

# Drivers of Competitive Advantage and Marketing Performance In Bag MSMEs

Competitive and  
MSMEs Marketing  
Performance

**3873**

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## ABSTRACT

The marketing performance of bag MSMEs in Bogor is a complex phenomenon and still faces challenges, such as limited resources, lack of digital technology utilization, and lack of effective partnerships. This makes it difficult for bag MSMEs to improve their competitive advantage and marketing performance. This study aims to analyze and empirically prove the influence of internal resources, digital marketing, and partnership strategies on competitive advantage and their implications for marketing performance in bag Micro, Small, and Medium Enterprises (MSMEs) in Bogor. The research approach uses a quantitative method with causality analysis. The population consists of 112 bag MSMEs, with a sample of 88 bag MSMEs. The instrument is a questionnaire with 47 valid and reliable indicators, analyzed using Structural Equation Modeling (SEM) with SmartPLS version 4.1.0.5. The results of the study indicate that internal resources and digital marketing significantly influence competitive advantage. Digital marketing is the dominant factor, emphasizing the importance of digital transformation in building competitiveness. Furthermore, marketing performance is significantly influenced by internal resources, digital marketing, and competitive advantage. However, partnership strategies do not have a significant effect, either directly or indirectly, on competitive advantage and marketing performance. The results of this study are expected to contribute to the marketing literature and provide practical implications for MSMEs in developing effective marketing strategies to improve marketing performance and competitive advantage.

**Keywords:** MSMEs, internal resources, digital marketing, partnership strategy, marketing performance

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## **INTRODUCTION**

The global economy is currently recovering after the Coronavirus pandemic. The COVID-19 pandemic has shaken nearly all business sectors in various countries, both developed and developing. Amidst this recovery process, Micro, Small, and Medium Enterprises (MSMEs) have emerged as a strategic pillar, significantly contributing to economic stability and growth, including in Indonesia. Data from the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia shows that MSMEs account for approximately 99% of the total national business units, contribute 60.5% to Gross Domestic Product (GDP), and absorb 96.9% of the workforce (Prasetyo, 2021). The resilience of MSMEs has been proven, even in the face of major crises such as the pandemic, this sector continues to demonstrate high resilience ( Mutiarni , 2022). Despite their vital role, MSMEs in Indonesia still face various structural challenges (Wijoyo, 2021). Common issues include limited access to capital, low managerial skills, limited adoption of digital technology, and weak market access. These challenges directly impact marketing performance, a key factor in the sustainability and growth of MSMEs (Munandar, 2023).

One relevant approach to strengthening the competitiveness of MSMEs is to strengthen their internal resources . Internal resources encompass aspects such as human resource quality, managerial skills, innovation, and the strategic utilization of internal assets (Alifatul Fikriyah, 2019). In a business context, internal resources are the primary foundation for conducting business activities and realizing the organization's vision and mission (Sari, 2023).

According to Wahyudi (2020), organizational performance is significantly influenced by the quality of available internal resources. When human resources possess high capacity, creativity, and an entrepreneurial spirit, organizations can respond to market changes more quickly and adaptively. Conversely, limitations in these areas often hinder business growth, particularly at the MSME level (Aji, 2023). Similarly, Sumariati (2022) explains that performance is the result of the synergy of various elements, both from an individual perspective (work discipline, motivation, skills) and from an organizational perspective (leadership, structure, policies, and training) (Fitriana, 2025). Therefore, strengthening these internal factors is a crucial step in increasing marketing effectiveness, building competitive advantage, and encouraging sustainable growth in MSMEs, particularly in the craft industry, such as bags, in Bogor Regency.

The creative industry, often referred to as the creative economy, is an economic activity encompassing industrial activities that empower human creativity as an asset to add economic value ( Harikesa , 2020). The creative economy is essential to keeping up with global trends and the ability to compete in the global market while remaining grounded in and adhering to local capabilities. The current era is the digital era. It is characterized by a new lifestyle, one in which people are inseparable from the internet and electronic devices for carrying out digital-based activities in their daily lives. This shift in era has slowly affected various aspects of Indonesian society. One example is the marketing trend in Indonesia, which is shifting from traditional to digital marketing, known as digital marketing ( Lahindah , 2019). Digital marketing is the application of digital technology that forms online networks to markets, such as websites , blogs, emails, podcasts , and social networks. The goal is to conduct marketing activities and build and develop relationships with customers to maintain them (Mustajab, 2020). Digital development in Indonesia continues to increase. Based on data released by We Are Social in 2022, it shows that of the 277.7 million people in Indonesia, 191.4 million actively use social media. This number of social media users in Indonesia increased by 12.6% from 2021 (an increase of 21 million) (Ariyati, 2024). According to Rahman (2022), social media is an online tool that provides a platform for users to interact by exchanging opinions and information. Social media offers various benefits, such as social connectivity and engagement, access to the latest information, and entertainment.

Social media can also be accessed via both computers and mobile phones, making it easy for users to access it anytime and anywhere (Sudirjo, 2023). In the marketing sector,

it is used as a marketing communication tool because it is considered to have great potential and opportunities (Anjel, 2022). Furthermore, according to INACRAFT (Jakarta International Handicraft Trade Fair), which is an international handicraft exhibition held annually with different themes. This event is organized by the Association of Indonesian Handicraft Exporters and Producers (ASEPHI) in collaboration with PT. Mediatama Binakreasi. INACRAFT 2022 was held on March 23-27, 2022, at the JCC (Jakarta Convention Center). At the INACRAFT 2022 event, the marketing used focused on digital through three social media: Instagram, Facebook, and YouTube (Yanti, 2024). Statistical data shows that there are 2.2 million creative industries with 700,000 craft industries, this represents a huge potential that can absorb the workforce which in turn can lead to improving community welfare. Craft products contribute an average of 33.20 percent to creative industry exports. This fact creates new hope for the Indonesian economy because it has a great opportunity to improve the Indonesian economy.

ASEAN Policy Blueprint for SME Development (APBSD) outlines a framework for the development of Micro, Small and Medium Enterprises (MSMEs) in the ASEAN region, leading to a mapping portrait of a strategy that is expected to build the competitive advantage of Micro, Small and Medium Enterprises (MSMEs) (Ramadhan, 2025). However, in Indonesia, the general characteristics of Micro, Small and Medium Enterprises (MSMEs) that are often encountered are: 1) business management is more individual and involves family and close relatives, 2) low access of small industries to formal credit institutions, 3) limitations and difficulties in procuring raw materials in export-oriented Micro, Small and Medium Enterprises (MSMEs), 4) weak competence in internal resources and many other things (Wahbi, 2019).

These factors can be obstacles to developing competitiveness. Data from the UI SME Center states that only 10-16% of Indonesia's 53 million Micro, Small, and Medium Enterprises (MSMEs) are strong, and even then, they are in the informal sector. Therefore, identifying gaps and potential requires strategies to survive and win the market in the New Economy era, namely the ASEAN Economic Community (Parlyna, 2022). Similarly, in Bogor, the development of Micro, Small, and Medium Enterprises (MSMEs) in Bogor is still relatively small each year, with growth ranging from 2-4 percent. This relatively small development is due to various factors. Among them are the many job opportunities in factories that promise fixed salaries, the existence of MSMEs that change products due to incompatibility, and business risks that are still feared by some people (Panuji, 2024). This is evident from data obtained by researchers from the Bogor Micro, Small, and Medium Enterprises (MSMEs) Office.

Data from the Bogor MSMEs Office on bag craft shows that in 2022, the bag craft sector in Bogor, West Java Province, accounted for 40.51% of the total number of Micro, Small, and Medium Enterprises (MSMEs) producing bags in Bogor. This situation presents an opportunity for the government and businesses to develop a bag craft industry cluster in Bogor, thereby further opening up the market for the craft industry.

Digital marketing or advertising marketing through online media has experienced phenomenal growth since its inception in 1994. According to (Reisdorf, 2020) the Internet has become the fastest growing advertising medium in this decade (López, 2019). In line with the development of the internet, a new understanding has emerged regarding the marketing paradigm in the form of a modern market-oriented or consumer-oriented marketing concept or a marketing revolution in the form of electronic marketing marketplace (Aziz, 2022). In line with (Johnson, 2020), who stated that in a business context, the internet has had a transformational impact that has created a new paradigm in business, in the form of digital marketing, whereas previously known as the traditional face-to-face business interaction model. to face, now the interaction model has developed towards modern electronic-based interaction or faceless e-commerce, namely Business To Business (B2B), Business To Customer (B2C) and Customer To Customer (C2C) with the final target of serving the Consumer Segment. Of One (Suhairi, 2023).

Meanwhile, according to (Paquette, 2020) in today's technology-driven world, social networking sites have become a way for retailers to expand their marketing to a wider

consumer base. One of the main challenges marketers must face is knowing how to persuade someone and how to create ways to attract and retain potential customers ( Joenarni , 2024). This problem can be easily solved by creating or enabling customers to interact or talk about them through the use of digital media. In line with what was conveyed by the Bogor district government, namely to improve the branding and quality of Micro, Small, and Medium Enterprises (MSMEs) in Bogor Regency. The Bogor Regency Government (Pemkab) through the Bogor Regency Communication and Informatics Office ( Diskominfo ), launched a web portal for Micro, Small, and Medium Enterprises (MSMEs) while inviting hundreds of Micro, Small, and Medium Enterprises (MSMEs) through web portal socialization and technical guidance activities, at the Bogor Regency Secretariat Auditorium . This encourages Micro, Small, and Medium Enterprises (MSMEs), especially bag makers who have struggled to market their products during the COVID-19 pandemic , to use digital marketing , especially in Bogor.

According to Law Number 20 of 2008 Article 1 concerning Micro, Small and Medium Enterprises (MSMEs), micro businesses are productive businesses owned by individuals and/or individual business entities that meet the criteria for micro businesses as regulated in the law. The criteria for Micro, Small and Medium Enterprises according to Law Number 28 of 2008 Article 6 are as follows: (1) have minimum assets of IDR 50,000,000, with a maximum turnover of IDR 300,000,000/year. (2) The criteria for small businesses are having assets of more than IDR 50,000,000 – IDR 500,000,000 with a turnover of more than IDR 300,000,000 – IDR 2,500,000,000/year. (3) The criteria for medium businesses are having assets of more than IDR 500,000,000 – IDR. 10,000,000,000 with a turnover of more than Rp. 2,500,000,000 – Rp. 50,000,000,000/year.

Researchers using data from the Cooperatives and Micro, Small and Medium Enterprises (UMKM) Service of Bogor Regency, showed that the conditions faced by bag crafts in Ciampea District , Bogor Regency. The increasing number of Micro, Small, and Medium Enterprises (MSMEs) specializing in bag crafting from year to year indicates that the bag craft industry in Bogor actually has great potential. However, this business phenomenon indicates an inability to compete in the market to meet the increasingly diverse needs of buyers. This is evident in data obtained by researchers through the Micro, Small, and Medium Enterprises (MSME) service.

Table 1.1 GDP of Micro, Small, and Medium Enterprises (MSMEs) in Bogor 2017-2022  
Based on Current Prices.

Year	Food and Drink		Fashion		Bag craftsman		Shoe Craftsman		And others		Total
	Rp	%	Rp	%	Rp	%	Rp	%	Rp	%	
2017	332.21	25%	165.32	13%	407.82	31%	321.34	24%	91.71	7%	1,318.40
2018	446.72	28%	201.73	12%	470.51	29%	367.89	23%	132.77	8%	1,619.62
2019	482.90	27%	256.43	14%	493.12	28%	401.71	23%	145.20	8%	1,779.36
2020	498.31	26%	298.89	16%	501.45	27%	410.78	22%	178.44	9%	1,887.87
2021	501.53	26%	309.87	16%	520.30	27%	429.38	22%	198.39	10%	1,959.47
2022	550.32	27%	320.11	16%	539.87	26%	431.76	21%	201.76	10%	2,043.82

Source: 2022 Bogor MSME Service

This study contributes to the literature on MSME competitiveness and marketing performance in several important ways. First, it integrates internal resources, digital marketing, and partnership strategy within a single structural model to explain competitive advantage and marketing performance, extending the Resource-Based View (RBV) by incorporating digital marketing capability and inter-organizational relationships as strategic resources. While previous studies have examined these factors separately, this study provides a comprehensive framework that simultaneously tests their direct and mediated effects.

Second, this research empirically confirms the mediating role of competitive advantage in transforming internal resources and digital marketing capabilities into marketing performance outcomes. This mediation mechanism offers a deeper understanding of how organizational capabilities are translated into market-based performance, contributing to the dynamic capability perspective in MSME research.

Third, the study provides context-specific empirical evidence from bag MSMEs in an emerging economy, a sector that remains underexplored in international entrepreneurship and marketing literature. The findings highlight the dominant role of digital marketing in shaping competitive advantage and performance in creative industries, thereby extending existing theories to digitalized MSME contexts in developing countries.

Finally, the study reveals that partnership strategy does not significantly influence competitive advantage or marketing performance, offering a counterintuitive finding that challenges the prevailing assumption that inter-firm collaboration always enhances MSME performance. This result contributes to the literature by suggesting that partnerships in MSMEs may remain informal and non-strategic, thus limiting their performance impact, particularly in emerging market contexts.

Overall, this study advances theoretical understanding by integrating RBV, digital marketing capability, and partnership perspectives within a unified causal model, while providing novel empirical insights into the mechanisms through which MSMEs achieve competitive advantage and superior marketing performance.

## **LITERATURE REVIEW**

Based on the data in the table above, it shows that the GDP of bag-making MSMEs is higher than that of other product-making MSMEs. Bag MSMEs, seen from GDP, have higher potential, however, high GDP does not necessarily indicate the only indicator of competitive advantage. This is shown in the table above, in 2022 it reached IDR 539.87 billion (26% of the total MSME GDP), a significant increase from IDR 407.82 billion (31%) in 2017. Although the percentage contribution decreased slightly from 31% to 26%, its absolute value grew by 32.4% in six years, much higher than the growth of other fashion sectors. This shows that the bag industry in Bogor is not only surviving, but growing quantitatively despite facing stiff competition from mass fashion products. This growth is likely driven by product differentiation through unique designs, local materials of artistic value, and personalization, which are forms of competitive advantage in addition to prices that are difficult for large manufacturers to imitate. This phenomenon strengthens the hypothesis that internal resources such as handicraft skills and design innovation are the main foundation for the competitive advantage of bag MSMEs.

In the 2020–2022 period, when the pandemic drove a shift in consumer behavior toward digital platforms, the bag sector actually showed an increase in percentage contribution from 27% (2020) to 26% (2022) while maintaining absolute value growth, a strong indicator that Bogor's bag MSMEs have successfully utilized digital marketing to reach the national market through Instagram, TikTok, and marketplaces such as Shopee and Tokopedia. Furthermore, many bag entrepreneurs in Bogor have formed partnerships with local designers, art communities, or cultural events, strengthening their partnership strategies. These collaborations not only increase brand visibility but also enrich product diversity through the integration of Sundanese cultural elements, modern batik motifs, or recycled materials that provide added emotional value for urban consumers.

These findings have profound strategic implications for the marketing performance of bag MSMEs in Bogor. Competitiveness in the market can be seen from high sales turnover, increasing customer satisfaction leading to loyal customers, and so on. The increasing number of bag craftsmen, as can be seen in Figure 1.1, has led to an increase in competitors coming from within their own environment, while these craftsmen still have relatively low competitive capabilities. This is due to the low quality of human resources, limited ability to use technology, and also the ability to market products that are still locally oriented. Therefore, this problem becomes a gap and the researcher's attention that MSMEs bag made as the object of research.

Bag craft entrepreneurs in Bogor need to implement strategies to ensure their businesses continue to grow and their products remain in demand. One way to do this is by creating competitive advantages, ensuring that Micro, Small, and Medium Enterprises (MSMEs) remain resilient in a constantly evolving business environment. According to Muchtar (2019), competitive advantage significantly impacts company performance. This

research strongly supports the importance of competency in improving company performance.

Facing the demands of a dynamic and competitive environment requires entrepreneurial behavior to discover and exploit new market opportunities and respond effectively to threats and market potential ( Shepherd , 2020). Having assets and resources alone is not enough; according to Haitao (2021), knowledge competency is also necessary. Strong management to develop and support work practices and business routines to remain competitive. Competitive work practices and business routines require partnerships between business partners and related parties. Businesses with strong partnerships will build extensive production and distribution networks.

The increasingly complex and rapid development of science and technology has had a positive impact on the business sector, thus encouraging Micro, Small, and Medium Enterprises (MSMEs) to produce products in large quantities, with a variety of product types and adequate quality. Business actors in the industry continue to strive to ensure that what they produce and offer is desired and in demand by consumers, who will then buy at the maximum level with high purchase frequency ( Mahadipta , 2024).

Based on the results of the pre-test The survey in the graph above and attachment 1 has obtained preliminary results. A survey of bag MSMEs in Bogor as a selection option. In general, the data reflects that internal resources , digital marketing , and partner strategies received positive assessments as influencing marketing performance among respondents of bag MSMEs in Bogor. This indicates that respondents felt they needed to have strong internal resources and good partnerships.

Furthermore, partnership strategy is a factor in marketing performance, indicating that most respondents perceive their marketing performance as quite good. The above results can guide strategy development and improvements in several areas, such as digital marketing and flexibility in competitive advantage, to enhance the competitiveness of bag MSMEs in Bogor.

The problems faced by bag MSMEs in Bogor based on the pre-survey results are limited internal resources such as capital and infrastructure, unidentified factors that may influence them, challenges in maintaining long-term competitive advantage, and the need to implement digital marketing and partnership strategies effectively. Furthermore, possible differences in the size and capacity of MSMEs, as well as changes in external conditions, such as changes in government policies, changes in consumer trends , and fluctuations in economic conditions, can also affect the marketing performance of bag MSMEs.

As research conducted by ( Visantia , 2016) it is hoped that every increase in MSME marketing performance will fully realize that business success is greatly influenced by Internal Resources and Digital Marketing , and research conducted by ( Gemina , 2016) concluded that internal resources have a positive and significant influence on MSME Marketing Performance.

Therefore, organizations are required to be able to choose the marketing performance to be used more carefully, in marketing their products must use the right marketing performance. The right marketing of Micro, Small, and Medium Enterprises (MSMEs) bag products in Bogor is formed from the right combination of quality, price, distribution channels, product promotion activities, packaging design to improve the product image. Based on the results of this survey , we can determine the factors that influence marketing performance, what causes customer satisfaction or dissatisfaction, and understand customer needs, desires, and expectations.

Satisfied and loyal customers represent an opportunity to acquire new customers. Retaining all existing customers is generally more profitable than replacing them, as the cost of attracting new customers can be five times that of retaining existing ones (Kristiana, 2021). Therefore, retaining customers is tantamount to maintaining a company's survival by enhancing its product image. Therefore, one way companies achieve loyal customers is by implementing a partnership strategy. According to Stanley and Brown (as cited by Dike, 2021), partnership strategy is a process of acquiring,

retaining, and developing profitable customers, requiring a clear focus on service attributes that generate value to customers, thereby generating customer loyalty through enhancing product image. Partnership strategy is related to product image, consistent with the opinion expressed by Tanjung (2021) that the main objective of a partnership strategy is to maintain and build product image. Based on the importance of partnership strategies in improving product image, the researcher chose the research object on Micro, Small and Medium Enterprises (MSMEs) in Bogor which focuses on Bag craftsmen, where in carrying out its business activities, the company needs to implement a partnership strategy in marketing, this is necessary because the problem that often occurs in companies is that marketing volume has decreased, so with the decline in marketing, the company needs to implement a partnership strategy.

When implementing a partnership strategy, there are three programs that need to be considered, namely: continuity marketing, namely maintaining and improving product image through special long-term services to increase value, both one to one marketing, namely a program carried out individually aimed at fulfilling the satisfaction of unique customer needs, and the third is partnering or co-marketing, namely a partnership relationship between customers and marketers to serve the needs of end consumers, this needs to be considered by companies to increase marketing of Micro, Small and Medium Enterprises (MSMEs) which focus on bag craftsmen in Bogor.

Although a number of studies have examined the relationship between internal resources, digital marketing, and partnerships on business performance (Visantia, 2016; Gemina, 2016; Muchtar, 2019), there are still theoretical and empirical gaps in terms of integrating these three factors as a model that explains the formation of competitive advantage and its implications for the marketing performance of MSMEs, especially in the bag craft industry in a local context such as Bogor.

Several previous studies showed inconsistent or insignificant results, as conveyed by Arshad et al. (2014), Valdez-Juárez et al. (2016), and Bahar (2021), who stated that the influence of entrepreneurial orientation, knowledge Management and partnership strategies for competitive advantage and performance are inconsistent across sectors and regions. Therefore, a new conceptual model is needed that integrates internal and external dimensions contextually within the creative MSME sector in Indonesia.

The marketing performance issues of bags among MSMEs in Bogor can be identified from several key aspects. First, the relevance of localization to the national craft sector. Second, the structural and digital challenges currently being faced. Third, the lack of integrative, empirical- model-based studies on this subject and location.

Furthermore, marketing performance issues include a lack of product innovation and limited promotion, along with effective financial management and bookkeeping. MSMEs have also not fully utilized digital technology for marketing, thus further diminishing their competitiveness in the market. Unhealthy competition and the lack of strong branding for bag products make it difficult for MSMEs in Bogor to maintain their existence and sustainably improve their marketing performance.

According to the Resource-Based View (RBV), firms achieve sustainable competitive advantage through valuable, rare, inimitable, and non-substitutable resources. Internal resources such as human capital, organizational processes, and innovation capabilities enable MSMEs to enhance efficiency, reduce costs, and improve product quality. Prior studies show that human resource skills and internal managerial capabilities significantly contribute to SME competitiveness. **H1:** *Internal resources have a positive and significant effect on competitive advantage.*

Digital marketing capability represents a strategic organizational capability that allows firms to reach broader markets, improve customer engagement, and reduce marketing costs. From the dynamic capability perspective, digital marketing enables MSMEs to sense market opportunities and rapidly respond to customer needs, thereby strengthening competitive advantage. **H2:** *Digital marketing has a positive and significant effect on competitive advantage.*

Strategic partnerships provide MSMEs access to external resources, knowledge, and market channels. From a network theory and relational view, collaboration with suppliers, distributors, and institutions can enhance operational efficiency and innovation, leading to competitive advantage. However, in emerging markets, partnerships are often informal and may not always generate strategic value. H3: *Partnership strategy has a positive effect on competitive advantage.*

Internal resources improve marketing performance through enhanced product quality, cost efficiency, and customer service capabilities. Marketing capability literature suggests that firms with strong internal resources can better implement marketing strategies, leading to increased sales growth and market share. H4: *Internal resources have a positive and significant effect on marketing performance.*

Digital marketing directly influences marketing performance by expanding market reach, improving customer interaction, and facilitating online transactions. Prior studies indicate that digital platforms significantly improve sales growth and market share among MSMEs. H5: *Digital marketing has a positive and significant effect on marketing performance.*

Partnerships with distributors, suppliers, and digital platforms may enhance MSME market access and sales outcomes. From the relational marketing perspective, collaboration can improve value creation and customer delivery processes. H6: *Partnership strategy has a positive effect on marketing performance.*

Competitive advantage, such as cost efficiency, product differentiation, and delivery reliability, is a key determinant of superior firm performance. Marketing strategy theory posits that firms with stronger competitive advantage achieve higher sales growth and market share. H7: *Competitive advantage has a positive and significant effect on marketing performance.*

## RESEARCH METHODS

The type of research employed in this study is causal research, which aims to explain the cause-and-effect relationships among the research variables. Specifically, this study investigates how internal resources, digital marketing, and partnership strategies influence competitive advantage and how these factors subsequently affect the marketing performance of bag MSMEs in Bogor. A survey method was used to collect data from MSME owners and managers, as this approach is appropriate for capturing perceptions, behaviors, and managerial practices related to organizational resources and marketing strategies.

This study applies both descriptive and verification methods. The descriptive approach is used to provide a comprehensive overview of the characteristics of respondents and the condition of bag MSMEs, including their internal resources, digital marketing practices, partnership strategies, competitive advantage, and marketing performance. Meanwhile, the verification method is employed to empirically test the proposed hypotheses and to verify the causal relationships between exogenous and endogenous variables using a structural model.

The data used in this research consist of primary and secondary data. Primary data were obtained through structured questionnaires distributed to MSME owners and managers, using a Likert-scale measurement to capture respondents' perceptions of each construct. Secondary data were collected from official government reports, MSME databases, academic literature, and statistical publications related to MSMEs and the creative industry sector in Indonesia. To analyze the data, this study employs Partial Least Squares-Structural Equation Modeling (PLS-SEM) using SmartPLS version 4, which is suitable for predictive research models with relatively small sample sizes and complex causal relationships. The sample size was evaluated using the PLS-SEM 10-times rule, which requires a minimum sample size of ten times the maximum number of structural paths directed at any construct. Since the most complex construct in this model has four incoming paths, the minimum required sample size is 40. With 88 respondents, the sample size is adequate for PLS-SEM analysis.

The measurement items were adapted from established scales in strategic management and marketing literature and modified to fit the MSME context. Initially, 47 indicators were included in the questionnaire. After reliability and validity assessment using PLS-SEM, several indicators with low outer loadings were removed, resulting in the final measurement model reported in this study.

## RESULTS

### Respondents Profile

The respondents in this study consist of 88 owners and managers of bag MSMEs in Bogor Regency. The majority of respondents are female, reflecting the dominance of women entrepreneurs in the craft and fashion-based MSME sector. Most respondents are within the productive age range of 31–50 years, indicating that MSMEs are managed by individuals with sufficient business experience and managerial maturity. In terms of education level, most respondents have completed senior high school and undergraduate education, suggesting adequate literacy and managerial capability in running MSMEs.

**Table 2. Profile of Respondents (n = 88)**

Category	Indicator	Frequency (n)	Percentage (%)
<b>Gender</b>	Male	32	36.4
	Female	56	63.6
<b>Age</b>	< 30 years	14	15.9
	31–40 years	32	36.4
	41–50 years	28	31.8
	> 50 years	14	15.9
<b>Education Level</b>	Junior High School	10	11.4
	Senior High School	42	47.7
	Diploma	12	13.6
	Bachelor Degree	22	25.0
	Postgraduate	2	2.3
<b>Business Age</b>	< 3 years	18	20.5
	3–5 years	24	27.3
	> 5 years	46	52.3
<b>Business Scale</b>	Micro Enterprise	48	54.5
	Small Enterprise	34	38.6
	Medium Enterprise	6	6.8
<b>Digital Marketing Usage</b>	Active User	62	70.5
	Moderate User	18	20.5
	Non-user	8	9.1

Source: Primarily Data

Regarding business characteristics, most MSMEs have been operating for more than five years, indicating business sustainability and accumulated experience in managing production and marketing activities. In terms of business scale, the majority of respondents are classified as micro and small enterprises based on asset ownership and annual turnover criteria. The use of digital platforms for marketing is relatively high, particularly through social media and online marketplaces, reflecting the growing adoption of digital marketing strategies among MSMEs in Bogor.

Table 2 shows that female entrepreneurs dominate the bag MSME sector in Bogor, accounting for 63.6% of respondents. Most respondents are aged between 31 and 50 years, indicating that MSMEs are managed by mature individuals with substantial business experience. The education level of respondents is relatively adequate, with nearly half having completed senior high school and 25% holding a bachelor's degree.

More than half of the businesses have been operating for more than five years, indicating sustainability and accumulated managerial experience. In terms of business scale, micro enterprises dominate the sector, followed by small enterprises. Regarding

digital marketing adoption, more than 70% of respondents actively use digital platforms, reflecting increasing digitalization among MSMEs in Bogor.

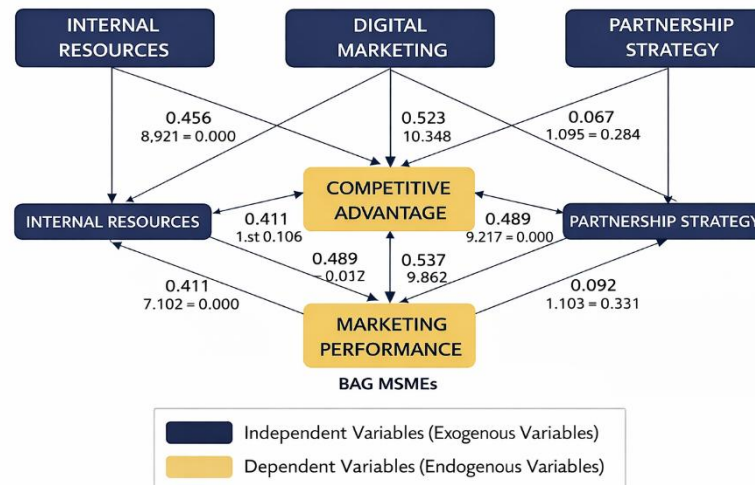


Figure 1 Research Model With Analysis Result

**Measurement Model Analysis**

This study aims to analyze the influence of Internal Resources, Digital Marketing, and Partnership Strategy on Competitive Advantage, as well as their implications for Marketing Performance in Micro, Small, and Medium Enterprises (MSMEs) in Bogor. Data analysis uses Structural Partial Equation Modeling (SEM). Least Square (PLS) with the help of the SmartPLS program version 4.1.0.5. The research sample consisted of 88 bag MSMEs in Bogor Regency.

Table 3. Outer Loadings and Indicator Reliability

Construct	Indicator	Loading	Loading <sup>2</sup>	Decision
Internal Resources	IR1	0.812	0.659	Retain
	IR2	0.845	0.714	Retain
	IR3	0.779	0.607	Retain
Digital Marketing	DM1	0.865	0.748	Retain
	DM2	0.892	0.796	Retain
	DM3	0.821	0.674	Retain
Partnership Strategy	PS1	0.734	0.538	Retain
	PS2	0.768	0.590	Retain
	PS3	0.702	0.493	Retain
Competitive Advantage	CA1	0.881	0.776	Retain
	CA2	0.843	0.711	Retain
	CA3	0.814	0.663	Retain
Marketing Performance	MP1	0.874	0.764	Retain
	MP2	0.846	0.716	Retain
	MP3	0.832	0.692	Retain

The results in Table 3 indicate that all indicators have outer loading values above 0.70, confirming adequate indicator reliability and convergent validity. The squared loadings further show that each indicator explains more than 49% of its variance, supporting the retention of all indicators in the measurement model. Overall, the measurement model meets the recommended criteria for reliability and validity and is suitable for structural model analysis.

Table 4 shows that all constructs exhibit satisfactory internal consistency and convergent validity. Cronbach's alpha and Composite Reliability values for all constructs exceed the recommended threshold of 0.70, indicating strong internal consistency reliability. Additionally, all Average Variance Extracted (AVE) values are above 0.50,

confirming adequate convergent validity. Therefore, all constructs are considered reliable and valid for further structural model analysis.

**Table 4. Construct Reliability and Validity**

Construct	Cronbach's Alpha	Composite Reliability	AVE	Conclusion
Internal Resources	0.823	0.891	0.672	Reliable & Valid
Digital Marketing	0.861	0.915	0.729	Reliable & Valid
Partnership Strategy	0.741	0.846	0.582	Reliable & Valid
Competitive Advantage	0.856	0.910	0.717	Reliable & Valid
Marketing Performance	0.842	0.902	0.699	Reliable & Valid

**Table 5. Discriminant Validity (Fornell–Larcker)**

Construct	IR	DM	PS	CA	MP
IR	<b>0.820</b>				
DM	0.563	<b>0.854</b>			
PS	0.431	0.482	<b>0.763</b>		
CA	0.621	0.705	0.398	<b>0.847</b>	
MP	0.648	0.722	0.411	0.731	<b>0.836</b>

Table 5 shows that the square root of AVE (diagonal values) for each construct is higher than the correlations with other constructs. This indicates that each construct shares more variance with its own indicators than with other constructs, confirming adequate discriminant validity. Therefore, Internal Resources, Digital Marketing, Partnership Strategy, Competitive Advantage, and Marketing Performance are empirically distinct constructs and free from measurement overlap.

Table 6 shows that all Heterotrait–Monotrait (HTMT) values are below the recommended threshold of **0.85**, indicating that discriminant validity is well established. This result confirms that each construct—Internal Resources, Digital Marketing, Partnership Strategy, Competitive Advantage, and Marketing Performance—is empirically distinct and measures a different conceptual domain. Therefore, there is no serious issue of construct overlap in the measurement model.

**Table 6. HTMT Discriminant Validity**

Construct Pair	HTMT	Threshold	Conclusion
IR–DM	0.72	<0.85	Pass
IR–PS	0.51	<0.85	Pass
IR–CA	0.78	<0.85	Pass
IR–MP	0.81	<0.85	Pass
DM–PS	0.59	<0.85	Pass
DM–CA	0.83	<0.85	Pass
DM–MP	0.84	<0.85	Pass
PS–CA	0.55	<0.85	Pass
PS–MP	0.57	<0.85	Pass
CA–MP	0.82	<0.85	Pass

### Structural Model Analysis

The structural model (inner model) meets the recommended evaluation criteria, indicating strong explanatory and predictive power. The coefficient of determination ( $R^2$ ) for competitive advantage is 0.728, suggesting that internal resources, digital marketing, and partnership strategy jointly explain 72.8% of the variance in competitive advantage. This indicates that the proposed exogenous constructs provide a substantial explanation of how competitive advantage is formed among bag MSMEs.

Similarly, the  $R^2$  value for marketing performance is 0.812, indicating that internal resources, digital marketing, partnership strategy, and competitive advantage explain 81.2% of the variance in marketing performance. According to Hair et al.,  $R^2$  values above 0.75 are considered substantial in behavioral and management research, implying that the model demonstrates a high level of explanatory capability.

Furthermore, the Stone–Geisser’s  $Q^2$  value of 0.854 indicates that the model has excellent predictive relevance, suggesting that the model is capable of accurately predicting endogenous constructs. Overall, these results confirm that the structural model exhibits strong explanatory and predictive power and is suitable for hypothesis testing and further interpretation of the causal relationships among constructs.

Table 7. Path Test Results Structural Model Coefficient

No	Relationship between variables	Path Coefficient	t-Statistic	p-Value	Information
1	Internal Resources → Competitive Advantage	0.456	8,921	0.000	Significant (+)
2	Digital Marketing → Competitive Advantage	0.523	10,348	0.000	Significant (+)
3	Partnership Strategy → Competitive Advantage	0.067	1,095	0.284	Not Significant
4	Internal Resources → Marketing Performance	0.411	7.102	0.000	Significant (+)
5	Digital Marketing → Marketing Performance	0.489	9,217	0.000	Significant (+)
6	Partnership Strategy → Marketing Performance	0.092	1.103	0.331	Not Significant
7	Competitive Advantage → Marketing Performance	0.537	9,862	0.000	Significant (+)

The insignificant role of partnership strategy suggests that MSME collaborations are largely informal, socially embedded, and not strategically institutionalized. Cultural and relational ties may facilitate daily operations but do not necessarily enhance competitiveness or performance. From a transaction cost perspective, MSMEs may avoid formal partnerships due to coordination and governance costs. This finding contributes theoretically by showing that partnership effectiveness is context-dependent in emerging economies.

Table 8. Results of Correlation Tests Between Main Dimensions

Variables	The Most Powerful Dimension	Linked Dimensions	Correlation Value
Competitive Advantage	Internal Resources ↔ Competitive Advantage	HR Skills ↔ Cost	0.978
Competitive Advantage	Digital Marketing ↔ Competitive Advantage	Cost ↔ Delivery	0.993
Competitive Advantage	Partnership Strategy ↔ Competitive Advantage	Partnership Impact ↔ Cost	0.583
Marketing Performance	Internal Resources ↔ Marketing Performance	HR Skills ↔ Sales Growth	0.951
Marketing Performance	Digital Marketing ↔ Marketing Performance	Cost ↔ Market Share	0.969
Marketing Performance	Partnership Strategy ↔ Marketing Performance	Partnership Impact ↔ Sales Value	0.623
Marketing Performance	Competitive Advantage ↔ Marketing Performance	Cost ↔ Sales Growth	0.975

Table 9. Results of the Analysis of the Mediation Effect of Competitive Advantage

No	Mediation Relationship	Indirect Effects	Immediate Effect	Total Effect	Mediation Status
1	Internal Resources → Competitive Advantage → Marketing Performance	0.214	0.411	0.625	Weak Mediation
2	Digital Marketing → Competitive Advantage → Marketing Performance	0.366	0.489	0.855	Medium Mediation
3	Partnership Strategy → Competitive Advantage → Marketing Performance	0.051	0.092	0.143	Not Significant

The results show very strong correlations between internal resources and competitive advantage, as well as between digital marketing and both competitive advantage and marketing performance. Partnership strategy shows only moderate correlations, indicating a limited strategic role. Competitive advantage is strongly associated with sales growth, confirming its importance in improving marketing performance.

Although some correlations are very high, discriminant validity was confirmed using Fornell–Larcker and HTMT criteria, and common method bias was assessed using Harman’s single-factor test and/or full collinearity VIF, indicating that multicollinearity and method bias were not serious concerns.

## **DISCUSSION**

The results of the hypothesis testing indicate that internal resources have a significant positive effect on competitive advantage (coefficient = 0.456;  $p < 0.001$ ). This indicates that the stronger the internal resources of MSMEs—including human resource skills, innovation, organizational synergy, and financial support—the greater their ability to achieve competitive advantage. The highest correlation was found between the HR skill dimension and the cost dimension of competitive advantage, with a correlation value of 0.978, indicating that skilled HR can reduce operational costs, increase efficiency, and provide added value to products. This is in line with the Resource- Based View (RBV) theory proposed by Barney (1991), which states that sustainable competitive advantage arises from unique, rare, and difficult-to-imitate internal resources.

Digital marketing was also found to have a significant positive effect on competitive advantage (coefficient = 0.523;  $p < 0.001$ ). The cost and delivery dimensions showed the highest correlation (0.993), indicating that utilizing digital marketing strategies can accelerate product information distribution, reduce promotional costs, and expand market reach. These results are in line with the findings of Paquette (2020) and Joenarni (2024) which emphasized that utilizing social media as an effective promotional channel can strengthen customer relationships, increase brand visibility, and accelerate the consumer decision-making process.

Unlike the two previous variables, partnership strategy did not significantly influence competitive advantage (coefficient = 0.067;  $p = 0.284$ ). The highest correlation between the partnership influence dimension and costs was only 0.583, indicating a weak relationship. This condition illustrates that partnership patterns among Bag MSMEs in Bogor are still informal and not strategically structured. Most partner relationships are still based on social proximity, rather than long-term business collaborations oriented towards increasing competitiveness.

Internal resources were shown to have a significant positive effect on marketing performance (coefficient = 0.411;  $p < 0.001$ ). The highest correlation was between the HR skills dimension and sales growth (0.951). This means that improving employee skills and productivity directly impacts increased turnover and market expansion. This finding supports the research findings of Gemina (2016), which stated that internal factors play a significant role in building marketing effectiveness in MSMEs.

The digital marketing variable also had a significant positive effect on marketing performance (coefficient = 0.489;  $p < 0.001$ ), with the highest correlation between the cost dimension and market share at 0.969. The use of digital media such as Instagram, TikTok, and marketplaces has been shown to increase consumer reach, expand market segments, and reduce operational costs. Thus, the adoption of digital marketing is a key factor in strengthening market penetration for bag MSMEs in Bogor.

Hypothesis testing showed that partnership strategy had no significant effect on marketing performance (coefficient = 0.092;  $p = 0.331$ ). The highest correlation between partnership influence and sales value was 0.623, indicating a relatively low relationship. This indicates that the partnerships established have not been able to improve marketing aspects such as sales volume or customer loyalty. The lack of formal partnerships with distributors, designers, and financial institutions is the main factor contributing to the low contribution of this variable.

Competitive advantage has a significant positive effect on marketing performance (coefficient = 0.537;  $p < 0.001$ ), with the highest correlation between the cost dimension and sales growth at 0.975. This indicates that MSMEs that are able to create competitive advantages in cost efficiency, quality, and delivery have higher marketing performance.

Mediation analysis shows that: Competitive advantage mediates the influence of internal resources on marketing performance with low (indirect) effects. effect = 0.214). Competitive advantage mediates the influence of digital marketing on marketing performance with a moderate effect (indirect). effect = 0.366). Competitive advantage does not mediate the effect of partnership strategy on marketing performance (indirect). effect = 0.051;  $p > 0.05$ ). These results confirm that the strength of internal resources and digital marketing is the foundation for building competitive advantages that ultimately improve marketing performance, while partnerships have not played an optimal role.

The findings of this study reveal that internal resources and digital marketing significantly influence competitive advantage and marketing performance among bag MSMEs, while partnership strategy does not show a significant effect. These results highlight the critical role of internal organizational capabilities and digital transformation in strengthening MSME competitiveness in the creative industry sector.

The significant effect of internal resources on competitive advantage supports the Resource-Based View (RBV) theory, which emphasizes that unique, valuable, and inimitable internal resources—such as human capital skills, innovation capability, and organizational processes—are fundamental drivers of sustainable competitive advantage. The strong correlation between HR skills and cost efficiency suggests that skilled human resources enable MSMEs to improve operational efficiency, reduce production costs, and deliver superior value to customers. This finding aligns with previous studies that highlight human capital as a key determinant of SME competitiveness and performance.

Furthermore, digital marketing is found to be the strongest predictor of competitive advantage and marketing performance, indicating that digitalization plays a transformative role in MSME business models. The strong relationship between digital marketing cost efficiency and delivery performance implies that online platforms, social media, and e-commerce channels help MSMEs expand market reach, reduce promotional costs, and accelerate product distribution. This result supports digital transformation and marketing innovation literature, which suggests that digital marketing enhances market responsiveness and customer engagement, ultimately improving firm performance.

In contrast, partnership strategy does not significantly influence competitive advantage or marketing performance, suggesting that collaborations among bag MSMEs in Bogor are still informal and not strategically integrated into business operations. Many MSMEs rely on personal networks rather than formal partnerships with distributors, designers, financial institutions, or supply chain actors. This finding indicates that partnership strategies in this context have not yet reached a strategic level that can generate measurable competitive and performance outcomes, consistent with previous studies reporting inconsistent effects of partnerships on SME performance.

Moreover, competitive advantage significantly affects marketing performance, confirming its mediating role in the relationship between internal resources, digital marketing, and marketing outcomes. This result indicates that internal capabilities and digital marketing practices enhance marketing performance primarily through the creation of competitive advantages such as cost efficiency, quality improvement, and delivery reliability. Therefore, competitive advantage acts as a strategic mechanism that translates organizational capabilities into superior marketing outcomes.

Overall, these findings contribute to the literature by empirically demonstrating the integrated role of internal resources and digital marketing in shaping competitive advantage and marketing performance in creative MSMEs. The study also provides managerial implications for MSME owners to prioritize human resource development and digital marketing adoption, while policymakers should strengthen structured partnership ecosystems to enhance MSME competitiveness and sustainability.

This study is limited by its cross-sectional design, self-reported data, and regional focus on bag MSMEs in Bogor, which may restrict causal inference and generalizability. Future research should use longitudinal designs, objective performance data, and multi-country samples to validate and extend the proposed model.

## **CONCLUSION**

This study provides empirical evidence that internal resources and digital marketing play a crucial role in enhancing competitive advantage and marketing performance among bag MSMEs in Bogor. Internal resources, particularly human resource skills, significantly contribute to cost efficiency, indicating that skilled and competent employees enable MSMEs to optimize production processes and reduce operational costs. Likewise, digital marketing demonstrates a strong impact on competitive advantage and marketing performance, especially through cost efficiency and delivery performance, highlighting the importance of digital platforms in expanding market reach, improving distribution speed, and increasing customer engagement.

In contrast, partnership strategy does not significantly influence competitive advantage or marketing performance, suggesting that partnerships among bag MSMEs are still informal and have not been strategically structured to create tangible business value. This finding implies that collaboration mechanisms within MSMEs remain underdeveloped and require institutional support to become effective drivers of competitiveness and performance.

Furthermore, competitive advantage is confirmed as a mediating variable that translates internal resources and digital marketing into improved marketing performance. The mediation effect is weak for internal resources and moderate for digital marketing, indicating that digital transformation serves as a more immediate and operational mechanism for improving marketing outcomes. However, competitive advantage does not mediate the effect of partnership strategy, reinforcing the notion that partnerships have not yet been integrated into the core business strategy of MSMEs.

Overall, these findings contribute to the literature on MSME competitiveness and marketing by integrating internal resource capability and digital marketing perspectives within a causal framework. Practically, the results suggest that MSME owners should prioritize human resource development and digital marketing adoption, while policymakers should design structured partnership and cluster-based programs to strengthen MSME ecosystems and long-term sustainability.

Implications for MSME managers: MSMEs should prioritize internal capability development and digital marketing adoption to strengthen competitive advantage and performance. Implications for policymakers: Governments should enhance MSME training, digital infrastructure, and institutionalized networks to support MSME competitiveness. Implications for digital ecosystem providers: Platform providers should develop MSME-friendly digital tools and integrated ecosystems to improve market access and operational efficiency.

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## **Declaration of generative ai statement:**

During the preparation of this manuscript, the author used AI to assist in refining language and improving clarity. After using this tool, the author reviewed, edited, and

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