

Improving the Success of Culinary MSMEs through Product Innovation, Social Capital, and Digital Marketing: A Competitive Advantage Approach

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Abstract - The increasingly competitive business environment encourages micro and small enterprises (MSEs) in the culinary sector to adapt through product innovation, strengthening social networks, and utilizing digital marketing to enhance business success. This study aims to analyze the effects of product innovation, social capital, and digital marketing on the business success of culinary-sector MSEs in Gresik Regency, as well as the role of competitive advantage as a mediating variable. This study employs a quantitative approach using a survey method and involves 377 respondents who are culinary MSE owners in Gresik Regency. Data were analyzed using Structural Equation Modeling–Partial Least Squares (SEM–PLS) with SmartPLS 4. The results indicate that product innovation, social capital, and digital marketing have positive and significant effects on the business success of MSEs. Furthermore, these three variables also have positive and significant effects on competitive advantage. Competitive advantage is proven to have a positive and significant effect on business success and partially mediates the influence of product innovation, social capital, and digital marketing on business success. These findings confirm that the business success of MSEs depends not only on the availability of resources and marketing activities, but also on entrepreneurs' ability to manage and transform innovation, social networks, and the use of digital marketing into sustainable competitive advantages that align with local market characteristics. This study provides practical implications for MSE owners and stakeholders in formulating integrated business development strategies to enhance competitiveness and business success in the culinary MSE sector.

Keywords: Product innovation; Social capital; Digital marketing; Competitive advantage; Business success

1. Introduction

Micro and Small Enterprises (MSEs) constitute the most dominant component of Indonesia's economic structure and play a strategic role in driving national economic growth, creating employment opportunities, and improving social welfare. Data from the Ministry of Cooperatives and SMEs of the Republic of Indonesia (2022) indicate that micro enterprises account for approximately 63.9 million units, or 99.6% of all business entities nationwide, while small enterprises number around 193,959 units, or 0.30%. In aggregate, MSEs absorb more than 99% of the national workforce and contribute over 60% to Gross Domestic Product (GDP). This condition underscores that the sustainability and strengthening of MSEs are essential prerequisites for achieving inclusive and equitable economic growth.

The role of MSEs has become increasingly significant amid global economic dynamics and the acceleration of digital transformation. Data from the Indonesian Chamber of Commerce and Industry (Kadin, 2024) show that MSEs contribute more than 61% of national GDP and employ approximately 97% of the workforce. Growth projections also indicate that up to 87% of small enterprises are expected to experience growth by 2025, positioning Indonesia as one of the countries with the fastest MSE growth in the Asia–Pacific region. In line with this trend, digitalization has expanded rapidly, marked by internet penetration estimated to reach 82% and a significant increase in e-commerce transactions by 2025 (Riyanto, 2025). Nevertheless, the adoption of digital technology among MSEs remains relatively low, creating a gap between potential and the actual utilization of digital marketing as a business development strategy. According to Churiyah et al. (2021), MSEs play a strategic role in the national economic structure, particularly in driving economic growth and enhancing community welfare. This role is reflected not only in the large number of business units, but also in their capacity to absorb labor and stimulate local economic activity. Therefore, the sustainability and success of MSEs are crucial factors in maintaining regional economic stability and resilience.

Gresik Regency is one of the regions experiencing relatively rapid growth of MSEs, particularly in the culinary sector. With a population of approximately 1,327,497 people in mid-2024, Gresik Regency has strong

regional characteristics in industry and trade. Data from the Gresik Regency Office of Cooperatives, Industry, and Trade (2023) record 18,162 active culinary-sector MSEs across five main districts, namely Cerme, Manyar, Kebomas, Menganti, and Driyorejo. Despite their large number, culinary MSEs in this region still face various structural constraints, including limited capital, low digital literacy, and suboptimal market access. These conditions indicate that MSE business success is not determined solely by internal factors, but also by entrepreneurs' ability to build sustainable competitive advantages.

Product innovation is one of the key factors in enhancing the competitiveness of MSEs, particularly in the highly dynamic and competitive culinary sector. Innovation encompasses not only the development of new products, but also improvements in packaging, design, taste, and local identity that can attract consumers. However, limited financial resources and minimal technological support often hinder MSE actors from engaging in continuous innovation. In this context, Dynamic Capabilities Theory is relevant in explaining how MSEs can survive and grow in rapidly changing environments. This theory emphasizes an organization's ability to integrate, build, and reconfigure internal and external resources in response to environmental changes (Teece, 2007). For MSEs, the capabilities to sense opportunities, seize opportunities, and transform resources constitute an essential foundation for driving product innovation and enhancing business success.

In addition to innovation, social capital also plays a strategic role in MSE development. Social capital is reflected in networks, trust, and norms established among business actors, communities, and other stakeholders. In Gresik Regency, the presence of MSE communities and informal networks has helped entrepreneurs share information, access raw materials, and expand markets at relatively low cost. Social capital enables MSEs to compensate for limited financial capital through collaboration and cooperation, thereby strengthening their competitive position in the market.

On the other hand, digital marketing has become a strategic instrument that allows MSEs to reach a wider consumer base at relatively efficient costs. However, the level of digital marketing adoption among MSEs remains low. From the perspective of Innovation Diffusion Theory (Rogers, 2003), the adoption of technological innovation is influenced by entrepreneurs' perceptions of relative advantage, compatibility, complexity, trialability, and observability of innovation outcomes. The low adoption of digital marketing among culinary MSEs in Gresik Regency can be attributed to limited understanding, skills, and perceived benefits of digital technology in supporting business performance. Therefore, mentoring strategies and capacity-building initiatives are essential to accelerate the diffusion of digital innovation among MSEs. The success of MSEs is ultimately reflected in increased sales, customer growth, business sustainability, and the ability to scale up. In this study, competitive advantage is positioned as an intervening variable that mediates the effects of product innovation, social capital, and digital marketing on business success. Competitive advantage emerges when MSEs are able to create unique value through product differentiation, competitive pricing, strong brand image, and effective utilization of digital technology. Porter's framework (1985) serves as the conceptual basis for understanding how differentiation and focus strategies can be applied by MSEs to maintain superior positions in competitive markets. The competitive advantage of MSEs is the result of a resource management process that includes product innovation, the strength of social networks, and the ability to adapt to marketing technologies, all of which function as mechanisms for value creation and differentiation that determine a firm's competitive position (Suharsono, 2015).

Previous studies indicate that the effects of product innovation, social capital, and digital marketing on MSE business success remain mixed. Ramadani et al. (2019) found that product innovation has a positive and significant effect on business performance, whereas Larios-Francia and Ferasso (2023) reported a positive but insignificant effect. Regarding social capital, Akintimehin et al. (2019) demonstrated a positive and significant influence on business success, while Abane et al. (2024) found that social capital plays a more indirect role in fostering business development. Furthermore, Mushi (2024) stated that digital marketing has a positive and significant effect on MSME performance, while Wu et al. (2024) found a positive but insignificant effect. These differing findings suggest that product innovation, social capital, and digital marketing do not always directly affect business success, but may require intermediary mechanisms such as competitive advantage to generate optimal business performance.

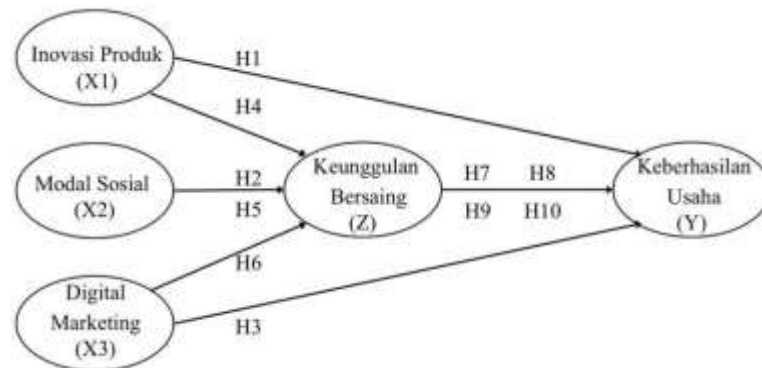
Based on these research gaps, previous studies tend to be partial and have not integrated product innovation, social capital, and digital marketing into a single comprehensive research model. Moreover, competitive advantage has more often been treated as a dependent variable rather than as a mediating variable. Therefore, this study offers novelty by examining the simultaneous effects of product innovation, social capital, and digital marketing on the business success of culinary-sector MSEs in Gresik Regency through the mediating role of competitive advantage. The findings are expected to contribute theoretically to the development of the MSE literature and provide practical implications for policy formulation and the design of sustainable MSE development strategies based on innovation, social networks, and digital transformation.

2. Research Methods

The type of research employed in this study is a quantitative approach using an explanatory research method, which aims to explain causal relationships among variables based on numerical data obtained through a

survey. This approach is used to analyze the effects of product innovation, social capital, and digital marketing on business success, with competitive advantage serving as an intervening variable. The quantitative approach is selected because it enables objective and systematic measurement of relationships among variables and produces findings that can be statistically analyzed.

In this study, the independent variables (X) consist of product innovation, social capital, and digital marketing; the dependent variable (Y) is business success; and the mediating variable (Z) is competitive advantage. The relationships among these variables are structured within a conceptual framework that illustrates both direct and indirect paths of influence to be tested, thereby providing a comprehensive understanding of the mechanism through which business success is achieved through competitive advantage.



Source: Processed by the researcher, 2025
Figure 1. Conceptual Framework

The population of this study comprises micro and small enterprises (MSEs) operating in the culinary sector in Gresik Regency, spread across five districts, namely Cerme, Manyar, Kebomas, Menganti, and Driyorejo, with a total of 2,712 business actors based on data from the Gresik Regency Office of Cooperatives, Industry, and Trade (2023). This study applies a proportionate stratified sampling technique, a method in which the number of respondents is distributed proportionally according to the number of MSEs in each district. Based on calculations using a sample size calculator, a total sample of 377 respondents was obtained.

The sample criteria in this study include: respondents are owners or managers of MSEs who are directly involved in operational activities and business decision-making; the MSEs are registered with the Gresik Regency Office of Cooperatives, Industry, and Trade; they operate in the culinary sector; have been actively operating for more than one year; and are located in the five districts selected as the research sites.

The types of data used consist of quantitative data obtained through questionnaires distributed to MSE actors, as well as qualitative data in the form of supporting descriptions related to product innovation, social capital, digital marketing, and competitive advantage practices. The data sources in this study include primary data collected through the direct distribution of questionnaires to respondents, both offline and online, and secondary data derived from official documents, reports from relevant institutions, and previous related studies.

The data collection technique employed in this study is a questionnaire. The questionnaire was developed through a process of conceptualization and clear operationalization of indicators to ensure that each question accurately represents the variables being measured and generates high-quality data. The use of questionnaires is considered appropriate because the researcher has clearly identified the research variables to be measured and the type of information to be obtained from respondents. Moreover, this technique is efficient for collecting data from a large number of respondents. The measurement scale used is the Likert scale, in which each statement is accompanied by response options reflecting the level of respondents' agreement. Responses that more strongly support the statement are assigned higher scores, while less supportive or non-supportive responses are assigned lower scores.

Data were analyzed using Structural Equation Modeling (SEM) with the Partial Least Squares (PLS) approach through the SmartPLS software, which includes descriptive statistical analysis, outer model testing (convergent validity, discriminant validity, and composite reliability), and inner model testing (R-square, F-square, Q-square, and bootstrapping) to test the research hypotheses.

3. Result and Discussion

3.1 Results

3.1.1 Outer Model

The outer model, which includes convergent validity, aims to assess the validity of each relationship between indicators and their respective constructs or latent variables. This assessment is based on the loading factor and the Average Variance Extracted (AVE). An indicator is considered acceptable if the loading factor is greater than

0.70 and the AVE exceeds 0.50. The results of the convergent validity test using loading factors are presented in the following table 1.

Table 1. Result of *Loading Factor*

	Product Innovation (X1)	Social Capital (X2)	Digital Marketing (X3)	Bussiness Success (Y)	Competitive Advantage (Z)
X1.1	0,939				
X1.2	0,932				
X1.3	0,902				
X1.4	0,914				
X2.1		0,924			
X2.2		0,900			
X2.3		0,927			
X2.4		0,912			
X3.1			0,939		
X3.2			0,952		
X3.3			0,952		
Y1.1				0,916	
Y1.2				0,913	
Y1.3				0,919	
Y1.4				0,910	
Y1.5				0,920	
Z1.1					0,941
Z1.2					0,942
Z1.3					0,955

Based on the convergent validity test results using loading factor values in Table 1, all indicators for the variables of product innovation, social capital, digital marketing, business success, and competitive advantage exceed the minimum required threshold. These findings confirm that each indicator has a strong association with the construct it measures, thus adequately representing the latent variables. The consistently high loading factor values indicate that the research instrument has good reliability and measurement accuracy. All indicators contribute significantly to explaining their respective constructs; therefore, no item elimination is required. This condition also affects the Average Variance Extracted (AVE) values shown in the following table, further strengthening the evidence that convergent validity is achieved in the measurement model used.

Tabel 2. Hasil *Average Variance Extracted (AVE)*

	Average Variance Extracted (AVE)
Inovasi Produk (X1)	0,646
Modal Sosial (X2)	0,640
Digital Marketing (X3)	0,660
Keberhasilan Usaha (Y)	0,687
Keunggulan Bersaing (Z)	0,660

Based on the AVE values for all research variables, it can be concluded that all constructs meet the criteria for convergent validity. This is indicated by AVE values exceeding the minimum required threshold, meaning that each construct is able to adequately explain the variance of its indicators. These findings indicate that the indicators truly represent the concepts being measured and demonstrate a good level of fit. Therefore, the convergent validity of the measurement model in this study can be categorized as strong, and the measurement model is considered appropriate for further analysis, including structural relationship testing and mediation effect testing.

Table 3. Result of *Cross Loading*

	Product Innovation	Social Capital	Digital Marketing	Bussiness Success	Competitive Advantage
IP1	0,939	0,046	0,157	0,397	0,570
IP2	0,932	0,078	0,113	0,381	0,550
IP3	0,902	0,012	0,098	0,343	0,511
IP4	0,914	0,049	0,092	0,369	0,517

	Product Innovation	Social Capital	Digital Marketing	Bussiness Success	Competitive Advantage
MS1	0,051	0,924	-0,006	0,664	0,450
MS2	0,056	0,900	-0,008	0,643	0,442
MS3	0,065	0,927	0,014	0,681	0,472
MS4	0,013	0,912	-0,056	0,648	0,417
DM1	0,106	-0,027	0,939	0,334	0,519
DM2	0,159	0,006	0,952	0,384	0,564
DM3	0,091	-0,022	0,952	0,365	0,549
KU1	0,368	0,691	0,337	0,916	0,754
KU2	0,373	0,644	0,344	0,913	0,757
KU3	0,364	0,646	0,341	0,919	0,756
KU4	0,363	0,638	0,372	0,910	0,753
KU5	0,384	0,674	0,353	0,920	0,765
KB1	0,546	0,455	0,546	0,762	0,941
KB2	0,560	0,444	0,540	0,773	0,942
KB3	0,550	0,482	0,545	0,812	0,955

Based on the cross-loading test results, it can be concluded that all indicators in this study meet the criteria for discriminant validity. Each indicator shows the highest loading value on the construct it is intended to measure compared to other constructs, ensuring that there is no overlap in measurement among latent variables. For the product innovation variable, all indicators contribute most strongly to the product innovation construct, indicating that the questionnaire items consistently reflect aspects of uniqueness, menu development, and product differentiation. The social capital variable also demonstrates strong results, where indicators related to trust, networks, cooperation, and shared social values clearly distinguish the social capital construct from other variables in the model.

Furthermore, for the digital marketing variable, each indicator has the highest loading value on the digital marketing construct, confirming that the use of social media, internet-based marketing, and digital technology in promotional activities consistently reflects this construct. The business success variable shows dominant loading values on its construct, indicating that indicators such as increased sales, customer growth, productivity, and business development accurately represent business success. Meanwhile, the competitive advantage variable exhibits a similar pattern, where all indicators contribute most strongly to the competitive advantage construct, particularly those related to product differentiation, market responsiveness, and competitiveness against rivals. Overall, the cross-loading test results confirm that all constructs in the research model demonstrate good discriminant validity. Thus, each indicator is deemed capable of accurately measuring its respective construct, and the measurement model is suitable for further structural (inner model) analysis. The next stage involves comparing the square root of the AVE values with inter-construct correlations to further ensure discriminant validity, as presented in the following table.

Tabel 4. Result *Composite Reliability*

Variabel	Composite Reliability
Inovasi Digital	0,962
Literasi Digital	0,936
Orientasi Kewirausahaan	0,946
Kinerja UMK	0,941
Keunggulan Bersaing	0,914

Based on the composite reliability results in Table 4, all variables in this study demonstrate very strong internal consistency, as indicated by reliability values exceeding the minimum threshold of 0.70. The digital innovation variable shows high measurement consistency in capturing technology-based innovation capabilities, while digital literacy indicates stable respondent assessments regarding digital skills and understanding. Entrepreneurial orientation is also proven to be highly reliable, consistently representing entrepreneurial behavioral tendencies. The MSE performance variable indicates stable respondent evaluations of business growth indicators, while competitive advantage confirms that the components forming competitiveness are measured accurately and reliably. Overall, these results indicate that all variables have excellent reliability and are suitable for further analysis.

3.1.2 Inner Model

The inner model analysis is conducted to evaluate the structural relationships among latent constructs that have been declared valid and reliable in the outer model testing stage. This stage aims to assess the extent to which

independent variables explain the dependent variable, both directly and indirectly through the mediating variable. The evaluation focuses on the strength of relationships among variables and the predictive capability of the model in explaining the phenomenon under study. Therefore, inner model testing is a crucial step to ensure that the conceptual framework has a strong empirical basis and can be used to draw conclusions regarding the effects of product innovation, social capital, and digital marketing on business success, with competitive advantage as an intervening variable.

Tabel 5. Result *R-Squares*

Variables	R-Squares
Keberhasilan Usaha (Y)	0,820
Keunggulan Bersaing (Z)	0,815

Based on the R-square values in Table 5, it can be concluded that the structural model has strong explanatory power. The business success variable is substantially explained by the independent variables used in the study, indicating that product innovation, social capital, and digital marketing make meaningful contributions to improving MSE performance. Additionally, the competitive advantage variable, as a mediating variable, also shows high predictive value, indicating that the constructs influencing it play a significant role in shaping and strengthening the competitive position of MSEs. Overall, these findings demonstrate that the structural model has solid explanatory capability and is empirically suitable for explaining the relationships among variables in this study.

3.1.3. Effect Size

Tabel 6. Hasil *f-Squares*

	Inovasi Produk	Modal Sosial	<i>Digital Marketing</i>	Keberhasilan Usaha	Keunggulan Bersaing
Inovasi Produk				0,016	1,296
Modal Sosial				0,578	1,185
<i>Digital Marketing</i>				0,020	1,433
Keberhasilan Usaha					
Keunggulan Bersaing				0,250	

Based on the f-square values in Table 6, each variable exhibits a different level of influence on the dependent variables in the structural model. Product innovation shows a relatively small contribution to business success but a very strong effect on competitive advantage. This indicates that product innovation plays a greater role in shaping differentiation and the competitive position of MSEs than in directly affecting business success. Social capital shows a large effect on both business success and competitive advantage, emphasizing that networks, trust, and social relationships play a crucial role in enhancing competitiveness and business performance among culinary MSEs. Digital marketing also demonstrates a large effect on business success and a very strong effect on competitive advantage, indicating that the use of digital media is not only effective in improving business performance but also highly influential in creating added value and market differentiation. Meanwhile, competitive advantage has a moderate effect on business success, suggesting that product uniqueness, market responsiveness, and service differentiation contribute meaningfully to improved business outcomes. Overall, these findings confirm that competitive advantage is a strategic factor that strengthens the relationships among variables and plays a key mediating role in linking product innovation, social capital, and digital marketing to business success.

3.1.4 Predictive Relevance

Tabel 7. Hasil *Q-Squares*

Variables	Q-Squares
Keberhasilan Usaha (Y)	0,812
Keunggulan Bersaing (Z)	0,772

Based on the Q-square values shown in Table 7, it can be concluded that the research model has good predictive relevance. The Q-square value for the MSE performance variable indicates that the model is able to predict changes in business performance with sufficient accuracy based on the independent variables used. Meanwhile, the higher Q-square value for the competitive advantage variable indicates that the model is very strong in explaining and predicting the formation of competitive advantage among culinary MSEs in Malang City.

Overall, these findings indicate that the structural model has adequate predictive relevance and is suitable for explaining the relationships among variables in the study.

3.1.4 Hypothesis Testing (Bootstrapping)

Tabel 8. Result Bootstrapping

Hipotesis	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T-Statistics (□ O/STDEV□)	P-Values
Inovasi Produk (X1) – Keberhasilan Usaha(Y)	0,081	0,081	0,033	2,428	0,015
Modal Sosial (X2) – Keberhasilan Usaha(Y)	0,494	0,494	0,024	20,512	0,000
Digital Marketing (X3) – Keberhasilan Usaha (Y)	0,477	0,478	0,034	13,907	0,000
Inovasi Produk(X1) – Keunggulan Bersaing (Z)	0,469	0,469	0,028	16,950	0,000
Modal Sosial (X2) – Keunggulan Bersaing (Z)	0,095	0,096	0,032	2,951	0,003
Digital Marketing (X3) – Keunggulan Bersaing (Z)	0,519	0,519	0,027	19,142	0,000
Keunggulan Bersaing (Z) – Keberhasilan Usaha (Y)	0,493	0,492	0,049	9,988	0,000
Inovasi Produk (X1) – Keunggulan Bersaing (Z) – Keberhasilan Usaha (Y)	0,256	0,255	0,029	8,778	0,000
Modal Sosial (X2) – Keunggulan Bersaing (Z) – Keberhasilan Usaha (Y)	0,244	0,243	0,027	8,989	0,000
Digital Marketing (X3) – Keunggulan Bersaing (Z) – Keberhasilan Usaha (Y)	0,231	0,231	0,026	8,862	0,000

Based on the bootstrapping test results in Table 8, all relationships among variables in the research model are statistically significant. These findings indicate that each independent variable makes a clear contribution to influencing both the dependent variable and the mediating variable. Product innovation, social capital, and digital marketing are proven to have positive and significant direct effects on business success and competitive advantage. Furthermore, competitive advantage also plays a significant role in enhancing business success, indicating that its function as a mediating variable operates effectively. The mediation test results show that competitive advantage is able to partially strengthen the indirect effects of the three main variables on business success. This pattern of relationships confirms that innovation, social network strength, and digital marketing capability do not only operate directly but also generate additional impacts through enhanced competitiveness. Therefore, the tested structural model demonstrates strong relational consistency, and all hypotheses proposed in this study are accepted.

3.2 Discussion

3.2.1 The Effect of Product Innovation, Social Capital, and Digital Marketing on the Business Success of Culinary MSMEs in Gresik Regency

The research findings indicate that product innovation has a positive and significant effect on the business success of culinary MSMEs in Gresik Regency, as evidenced by a positive coefficient value, a t-statistic greater than 1.96, and a p-value below 0.05. These findings suggest that an increase in product innovation activities is followed by an improvement in business performance, both in terms of sales, revenue, and business sustainability. Although the magnitude of the direct effect of product innovation is relatively smaller than that of social capital and digital marketing, product innovation still makes a tangible contribution to the success of culinary MSMEs. The effect of product innovation cannot be separated from the characteristics of the research respondents, the majority of whom are of productive age and have been operating their businesses for more than two years. This condition enables MSME actors to have sufficient experience in understanding market preferences and the dynamics of consumer demand. In terms of education, the dominance of high school graduates indicates that product innovations tend to be practical, applicative, and experience-based, such as adjustments in taste, appearance, and menu variations. Meanwhile, respondents with undergraduate (S1) and postgraduate (S2) education serve as reinforcing agents in the implementation of more structured innovations, particularly in aspects

of packaging, value creation, and enhancement of product visual quality. The use of digital media and non-cash payment methods also encourages MSME actors to adapt product innovations to be more practical, hygienic, and aligned with modern consumption patterns.

These findings are in line with Dynamic Capabilities Theory (Teece, 2007), which emphasizes that business success is determined by the ability to sense, seize, and transform. Culinary MSME actors in Gresik are able to perform sensing by recognizing changes in tastes and culinary trends, seizing through the development of new menus and product appearance updates, and transforming through adjustments in production processes and packaging. In addition, this study also supports Innovation Diffusion Theory (Rogers, 2003), where product innovations that have relative advantages, compatibility, and high observability are more quickly adopted by the market and positively affect business success. These findings are consistent with previous studies (Ismanu et al., 2021; Paul & Amin, 2024; Ramadani et al., 2019), although they differ from Larios-Francia and Ferasso (2023), who found a positive but insignificant effect.

Furthermore, the results show that social capital has a positive and significant effect on the business success of culinary MSMEs in Gresik Regency, with the largest coefficient value compared to other variables. This confirms that social capital is a dominant factor in driving business success. The strong influence of social capital is closely related to the socio-cultural characteristics of the Gresik community, which are communal in nature and emphasize trust, cooperation, and reciprocity. Most MSME actors have been operating their businesses for a long period, enabling the formation of strong social networks with customers, suppliers, and fellow entrepreneurs.

From an educational perspective, the dominance of high school graduates reflects a practical approach to building social relationships based on experience. The presence of MSME actors with undergraduate (S1) and postgraduate (S2) education further enhances the quality of communication, coordination, and information exchange within business networks. The involvement of MSME actors in local communities, business associations, and digital communication groups such as WhatsApp Groups strengthens the intensity of social interactions and expands access to business information. These findings support Dynamic Capabilities Theory (Teece, 2007), where social capital strengthens sensing and seizing capabilities in collectively identifying market opportunities, and are also consistent with Innovation Diffusion Theory (Rogers, 2003), which emphasizes the role of social networks in accelerating innovation adoption. The results are consistent with Akintimehin et al. (2019), although they differ from Abane et al. (2024), who found an insignificant effect in a different regional context.

In addition, digital marketing is also proven to have a positive and significant effect on the business success of culinary MSMEs in Gresik Regency. The utilization of social media, instant messaging applications, and digital platforms enables MSME actors to expand market reach, enhance interaction with consumers, and respond quickly to changes in preferences. The dominance of MSME actors of productive age and the widespread use of smartphones support the adoption of digital marketing, although the strategies employed tend to be simple and practical. These findings support Dynamic Capabilities Theory (Teece, 2007) and Innovation Diffusion Theory (Rogers, 2003), and are consistent with previous studies (Acayip et al., 2025; Tharao et al., 2023), although they differ from Wu et al. (2024). In the local context of Gresik, simple yet consistent digital marketing strategies have proven effective because they align with the characteristics of a non-metropolitan market.

3.2.2 Competitive Advantage as a Key Factor

The results also show that product innovation, social capital, and digital marketing have a positive and significant effect on the competitive advantage of culinary MSMEs in Gresik Regency. Product innovation and digital marketing emerge as the dominant factors in shaping competitive advantage, while social capital plays a strategic supporting role. The competitive advantage possessed by culinary MSMEs in Gresik is contextual and locally based, such as unique taste, close relationships with customers, and service speed. These findings are consistent with Dynamic Capabilities Theory (Teece, 2007) and Innovation Diffusion Theory (Rogers, 2003), and are supported by previous studies (Arista & Hermawan, 2025; Edeh et al., 2025; Naruetharadhol et al., 2023). Furthermore, competitive advantage is proven to have a positive and significant effect on business success, indicating that differentiation capability, market responsiveness, and quality consistency are key determinants of improved business performance among culinary MSMEs. These findings are consistent with Maulana et al. (2024), although they differ from Maziriri (2020), who found contextual results related to green marketing strategies.

3.2.3 The Mediating Role of Competitive Advantage

This study also demonstrates that competitive advantage partially mediates the effects of product innovation and social capital on business success. Product innovation and social capital do not always exert a maximal direct impact, but become more effective when converted into tangible competitive advantages that are perceived by consumers. These findings support Dynamic Capabilities Theory (Teece, 2007) and Innovation Diffusion Theory (Rogers, 2003), and are in line with previous studies (Arista & Hermawan, 2025; Muis, 2025). Overall, this study confirms that the business success of culinary MSMEs in Gresik Regency is most effectively achieved through the integration of product innovation, social capital, and digital marketing in building contextual

and sustainable competitive advantage. The novelty of this study lies in the finding that, in the context of non-metropolitan culinary MSMEs, simple, adaptive, and locally value-based strategies are more effective than complex and aggressive approaches.

4. Conclusion

Based on the research results, it can be concluded that product innovation, social capital, and digital marketing play important roles in enhancing the business success of culinary MSMEs in Gresik Regency, both directly and indirectly through competitive advantage. The findings indicate that culinary MSME actors generally demonstrate relatively high levels of product innovation, social capital, utilization of digital marketing, and competitive advantage, as reflected in the average values of each variable, which fall into the high category. Empirical testing confirms that product innovation, social capital, and digital marketing have positive and significant effects on the business success of culinary MSMEs, while also making a substantial contribution to the formation of competitive advantage. Competitive advantage is proven to be a key factor in driving improved business success, particularly in terms of increased sales, customer growth, and business sustainability. Furthermore, the mediation test results show that competitive advantage partially mediates the effects of product innovation, social capital, and digital marketing on business success, indicating that the impacts of these three variables become more optimal when they are converted into tangible competitive advantages that are perceived by consumers. Therefore, this study emphasizes that the business success of culinary MSMEs in Gresik Regency does not rely solely on the possession of resources, innovation capabilities, and digital marketing activities, but also on the ability of business actors to manage, integrate, and transform these resources into sustainable competitive advantages that are aligned with the characteristics and needs of the local market.

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