

The Impact of Marketing Capability and Customer Value Creation on Iconic Product Advantages and Marketing Performance in SMEs

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ABSTRACT

This study examines the impact of product selling power and customer value creation on the benefits and marketing performance of iconic products among SMEs. This study uses a quantitative research method with a survey approach to test the relationship between variables objectively and measurably. The study was conducted in Semarang Regency from June to September 2024. The research sample consisted of 220 local wisdom-based SMEs, especially batik, water hyacinth, and clay craft SMEs. Sampling was carried out using a purposive sampling method. Data collection was carried out using a questionnaire with a 7-point Likert scale, then analyzed using Structural Equation Modeling (SEM) with the help of AMOS software. The results confirm that marketing capabilities significantly increase iconic product excellence and marketing performance. In addition, customer value creation has a strong impact on iconic product excellence and marketing performance. This study also found that iconic product excellence mediates the relationship between marketing capabilities, customer value creation, and marketing performance. These findings highlight the importance of customer-centric strategies and brand differentiation for SMEs.

Keywords: Marketing Capability, Customer Value Creation, Iconic Product Advantages, Marketing Performance, SMEs

ABSTRAK

Penelitian ini mengkaji dampak daya jual produk dan penciptaan nilai pelanggan terhadap manfaat dan kinerja pemasaran produk ikonik di kalangan UKM. Penelitian ini menggunakan metode penelitian kuantitatif dengan pendekatan survei untuk menguji hubungan antar variabel secara objektif dan terukur. Penelitian dilakukan di Kabupaten Semarang pada bulan Juni sampai dengan September 2024. Sampel penelitian terdiri dari 220 UKM berbasis kearifan lokal, khususnya UKM batik, eceng gondok, dan kerajinan tanah liat. Pengambilan sampel dilakukan dengan metode purposive sampling. Pengumpulan data dilakukan dengan menggunakan kuesioner dengan skala Likert 7 poin, kemudian dianalisis menggunakan Structural Equation Modeling (SEM) dengan bantuan perangkat lunak AMOS. Hasilnya menegaskan bahwa kapabilitas pemasaran secara signifikan meningkatkan keunggulan produk ikonik dan kinerja pemasaran. Selain itu, penciptaan nilai pelanggan memiliki dampak yang kuat pada keunggulan produk ikonik dan kinerja pemasaran. Studi ini juga menemukan bahwa keunggulan produk ikonik memediasi hubungan antara kapabilitas pemasaran, penciptaan nilai pelanggan, dan kinerja pemasaran. Temuan ini menyoroti pentingnya strategi yang berpusat pada pelanggan dan diferensiasi merek bagi UKM.

Kata kunci: Kemampuan Pemasaran, Penciptaan Nilai Pelanggan, Keunggulan Produk Ikonik, Kinerja Pemasaran, UKM

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INTRODUCTION

Small and medium enterprises (SMEs) play a crucial role in economic development, particularly in sectors like handicrafts that leverage local knowledge and cultural heritage. Across various economies, SMEs contribute significantly to job creation, innovation, and economic resilience. In the United States, 95% of the 5.5 million registered businesses are SMEs, while in Europe, they account for over 99% of enterprises (Vajjhala, 2013). Their flexibility and adaptability make them particularly resilient during financial crises. For instance, during the 1997 economic downturn, SMEs played a vital role in economic recovery by maintaining employment and stabilizing local economies. Beyond their economic contributions, SMEs also promote equitable business opportunities and drive regional income growth, making them a cornerstone of sustainable economic development.

One of the key factors influencing SME success is the ability to create customer value. Businesses today must go beyond profit generation and focus on delivering meaningful value to customers. Customer value is the perceived benefit derived from a product or service, shaping customer satisfaction and long-term loyalty (Kumar & Reinartz, 2016). A positive emotional impression on customers is essential for fostering brand loyalty, as consumers expect products to reflect their personal and social identity. Studies have shown that customer value and satisfaction are closely linked, with higher perceived value leading to increased customer satisfaction and stronger brand relationships (Hu et al., 2009; Chang et al., 2009).

In competitive markets, SMEs must develop strong marketing competencies to enhance their performance. Effective marketing strategies help businesses identify consumer needs, differentiate their offerings, and adapt to market dynamics. Vorhies and Morgan (2005) and O'Dwyer et al. (2009) indicates that SMEs with superior marketing skills achieve higher profitability and sustained growth. Additionally, marketing capabilities facilitate innovation, customer engagement, and responsiveness to shifting consumer preferences. Studies in various contexts have demonstrated a positive correlation between marketing competence and SME performance, highlighting the need for businesses to prioritize strategic marketing efforts (Li et al., 2008; Gaur et al., 2011; Laukkanen et al., 2013).

Despite extensive research on marketing capabilities and customer value creation, there remains a gap in understanding their specific impact on the benefits and marketing performance of Iconic products. Research by Pelham (2000), Weerawardena (2003), Kirca et al. (2005) and Teece (2007) has emphasized the role of marketing capabilities in achieving business success, highlighting its influence on competitive advantage and performance of SMEs. However, limited research has examined how marketing capabilities and customer value creation influence product advantages and overall marketing performance. While Brenes (2014) demonstrated that differentiation strategies and innovation capabilities significantly enhance product excellence, the relationship between these factors and product performance remains underexplored. Iconic product advantages refer to a product's superiority, characterized by aesthetic appeal, unique designs, exotic appearances, fulfillment of personal preferences, and distinctiveness that is difficult to imitate. Moreover, Silvia Martelo et al. (2013) and Chahal et al. (2014) have explored customer value from both company and consumer perspectives, but they lack a targeted analysis on how this value contributes to the long-term benefits of iconic products. Furthermore, Porter (1985) and Smith and Wright (2004) has underscored the role of differentiation in securing competitive advantage, the extent to which iconic's unique attributes influence customer perceptions and marketing success is underexplored. Therefore, this study seeks to fill this gap by analyzing the impact of product selling power and customer value creation on Iconic product benefits and marketing performance.

Although various previous studies conducted by Udayana et al. (2021) discussed the importance of marketing capability and customer value creation in improving the performance of small and medium enterprises (SMEs), most of these studies only focused on their impact on profitability, business growth, and competitive advantage in general

(Teece, 2007; Pelham, 2000; Matarazzo et al., 2021). These studies have not specifically explored how marketing capability and customer value creation affect iconic product advantage and the marketing performance of these products. Therefore, this study is here to fill this gap by empirically analyzing how product selling power and customer value creation affect iconic product benefits and marketing performance. This study aims to analyze the impact of product selling power and customer value creation on the benefits and marketing performance of iconic products.

LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

Marketing Capabilities and Superiority of Iconic Products

Brenes (2014) developed a model based on interviews with entrepreneurs from 17 Latin American agribusinesses, tested by 66 companies. The study identified three key dimensions in differentiation strategies: innovation capability, marketing ability, and business scope. Innovation and marketing directly impact customer perception, enhancing product excellence. Innovation and marketing play a vital role in shaping customer perception by offering unique value and engaging brand experiences. Through continuous innovation, businesses can introduce superior features, designs, or functionalities that distinguish their products from competitors (Jung & Shegai, 2023). Effective marketing communicates these innovations clearly to the target audience, building awareness and influencing customer expectations. When customers perceive a product as innovative and well-promoted, they are more likely to associate it with quality and excellence. This perception not only boosts brand image but also drives customer preference and long-term loyalty. Teece (2007) emphasized marketing as essential for companies to acquire and utilize resources effectively. Martelo (2013) explored customer value from both company and customer perspectives, highlighting its role in value creation. Chahal et al. (2014) identified social marketing, relationship marketing, and marketing orientation as drivers of green marketing strategies. A business model defines how companies create, deliver, and capture value (Teece, 2010). Successful models align customer needs with willingness to pay, ensuring profitability through efficient value chain design. Effective marketing enhances profitability by leveraging resources to produce iconic products that meet consumer preferences.

H1: Marketing capabilities have a significant impact on the superiority of iconic products.

Customer Value Creation and Iconic Product Advantages

Value creation is the process of transforming something of low value into something of greater value. In a business context, customer value creation refers to the creation of added value, the difference between the selling price of a product and the total cost of inputs, including raw materials and related components (Hartomo, 2011). This process is critical to a company's ability to transform inputs into meaningful outputs, which in turn supports long-term profitability and business sustainability (Zamalludin, 2006). To achieve competitive advantage, companies must create value that goes beyond what competitors offer. Customers tend to choose products or services that provide superior value, which fosters loyalty and improves a company's long-term market position (Sánchez-Medina et al., 2011; Rošulj et al., 2024). One of the most effective ways to create such value is through a differentiation strategy. By offering unique features, customized designs, or exclusive benefits, businesses can attract consumers who are willing to pay a premium price (Chinakidzwa & Phiri, 2020). Value creation is influenced by several key factors, including convenience, time efficiency, innovative design, and environmental friendliness. These aspects not only enhance customer satisfaction but also meet the preferences of today's increasingly conscious consumers. As markets become more dynamic and competitive, the demand for distinctive and purpose-oriented products continues to grow (Medase & Barasa, 2019; Ngah & Wong, 2020).

H2: Customer Value Creation have a significant impact on Iconic Product Advantages.

Marketing Capability and Marketing Performance

Research by Ngo and O’Cass (2012) highlights that marketing capability is an intangible resource that is very important for a company’s success. This capability reflects the company’s ability to collect and utilize market information from customers and competitors to support strategic decision-making. Strong marketing capability has been shown to have a positive influence on business performance, both conceptually and empirically. For Small and Medium Enterprises (SMEs), developing capabilities in marketing, finance, production, and human resources is very important to maintain competitiveness and sustainable innovation (Baldwin, 1995). In this context, marketing capability includes the company’s ability to manage and improve various marketing activities such as developing distribution channels, promotional planning, pricing, and customer engagement strategies. Weerawardena (2003) and Kirca et al. (2005) also emphasized that there is a significant relationship between marketing capability and SME performance. SMEs that focus on understanding customer needs, offering superior products, and implementing competitive prices tend to have a greater chance of achieving sustainable business growth. Furthermore, Pelham (2000) revealed that high marketing capability not only contributes to increasing operational efficiency, but also provides a competitive advantage that can drive long-term success. Thus, investment in strengthening marketing capability is key to SME strategy to survive and thrive in a competitive market.

H3: Marketing Capability have a significant impact on Marketing Performance.

Customer Value Creation and Marketing Performance

Sánchez et al. (2006) describe value as a dynamic concept formed through the overall customer experience, including post-consumption interactions. Value is not only functional, but also emotional, where the emotional aspect reflects the feelings of satisfaction, comfort, and pleasure felt by customers when the service provided meets or exceeds their expectations (Sweeney & Soutar, 2001). This emotional value is an important factor in building long-term relationships between customers and companies. When shared value is successfully created through positive and relevant interactions, customers tend to show greater involvement in the company (Zhang et al., 2018). In this case, the role of employees becomes very crucial. Employees who are able to consistently meet and even exceed customer expectations will increase satisfaction levels, which ultimately encourage repeat purchases and strengthen brand loyalty (Morgan, 2012). High customer satisfaction also contributes to positive word-of-mouth promotion, where satisfied customers voluntarily recommend products or services to others. Aigninger (2001) emphasized that the quality-of-service experience provided by a company directly reflects the value perceived by customers. The higher this value, the greater the likelihood that customers are willing to pay a premium price. Therefore, creating and maintaining strong emotional value is an important strategy for competitive advantage and long-term growth of a company.

H4: Customer Value Creation have a significant impact on Marketing Performance.

Iconic Product Advantages and Marketing Performance

Porter (1985) identifies three key strategies for achieving competitive advantage: cost leadership, differentiation, and focus strategies. Among these, differentiation creating unique attributes that distinguish a product from competitors is a fundamental approach to enhancing marketing performance (Kotler, 2002). Businesses that prioritize customer satisfaction and aim to provide superior value are more likely to establish a long-term competitive advantage, ultimately leading to increased profitability (Day, 1994). Consumer loyalty plays a crucial role in sustaining a competitive edge, as loyal customers contribute to financial growth through repeat purchases and positive word-of-mouth

recommendations (Smith & Wright, 2004). Day and Wensley (1988) and Sundar et al. (1993) confirm that product differentiation significantly impacts competitive advantage.

Power (2010) further argues that differentiation, including intellectual property aspects like copyrights and trademarks, strengthens competitive positioning. Additionally, Veith et al. (2011) highlight co-creation as a core factor in differentiation, contributing to sustained market advantage. Sustainable competitive advantage, as noted by Foon (2009), must be supported by effective product differentiation strategies. Ferdinand (2000) asserts that differentiation is not just about matching competitors' value but about exceeding it to offer superior benefits. The success of new products plays a critical role in differentiation strategies, influencing customer behavior and market performance (Song and Parry, 1997; Nowlis and Simonson, 1996). Pelham (1997) emphasizes that businesses must focus on product innovation to enhance their marketing performance. Moreover, Colgate (1998) explains that an organization's ability to manage its resources effectively is a key determinant of competitive advantage, with marketing performance serving as a vital organizational resource.

H5: Iconic Product Advantages have a significant impact on Marketing Performance.

Iconic Product Advantages as a mediator between Marketing Capability and Marketing Performance

Marketing capability plays a strategic role in shaping iconic product excellence that has a direct impact on improving marketing performance. Brenes (2014) identified marketing capability as one of the main dimensions in differentiation strategy, because it plays a role in shaping customer perceptions of products and strengthening the position of product excellence in the market. Teece (2007), effective marketing helps companies optimize the use of their resources to strengthen competitiveness and improve market position sustainably. Martelo (2013) also emphasized that customer value creation is an important component in developing superior products. Through a targeted marketing approach, product differentiation can be created, making certain products icons in the eyes of consumers. These iconic products not only stand out in the market but are also able to create added value that is the main driver of improving marketing performance. Hartomo (2011) and Zamalludin (2006) added that value creation is an important process in increasing product appeal and ensuring the company's long-term profitability. When companies are able to offer superior and different value from competitors, they will gain a sustainable competitive advantage (Sánchez-Medina et al., 2011). Thus, marketing capabilities directed at creating and delivering value effectively will drive customer preference, increase loyalty, and result in higher and more sustainable market performance.

H6a: Marketing Capability using moderation Iconic Product Advantages have a significant impact on Marketing Performance.

H6b: Customer Value Creation using moderation Iconic Product Advantages have a significant impact on Marketing Performance.

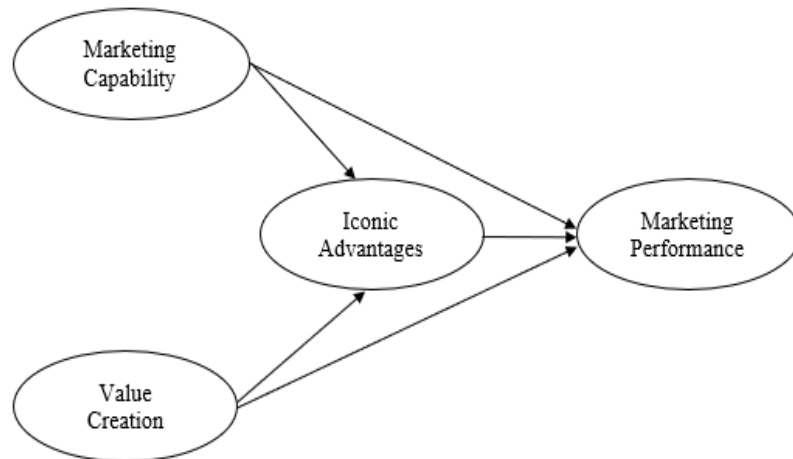


Figure 1. Research Model

Based on the formulation of the hypothesis in this study, a conceptual framework is developed by referring to the close theoretical relationship between marketing capabilities, customer value creation, iconic product excellence, and marketing performance, as presented in Figure 1. Comprehensive marketing capabilities reflect a company's ability to identify market opportunities, formulate effective communication strategies, and manage and allocate resources efficiently to create product differentiation that is not only functionally superior but also has high emotional and aesthetic value. Meanwhile, customer value creation is based on a deep understanding of consumer needs, desires, and expectations, which are manifested in the form of products or services that have personal relevance and meaning for customers. When these two elements are strategically combined, iconic product excellence will be created that has symbolic appeal, distinctive aesthetics, and a strong brand image in the eyes of consumers. This kind of iconic product acts as a mediator that strengthens the direct and indirect impacts of marketing capabilities and customer value creation on marketing performance, both in the form of increased loyalty, positive perceptions of the brand, and competitive advantages in the market. Therefore, a comprehensive integration between innovation-based marketing strategies and a customer value-oriented approach is an important foundation in creating sustainable business growth through iconic product excellence.

RESEARCH METHOD

This study uses a quantitative approach with a survey method to test the relationship between variables in a purposeful and measurable manner. The purpose of this approach is to obtain data that can be explained statistically in order to understand the influence between the constructs studied. The study was conducted in Semarang Regency, Central Java, from June to September 2024. The focus of this study is on Small and Medium Enterprises (SMEs) based on local wisdom, especially batik SMEs, water hyacinth SMEs, and clay craft SMEs that have regional economic and cultural potential. The initial sample of the study consisted of 250 SMEs selected using the purposive sampling method. The inclusion criteria used include: the business has been operating for at least five years, has at least five employees, and a minimum business capital of IDR 50,000,000. After going through the data normalization process to eliminate respondents who did not meet the requirements, the number of valid samples obtained was 225. Furthermore, further filtering was carried out to remove incomplete data, duplicate data, and data with inconsistent answers. The final result of this process produced 220 respondents who were valid and worthy of further explanation.

Data collection was conducted through the distribution of questionnaires consisting of open and closed questions. Closed questions use multiple choices where respondents are only allowed to choose one answer that best suits their condition or view. The questionnaire instrument uses a 7-point Likert measurement scale, which is considered

effective in measuring respondents' perceptions and attitudes towards various research variables. This scale allows for sufficient variation in responses, so that the data collected is more representative and reliable. The data that has been collected was analyzed using the Structural Equation Modeling (SEM) method with the help of AMOS software. The SEM method was chosen because it is able to test the relationship between latent variables simultaneously and provides more comprehensive results in analyzing complex research models.

RESULTS

The definition of each variable needs to be explained in more operational terms. Each variable should be clearly defined in the context of the research model. Explanations from various experts regarding the meaning, antecedents, and consequences of a variable are synthesized into a core definition to refine its explanation. While a variable provides a general description of what is being studied, its measurement must be concretized through operational definitions, which then serve as reflective indicators of the variable (Table 1).

Table 1. Measurement of Operational Variables

Variable	Operational Definition	Indicator
Marketing Capability	The Marketing capability refers to the capability to communicate effectively, offer quality products, manage market information, and shape customer perceptions.	<ol style="list-style-type: none"> 1. The ability to communicate 2. The ability to offer quality products 3. The ability to manage market information 4. The ability to manage customer perceptions
Customer value creation	The ability to create customer value involves offering a valuable product that customers are willing to pay more for. This requires companies to enhance the value of their offerings, not just by focusing on inherent product attributes such as features and quality but also through product design	<ol style="list-style-type: none"> 1. Product packaging design. 2. Addition of product variants. 3. Enhancement of product variant features. 4. Quality control. 5. Implementation of quality standards. 6. Quality improvement and development.
Iconic product advantages	Iconic product advantages refer to the superiority of a company's products, characterized by the development of product aesthetics, environmentally friendly features, exotic appearances, aesthetic designs, fulfillment of personal preferences, and uniqueness that is difficult to imitate.	<ol style="list-style-type: none"> 1. Design advantages 2. Prestige level advantages 3. Aesthetic advantages 4. Durability advantages 5. Material advantages 6. Interior advantages
Marketing performance	Marketing performance is the overall outcome of marketing activities as perceived by the company owner.	<ol style="list-style-type: none"> 1. Achievement of sales growth 2. Increase in sales volume 3. Achievement of sales targets 4. Growth in customer base 5. Expansion of marketing area 6. Achievement of sales growth

Respondent characteristics in Table 2 describe the demographic and business profiles of MSME actors in Semarang Regency. Of the 220 respondents, the majority were women (71%) with the highest education of junior high school (56%). The dominant age is between 41–55 years (61%). Most (70%) act as owners and managers, followed by managers only (15%) and owners only (10%). These data provide an important picture of the respondents' background for the research context.

Table 2. Characteristics of Respondents

Description	Frequency	Percentage (%)
Gender:		
Female	156	71
Male	64	29
Total	220	100
Education:		
Elementary	22	10
Junior High School	123	56
Senior High School	22	10
Graduate	29	13
Other	24	11
Total	220	100
Respondents' Age:		
< 25 years	11	5
25–40 years	55	25
41–55 years	134	61
> 55 years	20	9
Total	220	100
Position in Company:		
Company Owner	22	10
Manager	33	15
Owner and Manager	154	70
Total	220	100

The results of the reliability test in Table 3 show that all constructs have Cronbach's Alpha values above 0.60, namely Marketing Capability (0.62), Customer Value Creation (0.61), Iconic Product Advantages (0.62), and Marketing Performance (0.61), which indicates an adequate level of reliability. The validity of the instrument is tested through the Variance Extracted (VE) value, which shows the ability of the construct to capture the variance of its indicators. All variables have VE values above 0.50, namely Marketing Capability (0.75), Customer Value Creation (0.72), Iconic Product Advantages (0.81), and Marketing Performance (0.78), confirming that the construct is valid and can be used for further analysis.

Table 3. Reliability and Validity Test

Variable	Variance Extracted	Composite Reliability	Cronbach Alpha
Marketing Capability	0.75	0.62	0.602
Customer Value Creation	0.72	0.61	0.601
Iconic Product Advantages	0.81	0.62	0.605
Marketing Performance	0.78	0.61	0.618

Goodness of Fit compares the model with observed variables. In SEM, at least 33 cutoff values assess model fit. Bahri and Zamzam (2014) recommend using Chi-square, df, P, CMIN/DF, RMSEA, CFI, TLI, PCFI, and ECVI. With 70% meeting cutoff values, the model is considered fit and valid.

Table 4. Goodness of Fit

Model Fit Index	Output (AMOS 22)	Cut-Off Value	Description
Chi-Squared (χ^2)	104.311	< 167.566	Good
Significance Probability	0.027	< 0.05	Good
CMIN/DF	1.257	≤ 2.0	Good
GFI (Goodness of Fit Index)	0.952	> 0.90	Good
AGFI (Adjusted Goodness of Fit Index)	0.936	> 0.90	Good
TLI (Tucker-Lewis Index)	0.992	> 0.95	Good
CFI (Comparative Fit Index)	0.994	> 0.95	Good
RMSEA (Root Mean Square Error of Approximation)	0.031	≤ 0.08	Good
Hoelter's CN (0.05)	360	> 200	Good
Hoelter's CN (0.01)	388	> 200	Good

Table 4 presents the Structural Model Suitability Index, confirming the model's fit. The Chi-Square value (104.311) is below the cutoff (167.566), with a significance of 0.027 (<0.05), indicating a good fit (Marsh and Hovecar, 1985). The CMIN/DF ratio ($1.257 \leq 2.0$) supports model validity. Fit indices—GFI (0.952), AGFI (0.936), TLI (0.992), and CFI (0.994)—exceed recommended thresholds (Kline, 2005). RMSEA ($0.031 < 0.08$) aligns with Hu and Bentler's (1999) criteria. Hoelter's CN values (>200) further confirm robustness. The model demonstrates a satisfactory fit with strong empirical support.

Table 5. Hypothesis Testing

Hypothesis		Coefficient	CR	p-value	Result
H1	Marketing Capability → Iconic Product Advantages	0.332	2.212	0.011	Accepted
H2	Customer Value Creation → Iconic Product Advantages	0.445	2.654	0.042	Accepted
H3	Marketing Capability → Marketing Performance	0.242	3.756	0.011	Accepted
H4	Customer Value Creation → Marketing Performance	0.341	3.786	0.014	Accepted
H5	Iconic Product Advantages → Marketing Performance	0.421	3.876	0.022	Accepted

The analysis results in Table 5 indicate that all hypotheses in this study are statistically significant. The first hypothesis states that marketing capability has a significant effect on iconic product advantages, with a path coefficient of 0.332, CR = 2.212, and p = 0.011, confirming that improved marketing capability enhances product uniqueness and brand perception. The second hypothesis is also supported, showing that customer value creation significantly affects iconic product advantages (coefficient = 0.445, CR = 2.654, p = 0.042), indicating that products aligned with consumer preferences tend to have higher perceived value and differentiation. The third hypothesis demonstrates that marketing capability significantly influences marketing performance (coefficient = 0.242, CR = 3.756, p = 0.011), suggesting that strong marketing strategies boost sales growth and customer engagement. Furthermore, the fourth hypothesis confirms that customer value creation impacts marketing performance (coefficient = 0.341, CR = 3.786, p = 0.014), highlighting the importance of consumer-oriented approaches in increasing satisfaction and loyalty. Lastly, the fifth hypothesis shows that iconic product advantages have the strongest influence on marketing performance (coefficient = 0.421, CR = 3.876, p = 0.022), proving that iconic products significantly contribute to brand reputation, customer preference, and market share.

Table 6. Indirect Effect

Hypothesis		Direct Effect	Mediated Effect	Total Effect	p-value	Result
H6a	Marketing Capability → Iconic Product Advantages → Marketing Performance	0.332	0.140	0.382	0.011	Significant
H6b	Customer Value Creation → Iconic Product Advantages → Marketing Performance	0.445	0.187	0.532	0.042	Significant

The indirect effect is shown in Table 6 and illustrates how Iconic Product Advantages mediate the relationship between Customer Value Creation and Marketing Capability (H6a) and Marketing Performance (H6b). With a p-value of 0.011 and a total impact of 0.382, the mediated effect for marketing capability is 0.140, indicating significance. In a similar vein, Customer Value Creation has a mediated effect of 0.187, resulting in a total effect of 0.532 with a significant p-value of 0.042.

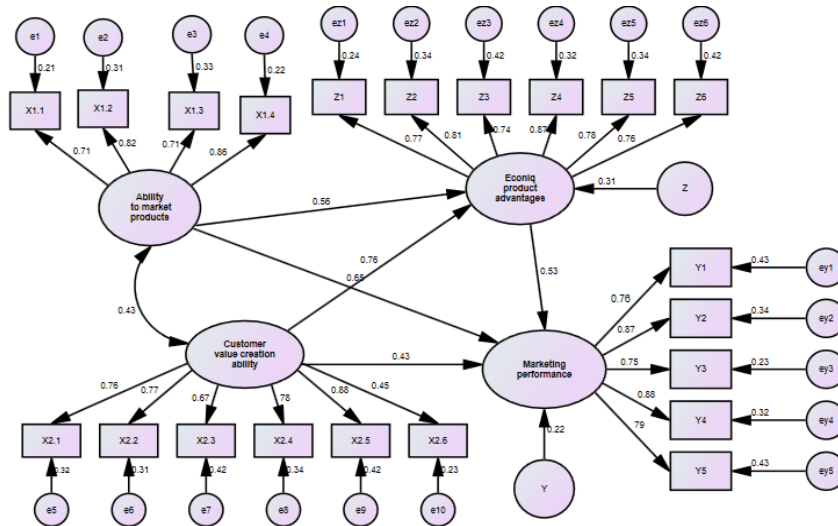


Figure 2. Full Model SEM-AMOS

Figure 2 shows the overall model that provides important insights into the relationships between marketing capabilities, customer value creation, iconic product advantages, and marketing performance. The acceptance of H1 ($\beta = 0.332$, $p = 0.011$) indicates that marketing capability has a positive effect on iconic product excellence, in line with the research of He et al. (2016), Berendt et al. (2018) and Puzakova and Aggarwal (2018) which highlight the importance of marketing strategy in increasing product appeal and uniqueness. H2 ($\beta = 0.445$, $p = 0.042$) also supports Buhalis and Sinarta (2019) and Vargo et al. (2020) that customer value creation significantly affects iconic product excellence, consistent with the service-dominant logic that emphasizes co-creation with customers. H3 and H4 confirm that marketing capability ($\beta = 0.242$, $p = 0.011$) and customer value creation ($\beta = 0.341$, $p = 0.014$) have a direct effect on marketing performance, reinforcing the findings of Guenzi and Troilo (2006) and Abdullah and Rosliyat (2020) on the importance of customer strategy and market communication. In addition, H5 ($\beta = 0.421$, $p = 0.022$) shows that iconic product superiority mediates increased marketing performance, in line with the studies of Sugiyarti et al. (2018) and Millson (2013). The indirect effects on H6a and H6b are also significant ($\beta = 0.140$ and $\beta = 0.187$, respectively), confirming that iconic product superiority is an important pathway in connecting marketing capability and customer value creation to performance.

DISCUSSION

The results of this study confirm that marketing capabilities and customer value creation play an important role in shaping iconic product excellence and improving marketing performance. This study is in line with Homburg and Wielgos (2022). Creating products that have high emotional and aesthetic value requires a deep understanding of consumer preferences and market trends. In line with Wibowo et al. (2021), companies need to prioritize marketing strategies that can create a positive perception of the product and differentiate it from competitors. Effective marketing capabilities include various aspects such as appropriate brand positioning, use of relevant communication channels, and optimal use of market information. This study is in line with previous research by Udayana et al. (2021). By strengthening these elements, companies can build emotional bonds with customers and increase brand loyalty. In addition, the use of digital technology and social media is also an important means to expand marketing reach and build an iconic product image in the eyes of consumers. Habibie et al. (2024), to gain sustainable competitive advantage, companies must also continue to innovate and create unique customer value. The value comes not only from the quality of the product, but also from the entire customer experience, from the purchasing process to after-sales

service. As explained by Dewangga and Nugroho (2024), by combining marketing capabilities and customer value orientation, companies can produce iconic products that are not easily imitated and strengthen their position in an increasingly competitive market.

Customer value creation is a key element in developing iconic product excellence (Sharmelly & Klarin, 2021). This value is formed when a company is able to deeply understand consumer needs, preferences, and expectations, then translate them into product attributes that are relevant and meaningful to customers. By tailoring product offerings to align with consumer desires, companies not only increase perceived product value but also strengthen customer satisfaction and long-term brand loyalty. In line with Chapman and Dilmeri (2022), a customer-centric approach also allows companies to differentiate products more effectively. Customer involvement in the innovation process, such as through feedback, surveys, or co-creation programs, helps companies create products that are unique and in line with market expectations. This can provide a competitive advantage because consumers tend to value products that they feel they have contributed to, both functionally and emotionally. Continuous customer value creation will strengthen brand image and increase the company's competitiveness in an increasingly competitive market.

The superiority of iconic products plays an important role in improving marketing performance because products with high aesthetic and unique values tend to attract consumers' attention more easily. Wibowo et al. (2021) explained that in a competitive market, a company's ability to create products that are not only functional but also have symbolic and emotional value is a key differentiator. Therefore, companies need to invest in product design, innovation, and narrative to build a strong brand image and encourage emotional consumer engagement. Iconic products contribute to the formation of positive brand perceptions and solid market positions. supports Qashmal et al. (2024) that when consumers feel that a product represents their identity and aspirations, loyalty and engagement with the brand tend to increase. Differentiation through design excellence, uniqueness of shape, and interesting stories behind the product will strengthen the psychological bond between consumers and the brand. This directly impacts the effectiveness of marketing strategies, both in reaching target markets and maintaining market share. In line with Hidayat et al. (2024), iconic products play a significant mediating role in linking marketing capabilities and customer value creation with marketing performance.

CONCLUSION

Marketing capabilities and customer value creation play a vital role in creating iconic product advantages and enhancing marketing performance. Enhanced marketing capabilities, such as appropriate brand positioning, effective use of communication channels, and utilization of market information, have been shown to contribute to the uniqueness and emotional value of a product. On the other hand, customer value creation based on a deep understanding of consumer needs and preferences enables companies to create products that are relevant, satisfying, and have long-term loyalty. Iconic products resulting from targeted marketing strategies and strong value creation have been shown to have a significant mediating effect in enhancing marketing performance. Products with high symbolic and aesthetic value strengthen brand perceptions and strengthen consumer emotions, which have a direct impact on increasing loyalty, engagement, and sales growth. To achieve sustainable competitive advantage, companies need to integrate product innovation, customer-centric approaches, and value-oriented marketing strategies. Investment in design, product narratives, and customer involvement in the innovation process are important steps to create meaningful differentiation.

These findings have several practical implications, especially for SMEs seeking to enhance their competitive advantage. Businesses should invest in strengthening their marketing strategies, refining customer engagement efforts, and focusing on product differentiation to maximize their market impact. In addition, prioritizing customer value creation through better product design, quality standards, and innovation can improve

customer satisfaction and brand loyalty. Despite its contributions, this study has certain limitations. The study focused on SMEs in Semarang Regency, thus limiting the generalizability of the findings. In addition, data collection challenges due to the availability of respondents affected the completeness of responses. Future research should extend the study to larger companies and different industries to validate the proposed model and explore variations across business sectors.

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