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Marketing Performance Improvement Model Through Digital Marketing, Marketing Capability and Marketing Innovation

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Abstract. *Currently, Indonesia is trying to achieve national economic development and economic growth as part of its development process. National income is one of the main indicators to measure the progress and economic growth of a country. MSMEs have a significant impact, both directly and indirectly, on regional economic growth, as well as on the overall economy at the national level. Therefore, this study aims to investigate the effect of digital marketing and marketing capabilities on the marketing performance of Micro, Small, and Medium Enterprises (MSMEs) in Blora Regency with marketing innovation as a mediating variable. Digital technology has become an important factor in changing the business landscape, especially for MSMEs in an effort to increase their competitiveness and growth. Through a quantitative approach, data will be collected from MSME owners or managers who use digital technology in their marketing activities. This study involved MSME actors in Blora Regency as respondents with a total of 103 MSMEs. The data analysis technique for this study used Partial Least Square (PLS) as an alternative method to Structural Equation Modeling (SEM). The results of this study explain the relationship between digital marketing and marketing performance, marketing capabilities and marketing performance and marketing innovation as well as marketing innovation and marketing performance which have a significant influence, except for the relationship between digital marketing and marketing performance.*

Keywords: *Capabilities; Digital; Marketing; Performance.*

1. Introduction

Indonesia, as one of the developing countries, is working towards achieving national economic development and economic growth. Indonesia adheres to the principle of an open economy, in which in carrying out its economic activities, the government interacts with the private sector and other countries. One indicator of a country's economic development and growth can be seen from its national income.

One of the metrics often used for national income is Gross Domestic Product (GDP). GDP is defined as the total value or market price of all final goods and services produced by an economy during a specific time period, usually one year (Lamazi et al., 2020). If GDP increases, this indicates that the country's economy has improved compared to the previous year. To achieve this, one of the development approaches used is through an empowerment strategy. One form of empowerment in Indonesia is the empowerment of Small and Medium

Enterprises (SMEs), which has a direct and indirect impact on economic growth in the regions, and this impact also affects the economy as a whole at the national level. Micro, Small and Medium Enterprises (MSMEs) in Indonesia refer to the business sector that includes various types of businesses with a smaller scale than large companies. MSMEs in Indonesia have great potential to drive inclusive and sustainable economic growth and play an important role in national economic development. Technological innovation can help MSMEs overcome the obstacles they face and increase their competitiveness.

Digital marketing is a methodology that has been proven effective in increasing the efficiency and effectiveness of marketing efforts. Digital marketing allows organizations to effectively direct their efforts to potential consumers, improve consumer experience, and increase customer engagement. Therefore, effective implementation of a competent digital marketing strategy will be a key determinant for MSMEs in achieving sustainable growth and prosperity (Purnomo, 2023). According to (Alwan & Alshurideh, 2022).

Digital marketing is considered as one of the most modern marketing methods widely used for communication with customers and promotion of products/services without limitations of place, time, and cost. Shows that digital marketing has a significant positive effect on purchase intention, with the main effect on interesting content and personalization for customers. Similarly, in (POTURAK et al., 2019) and (Nurhandayani et al., 2019) have also confirmed these results with the positive effect of digital marketing on purchase intention by exchanging ideas and opinions with various customers.

The research results of Djakasaputra et al. (2021) and Ikramuddin et al. (2021) explain that digital marketing has a significant influence in increasing marketing performance. Meanwhile, the research results of Abdul Jamil, (2020) show that the influence of digital marketing on marketing performance is not significant.

Therefore, this study intends to test the relationship between digital marketing and marketing capability with marketing performance in MSME business actors in Blora Regency by adding marketing innovation as a mediating variable.

2.Research methods

The type of research used in this study is explanatory research, also known as explanatory research, is a type of scientific research designed to explain the relationship between certain variables or phenomena. In explanatory research, researchers seek to provide an in-depth explanation of the causal or associative relationship between certain variables and also aim to determine the impact of digital marketing on improving the marketing performance of MSME business owners in the Blora Regency area. The population investigated in this study consists of individuals who own or lead micro, small, and medium enterprises (MSMEs) in Blora Regency. The sample is a subgroup of the smaller population, which will provide a picture or conclusion that represents the population as a whole. In research, determining the number of samples is important because it will affect the estimation and interpretation of research results. Therefore, a sample is needed that is appropriate, ideal, and represents the

population well.

3. Results and Discussion

Overview of Research Object

This sub-chapter explains the general description of respondents to the questionnaire and the characteristics of respondents. A total of 103 questionnaires distributed were processed and presented in descriptive data as follows:

Respondent Characteristics Table

Respondent Characteristics			
Characteristics		Number of people)	**Presentation (%)**
Gender	Man	47	**45.6**
	Woman	56	**54.4**
Amount		103	**100**
Position	Owner	9	**8.7**
	Manager	40	**38.8**
	Owner and Manager	54	**52.4**
Amount		103	**100**
Number of employees	< 2	15	**14.6**
	2 – 5	74	**71.8**
	5 - 10	14	**13.6**
	> 10	0	**0**
Amount		**103**	**100**

Gender, position and number of employees of respondents have been reviewed in table. The majority of respondents in this study were women, reaching 54.4%, because MSMEs have greater time flexibility for entrepreneurship than office work. This can be an attractive option for women who have family responsibilities, such as caring for children or other family members. Most respondents have held positions as owners and managers, reaching 52.4%, because the majority of MSMEs in Blora are managed by their own owners. The majority of MSMEs in Blora have between 2-5 employees, where from the total respondents the number of employees has a percentage of 71.8%. Even in this study there were no respondents who

filled in with a total number of employees of more than 10 people.

Description of Research Variables

The description of the respondents' responses provides an overview of their responses to the questionnaire related to digital marketing, marketing capability, marketing innovation, and marketing performance. Therefore, the results of the descriptive analysis in this study will be classified as follows:

Descriptive Statistical Analysis Criteria Table

Alternative Score	Category Range	Interpretation Score
1	1.00 – 2.33	**Low**
2	2.34 – 3.67	**Currently**
3	**3.68 – 5.00**	**Tall**

This descriptive analysis serves to examine data based on the results of respondents' responses to each question that reflects the variable measurement indicators.

Digital Marketing (DM)

The following are the results of descriptive analysis for digital marketing variables based on answers from 103 respondents:

Digital Marketing Variable Description Table

No	Indicator		Mean	Median	Standard Deviation	Category
1	DM1	Transactions/fees	4,010	4,000	0.661	**Tall**
2	DM2	Interactive	4,078	4,000	0.569	**Tall**
3	DM3	Incentive program	4,097	4,000	0.795	**Tall**
4	DM4	*Site design*	4,243	4,000	0.675	**Tall**
Average			**4,107**	**4,000**	**0.675**	**Tall**

Based on the digital marketing variable table above, it was obtained that most respondents gave answers that were aimed at the high category with a mean score of 4.107. The high average shows that digital marketing in MSMEs in Blora is very good at utilizing digital technology for marketing activities by utilizing funds for digital activities, interactive, holding intensive programs and developing site designs. In the statement item DM4 has the highest

mean value of 4.243 with the statement that the sales design makes it easy for consumers to get information clearly. While the lowest mean of 4.010 in the question item DM1 is a statement of costs incurred for digital transactions that are very efficient and in accordance with the benefits obtained.

Marketing Capability

The following are the results of descriptive analysis for the marketing capability variable based on answers from 103 respondents:

Marketing Capability Variable Description Table

No	Indicator		Mean	Median	Standard Deviation	Category
1	MC1	*Advertising*	3.835	4,000	0.504	**Tall**
2	MC2	*Public Relations*	3,670	4,000	0.547	**Currently**
3	MC3	*Sales Promotions*	3.825	4,000	0.794	**Tall**
4	MC4	Development marketing plan	3,874	4,000	0.784	**Tall**
5	MC5	Implementation of the plan marketing	3.903	4,000	0.782	**Tall**
Average			**3,821**	**4,000**	**0.682**	**Tall**

Based on the table of marketing capability variables presented, the majority of respondents gave answers with an average score of 3.821. The high average indicates that marketing capability in MSMEs in Blora is very good in maximizing marketing capabilities for employees or owners by utilizing advertising, utilizing public relations as well as possible, holding sales promotions, developing and implementing marketing plans well. The MC5 statement item has the highest average value, which is 3.903, with the statement that "we are effective in implementing marketing plans by coordinating various marketing activities." Conversely, the lowest average value of 3.670 is found in the MC2 question item, which contains the statement "We have succeeded in building good relationships with the public and the media, and managing the company's image positively."

Marketing Innovation

The following are the results of descriptive analysis for the marketing innovation variable based on answers from 103 respondents:

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Marketing Innovation Variable Description Table

No	Indicator		Mean	Median	Standard Deviation	Category
1	MI1	Looking for new ideas in marketing activities	3.903	4,000	0.898	Tall
2	**MI2**	**Improve the design**	**3,767**	**4,000**	**0.740**	**Tall**
		product				
3	MI3	Strengthening in use of information technology	3.883	4,000	0.508	Tall
4	MI4	Repair distribution channel	3.922	4,000	0.746	Tall
Average			**3,868**	**4,000**	**0.723**	**Tall**

Based on the marketing innovation variable table above, it was obtained that most respondents gave answers that were indicated by a mean score of 3.868. The high average shows that marketing innovation in MSMEs in Blora is very good at maximizing innovation for marketing activities by always looking for new ideas in marketing activities, improving product design, strengthening the use of information technology, and improving distribution channels. In the MI4 statement item, it has the highest mean value of 3.922 with the statement that we always develop various approaches to new sales management. While the lowest mean of 3.767 in the MI2 question item is the statement that we often try new ways to implement marketing programs.

Marketing Performance

The following are the results of descriptive analysis for the marketing performance variable based on answers from 103 respondents:

Marketing Performance Variable Description Table

No	Indicator	Mean	Median	Standard Deviation	Category

1	MP1	Growth Sale	3,903	4,000	0.718	**Tall**
2	**MP2**	**Volume Increase**	**3,777**	**4,000**	**0.812**	**Tall**
		Sale				
3	MP3	AchievementTarget Sale	3,971	4,000	0.645	**Tall**
4	MP4	Growth Customer	4,029	4,000	0.675	**Tall**
Average			**3,920**	**4,000**	**0.712**	**Tall**

Based on the table of marketing performance variables presented, the majority of respondents gave answers with an average score of 3.920. The high average indicates that marketing performance in MSMEs in Blora is able to manage marketing performance well, such as sales growth, increasing sales volume, achieving sales targets and also customer growth. The MP4 statement item has the highest average value, which is 4.029, with the statement "Over the past year, the number of our customers has continued to grow." Conversely, the lowest average value of 3.777 is found in the MP2 question item, which contains the statement "Over the past year, the number of products we sell has continued to increase."

Test Result Data Analysis

The research data were processed using the Partial Least Square (PLS) method and used for further analysis in this study. PLS-based structural equation modeling (SEM) is one of the alternative analysis methods. The SmartPLS version 4 application, which is specifically designed for variance-based structural equation calculations, was used for the calculation.

***Evaluation of Measurement Models*(Outer model)**

The outer model is a representation of the relationship between each indicator and other variables. In this analysis, the correlation between item values or component scores generated by SmartPLS software is used to evaluate the convergence validity of the assessment model. A reflective measure

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single is considered high if it has a correlation of at least 0.7 with the tested component, even ≥ 0.5 is still acceptable. Outer model is used to test validity and reliability. The following is a path diagram of this research model.

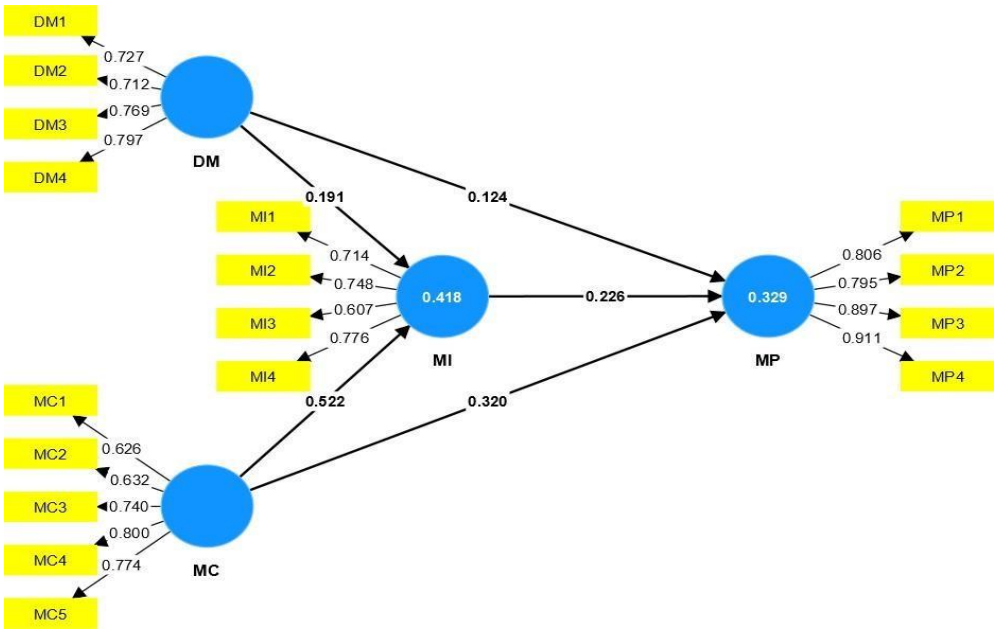

Image of Outer Model Data Processing Results

The tests carried out on the outer model include several tests, namely validity test, discriminant validity, reliability test, R square test, F square test and Goodness of Fit Model test, as follows:

Validity Test

Instrument validity testing is carried out by analyzing the value of the outer model using reflective indicators, focusing on the convergent validity of the indicators that form the latent construct. The following is a summary of the results of the indicator validity test for the variables digital marketing, marketing capability, marketing innovation, and marketing performance:

Loading Factor Table

Indicators and Variables	Loading Value Factor	>/<	Provision	Information
DM1	0.727	>	0.7	**Valid**
DM2	0.712	>	0.7	**Valid**
DM3	0.769	>	0.7	**Valid**
DM4	0.797	>	0.7	**Valid**

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MC1	0.626	>	0.7	**Valid**
MC2	0.632	>	0.7	**Valid**
MC3	0.740	>	0.7	**Valid**
MC4	0.800	>	0.7	**Valid**
MC5	0.774	>	0.7	**Valid**
MI1	0.714	>	0.7	**Valid**
MI2	0.748	>	0.7	**Valid**
MI3	0.607	>	0.7	**Valid**
MI4	0.776	>	0.7	**Valid**
MP1	0.806	>	0.7	**Valid**
MP2	0.795	>	0.7	**Valid**
MP3	0.897	>	0.7	**Valid**
MP4	**0.911**	**>**	**0.7**	**Valid**

According to (Haryono, 2016) the loading factor value ≥ 0.7 is said to be ideal, meaning that the indicator is valid in measuring the construct it forms. In empirical research experience, the loading factor value ≥ 0.5 is still acceptable. Table 4.2 above shows that all indicators are valid because their values are more than 0.5 so further testing can be carried out.

DiscriminantValidity

The importance of assessing discriminant validity has been widely recognized in analyzing relationships between latent variables. In the context of variance-based structural modeling, such as partial least squares, discriminant validity assessments often use the Fornell Larcker criterion and cross-loading examination. Discriminant validity measures how differently indicators measure a construct. To test discriminant validity, cross-loading is used to compare the correlation coefficient between an indicator and its associated construct with the correlation coefficient with other constructs. Ideally, the correlation coefficient between an indicator and its construct should be greater than the correlation with other constructs. The greater value indicates the suitability of an indicator to explain its associated construct compared to explaining other constructs.

Cross Loading Criterion Discriminant Validity Table

Variables	DM	MC	MI	MP
DM1	**0.727**	0.299	0.200	**0.279**
DM2	**0.712**	0.282	0.261	**0.244**
DM3	**0.769**	0.437	0.318	**0.248**

DM4	**0.797**	0.531	0.524	**0.396**
MC1	0.330	**0.626**	0.403	**0.460**
MC2	0.440	**0.632**	0.358	**0.466**
MC3	0.496	**0.740**	0.375	**0.301**
MC4	0.395	**0.800**	0.535	**0.324**
MC5	0.316	**0.774**	0.543	**0.331**
MI1	0.409	0.504	**0.714**	**0.331**
MI2	0.278	0.475	**0.748**	**0.305**
MI3	0.309	0.316	**0.607**	**0.407**
MI4	0.352	0.476	**0.776**	**0.347**
MP1	0.299	0.442	0.296	**0.806**
MP2	0.380	0.498	0.503	**0.795**
MP3	0.355	0.418	0.426	**0.897**
MP4	**0.338**	**0.433**	**0.397**	**0.911**

From the results of the table above, it shows that the correlation value between the indicator and its construct is greater than the correlation with other block constructs (the smallest value on the indicator is greater than all the values of one vertical row). So all statement items are declared Valid discriminants.

Reliability Test

Reliability testing is carried out to show the accuracy and reliability in measuring all constructs. According to (Haryono, 2016) when the Cronbach's Alpha and Composite reliability values of all variables are > 0.7 then all variables are reliable. The following are the composite reliability and Cronbach's alpha values for each variable.

Composite Reability and Cronbach Alpha Table

Variables	**Cronbach's alpha**	**Composite reliability (rho_c)**
DM	0.760	**0.838**
MC	0.761	**0.840**
MI	0.704	**0.805**
MP	**0.875**	**0.915**

The results of the composite reliability and Cronbach's alpha tests confirm that each construct

in this study has met the minimum threshold set, which is > 0.7. The results of the composite reliability test show adequate internal consistency for all variables in measuring certain constructs. Furthermore, the results of this reliability test are supported by the Cronbach's alpha value, confirming the reliability of the constructs in this study. Therefore, it can be concluded that all constructs have been proven reliable and can be further analyzed.

R square test

According to (Haryono, 2016) the evaluation of the structural model aims to determine the percentage of variance of each endogenous variable in the model explained by the exogenous variable by looking at the R Square. The recommended R2 value is 0.19 (weak structural model), 0.33 (moderate structural model) and 0.67 (strong structural model). The R2 value ≥ 0.85 indicates that there is a multicollinearity problem between exogenous variables.

R Square Table

Variables	R-square	R-square adjusted
MI	0.418	**0.406**
MP	**0.331**	**0.309**

Based on the results of the R2 test, it shows that variables such as digital marketing, marketing capability and marketing innovation have a significant influence on marketing performance, with an R2 value of 0.331, indicating a moderate influence. This indicates that as much as 33.1% of the variability in marketing performance can be explained by these factors, while the remaining 66.9% is influenced by other factors not included in the model. In addition, digital marketing and marketing capability also influence marketing innovation, with an R2 value of 0.418, indicating a moderate influence. This illustrates that around 41.8% of the variability in innovation capability can be explained by digital marketing and marketing capability, while the remaining 58.2% is influenced by other factors not included in the analysis.

F Square Test

Researchers will evaluate the substantive influence of endogenous variables influenced by exogenous variables through the F2 value. The magnitude of the substantive influence can be classified into three categories based on the F2 value, namely 0.02 (small influence), 0.15 (moderate influence), and 0.35 (large influence) respectively. The following is the F2 value data obtained from the table:

F Square Table

Variables	F Square	Description (Influence)
DM MI	0.044	**Small**
DM MP	0.016	**Small**
MC MI	0.328	**Currently**
MC MP	0.080	**Small**

MI MP	**0.044**	**Small**

The influence of digital marketing (DM) on marketing innovation (MI) is 0.044 so that its influence is considered small. The influence of marketing capability (MC) on marketing innovation (MI) is 0.328 so that it has a moderate influence on marketing innovation. The digital marketing variable on marketing performance is 0.016 so it is considered small. The influence of the marketing capability variable on marketing performance is 0.08 so it is considered to have a small influence. In addition, the marketing innovation variable also has a small influence on marketing performance with a value of 0.044.

Goodness of Fit Model Test

The goodness of fit model test can be seen from the Q^2 values. The PLS model is declared to have met the goodness of fit model criteria if the Q^2 value > 0 proves that the model has predictive relevance, conversely if the Q^2 value < 0 proves that the model lacks predictive relevance and can be classified into three categories based on the value, namely 0.02 (weak), 0.15 (moderate), and 0.35 (strong) (Haryono, 2016).

Goodness of Fit Model Test Results Table

Variables	**Q^2predict**
MI	**0.379**
MP	**0.258**

Based on the test results, the Q^2 value for the marketing innovation variable is 0.379> 0 and is in the strong category, so the model has relevance or exogenous latent variables, namely digital marketing (DM) and marketing capability (MC) which are good/appropriate as explanatory variables that are able to predict the endogenous variable, namely marketing innovation (MI). In addition, the test results also explain the Q2 value for the marketing performance variable of 0.258> 0 and are in the moderate or medium category. So the model has relevance or exogenous latent variables, namely digital marketing (DM), marketing capability (MC) and marketing innovation (MI) which are good/appropriate as explanatory variables that are able to predict the endogenous variable, namely marketing performance (MP).

***Evaluation of Structural Models*(Inner Model)**

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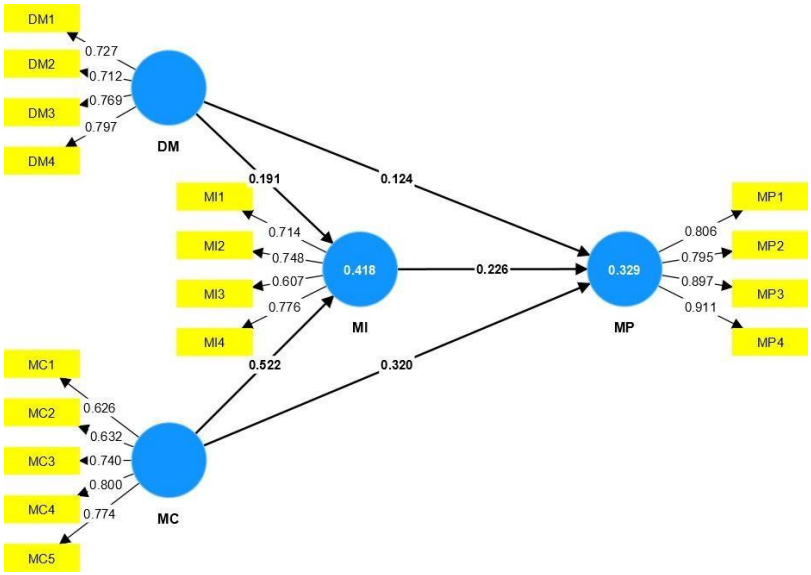
Inner model is defined as a model that tests causality between variable constructs. The tests conducted on the inner model are as follows:

FigureResults of Inner Model Data Processing



To ensure the robustness and accuracy of the structural model built, structural model testing (inner model) is carried out. The bootstrapping method is used to evaluate the stability of the estimate. Furthermore, hypothesis testing is carried out based on the bootstrapping output. The following are the results of hypothesis testing based on the bootstrapping output:

Path Coefficient (Direct Influence)

The PLS structural model is applied to the dependent and independent variables, where the coefficient values for the independent variables are used. The significance of each path is determined using the t-statistic value. To determine the relevance of the model predictions to the context of the structural model, we can examine the t-statistic relationship between the dependent and independent variables for the path coefficients displayed in the following SmartPLS 4 output:

Hypothesis Testing Table

Variables	T statistics (|O/STDEV|)	T Value	P values	Alpha	Information
DM → MI	2.388	1.96	0.017	0.05	**Accepted**
DM → MP	1.325	1.96	0.185	0.05	**Rejected**
MC → MI	6.129	1.96	0.000	0.05	**Accepted**
MC → MP	2,837	1.96	0.005	0.05	**Accepted**
MI → MP	**2.129**	**1.96**	**0.033**	**0.05**	**Accepted**

To determine the structural relationship between latent variables, hypothesis testing of the path coefficient between variables is carried out by comparing the p-value with alpha (0.05) or t-statistics greater than 1.96 (for a 95% confidence level). P-values and t-statistics are obtained from SmartPLS output using the bootstrapping method. This test aims to test the following five hypotheses:

1. Hypothesis Testing

H1: Digital Marketing has a positive influenceand significant to Marketing innovation

Based on the test output results, it can be seen that the t-statistic value of the influence of digital marketing on marketing innovation is 2.388> 1.96 and the p value is 0.017 <0.05. This explanation can be interpreted that digital marketing has an effect on marketing innovation. The higher the digital marketing, the higher the marketing innovation. So the hypothesis that digital marketing has an effect on marketing innovation (H1) is proven.

2. Hypothesis Testing

H2: Digital Marketing has a positive influenceand significant to Marketing Performance.

Based on the results of the test output using PLS, it can be seen that the t-statistic value of the influence of digital marketing on marketing performance is 1.325 <1.96 and the p-value is 0.185> 0.05. This explanation can be interpreted that digital marketing has no effect on marketing performance.

The higher the digital marketing, the more it affects marketing performance. So the hypothesis that digital marketing affects marketing performance (H2) is not proven.

3. Hypothesis Testing

H3: Marketing Capability has a positive and significant effect on Marketing Innovation.

Based on the test output results, it can be seen that the t-statistic value of the influence of marketing capability on marketing innovation is 6.129> 1.96 and the p value is 0.000 <0.05. This explanation can be interpreted that marketing capability influences marketing innovation. The higher the marketing capability, the higher the marketing innovation. So the hypothesis that marketing capability influences marketing innovation (H3) is proven.

4. Hypothesis Testing

H4: Marketing capability has a positive and significant effect on marketing performance.

Based on the test output results, it can be seen that the t-statistic value of the influence of marketing capability on marketing performance is 2.837> 1.96 and the p value is 0.005 <0.05. This explanation can be interpreted that marketing capability influences marketing performance. The higher the marketing capability, the higher the marketing performance. So the hypothesis that marketing capability influences marketing performance (H4) is proven.

5. Hypothesis Testing

H5: Marketing innovation has a positive and significant effect on marketing performance.

Based on the test output results, it can be seen that the t-statistic value of the influence of marketing innovation on marketing performance is 2.129> 1.96 and the p value is 0.033 <0.05.

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This explanation can be interpreted that marketing innovation has an effect on marketing performance. The higher the marketing innovation, the higher the marketing performance. So the hypothesis that digital marketing has an effect on marketing performance (H5) is proven.

Proof of Intervening Variables

To see the intervening, namely by comparing the value of the direct effect with the indirect effect, it can be said that the mediating variable has an indirect influence on the relationship between the two variables. Here is a table to see the mediation between variables:

Intervening Hypothesis Testing Table

Variables	Original sample (O)	Samplemean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
MC → MI → MP	0.118	0.124	0.059	2.002	**0.046**
DM →MI → MP	**0.043**	**0.047**	**0.028**	**1,532**	**0.126**

Intervening Variable Testing 1

The table shows that marketing innovation is able to mediate the influence between marketing capability and marketing performance, this is proven by the specific indirect effect with a p-value of 0.046 <0.05 at a significance level of 5%.

Intervening Variable Testing 2

The table also shows that marketing innovation is unable to mediate the influence between digital marketing and marketing performance, this is proven by the specific indirect effect with a p-value of 0.126> 0.05 outside the 5% significance level.

Discussion:

The Influence of Digital Marketing on Marketing Innovation

Based on the test results, it was found that digital marketing has a significant influence on marketing innovation. This means that when MSMEs increase their digital marketing efforts, such as the use of social media, content marketing, and search engine optimization, it directly drives an increase in marketing innovation.

The use of digital marketing can reduce transaction and operational costs because many digital tools are more cost-effective than traditional marketing methods. In addition, digital platforms allow MSMEs to reach a wider audience at a lower cost. Lower costs and transaction efficiency allow MSMEs to allocate resources to other areas that require innovation. With a more flexible budget, they can experiment with new and creative marketing strategies that may have been out of reach before.

Digital marketing enables direct interaction with customers through social media, email marketing, and other platforms. This helps in getting real-time feedback and building stronger relationships with customers. This interactivity fuels innovation by providing valuable insights into customer preferences and needs. MSMEs can adjust their marketing strategies based on direct feedback, creating campaigns that are more relevant and engaging to the target audience.

Digital marketing makes it easy to implement incentive programs such as discounts, digital coupons, and loyalty programs that can be customized and personalized for each customer. Incentive programs run digitally can be more effective and attractive to customers. Innovations in how incentives are offered, such as gamification or behavior-based rewards, can increase customer engagement and loyalty.

The increasing number of internet users in the world, especially in Indonesia, is an opportunity to expand digital marketing for Small, Micro, and Medium Enterprises (MSMEs), which on average have capital constraints. Technological developments help MSMEs in promoting products for free. In addition, digital marketing can also be defined as the use of digital technology to create integrated, target-oriented, and measurable communications that help acquire and retain customers while building deeper relationships with them.

The Influence of Digital Marketing on Marketing Performance

Based on the results of testing using Partial Least Squares (PLS), it was found that digital marketing did not have a significant effect on marketing performance. This means that even though MSMEs increase their digital marketing efforts, such as the use of social media, content marketing, and search engine optimization, this does not directly impact the improvement of marketing performance. In other words, even though the digital marketing strategy is improved, this is not enough to ensure an increase in aspects of marketing performance such as sales, market share, or customer satisfaction. It is possible that other factors may play a more dominant role in influencing marketing performance, or it may take more time to see the impact of digital marketing efforts. Therefore, the hypothesis that digital marketing has an effect on marketing performance is not proven true. The increase in digital marketing does not correlate with a direct increase in marketing performance, indicating that other factors may need to be considered to improve marketing performance effectively.

Digital marketing can reduce transaction and operational costs by using more cost-effective tools compared to traditional marketing methods. This allows MSMEs to allocate resources more efficiently. Lower transaction and cost efficiencies can help increase profit margins and allow MSMEs to reinvest in other marketing activities that can improve marketing performance.

One of the main advantages of digital marketing is its interactivity. Social media, email marketing, and other interactive tools allow for two-way communication between businesses and customers. Interactivity can increase customer engagement and provide valuable insights into their preferences and behaviors, which in turn can help tailor marketing strategies to better meet customer needs.

Digital marketing makes it easy to implement incentive programs such as discounts, digital coupons, and loyalty programs. These programs can be personalized for each customer. An effective incentive program can increase customer retention and attract new customers, which can directly increase sales and marketing performance.

An attractive and user-friendly website design is an essential part of digital marketing. A well-designed website improves user experience and makes navigation easier. A well-designed website can increase the conversion of visitors into customers, thereby increasing sales and marketing performance. An interactive and informative design can also increase customer satisfaction and strengthen brand identity.

By considering these factors, SMEs can optimize their digital marketing strategies to achieve more significant marketing performance improvements. This shows that although digital marketing is important, other elements such as transaction efficiency, interactivity, incentive programs, and website design also need to be considered to achieve optimal results.

The Influence of Marketing Capability on Marketing Innovation

Based on the test results that found a significant influence between marketing capability and marketing innovation, we can conclude that better marketing capabilities in MSMEs directly support the creation of innovation in ways to market their products or services.

Strong advertising skills enable SMEs to create attractive and effective promotional messages, which in turn can lead to innovation in the form of new promotional methods or the use of advanced technology in market analysis. Public relations skills help SMEs build a strong brand image and positive relationships with their public. With these skills, they can develop innovations in brand communication, such as using social media platforms to expand reach or developing more creative and engaging campaigns.

MSMEs with good sales promotion skills can create unique and attractive promotional programs, which allow them to continue to innovate in marketing their products or services and attract new customers. The ability to develop marketing plans allows MSMEs to formulate smarter and more effective marketing strategies. With this ability, they can produce innovations in the form of marketing plans that are more creative and adaptive to market changes.

Proper implementation of a marketing plan is key to ensuring the success of a marketing strategy. With strong implementation capabilities, SMEs can better execute their marketing plans, opening up opportunities for innovation in the form of using new technologies or more effective execution strategies.

Thus, from the marketing capability elements that have been explained, it can be concluded that the higher the marketing capability possessed by MSMEs, the greater the possibility that they will create innovation in the way they market their products or services. This innovation includes various aspects, from promotion to the use of new technology, which ultimately increases the competitiveness and success of their business.

The Influence of Marketing Capability on Marketing Performance

Based on the test results, it is proven that marketing capability has a significant influence on marketing performance in MSMEs. This shows that the better the marketing capability possessed by MSMEs, the better the marketing performance they achieve.

The ability in advertising allows SMEs to create effective advertising campaigns, which can increase brand awareness and attract potential customers. This can directly contribute to increased sales and market share. The ability in public relations allows SMEs to build a strong brand image and positive relationships with customers and the community. This can increase customer trust, customer satisfaction, and brand loyalty, which in turn improves marketing performance.

The ability in sales promotion allows MSMEs to design and implement attractive promotional programs, which can directly drive sales increases. Effective promotional programs can also increase customer satisfaction and brand loyalty. The ability to develop a marketing plan allows MSMEs to formulate a targeted and effective marketing strategy. With a good plan, MSMEs can better prioritize their resources, identify market opportunities, and overcome challenges faced in marketing.

The ability to implement a marketing plan allows MSMEs to implement marketing strategies well and efficiently. With good implementation, MSMEs can ensure that their marketing plans are executed successfully, achieve the set goals, and produce the desired results.

Thus, strong marketing capabilities in MSMEs not only enable them to respond to market needs more effectively, but also improve overall marketing performance. This occurs through sales growth, increased sales volume, achievement of sales targets, customer growth which are important indicators of good marketing performance. Therefore, the significant relationship between marketing capabilities and marketing performance confirms the importance of investing and developing marketing capabilities in achieving business success.

The influence of marketing innovation on marketing performance

Based on the test results, it is proven that marketing innovation has a significant impact on marketing performance in MSMEs. This shows that when MSMEs are able to implement innovation in their marketing strategies, such as developing new ideas, creating creative marketing campaigns, or utilizing new technologies in marketing, this directly contributes to improving their marketing performance.

Innovation in finding new ideas in marketing activities allows MSMEs to develop fresh and unique marketing strategies. These new ideas can increase the appeal of their products or services in the market, expand market share, and increase brand recognition. Innovation in improving product design allows MSMEs to produce more attractive and quality products. Better products will increase customer satisfaction, help retain existing customers, and attract new customers.

Innovation in strengthening the use of information technology allows MSMEs to adopt more sophisticated technological solutions in marketing. This can include the use of more sophisticated data analysis, more targeted digital marketing, or the integration of new technologies such as artificial intelligence in their marketing strategies. Innovation in

improving distribution channels allows MSMEs to reach more customers in a more efficient way. Improvements in distribution channels can increase product availability, reduce distribution costs, and increase responsiveness to market demand.

Thus, the level of innovationhigh marketing in MSMEs not only increases their creativity and competitiveness in the market, but also directly impacts overall marketing performance. By developing new ideas, improving product quality, utilizing information technology, and improving distribution channels, MSMEs can achieve better results in terms of sales, market share, customer satisfaction, and brand recognition. This emphasizes the importance of innovation in maintaining competitiveness and business success in an ever-changing environment.

The test results show that there is a positive correlationbetween marketing innovation and marketing performance, shows that the higher the marketing innovation, the higher the level of marketing performance. In other words, a high level of marketing innovation will contribute to increasing marketing performance.

According to (Mulyana et al., 2020) marketing innovation refers to the process of developing and implementing new ideas, strategies, products, or processes in the marketing field to create value for customers, differentiate themselves from competitors, and ultimately improve business performance. It involves creating and implementing new approaches, techniques, and solutions to meet changing market demands, consumer preferences, and the competitive landscape. Marketing innovation is essential for organizations to stay relevant, adapt to market changes, attract and retain customers, and drive sustainable growth and profitability. It involves a proactive and creative approach to identifying opportunities, solving challenges, and continually improving marketing practices to achieve business goals.

4. Conclusion

This study aims to determine how digital marketing and marketing capability influence marketing performance through marketing innovation as an intervening variable. Based on the results of data analysis through questionnaires that have been distributed to respondents of MSME actors in Blora Regency, it can be concluded that: 1. Digital marketing has been proven to have a positive and significant influence on marketing innovation among MSME actors in Blora Regency. This means that when MSME actors increase their efforts in digital marketing, such as utilizing social media and content marketing, they tend to find new and creative ways to market their products. In other words, a better digital marketing strategy helps MSMEs innovate in the way they reach and engage customers. 2. Digital marketing does not have a significant influence on the marketing performance of the organization. This shows that although MSME actors in Blora Regency have increased their digital marketing efforts, this does not immediately have an impact on improving their marketing performance, such as increasing sales or market share. There may be other factors that are more dominant in influencing marketing performance, or it may take longer to see the impact of digital marketing. 3. Marketing capability has a positive and significant influence on marketing

innovation. This means that the better the MSMEs in Blora Regency are in terms of planning, implementing, and evaluating marketing strategies, the more creative and innovative they are in developing new ways to attract customers. Good marketing skills help MSMEs be more adaptive and responsive to market changes, which encourages innovation. 4. Marketing skills have also been shown to have a positive and significant influence on marketing performance. This means that MSMEs who have better marketing skills and knowledge tend to experience increased marketing performance, such as increased sales, sales target achievement, and customer growth. Strong marketing skills enable MSMEs to design and implement effective marketing strategies, which have a direct impact on their performance results.

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