEs offers many benefits. First, with an online presence, MSMEs can expand their market reach and access potential customers in various regions. Second, digital innovation allows MSMEs to create closer customer relationships through direct interaction, feedback, and more responsive customer service. Third, by using digital

technology, MSMEs can collect and analyze customer data to understand their preferences and needs so they can develop more effective marketing strategies.

Digital innovation has great potential to improve the marketing performance of MSMEs. In an increasingly competitive business environment, MSMEs that can adopt and utilize digital innovation effectively experience increased marketing performance. Digital innovation in marketing can help MSMEs achieve marketing targets, increase brand awareness and market share, and increase customer satisfaction and loyalty.

This research shows a significant influence of digital innovation as a mediator of digital marketing capabilities on marketing performance. This is because the coefficient estimate is 0.326, the t-statistic is $0.35 < 1.96$, and the p-value is $0.031 > 0.5$, so H4 is accepted.

This shows that Digital Innovation is essential in bridging the influence between Digital Marketing Capabilities and Marketing Performance in food and beverage MSMEs in Gedangan, Sidoarjo. This shows that the development of digital innovation can be an effective strategy for improving the marketing performance of MSMEs through utilizing digital marketing capabilities. In the context of this research, Digital Innovation acts as a

mediator between Digital Marketing Capabilities and Marketing Performance. This indicates that the positive effect of Digital Marketing Capabilities on Marketing Performance does not only occur directly but also through influences mediated by Digital Innovation.

These findings provide a better understanding of the importance of developing digital innovation as a bridge between digital marketing capabilities and marketing performance. Food and beverage MSMEs in Gedangan, Sidoarjo, can improve their marketing performance by optimizing digital marketing capabilities and, at the same time, developing digital innovations that are relevant to market needs.

The results of this research are validated by research conducted by Utama and Susanta (2020), which states that there is an influence on digital marketing capabilities and marketing performance mediated by digital innovation.

Conclusion

In the digital era that continues to develop, adopting digital innovation is essential in maintaining the competitiveness of MSMEs. By utilizing digital marketing capabilities, MSMEs can access a broader market, interact with consumers effectively, and develop new products or services that suit customer needs. This shows the importance of mastering digital marketing skills to encourage digital innovation in MSMEs in Gedangan, Sidoarjo.

Digital innovation can help MSMEs face competition, create unique products or services, and increase customer satisfaction. Apart from that, these results also show the importance of developing digital innovation as a strategy to improve the marketing performance of MSMEs. MSMEs need to continue to adapt to changes in technology and digital trends that occur to optimize innovation and increase their competitiveness.

Digital Innovation is essential in bridging the influence between Digital Marketing Capabilities and Marketing Performance in food and beverage MSMEs in Gedangan, Sidoarjo. This shows that the development of digital innovation can be an effective strategy for improving the marketing performance of MSMEs through utilizing digital marketing capabilities. In the context of this research, Digital Innovation acts as a mediator between Digital Marketing Capabilities and Marketing Performance. This indicates that the positive effect of Digital Marketing Capabilities on Marketing Performance does not only occur directly but also through influences mediated by Digital Innovation.

Suggestion

1. For Further Researchers

Exploring concrete phenomena related to digital innovation that can be linked to marketing performance and conducting more profound research regarding the latest digital media in the business sector. Adding other variables that can be linked to marketing performance and carrying out more mapping and research regarding digital marketing capability variables on marketing performance because they still need to be found.

2. For MSMEs

Continuously adapt to digital media to see marketing opportunities, pay attention to the digital media used, and follow existing market trends to compete and see the possibility of digital innovation consistently.

3. For the Government

Consistent in training MSMEs and providing easy access to capital so that MSMEs can maintain or even improve their marketing performance to improve their business.

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