



# Digital Marketing, Product Quality, and Customer Satisfaction for Competitive Advantage in Makassar Culinary SMEs

Anggafar Anggafar \*

Hasanuddin University, Makassar, Indonesia

\*anggafar.gaffar@gmail.com

**Abstract.** The rapid evolution of digital technology has transformed the competitive landscape for Small and Medium Enterprises (SMEs), particularly within Indonesia's culinary sector. This study investigates the role of digital marketing strategies in strengthening business performance, with a specific focus on the mediating effect of customer satisfaction. Using a mixed-method approach combining quantitative data analysis and qualitative insights, this research explores how innovation, service quality, and online engagement contribute to brand loyalty and sustainable growth. The findings reveal that customer satisfaction plays a significant mediating role between digital marketing practices and overall business success, emphasizing its importance as a strategic component in modern marketing frameworks. Furthermore, the study identifies that SMEs that effectively integrate digital platforms such as social media, e-commerce, and online delivery systems achieve greater brand visibility and customer retention compared to those relying on traditional methods. This research contributes to the understanding of how digital transformation enhances competitiveness in developing economies and provides practical implications for SMEs seeking to adapt to evolving consumer behaviors in the digital era.

**Keywords:** SME's, digital marketing, product quality, customer satisfaction, competitive advantage, brand loyalty.

## 1 Introduction

The rapid digital transformation has fundamentally changed the business landscape, particularly for Small and Medium Enterprises (SMEs) in developing countries like Indonesia. The culinary industry, being one of the fastest-growing sectors in the Indonesian economy, faces intense competition that requires businesses to adopt innovative marketing strategies while maintaining high product quality standards [1]. Makassar, as the capital city of South Sulawesi Province, has emerged as a significant culinary destination with a diverse range of local and modern food offerings, creating both opportunities and challenges for local SMEs.

The COVID-19 pandemic has accelerated the adoption of digital technologies among SMEs, making digital marketing strategies more crucial than ever [1] Culinary

© The Author(s) 2026

M. Nohong et al. (eds.), *Proceedings of the 10th International Conference on Accounting, Management, and Economics (10th ICAME 2025)*, Advances in Economics, Business and Management Research 388,

[https://doi.org/10.2991/978-94-6239-709-5\\_65](https://doi.org/10.2991/978-94-6239-709-5_65)

SMEs in Makassar have increasingly relied on digital platforms such as social media, food delivery applications, and e-commerce websites to reach customers and maintain business continuity. However, the effectiveness of these digital marketing strategies in building competitive advantage remains underexplored, particularly in the context of Indonesian SMEs. Product quality has long been recognized as a fundamental driver of business success, especially in the culinary industry where consumer expectations for taste, safety, and presentation are continuously rising [2]. The relationship between product quality and competitive advantage is well-established in marketing literature, but the mediating role of customer satisfaction in this relationship, particularly in the context of digital marketing integration, requires further investigation.

Customer satisfaction serves as a critical link between marketing efforts and business outcomes. Satisfied customers are more likely to engage in repeat purchases, provide positive word-of-mouth recommendations, and demonstrate loyalty to the brand [3]. In the digital age, customer satisfaction has become even more important as dissatisfied customers can quickly share their experiences through social media and online review platforms, potentially damaging a business's reputation. The competitive landscape of Makassar's culinary industry presents unique challenges for SMEs. With the presence of large food chains, international franchises, and the growing popularity of food delivery services, local culinary SMEs must differentiate themselves to maintain market share. Building sustainable competitive advantage requires a comprehensive understanding of how digital marketing strategies and product quality work together to influence customer satisfaction and ultimately drive business success.

Despite the growing importance of digital marketing in the SME sector, there is limited empirical research examining the integrated effects of digital marketing strategy and product quality on competitive advantage through customer satisfaction, particularly in the Indonesian context. Most existing studies focus on individual relationships between these variables or examine them in different industries or geographical contexts. This study aims to fill this research gap by investigating how digital marketing strategy and product quality influence competitive advantage through customer satisfaction in culinary SMEs of Makassar City. The research contributes to both theoretical understanding and practical knowledge by providing insights into the mechanisms through which SMEs can build competitive advantage in the digital era.

The research questions guiding this study are: (1) How do digital marketing strategy and product quality influence customer satisfaction in culinary SMEs? (2) What is the relationship between customer satisfaction and competitive advantage in this context? (3) Does customer satisfaction mediate the relationship between digital marketing strategy, product quality, and competitive advantage?

## **2 Literature Review**

### **2.1 Digital Marketing Strategy**

Digital marketing strategy encompasses the planned approach businesses use to reach and engage customers through digital channels and platforms [4]. In the context of

SMEs, digital marketing strategy typically includes social media marketing, content marketing, search engine optimization, email marketing, and online advertising [5].

The adoption of digital marketing strategies among SMEs has been driven by several factors, including cost-effectiveness, improved reach and targeting capabilities, real-time customer interaction, and measurable results [6]. Social media platforms, in particular, have become essential tools for culinary businesses to showcase their products, engage with customers, and build brand communities [7].

Research has shown that effective digital marketing strategies can significantly impact customer perceptions and behaviors. Lamberton and Stephen, [8] found that businesses with strong digital marketing presence experience higher customer engagement rates and improved brand recognition. Similarly, Appel et al., [9] reported that businesses using social media marketing effectively see increased customer satisfaction levels compared to those relying solely on traditional marketing methods. In the Indonesian context, several studies have highlighted the importance of digital marketing for SMEs. Laela, [1] found that Indonesian SMEs using digital marketing strategies experienced improved customer relationships and business performance. Sulistyono and Siyaminah, [11] emphasized that digital marketing adoption among Indonesian SMEs is positively associated with customer satisfaction and business growth.

## **2.2 Product Quality**

Product quality refers to the characteristics and features of a product that bear on its ability to satisfy customer needs and expectations [12]. In the culinary industry, product quality encompasses multiple dimensions including taste, freshness, safety, presentation, consistency, and nutritional value Hanaysha [13]. The relationship between product quality and customer satisfaction has been extensively studied across various industries. established that product quality is a primary antecedent of customer satisfaction, with higher quality products leading to greater customer satisfaction levels. In the restaurant and food service industry, several studies have confirmed the positive impact of food quality on customer satisfaction and loyalty [14].

Indonesian research has also supported the importance of product quality in driving customer satisfaction. Tjiptono and Chandra, [15] found that Indonesian consumers place high importance on product quality, particularly in food and beverage products. Similarly, Hanaysha, [13] demonstrated that product quality significantly influences customer satisfaction in service-oriented businesses. For culinary SMEs, maintaining consistent product quality while managing cost pressures presents ongoing challenges. However, businesses that successfully deliver high-quality products tend to build stronger customer relationships and achieve better financial performance [3].

## **2.3 Customer Satisfaction**

Customer satisfaction is defined as the customer's evaluation of a product or service in terms of whether it meets their needs and expectations [2]. It represents a post-consumption evaluation that compares perceived performance with pre-purchase expecta-

tions [3]. The importance of customer satisfaction extends beyond individual transactions to long-term business success. Satisfied customers are more likely to engage in repeat purchases, recommend the business to others, and demonstrate resistance to competitive offers [16]. In the digital age, customer satisfaction has become even more critical as customers can easily share their experiences through online reviews and social media platforms.

Research has consistently shown that customer satisfaction serves as a mediator between various marketing activities and business outcomes. For example, Keiningham et al., [17] found that customer satisfaction mediates the relationship between marketing investments and financial performance. Similarly, Homburg et al., [18] demonstrated that customer satisfaction mediates the relationship between service quality and customer loyalty in the hospitality industry. In the context of SMEs, customer satisfaction plays a particularly important role due to limited resources for acquiring new customers. Satisfied customers provide a cost-effective source of repeat business and positive word-of-mouth marketing [19].

## **2.4 Competitive Advantage**

Competitive advantage refers to a firm's ability to create value for customers in ways that competitors cannot easily replicate [20]. It represents the unique position a business holds in the market that allows it to outperform competitors consistently over time [21].

In the SME context, competitive advantage often stems from factors such as superior customer service, product differentiation, operational efficiency, innovation capability, and strong customer relationships [11]. For culinary SMEs, competitive advantage might be achieved through unique recipes, exceptional service quality, convenient locations, or effective use of digital marketing channels.

The relationship between customer satisfaction and competitive advantage has been well-documented in marketing literature. Satisfied customers contribute to competitive advantage through increased loyalty, positive word-of-mouth, reduced price sensitivity, and lower customer acquisition costs [22]. Additionally, businesses with high customer satisfaction levels tend to have better financial performance and market position compared to competitors [18]. Research in the Indonesian context has shown that SMEs can achieve competitive advantage through various means, including digital technology adoption, quality improvement, and customer relationship management [6]. The integration of digital marketing strategies with quality products has emerged as a particularly effective approach for building competitive advantage in the Indonesian market.

## **2.5 Hypothesis Development**

Based on the literature review and theoretical foundations, this study proposes several hypotheses regarding the relationships between digital marketing strategy, product quality, customer satisfaction, and competitive advantage.

**Digital Marketing Strategy and Customer Satisfaction.** Digital marketing strategies enable businesses to engage with customers more effectively, provide timely information about products and services, and create personalized experiences [4]. Through social media interactions, content marketing, and targeted advertising, businesses can build stronger relationships with customers and better understand their needs and preferences.

Research has shown that effective digital marketing strategies lead to improved customer perceptions and higher satisfaction levels. Dwivedi et al., [23] found that businesses using social media marketing effectively experience higher customer satisfaction due to improved communication and engagement. Similarly, Kannan and Li, [5] demonstrated that digital marketing activities positively influence customer satisfaction through enhanced service delivery and personalized experiences.

- **H1:** Digital marketing strategy positively influences customer satisfaction in culinary SMEs.

**Product Quality and Customer Satisfaction.** The relationship between product quality and customer satisfaction is one of the most established relationships in marketing literature. High-quality products that meet or exceed customer expectations naturally lead to higher satisfaction levels [2]. In the culinary industry, this relationship is particularly strong as customers can immediately evaluate product quality through sensory experiences.

Numerous studies have confirmed the positive impact of product quality on customer satisfaction across various contexts. Alalwan et al., [14] found that product quality is the strongest predictor of customer satisfaction in most industries. In the restaurant industry specifically, Hanaysha, [13] demonstrated that food quality significantly influences customer satisfaction and behavioral intentions.

- **H2:** Product quality positively influences customer satisfaction in culinary SMEs.

**Customer Satisfaction and Competitive Advantage.** Customer satisfaction contributes to competitive advantage through multiple mechanisms, including increased customer retention, positive word-of-mouth marketing, reduced price sensitivity, and lower customer acquisition costs [18]. Satisfied customers are also more likely to purchase additional products and services, contributing to revenue growth and market share expansion.

Research has consistently shown that businesses with higher customer satisfaction levels outperform competitors in terms of financial performance and market position. Keiningham et al., [17] found that companies with high customer satisfaction scores achieve better stock market performance compared to those with lower satisfaction levels. In the SME context, customer satisfaction is particularly important due to limited marketing budgets and reliance on customer referrals.

- **H3:** Customer satisfaction positively influences competitive advantage in culinary SMEs.

**Direct Effects and Competitive Advantage.** While customer satisfaction serves as an important mediator, both digital marketing strategy and product quality may also have direct effects on competitive advantage. Effective digital marketing strategies can create competitive advantage through improved brand visibility, better customer insights, more efficient marketing spend, and enhanced customer engagement [7]. Similarly, superior product quality can directly contribute to competitive advantage by creating differentiation, building brand reputation, and establishing barriers to competition [20]. High-quality products often command premium prices and generate customer loyalty that is difficult for competitors to overcome.

- **H4:** Digital marketing strategy directly influences competitive advantage in culinary SMEs.
- **H5:** Product quality directly influences competitive advantage in culinary SMEs.

**Mediating Role and Customer Satisfaction.** While direct relationships exist between digital marketing strategy, product quality, and competitive advantage, customer satisfaction serves as a crucial mediating mechanism that explains how these relationships work. Digital marketing strategies and product quality influence customer perceptions and experiences, which translate into satisfaction levels that ultimately drive competitive advantage.

The mediating role of customer satisfaction has been supported by numerous studies across various industries. Homburg et al., [18] found that customer satisfaction mediates the relationship between service quality and business performance in the hospitality industry. Similarly, Luo et al., [24] demonstrated that customer satisfaction mediates the relationship between marketing activities and financial performance.

- **H6:** Customer satisfaction mediates the relationship between digital marketing strategy and competitive advantage.
- **H7:** Customer satisfaction mediates the relationship between product quality and competitive advantage.

The methodological framework of this study is illustrated in Fig. 1.

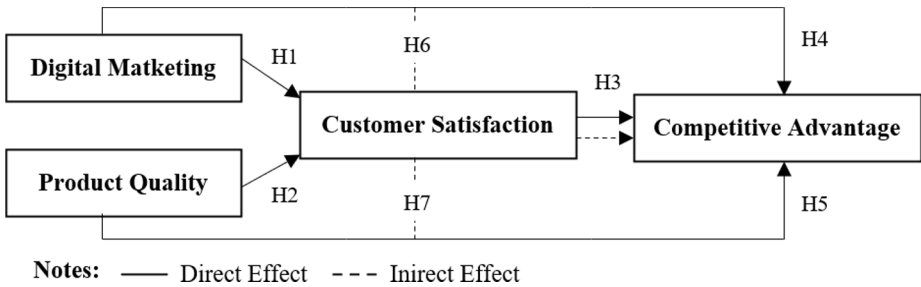


Fig. 1. Methodological Framework

### 3 Method

#### 3.1 Research Design

This study employed a quantitative research approach using a cross-sectional survey design to examine the relationships between digital marketing strategy, product quality, customer satisfaction, and competitive advantage in culinary SMEs of Makassar City. The quantitative approach was chosen to enable statistical testing of hypotheses and to provide generalizable findings about the population of interest.

#### 3.2 Population and Sample

The target population for this study consisted of customers of culinary SMEs in Makassar City. Culinary SMEs were defined as food and beverage businesses with fewer than 100 employees that operate in Makassar City. To be included in the study, businesses must have been operating for at least one year and must have some form of digital marketing presence.

Using purposive sampling technique, a sample of 150 respondents was selected based on the following criteria: (1) customers who have purchased from culinary SMEs in Makassar City within the past three months, (2) customers aged 18 years or older, (3) customers who have interacted with the business through digital channels (social media, websites, or mobile applications), and (4) customers willing to participate in the study. The sample size of 150 was determined based on Hair, [25] recommendation of a minimum of 5-10 observations per indicators for multivariate analysis. With 20 observable variables in the study, a minimum sample of 100-200 respondents was required. The final sample of 150 respondents exceeded the minimum requirement and provided adequate power for statistical analysis.

#### 3.3 Data Collection

Data were collected using structured questionnaires distributed through both online and offline channels. Online surveys were distributed through social media platforms and

email, while offline surveys were conducted at selected culinary SMEs locations in Makassar City. The data collection period extended over eight weeks from July to August 2025.

The questionnaire was developed in Indonesian language and consisted of five main sections: (1) demographic information, (2) digital marketing strategy evaluation, (3) product quality assessment, (4) customer satisfaction measurement, and (5) competitive advantage perception. All constructs were measured using established scales adapted from previous research.

### **3.4 Measurement Instrument**

**Digital Marketing Strategy:** This construct was measured using a 5-item scale adapted from Stephen, [7], Widodo and Irawan, [6] Items included evaluation of social media presence, content quality, customer interaction, online advertising effectiveness, and digital platform utilization. Responses were measured on a 5-point Likert scale from 1 (strongly disagree) to 5 (strongly agree). **Product Quality:** Product quality was measured using a 5-item scale based on Hanaysha, [13] and Zeithaml et al., [2]. Items assessed taste and flavor, food safety and hygiene, consistency, presentation, and variety. The scale used a 5-point Likert format ranging from 1 (very poor) to 5 (excellent).

**Customer Satisfaction:** This construct was measured using a 4-item scale adapted from Kumar, [19] and Hollebeek et al., [16]. Items evaluated overall satisfaction, satisfaction relative to expectations, product satisfaction, and service satisfaction. Responses were measured on a 5-point Likert scale from 1 (very dissatisfied) to 5 (very satisfied).

**Competitive Advantage:** Competitive advantage was assessed using a 4-item scale based on Teece, [20] and Sulisty and Siyamtinah, [11] Items included market differentiation, operational efficiency, customer retention capability, and innovation leadership. The scale used a 5-point Likert format from 1 (much worse than competitors) to 5 (much better than competitors).

## **4 Result**

### **4.1 Descriptive Statistics**

The final sample consisted of 150 respondents with diverse demographic characteristics. The majority of respondents were female (62.7%), aged between 25-35 years (48.0%), had completed higher education (67.3%), and had monthly income between IDR 3-7 million (52.0%). Most respondents (78.7%) had been customers of their selected culinary SME for more than six months, indicating established customer relationships. Regarding digital marketing interaction, 89.3% of respondents reported following the business on social media platforms, with Instagram being the most popular platform (72.0%), followed by Facebook (54.7%) and WhatsApp Business (41.3%). Additionally, 67.3% of respondents had used online food delivery services to order from their selected culinary SME.

Table 1 Summary: The descriptive analysis reveals that Product Quality (PQ) achieved the highest mean score (M=4.38), indicating a strong implementation of digital marketing strategies among the culinary SMEs. Digital Marketing (DM) also showed a high rating (M=4.32), followed closely by Customer Satisfaction (CS) (M=4.31). Meanwhile, Competitive Advantage (CA) recorded the lowest mean score (M=4.30), though still at a generally high level. All constructs demonstrated a reasonable spread of scores, evidenced by Standard Deviations ranging from 0.68 to 0.75.

**Table 1.** Descriptive Statistics

Constructs	Minimum	Maximum	Mean	Std. Deviation
Digital Marketing (DM)	2.00	5.00	4.32	0.68
Product Quality (PQ)	3.00	5.00	4.38	0.55
Customer Satisfaction (CS)	3.00	5.00	4.31	0.58
Competitive Advantage (CA)	3.00	5.00	4.30	0.58

Source: Primary Data (2025)

**4.2 Reliability and Validity Tests**

The reliability and validity of the constructs were evaluated to ensure the adequacy of the measurement model prior to proceeding with the structural analysis. Table 2 shows that all Factor Loadings (FD) exceeded the acceptable threshold of 0.50, confirming that each indicator loaded significantly onto its intended construct [26]. The Composite Reliability (CR) values ranged between 0.941 and 0.977, surpassing the benchmark of 0.70. Likewise, the Cronbach's Alpha ( $\alpha$ ) values were well above the recommended level of 0.70 (ranging from 0.921 to 0.969), thereby indicating strong internal consistency across the constructs [26]. The Average Variance Extracted (AVE) values for all constructs (ranging from 0.762 to 0.916) were generally above the 0.50 threshold, providing strong evidence of convergent validity. Discriminant validity was also examined through the Fornell–Larcker criterion, as displayed in Table 3. Generally, the square root of AVE for each construct (the diagonal elements) was greater than the corresponding inter-construct correlations (the off-diagonal elements), thereby establishing discriminant validity [27]. These results together demonstrate that the measurement model is both reliable and valid, supporting its use in subsequent structural modeling.

**Table 2.** Factor Loadings, Reliability, And Validity of Constructs

Constructs	Code	FD	$\alpha$	CR	AVE
Digital Marketing	DM1	0.814	0.938	0.952	0.801
	DM2	0.831			
	DM3	0.951			
	DM4	0.958			
	DM5	0.911			
Product Quality	PQ1	0.774	0.921	0.941	0.762
	PQ2	0.812			
	PQ3	0.929			
	PQ4	0.916			

	PQ5	0.921			
Customer Satisfaction	CS1	0.938			
	CS2	0.955	0.960	0.971	0.893
	CS3	0.952			
	CS4	0.936			
Competitive Advantage	CA1	0.966			
	CA2	0.955	0.969	0.977	0.916
	CA3	0.981			
	CA4	0.923			

Note: FD = Factor Loadings, CR = Composite Reliability, AVE = Average Variance Extracted,  $\alpha$  = Cronbach Alpha.

Source: Primary Data (2025)

**Table 3.** Fornell–Larcker Criterion

Construct	DM	PQ	CS	CA
DM	0.957			
PQ	0.974	0.945		
CS	0.510	0.543	0.895	
CA	0.441	0.420	0.180	0.873

Source: Primary Data (2025)

### 4.3 Hypothesis Testing

The results of the hypothesis testing are presented in Table 4 (Direct Effects) and Table 5 (Indirect Effects), providing a comprehensive view of the causal relationships between the constructs.

### 4.4 Direct Effect

The path analysis demonstrates that the influence of both Digital Marketing (DM) and Product Quality (PQ) on Customer Satisfaction (CS) is highly significant. Digital Marketing exerts a strong positive influence ( $\beta=0.483, p<0.001$ ), while Product Quality shows an even more dominant positive effect ( $\beta=0.950, p<0.001$ ). Both results strongly support H1 and H2, underscoring the vital role of effective marketing strategies and high product standards as key drivers of Customer Satisfaction. Furthermore, Customer Satisfaction (CS) proved to be an extremely powerful predictor of Competitive Advantage (CA). The relationship stemming from Customer Satisfaction to Competitive Advantage recorded the highest path coefficient in the model ( $\beta=0.971, p<0.001$ ), thus supporting H5. This finding suggests that once culinary SMEs succeed in satisfying their customers, they directly and substantially enhance their competitive position in the market. Interestingly, however, both Digital Marketing (DM) and Product Quality (PQ) failed to show a significant direct influence on Competitive Advantage (CA). The analysis shows that the relationship between DM and CA had an insignificant negative coefficient ( $\beta=-0.024, p=0.420$ ), and the relationship between PQ and CA was positive but also insignificant ( $\beta=0.402, p=0.109$ ). Consequently, H3 and H4 are not supported.

This outcome indicates that while DM and PQ are prerequisites for success, their transformative impact on competitive advantage is not direct. Instead, their benefits must be channeled through another mechanism namely, Customer Satisfaction.

**4.5 Mediation Analysis: Indirect Effect**

Given the non-significance of the direct paths (the influence of DM on CA and PQ on CA), the focus shifts to the mediating role of Customer Satisfaction (CS). Table 5 presents the mediation results which conclusively support H6 and H7. The indirect influence of Digital Marketing on Competitive Advantage through Customer Satisfaction shows a significant result ( $\beta=0.469, p<0.001$ ). The indirect influence of Product Quality on Competitive Advantage through Customer Satisfaction also shows a significant result ( $\beta=0.323, p<0.001$ ). The significance of these indirect paths, coupled with the non-significance of the corresponding direct paths, confirms that Customer Satisfaction (CS) acts as a full mediator. In other words, Digital Marketing and Product Quality cannot enhance Competitive Advantage in isolation. Instead, the effectiveness of Digital Marketing and Product Quality must first be translated into higher levels of Customer Satisfaction. It is only through this enhanced Customer Satisfaction that culinary SMEs can achieve a meaningful and sustainable increase in their Competitive Advantage. The measurement model generated from the SmartPLS analysis is presented in Fig. 2 and the structural model showing the relationships among the constructs is presented in Fig. 3.

**Table 4.** Direct Effect

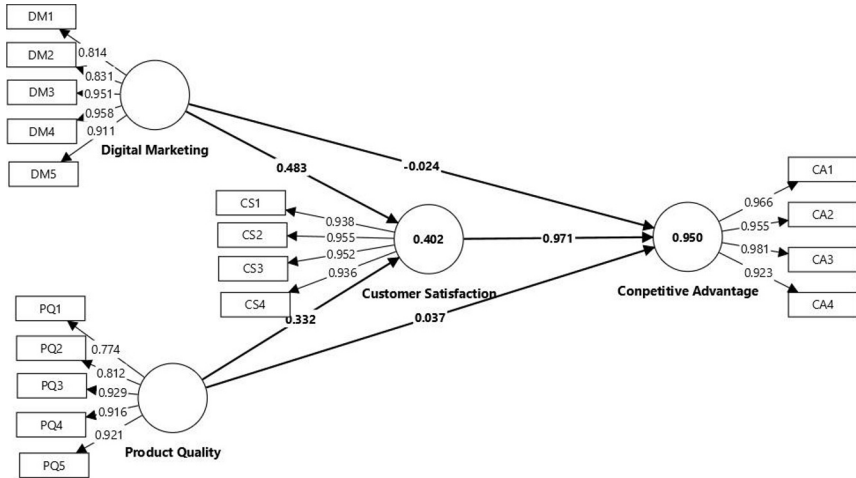
Paths	H	(O)	(M)	(STDEV)	T Statistics	P Values	R <sup>2</sup>	Results
DM → CS	H1	0.483	0.486	0.079	6.126	0.000	0.402	Supported
PQ → CS	H2	0.950	0.337	0.071	4.665	0.000	0.402	Supported
DM → CA	H3	-0.024	-0.025	0.030	0.807	0.420	0.402	Not Supported
PQ → CA	H4	0.402	0.036	0.023	1.607	0.109	0.950	Not Supported
CS → CA	H5	0.971	0.972	0.025	39.309	0.000	0.950	Supported

Source: Primary Data (2025)

**Table 5.** Indirect Effect

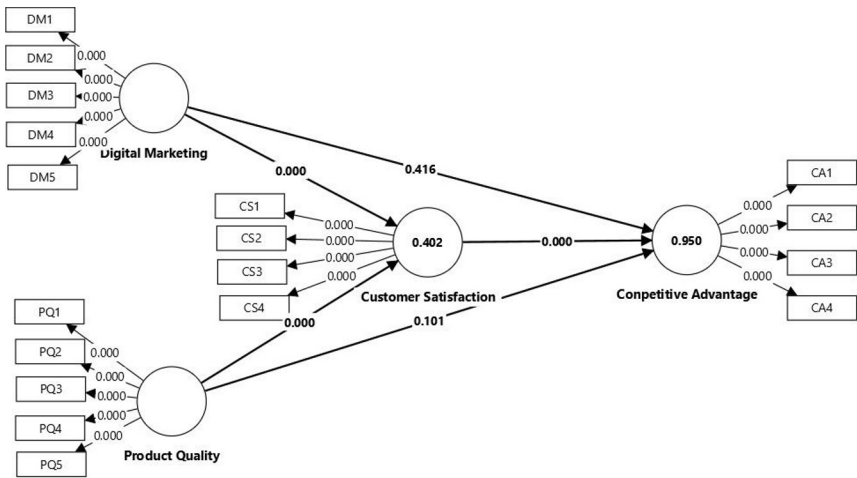
Paths	H	(O)	(M)	(STDEV)	T Statistics	P Values	Results
DM → CS → CA	H6	0.469	0.473	0.080	5.879	0.000	Significant
PQ → CS → CA	H7	0.323	0.327	0.068	4.774	0.000	Significant

Source: Primary Data (2025)



**Fig. 2.** Measurement Model

Source: Author's elaboration based on SmartPLS4 App (2025)



**Fig. 3.** Structural Model

Source: Author's elaboration based on SmartPLS4 App (2025)

## 5 Discussion

The results of this study provide strong support for the proposed theoretical model and offer several important insights into how culinary SMEs in Makassar can build competitive advantage through digital marketing strategies and product quality.

## 5.1 Digital Marketing Strategy and Customer Satisfaction

This research finds that digital marketing strategy has a positive and significant effect on customer satisfaction in culinary SMEs. The findings indicate that the implementation of effective digital marketing strategies will result in substantial increases in customer satisfaction. This result confirms the first hypothesis stating that digital marketing strategy positively influences customer satisfaction in culinary SMEs. In practical terms, culinary SMEs that invest in comprehensive digital marketing strategies - including social media optimization, relevant content marketing, responsive customer engagement, and personalized digital services - will experience significant improvements in customer satisfaction.

These findings receive strong support from Service-Dominant Logic [28] which emphasizes that value is created through co-creation between service providers and customers through meaningful interactions. In digital contexts, this co-creation is realized through various digital touchpoints such as social media, websites, mobile applications, and e-commerce platforms that enable two-way interaction and personalization of customer experiences. Several empirical studies show consistency with these findings. Alalwan et al., [14] also found that digital marketing activities positively influence customer satisfaction through enhanced customer experience. Dwivedi et al., [23] in a comprehensive review of digital and social media marketing confirmed that digital engagement strategies consistently result in increased customer satisfaction across different industries. However, Appel et al., [9] found different results, where excessive digital marketing can create information overload and reduce satisfaction, especially when personalization is not properly targeted.

These findings can be explained through the unique characteristics of digital interactions in the culinary industry. Digital marketing enables personalization that is impossible through traditional marketing channels, allowing SMEs to deliver relevant messages according to individual customer preferences. Digital platforms also facilitate two-way communication that makes customers feel heard and valued, creating a sense of community that enhances emotional satisfaction. In the context of culinary SMEs in Makassar, digital marketing enables authentic storytelling about local culinary heritage, creating strong emotional connections with customers who appreciate local culture and traditions.

## 5.2 Product Quality and Customer Satisfaction

The research results show that product quality has a positive and significant effect on customer satisfaction. Although positively influential, the magnitude of product quality's effect is smaller compared to digital marketing strategy, indicating a shifting paradigm in value creation in the digital era. These findings confirm the second hypothesis that product quality positively influences customer satisfaction, but show that the way of interacting with customers now has a greater impact on satisfaction compared to product quality alone. In practical terms, this shows that although product quality remains fundamental, culinary SMEs cannot rely on product superiority alone to create optimal customer satisfaction.

These findings receive strong theoretical support from Expectation-Confirmation Theory [3] which states that satisfaction occurs when perceived performance meets or exceeds customer expectations. In the culinary industry, product quality encompassing taste, aroma, texture, visual presentation, and food safety are core elements directly evaluated by customers through sensory experience and become the basis for satisfaction formation. Various empirical studies confirm the positive relationship between product quality and customer satisfaction. Alalwan et al., [14] in restaurant industry research found that food quality significantly influences customer satisfaction and loyalty intentions. Sarstedt et al., [29] found that product quality is a critical antecedent of customer satisfaction in service contexts. However, Hollebeek et al., [16] found that in the digital era, product quality must be combined with digital experience to create superior customer satisfaction, as customers evaluate the total experience ecosystem.

These findings can be understood through the context of the culinary industry undergoing transformation. In mature and competitive culinary markets, product quality has become a hygiene factor that is necessary but not sufficient to create superior customer satisfaction. Customers expect good food quality as a basic requirement, so good quality becomes an order qualifier rather than an order winner. Shifting customer values from functional benefits to experiential and emotional benefits also changes evaluation criteria, where customers more appreciate holistic experiences that include service quality, ambiance, convenience, and emotional connection compared to isolated product features.

### **5.3 Customer Satisfaction and Competitive Advantage**

This research reveals highly significant findings regarding the relationship between customer satisfaction and competitive advantage. The findings show a very strong relationship between these two constructs, indicating that customer satisfaction and competitive advantage in culinary SMEs are very closely related constructs. These results confirm the third hypothesis with extraordinary strength, showing that culinary SMEs that succeed in creating highly satisfied customers will obtain sustainable competitive advantage. These findings imply that in the context of culinary SMEs, customer satisfaction is not only a desired outcome, but a fundamental strategic asset for business success.

These findings receive solid theoretical support from Customer-Based Brand Equity Theory [19] which states that customer satisfaction is the foundation for building sustainable strong brand equity. This theory explains that satisfied customers will develop strong brand associations, perceived quality, and brand loyalty that ultimately create brand equity as a source of competitive advantage that is difficult for competitors to imitate. Various empirical studies show consistency with these findings. Homburg et al., [18] found that customer satisfaction has a strong impact on firm performance and competitive positioning through customer retention and advocacy behaviors. Kumar and Reinartz, [19] confirmed that satisfied customers contribute significantly to sustainable competitive advantage through lifetime value and referral benefits. However,

Palmatier et al., [30] found that in highly competitive digital markets, customer satisfaction alone is not sufficient for maintaining competitive advantage without continuous innovation and differentiation strategies.

The very high strength of this relationship can be understood through the unique characteristics of culinary SMEs and local market context. Culinary SMEs have resource limitations to create competitive advantage through traditional sources such as economies of scale or technological superiority, so customer relationships become the primary source of sustainable advantage. In the experiential and personal culinary industry, customer satisfaction creates emotional bonds that are difficult for competitors to imitate. Satisfied customers not only become repeat buyers, but also powerful advocates who generate organic word-of-mouth marketing with high credibility, creating viral effects in community-oriented local markets like Makassar.

#### **5.4 Direct Effects and Competitive Advantage**

The most surprising finding in this research is that both digital marketing strategy and product quality do not have significant direct effects on competitive advantage. Digital marketing strategy even shows a negative coefficient, while product quality shows a positive but non-significant coefficient. These findings result in the rejection of the fourth and fifth hypotheses, which theoretically should show positive relationships. These results indicate that in the context of culinary SMEs in Makassar, superior resources in the form of digital marketing capabilities and product quality cannot directly create competitive advantage, but must go through an intermediate mechanism, namely customer satisfaction.

The rejection of these hypotheses challenges the Resource-Based View [21] which states that valuable, rare, inimitable, and non-substitutable resources can directly create sustained competitive advantage. RBV theory assumes that superior resources such as digital marketing capabilities and product quality will automatically produce competitive advantage, but research findings show that in the context of culinary SMEs, the mechanism of creating competitive advantage is more complex and requires intermediate processes. Several empirical studies show mixed results that provide context for understanding these findings. Nambisan, [31] found that digital capabilities can directly influence firm performance, but primarily in the context of large organizations with comprehensive digital transformation. Bharadwaj et al., [32] showed that IT resources have conditional effects on competitive advantage depending on organizational readiness. However, Widodo and Irawan, [6] found results that support these findings, where digital investments in SMEs do not always produce direct competitive advantage due to significant implementation challenges and resource limitations.

These findings can be understood through the characteristics of highly competitive culinary SMEs. Digital marketing and product quality have become hygiene factors that are necessary for survival but not sufficient for creating differentiation when all competitors have access to similar digital tools and can achieve acceptable product quality. Resource cannibalization effects occur where excessive focus on digital marketing can detract from core operations and customer service quality. In an era of information overload and digital fatigue, customers become increasingly skeptical of

marketing messages and more appreciate authentic experiences. Product quality in isolation is no longer sufficient because customers evaluate holistic experiences that include service quality, ambiance, convenience, and emotional connection.

### **5.5 Mediating Role of Customer Satisfaction**

Mediation analysis reveals significant findings that customer satisfaction functions as a full mediator in the relationship between digital marketing strategy and competitive advantage and between product quality and competitive advantage. These findings confirm the sixth and seventh hypotheses very convincingly. What is interesting is that the mediation effect of digital marketing strategy is stronger compared to product quality, indicating that in the digital era, the capability to interact and build relationships with customers has a greater impact on competitive advantage compared to product superiority. This full mediation shows that customer satisfaction is the only pathway through which digital marketing and product quality can influence competitive advantage in the context of culinary SMEs.

These full mediation findings receive strong theoretical support from Mediation Theory in social psychology [28, 33] which provides a methodological foundation for understanding how intermediate variables can fully explain relationships between independent and dependent variables. This theory explains that customer satisfaction functions as a psychological mechanism that integrates fragmented experiences from various touchpoints into holistic evaluation that determines behavioral outcomes and competitive positioning. Various empirical studies show support for the mediating role of customer satisfaction. Keiningham et al., [17] found that customer satisfaction has strong mediating effects in relationships between service delivery and business performance in various service industries. Luo et al., [24] showed that customer satisfaction fully mediates the relationship between marketing investments and firm profitability in retail contexts. However, [22] found that in certain B2B contexts, direct relationships between capabilities and performance can remain significant, indicating that the mediating role of satisfaction can vary based on industry characteristics and customer relationship dynamics.

Full mediation effects can be understood through theoretical and practical perspectives. Customer satisfaction functions as a psychological mechanism that integrates fragmented experiences from various touchpoints into holistic evaluation that determines behavioral outcomes. In the context of resource-constrained SMEs, customer satisfaction serves as an efficiency mechanism that maximizes the impact of limited resources. Full mediation indicates that in highly competitive markets, differentiation cannot be achieved through individual resource superiority, but through superior capability for creating integrated customer experiences. The Indonesian cultural context that is relationship-oriented makes customer satisfaction particularly important as a bridge between organizational capabilities and market outcomes.

## 6 Conclusion

The results of this study indicate that digital marketing strategy has a positive and significant effect on customer satisfaction among culinary SMEs. The implementation of effective digital marketing strategies such as social media optimization, relevant content marketing, and personalized digital services significantly enhances customer satisfaction. Meanwhile, product quality also exerts a positive and significant influence, though its impact is smaller compared to digital marketing strategy. This finding suggests that while product quality remains a fundamental element, culinary SMEs cannot rely solely on product superiority to achieve optimal customer satisfaction.

Furthermore, customer satisfaction plays a crucial role in determining competitive advantage. Culinary SMEs that successfully create highly satisfied customers are more likely to attain sustainable competitive advantage, positioning customer satisfaction as a key strategic asset. However, both digital marketing strategy and product quality do not have significant direct effects on competitive advantage, leading to the rejection of the fourth and fifth hypotheses. This implies that superior resources must operate through an intermediate mechanism namely customer satisfaction to generate competitive advantage.

Consequently, customer satisfaction functions as a full mediator in the relationship between digital marketing strategy and competitive advantage, as well as between product quality and competitive advantage. The mediating effect of customer satisfaction is stronger for digital marketing strategy than for product quality, emphasizing that customer satisfaction serves as the sole pathway through which these variables influence competitive advantage. For culinary SMEs in Makassar, these findings provide a clear strategic roadmap: establish product quality as the primary foundation, develop effective digital marketing strategies as supporting elements, and ensure that both efforts ultimately enhance customer satisfaction to achieve sustainable competitive advantage in a dynamic marketplace.

## References

1. Laela, S.R. dan S.: The effect of digital marketing and innovation on SME performance in Indonesia. *J. Asian Financ. Econ. Bus.* (2022).
2. Valarie A. Zeithaml, Mary Jo Bitner, & D.D.G.: *Services Marketing: Integrating customer focus across the firm.* (2016).
3. Kumar, V., Rajan, B., Gupta, S., Pozza, I.D.: Customer engagement in service. *J. Acad. Mark. Sci.* 47, 138–160 (2019). <https://doi.org/10.1007/s11747-017-0565-2>.
4. Chaffey, D., & Ellis-Chadwick, F.: *Digital marketing.* (2019).
5. Kannan, P.K., Li, H. "Alice": Digital marketing: A framework, review and research agenda. *Int. J. Res. Mark.* 34, 22–45 (2017). <https://doi.org/10.1016/j.ijresmar.2016.11.006>.
6. Muhammad Widodo, Mochammad Iqbal Irawan, & R.A.S.: Digital marketing adoption and SMEs' performance in Indonesia: The mediating role of innovation capability. (2020).
7. Stephen, A.T.: The role of digital and social media marketing in consumer behavior. *Curr. Opin. Psychol.* 10, 17–21 (2016). <https://doi.org/10.1016/j.copsyc.2015.10.016>.

8. Stephen, C.L. dan A.T.: A Thematic Exploration of Digital, Social Media, and Mobile Marketing: Research Evolution from 2000 to 2015 and an Agenda for Future Inquiry. *J. Mark.* 80, 146–172 (2016). <https://doi.org/10.1509/jm.15.0415>.
9. Gil Appel, Lauren GrewalRhonda Hadi, & A.T.S.: The future of social media in marketing. *J. Acad. Mark. Sci.* 48, 79–95 (2020). <https://doi.org/10.1007/s11747-019-00695-1>.
10. Subhan, E. S., Ery Tri Djatmika Rudijanto, W. W., Sudarmiatin, & Hermawan, A.: The Impact of Creativity, Market Orientation, and Entrepreneurial Orientation on SME Marketing Performance: Investigating the Mediating Effect of Product Innovation. *J. Logist. Informatics Serv. Sci.* (2024). <https://doi.org/10.33168/JLISS.2024.0709>.
11. Sulistyono, H., Siyamtinah: Innovation capability of SMEs through entrepreneurship, marketing capability, relational capital and empowerment. *Asia Pacific Manag. Rev.* 21, 196–203 (2016). <https://doi.org/10.1016/j.apmr.2016.02.002>.
12. Kotler, P. T., & Armstrong, G.: *Principles of marketing*. Harlow Pearson Educ. (2018).
13. Hanaysha, J.R.: Impact of product quality and price fairness on customer satisfaction and loyalty in B2B markets. *J. Bus. Sci. Appl. Manag.* (2022).
14. Alalwan, A.A., Baabdullah, A.M., Rana, N.P., Tamilmani, K., Dwivedi, Y.K.: Examining adoption of mobile internet in Saudi Arabia: Extending TAM with perceived enjoyment, innovativeness and trust. *Technol. Soc.* 55, 100–110 (2018). <https://doi.org/10.1016/j.techsoc.2018.06.007>.
15. Tjiptono, F.: *Service, quality satisfaction*. (2007).
16. Hollebeek, L. D., Kumar, V., & Srivastava, R.K.: From customer-, to actor-, to stakeholder engagement: Taking stock, conceptualization, and future directions. *J. Serv. Res.* (2022).
17. Keiningham, T., Aksoy, L., Bruce, H.L., Cadet, F., Clennell, N., Hodgkinson, I.R., Kearney, T.: Customer experience driven business model innovation. *J. Bus. Res.* 116, 431–440 (2020). <https://doi.org/10.1016/j.jbusres.2019.08.003>.
18. Homburg, C., Jozic, D., Kuehnl, C.: Customer experience management: toward implementing an evolving marketing concept. *J. Acad. Mark. Sci.* 45, 377–401 (2017). <https://doi.org/10.1007/s11747-015-0460-7>.
19. Kumar, V., & Reinartz, W.: *Customer relationship management*. (2018).
20. Teece, D.J.: Dynamic capabilities as (workable) management systems theory. *J. Manag. Organ.* 24, 359–368 (2018). <https://doi.org/10.1017/jmo.2017.75>.
21. Barney, J.B., Arkan, A.M.: The Resource-based View. In: *The Blackwell Handbook of Strategic Management*. pp. 123–182. Wiley (2005). <https://doi.org/10.1111/b.9780631218616.2006.00006.x>.
22. Palmatier, R. W., Kumar, V., & Harmeling, C.M.: *Customer engagement marketing*. Springer (2017).
23. Dwivedi, Y.K., Ismagilova, E., Hughes, D.L., Carlson, J., Filieri, R., Jacobson, J., Jain, V., Karjalainen, H., Kefi, H., Krishen, A.S., Kumar, V., Rahman, M.M., Raman, R., Rauschnabel, P.A., Rowley, J., Salo, J., Tran, G.A., Wang, Y.: Setting the future of digital and social media marketing research: Perspectives and research propositions. *Int. J. Inf. Manage.* 59, 102168 (2021). <https://doi.org/10.1016/j.ijinfomgt.2020.102168>.
24. Xueming Luo, Rui Zhang, Cheng Zhang, & J.A.: Social media and mobile payment: The mediating roles of trust transfer and personal innovativeness. *Information Systems Frontier* (2021).
25. Hair, J.F.: *Multivariate data analysis*. (2019).
26. Hair, J.F., Hult, G.T.M., Ringle, C.M., Sarstedt, M., Danks, N.P., Ray, S.: *Partial Least Squares Structural Equation Modeling (PLS-SEM) Using R*. Springer International Publishing, Cham (2021). <https://doi.org/10.1007/978-3-030-80519-7>.

27. Fornell, C., Larcker, D.F.: Evaluating structural equation models with unobservable variables and measurement error. *J. Mark. Res.* 18, 39–50 (1981). <https://doi.org/10.1177/002224378101800104>.
28. Hayes, A.F.: Introduction to mediation, moderation, and conditional process analysis: A regression-based approach. (2022).
29. Sarstedt, M., Radomir, L., Moisescu, O.I., Ringle, C.M.: Latent class analysis in PLS-SEM: A review and recommendations for future applications. *J. Bus. Res.* 138, 398–407 (2022). <https://doi.org/10.1016/j.jbusres.2021.08.051>.
30. Palmatier, R.W., Houston, M.B., Hulland, J.: Review articles: purpose, process, and structure. *J. Acad. Mark. Sci.* 46, 1–5 (2018). <https://doi.org/10.1007/s11747-017-0563-4>.
31. Nambisan, S.: Digital Entrepreneurship: Toward a Digital Technology Perspective of Entrepreneurship. *Entrep. Theory Pract.* 41, 1029–1055 (2017). <https://doi.org/10.1111/etap.12254>.
32. Bharadwaj, A., El Sawy, O. A., Pavlou, P. A., & Venkatraman, N.: Toward a Next Generation of Insights. *MIS Q.* (2013). <https://doi.org/http://www.jstor.org/stable/43825919>.
33. Zhao, X., Lynch, J.G., Chen, Q.: Reconsidering Baron and Kenny: Myths and Truths about Mediation Analysis. *J. Consum. Res.* 37, 197–206 (2010). <https://doi.org/10.1086/651257>.

**Open Access** This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (<http://creativecommons.org/licenses/by-nc/4.0/>), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

