

The Influence of Marketing Mix, Innovation, and Digital Branding on the Marketing Performance of MSMEs in Indonesia

Sulistyo Budi Utomo¹, Ruri Widuri², Iti Septi³, Annuridya Rosyidta Pratiwi Octasyilva³

¹Sekolah Tinggi Ilmu Ekonomi Indonesia Surabaya

²Politeknik Tunas Pemuda Tangerang

³Universitas Cendekia Abditama

⁴Institut Teknologi Indonesia

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ABSTRACT

This study investigates the influence of the marketing mix, innovation, and digital branding on the marketing performance of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia. Using a quantitative approach, data were collected from 175 MSME owners and managers through a Likert-scale questionnaire. The data were analyzed using SPSS version 25, including validity and reliability testing, classical assumption testing, and multiple linear regression analysis. The results reveal that the marketing mix, innovation, and digital branding each have a significant and positive effect on marketing performance, with digital branding showing the strongest influence. The three variables collectively explain 61.2% of the variation in marketing performance, indicating the importance of integrating strategic marketing activities, continuous innovation, and strong digital branding in enhancing MSME competitiveness. This study contributes to the understanding of digital-based marketing strategies and offers practical insights for MSMEs in strengthening their market presence in an increasingly digitalized business environment.

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Corresponding Author:

Name: Sulistyo Budi Utomo

Institution Address: Sekolah Tinggi Ilmu Ekonomi Indonesia Surabaya

e-mail: sulistyo@stiesia.ac.id

1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a strategic role in Indonesia's economic development. According to the Ministry of Cooperatives and SMEs, this sector contributes more than 60% to the national Gross Domestic Product (GDP) and absorbs over 97% of the workforce. Such a significant contribution indicates that MSMEs are not only the backbone of Indonesia's economy but also key drivers of local and regional economic growth [1], [2].

However, in recent years, MSMEs have faced substantial challenges due to shifts in consumer behavior, increasing market competition, and external pressures driven by rapid digitalization.

Within this context, the marketing mix becomes one of the essential strategies that MSMEs can adopt to strengthen their competitiveness. The marketing mix—comprising product, price, place, and promotion—serves as a fundamental framework in modern marketing that helps

businesses design targeted strategies aligned with market needs [3]–[5]. Effective implementation of the marketing mix can create greater customer value, enhance customer satisfaction, and reinforce a stronger market position for MSMEs.

In addition to the marketing mix, innovation is another critical factor influencing the success of MSMEs. Innovation is not only related to creating new products but also includes process innovation, service innovation, and business model innovation that can improve operational efficiency and deliver better customer experiences [6]. The ability of MSMEs to innovate continuously is vital for ensuring business sustainability and expanding market opportunities, especially in fast-changing business ecosystems.

At the same time, the development of digital technologies offers significant opportunities for MSMEs to expand their marketing reach through digital branding. Digital branding refers to efforts to build brand identity and presence through digital platforms such as social media, websites, online marketplaces, and other digital channels. A strong digital brand can enhance brand awareness, customer engagement, and consumer trust. In today's digital economy, consumers increasingly rely on online information to make purchasing decisions, making digital branding a strategic determinant of marketing performance.

Although marketing mix, innovation, and digital branding have been widely discussed in previous studies, there remains an empirical gap in understanding how these three variables simultaneously influence MSME marketing performance in Indonesia. Furthermore, much of the existing literature focuses on large companies, whereas MSMEs possess unique characteristics that require a more tailored analytical approach. Therefore, this study is essential to provide a more comprehensive understanding of the combined effects of the marketing mix, innovation, and digital branding on MSME marketing performance through a quantitative approach

using multiple regression analysis with SPSS version 25.

2. LITERATURE REVIEW

2.1 *Marketing Mix*

The marketing mix is a foundational concept in marketing management and is widely recognized as a strategic tool for influencing consumer behavior. Traditionally defined through the 4Ps—product, price, place, and promotion—the marketing mix helps firms design integrated marketing strategies that align with consumer needs and market conditions [7], [8]. Product refers to the goods or services offered to meet consumer needs; price denotes the amount consumers are willing to pay; place involves distribution channels that make products available; and promotion encompasses communication strategies to inform and persuade customers. For MSMEs, the marketing mix is essential in enhancing market competitiveness due to limited resources and operational constraints [7]. Prior studies show that effective marketing mix implementation positively affects sales growth, customer satisfaction, and overall marketing performance.

2.2 *Innovation*

Innovation is defined as the process of developing new ideas, products, services, or business processes that contribute to firm competitiveness [9], [10]. Innovation within MSMEs includes product innovation, process innovation, marketing innovation, and organizational innovation. The capacity to innovate allows MSMEs to respond quickly to environmental changes, meet evolving consumer demands, and differentiate themselves from competitors. Studies demonstrate that innovation capability directly influences firm performance, particularly in dynamic markets [11], [12]. In the context of emerging economies, innovation plays a pivotal role in enabling MSMEs to enhance

efficiency, introduce value-added offerings, and achieve sustainable growth.

2.3 Digital Branding

Digital branding refers to the practice of establishing and managing brand identity through digital platforms. It involves the use of websites, social media, online advertising, content marketing, and digital storytelling to shape consumer perceptions and build long-term brand loyalty [13], [14]. With increasing internet penetration and the expansion of e-commerce, digital branding has become a critical determinant of consumer engagement. A strong digital brand enhances brand awareness, trust, and customer interaction, which ultimately impacts purchasing decisions and marketing performance [15], [16]. For MSMEs in Indonesia, digital branding provides an affordable and scalable approach to competing with larger firms through online visibility and personalized customer communication.

2.4 Marketing Performance

Marketing performance refers to the effectiveness of an organization's marketing activities in achieving its objectives. It is often measured using indicators such as sales growth, customer acquisition, customer retention, market share, and profitability [15], [17]. High marketing performance indicates that a firm's strategies effectively meet market demands and create value for customers. In the context of MSMEs, marketing performance is strongly influenced by the ability to optimize marketing resources, adopt innovative practices, and leverage digital tools. Previous studies support that marketing mix strategies, innovation, and digital branding contribute positively to improving marketing outcomes among small businesses.

This study employed a quantitative research approach to examine the influence of the marketing mix, innovation, and digital branding on the marketing performance of MSMEs in Indonesia. The use of quantitative methods is considered appropriate because it enables the measurement of relationships among variables using numerical data, hypothesis testing, and statistical analysis, ensuring objectivity and allowing findings to be generalized to the broader MSME population. The study population consisted of MSMEs operating in various sectors such as culinary, crafts, fashion, services, and retail. Given the population's size and dispersion, a purposive sampling technique was applied based on predetermined criteria to ensure the relevance of the selected respondents. A total of 175 MSME owners or managers participated, fulfilling the minimum sample requirement for multiple regression analysis and providing adequate statistical power.

Primary data were collected through a structured questionnaire distributed both online via Google Forms and offline in printed form. The questionnaire implemented a Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree), and its content was reviewed by experts to ensure clarity and validity before distribution. The instrument was divided into five sections: respondent profiles, marketing mix indicators, innovation indicators, digital branding indicators, and marketing performance indicators. Each variable was operationalized with specific measures, such as product quality, price competitiveness, distribution effectiveness, and promotional strategy for the marketing mix; product, process, and marketing changes for innovation; and brand visibility, online engagement, and consistency of digital identity for digital branding. Indicators for marketing performance included sales growth, customer acquisition, market expansion, and competitive strength.

All measurement items were adapted from previously validated studies and adjusted to the Indonesian MSME context to ensure relevance and accuracy. Data processing was

3. RESEARCH METHODS

conducted using SPSS version 25. Descriptive statistics were first used to summarize respondent characteristics and provide an overview of variable distributions. Validity testing employed the Pearson product-moment correlation method, where items were considered valid if their correlation value exceeded the r-table threshold at a 0.05 significance level. Reliability was assessed using Cronbach's Alpha, with coefficients above 0.70 indicating acceptable internal consistency. These steps ensured that the instrument met the necessary standards for further statistical analysis.

Before conducting hypothesis testing, classical assumption tests were performed, including normality, multicollinearity, heteroscedasticity, and linearity tests, to ensure that the regression model met statistical requirements. Following this, multiple linear regression analysis was used to examine the effects of the independent variables—marketing mix (X1), innovation (X2), and digital branding (X3)—on the dependent variable, marketing performance (Y), expressed in the model: $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$. Hypothesis testing consisted of t-tests to evaluate the partial influence of each variable, F-tests to assess simultaneous influence, and the coefficient of determination (R^2) to determine the model's explanatory power. Together, these analytical procedures enabled a comprehensive examination of the relationships among variables and the extent to which MSME marketing performance is influenced by marketing strategies, innovation capabilities, and digital branding efforts.

4. RESULTS AND DISCUSSION

4.1 Descriptive Results

Based on the questionnaire responses from 175 MSME owners and managers, the sample reflects diverse business sectors, consisting of culinary (35%), fashion (25%), handicrafts (20%), services (12%), and retail (8%). In terms of business duration, 28% have operated for less than three years, 40% for three to five

years, and 32% for more than five years. Regarding digital activity, 82% actively use social media for marketing purposes, while 65% operate through online marketplaces. These descriptive findings indicate that most MSMEs in the sample have begun integrating digital market channels into their operations, reinforcing the relevance of examining digital branding as a key determinant of marketing performance.

4.2 Validity and Reliability Tests

The results of the validity test show that all questionnaire items for the marketing mix, innovation, digital branding, and marketing performance variables achieved Pearson correlation values above the r-table threshold (≈ 0.148 at $N=175$) with $p < 0.05$, indicating that all items are valid. Furthermore, the reliability test reveals strong internal consistency, with Cronbach's Alpha values of 0.876 for the marketing mix, 0.892 for innovation, 0.901 for digital branding, and 0.884 for marketing performance—all exceeding the minimum standard of 0.70—thus confirming that each measurement instrument is reliable.

4.3 Classical Assumption Tests

The classical assumption tests indicate that the data meet all necessary requirements for regression analysis: the normality test shows that the data are normally distributed (Sig. > 0.05), the multicollinearity test reveals VIF values below 10 and tolerance values above 0.10 indicating no multicollinearity, the heteroscedasticity test through scatterplot inspection shows a random distribution confirming the absence of heteroscedasticity, and the linearity test demonstrates that all independent variables have a linear relationship with marketing performance (Sig. < 0.05). Therefore, the regression analysis can be conducted reliably.

a. Regression Analysis

The multiple regression equation generated using SPSS version 25 is expressed as $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$, where X_1 represents the marketing mix, X_2 denotes innovation, X_3 refers to digital branding, and Y

indicates marketing performance; this model illustrates how each independent variable contributes to predicting variations in MSME marketing performance.

Table 1. Multiple Regression

Variable	Coefficient (β)	Sig.	Interpretation
Marketing Mix (X1)	0.318	0.001	Significant
Innovation (X2)	0.276	0.004	Significant
Digital Branding (X3)	0.395	0.000	Significant

The regression results presented in Table 1 show that all three independent variables—marketing mix, innovation, and digital branding—have a significant and positive influence on MSME marketing performance in Indonesia. The marketing mix ($\beta = 0.318$, Sig. = 0.001) demonstrates a meaningful contribution, indicating that improvements in product, price, place, and promotion strategies directly enhance MSME competitiveness and customer value. Innovation ($\beta = 0.276$, Sig. = 0.004) also plays a crucial role, suggesting that the ability to introduce new products, refine processes, and adopt creative marketing approaches strengthens market responsiveness and business adaptability. Digital branding emerges as the strongest predictor ($\beta = 0.395$, Sig. = 0.000), showing that a strong digital presence—through consistent online identity, customer engagement, and effective digital communication—substantially elevates marketing performance. Overall, these findings highlight that strategic marketing, continuous innovation, and robust digital branding collectively shape MSME success in today's increasingly digital and competitive marketplace.

b. Coefficient of Determination (R^2)

The coefficient of determination (R^2) of 0.612 indicates that 61.2% of the variation in marketing performance can be explained by the three independent variables—marketing mix, innovation, and digital branding—while the remaining 38.8% is influenced by other factors not examined in this study, such as competition intensity, customer loyalty, or the level of technology adoption.

c. F-Test (Simultaneous Test)

The F-test result shows a significance value of 0.000, which is lower than the 0.05 threshold, indicating that the marketing mix, innovation, and digital branding collectively have a significant simultaneous influence on the marketing performance of MSMEs.

4.4 Discussion

The findings show that the marketing mix has a significant and positive effect on marketing performance, indicating that MSMEs that optimize product features, pricing strategies, distribution channels, and promotional efforts tend to achieve stronger market outcomes. This result aligns with [18] who emphasize that the 4Ps are essential for shaping customer value and building competitive advantage. For MSMEs, even small adjustments in pricing or promotional activities can meaningfully influence customer perceptions, especially

in highly competitive markets. The positive relationship also supports previous research by [19], [20], confirming that the marketing mix remains a critical determinant of performance for smaller-scale businesses.

Furthermore, innovation demonstrates a significant and positive influence, showing that MSMEs engaging in continuous innovation—whether through new product introductions, process improvements, or creative marketing methods—are better positioned to attract customers and adapt to market changes. This finding reinforces [10], [11] view that innovation is a key driver of economic growth and supports [12], [21], who argue that innovation capabilities enhance MSME competitiveness. In the Indonesian context, where consumer preferences evolve rapidly, the ability to innovate becomes essential not only for survival but also for capturing emerging opportunities in the market.

Digital branding emerges as the strongest influencing factor among the three variables. MSMEs that actively build a strong digital identity through social media engagement, consistent online communication, and compelling digital content benefit from greater visibility and stronger consumer trust. This result aligns with [12], [22], who highlights the strategic role of branding in shaping consumer perceptions, and corroborates [12], [23], who notes that digital presence significantly affects consumer purchasing decisions. Given Indonesia's high internet and social media penetration, digital branding has become a powerful equalizer, enabling MSMEs to compete more effectively against larger enterprises in an increasingly digital marketplace.

5. CONCLUSION

The purpose of this study was to analyze the influence of the marketing mix,

innovation, and digital branding on the marketing performance of MSMEs in Indonesia. Based on data collected from 175 MSME respondents, the results show that the marketing mix and innovation both have significant positive effects on marketing performance. MSMEs that manage their product offerings, pricing, distribution channels, and promotional activities more strategically tend to achieve better market outcomes, as these aspects help create value, differentiate products, and effectively reach target consumers. Likewise, MSMEs with strong innovation capabilities—whether through developing new products, improving processes, or applying creative marketing methods—are more competitive in dynamic market environments. Innovation enables businesses to adapt to changing consumer preferences and strengthen their competitive advantage through enhanced operational efficiency and unique value propositions.

Furthermore, digital branding shows the strongest influence on marketing performance, highlighting the increasing importance of digital transformation for MSME competitiveness. MSMEs that establish a strong online presence through social media, websites, and marketplaces are more successful in building customer trust, increasing visibility, and expanding market reach. In today's digital ecosystem, a compelling and consistent brand identity is crucial for influencing consumer perceptions and engagement. Overall, the findings indicate that the marketing mix, innovation, and digital branding collectively explain 61.2% of the variation in marketing performance, underscoring the need for MSMEs to adopt an integrated strategic approach. Strengthening marketing fundamentals, fostering continuous innovation, and developing robust digital branding capabilities are essential for sustaining growth, while this study contributes meaningful insights for practitioners, policymakers, and stakeholders seeking to enhance MSME development in Indonesia.

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