Improving Marketing Performance Through Digital Marketing, Innovation, and Market Orientation with Competitive Advantage As A Mediating Variable – A Conceptual Analysis

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Abstract. The fast-paced nature of today's business environment and the acceleration of digital transformation are pushing companies to strengthen their marketing performance to remain competitive and sustainable. In this regard, digital marketing, innovation, and market orientation serve as strategic capabilities that help companies adapt to changing market conditions, understand customer needs, and deliver greater value. This study aims to develop a conceptual framework explaining how digital marketing, innovation, and market orientation shape marketing performance, with competitive advantage as a mediating factor. This research follows a conceptual approach, drawing on and synthesizing existing theories and empirical evidence from previous literature in business management, strategic management, and marketing. The findings indicate that digital marketing, innovation, and market orientation are all positively related to marketing performance, both directly and indirectly through the mediating role of competitive advantage. Specifically, digital marketing enables companies to enhance customer engagement, expand their market reach, and communicate more efficiently. Innovation supports differentiation and helps companies adapt to evolving customer preferences, while market orientation strengthens a company's ability to identify market needs and respond strategically to competitive pressures. Together, these capabilities drive competitive advantage, which in turn improves marketing performance. This article adds to the business management literature by combining digital marketing, innovation, and market orientation within an integrated conceptual framework grounded in the Resource-Based View perspective.

Keywords: Competitive advantage; digital marketing; innovation; marketing performance; market orientation

1 Introduction

In today's increasingly advanced business world, companies face increasingly dynamic competition, characterized by rapid technological developments and increasing global competitive intensity. This has transformed the way organizations create value, interact,

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and build long-term relationships with customers. In this context, marketing performance has become a key indicator of a company's success, demonstrating the extent to which marketing strategies are able to drive sales growth, increase customer targets, acquire new customers, and maintain sustainable business performance [1]. Therefore, improving marketing performance no longer relies solely on the implementation of conventional marketing strategies, but is also influenced by a company's ability to adapt to dynamic digital transformation, develop sustainable innovations, and effectively respond to changing needs and dynamics.

One of the changes that has impacted company performance in recent years is the advancement of digital technology, followed by the increasingly widespread use of internet-based communication platforms [2]. This progress has pushed digital marketing into a strategy that plays a crucial role in today's business activities. Digital advancement is the use of various digital technologies, online media, and internet-based platforms to market products or services, creating value through more interactive, personalized, and easily measurable marketing activities. Compared with conventional marketing approaches, digital marketing offers various advantages, such as broader market reach, access to direct customer feedback, and communication cost efficiency. The use of social media, search engines, websites, e-commerce platforms, email marketing, and various forms of digital advertising allows companies to increase brand visibility, strengthen customer engagement, and obtain data that can be used as a basis for making more informed marketing decisions. With these advantages, digital marketing is increasingly seen as a strategic factor that contributes to improving marketing performance while strengthening a company's competitive position in the market.

Apart from digital marketing, innovation is also a factor that plays an important role in improving a company's marketing performance [3]. Innovation is a company's ability to create and implement new ideas, products, services and business practices that are able to provide added value for customers while strengthening the company's competitiveness. In the midst of an increasingly competitive business environment with rapidly changing customer needs and increasingly short product life cycles, innovation has become an important element to maintain company relevance, create differentiation compared to competitors, and improve the quality of products and services offered. Companies that have good innovation capabilities tend to be better able to meet customer expectations, reach new market segments, and produce unique value propositions that can improve marketing performance.

In addition, market orientation is also a factor that plays a crucial role in supporting business success and improving marketing performance. Market orientation is a corporate culture and strategic approach to understanding customer needs and desires and coordinating all company resources to create superior value for customers [4]. Companies that implement market orientation effectively will be better able to identify changes in consumer preferences, follow market trends, and respond to competitive dynamics quickly and appropriately. This condition allows companies to produce products and services that are more in line with market needs while improving the quality of service to customers. Various studies also show that market orientation is one of the main determinants of organizational performance because it is able to align business strategies with customer needs and evolving market demands [5].

Although numerous previous studies have discussed the influence of digital marketing, innovation, and market orientation on marketing performance, most studies still examine these three variables separately and have not integrated them into a single conceptual framework. In reality, these three factors complement and interact with each other. Digital marketing plays a role in expanding market reach and increasing the effectiveness of communication with customers, innovation enables companies to create differentiation and adapt to changes in the business environment, while market orientation ensures that every strategic decision is based on customer needs and market dynamics [6], [7], [8]. The combination of these three capabilities has the potential to strengthen a company's strategic position in facing competition. Thus, competitive advantage is not only the result of the application of various company strategic capabilities, but also serves as a mechanism that bridges these capabilities to produce more optimal marketing performance.

Based on the explanation above, competitive advantage is seen as a mediating variable in the relationship between digital marketing, innovation, market orientation, and marketing performance. Companies that are able to optimize the implementation of digital marketing, develop innovation, and implement a strong market orientation tend to have a higher competitive advantage, which in turn contributes to improved marketing performance. However, previous research still has limitations in integrating these four variables into a comprehensive conceptual framework in the field of business management. Therefore, this study aims to conceptually analyze the influence of digital marketing, innovation, and market orientation on marketing performance, both directly and indirectly through competitive advantage as a mediating variable. Through this approach, this study is expected to provide a theoretical contribution by clarifying the mechanisms by which marketing strategy capabilities can be effectively managed to create sustainable marketing performance amidst an increasingly competitive business environment.

2 Literature Review

2.1 Resource-Based View

This research draws on the Resource-Based View (RBV) theory, which explains that a company can achieve a sustainable competitive advantage if it possesses valuable, rare, inimitable, and non-substitutable resources and capabilities [8]. The RBV emphasizes that organizational success and performance are determined more by the company's ability to manage internal strategic resources than by external environmental conditions. In the context of this research, digital marketing capabilities, innovation, and market orientation are viewed as strategic resources that enable a company to create added value, adapt to changes in the business environment, and build an advantage over competitors. Thus, these three capabilities function not only as operational instruments but also as strategic assets that can strengthen a company's competitive position and support long-term performance improvement.

The Resource-Based View (RBV) serves as a relevant foundation for this research because it explains the mechanisms by which digital marketing, innovation, and market orientation can influence marketing performance through competitive advantage as a mediating variable [7]. Companies that are able to optimally utilize digital technology,

develop innovation, and implement a strong market orientation have the potential to develop unique capabilities that are difficult for competitors to imitate. These capabilities then become the source of competitive advantage, ultimately contributing to improved marketing performance.

2.2 Marketing Performance

Marketing performance is the level of success of a company in achieving its marketing targets, which can be measured through various indicators, such as sales growth, increased market share, customer growth, customer retention, and profitability generated from marketing activities [9]. This concept reflects the effectiveness of a company's marketing strategy in conveying the value of its products or services to the target market, thereby achieving the desired results. In business management, marketing performance is viewed as a key indicator of organizational success because it demonstrates a company's ability to create value, maintain competitiveness, and respond effectively to market dynamics.

Improved marketing performance is greatly influenced by a company's ability to align its marketing strategies and activities with customer needs, changes in the business environment, and evolving competitive conditions. Therefore, various strategic capabilities, such as digital marketing, innovation, and market orientation, are often identified as factors that play a crucial role in improving a company's marketing performance.

2.3 Digital Marketing

Digital marketing refers to the use of digital technologies, internet-based platforms, and online communication tools to conduct marketing activities and promote products or services more effectively [7]. Compared with traditional marketing approaches, digital marketing offers several advantages, including lower costs, wider market reach, higher interactivity, and real-time performance measurement. Digital marketing is highly relevant in business management because it allows companies to communicate directly with customers and gather market insights through digital data. This can enhance a company's ability to engage customers, increase brand awareness, and strengthen marketing efficiency. Previous research has shown that digital marketing positively impacts marketing performance by increasing customer interaction, expanding market access, and supporting faster responses to market changes [10]. In addition, digital marketing can also increase competitive advantage because companies that effectively adopt digital strategies can create better customer experiences and stronger brand visibility compared to other competitors.

2.4 Innovation

Innovation is the implementation of new ideas, products, services, processes, or business models that add value to a company and its customers [3]. It is a crucial strategic capability in a dynamic business environment because it enables companies to adapt to market changes, improve product quality, and create differentiation. Innovation can take various forms, including product innovation, process innovation, service innovation, and marketing innovation.

Furthermore, innovation is not only about creativity but also about a company's ability to transform new ideas into marketable and strategically beneficial outcomes. Innovative companies tend to be more responsive to customer needs, better able to solve market problems, and more successful in establishing uniqueness in their offerings. Previous research consistently shows that innovation has a positive impact on marketing performance because it helps companies attract customers, create superior value, and improve product-market fit [11].

2.5 Market Orientation

Market orientation is an organizational culture and strategic approach that emphasizes a company's ability to understand customer needs and preferences and coordinate various internal functions to create superior value for customers [6], [11]. Companies that implement market orientation will actively obtain information about market conditions, disseminate this information to all parts of the company, and then use it as a basis for formulating and implementing strategic decisions. Consistently applied market orientation enables companies to understand customer needs and values, anticipate changes in the business environment, and formulate strategies that are in line with competitive dynamics. Companies that have a high level of market orientation tend to be better able to meet consumer expectations, respond effectively to competitors' actions, and provide products and services that are in line with market demand [4]. Therefore, market orientation has been widely recognized as one of the factors that determine organizational success, especially in improving marketing performance.

2.6 Competitive Advantage

Competitive advantage is a company's ability to achieve a superior position compared to competitors by creating higher value for customers [12]. This advantage can be realized through various aspects, such as product or service differentiation, cost efficiency, better quality, continuous innovation, and the ability to respond to customer needs more quickly and effectively [13]. In strategic management studies, competitive advantage is viewed as a fundamental concept because it explains why a company is able to maintain its market position while achieving better performance than its competitors.

In this study, competitive advantage is positioned as a mediating variable explaining the mechanisms by which digital marketing, innovation, and market orientation influence marketing performance. Companies that are able to optimize the use of digital marketing, develop continuous innovation, and implement a strong market orientation tend to build a competitive position that is difficult for competitors

to match. This advantage then becomes a factor that drives improved marketing performance, reflected in sales growth, increased customer loyalty, and expanded market share.

3 Methodology

This research was conducted through a review and synthesis of various literature discussing digital marketing, innovation, market orientation, competitive advantage, and marketing performance. The literature sources used included relevant theories, scientific articles, and empirical research examining the relationships between these constructs. The conceptual review process focused on analyzing the definitions of each variable, reviewing previous research findings, and evaluating the relationships and interactions between variables in the context of business management.

The result of this conceptual approach is a theoretical framework that explains how digital marketing, innovation, and market orientation influence marketing performance directly and indirectly through competitive advantage. This framework is designed to answer the following research questions: (1) Does digital marketing have a positive influence on marketing performance? (2) Does innovation have a positive influence on marketing performance? (3) Does market orientation have a positive influence on marketing performance? (4) Does digital marketing have a positive influence on competitive advantage? (5) Does innovation have a positive influence on competitive advantage? (6) Does market orientation have a positive influence on competitive advantage? (7) Does competitive advantage have a positive influence on marketing performance? (8) Does competitive advantage mediate the influence of digital marketing, innovation, and market orientation on marketing performance?

4. Results & Discussion

4.1 The Effect of Digital Marketing on Marketing Performance

Digital marketing can positively impact marketing performance by enabling companies to build more effective communication with customers, increase brand visibility, and expand market reach through various digital platforms [14]. Utilizing social media, websites, search engines, and e-commerce platforms provides companies with the opportunity to market products or services in a more targeted, measurable, and interactive manner. This supports increased customer acquisition, strengthens customer engagement, and drives sales growth. Furthermore, digital marketing enables companies to obtain data and information on customer behavior that can be used to design more targeted marketing strategies and respond more quickly to changing customer needs [7].

4.2 The Effect of Innovation on Marketing Performance

Innovation can positively impact marketing performance by enabling companies to create added value while simultaneously building stronger differentiation in the market [11], [15]. Companies that consistently develop innovation are better able to produce products, services, and business processes that align with changing customer needs and

expectations. This can help companies maintain relevance amid market dynamics, increase product or service appeal, and more effectively face competitive pressures. When customers perceive a company as innovative, they tend to assess the products or services offered as having higher quality and value, which can drive increased purchasing interest, customer satisfaction, and market acceptance.

4.3 The Effect of Market Orientation on Marketing Performance

Market orientation can positively influence marketing performance by enabling companies to understand customer needs and preferences, anticipate changing market trends, and monitor competitor strategies [4], [16]. Companies that implement market orientation not only respond to customer demand but also proactively gather market information and use it as a basis for strategic decision-making. A good understanding of customer needs and competitive dynamics enables companies to develop products, services, and marketing strategies that better suit the characteristics of their target market. This contributes to increased customer satisfaction, strengthened customer loyalty and retention, and enhanced the company's ability to withstand competition.

4.4 The Effect of Digital Marketing on Competitive Advantage

Digital marketing can positively impact competitive advantage by increasing brand visibility, strengthening customer engagement, and responding to market changes and opportunities more quickly than competitors [14]. Companies that optimize digital marketing implementation can create better customer experiences, build more personalized communications, and increase the effectiveness of marketing campaigns through the use of data analytics. This has the potential to become a source of competitive advantage that is difficult for competitors to imitate, especially when supported by the organization's ability to manage knowledge, utilize technology, and continuously develop competencies [7].

4.5 The Effect of Innovation on Competitive Advantage

Innovation can positively influence competitive advantage because it differentiates companies and continuously improves the quality of products, services, and business processes [15]. Companies with strong innovation capabilities tend to be able to produce unique products, implement more efficient operational processes, and offer more attractive value propositions than their competitors. Furthermore, innovation also enhances a company's ability to adapt to changes in the business environment, technological developments, and shifts in customer preferences. When innovation becomes part of an organization's culture and integrated into its strategy, this capability will develop into a source of sustainable competitive advantage because it is difficult for competitors to imitate.

4.6 The Effect of Market Orientation on Competitive Advantage

Market orientation enables companies to positively influence competitive advantage by enabling them to identify market opportunities, understand customer needs and expectations, and develop strategies that create superior value [16]. Companies that

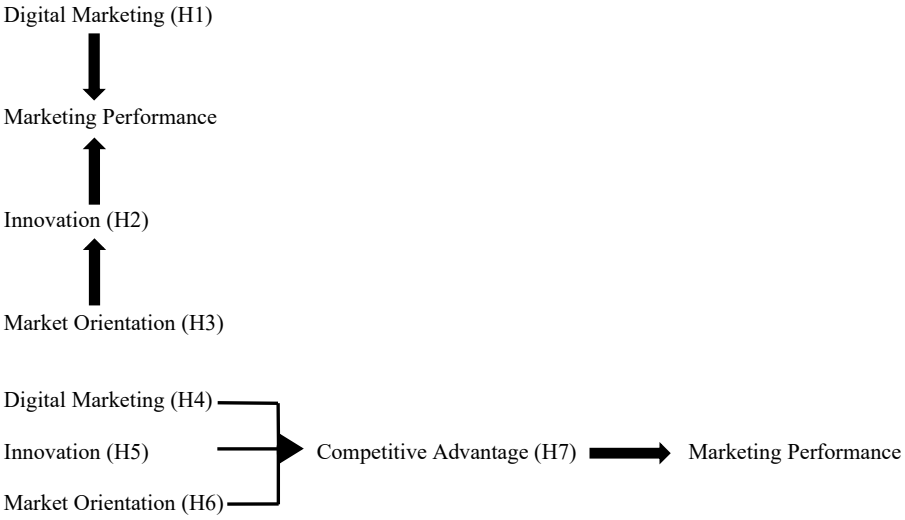
consistently incorporate changing customer preferences and competitive dynamics are better able to make strategic decisions that are appropriate, relevant, and responsive to market conditions. This enables companies to offer products and services that better meet consumer needs, build stronger customer relationships, and deliver a superior value proposition compared to competitors.

4.7 The Effect of Competitive Advantage On Marketing Performance

Competitive advantage can positively influence marketing performance because it reflects a company's ability to create a superior position compared to competitors in the market [10]. Companies with a competitive advantage tend to be better able to attract new customers, maintain customer loyalty, expand market share, and increase sales growth. This advantage can be built through various factors, such as better product quality, brand differentiation, continuous innovation, superior customer service, and cost efficiency. When customers perceive that a company offers higher value than its competitors, the company will have a greater opportunity to achieve optimal marketing results.

4.8 The Mediating Role of Competitive Advantage

The conceptual analysis results indicate that competitive advantage is expected to act as a mediating variable in the relationship between digital marketing, innovation, market orientation, and marketing performance [17]. This indicates that the influence of these three strategic capabilities on marketing performance occurs not only directly, but also through the formation of competitive advantage. Digital marketing enables companies to increase brand visibility and strengthen interactions with customers, innovation drives differentiation and increases adaptability to changes in the business environment, while market orientation ensures that the company's strategy remains aligned with customer needs and market dynamics. The synergy of these three capabilities contributes to the formation of competitive advantage, which in turn becomes a driving factor for improving marketing performance [7].



H8: Competitive Advantage mediates the effects of Digital Marketing, Innovation, and Market Orientation on Marketing Performance.

Fig. 1. Conceptual framework

Figure 1 explains the research conceptual framework depicting the relationship between digital marketing, innovation, market orientation, competitive advantage, and marketing performance. In the model, digital marketing, innovation, and market orientation are positioned as independent variables predicted to have a direct influence on marketing performance, as formulated in hypotheses H1, H2, and H3. In addition to their direct influence on marketing performance, this conceptual framework also proposes that digital marketing, innovation, and market orientation have a positive influence on competitive advantage, as reflected in hypotheses H4, H5, and H6. This enables companies to build differentiation, create superior value, and strengthen their competitive position in the market. Furthermore, competitive advantage is predicted to have a positive influence on marketing performance (H7), as companies with a sustainable competitive advantage tend to be more able to increase sales growth, expand market share, acquire new customers, and achieve better business performance. Furthermore, this study proposes that competitive advantage acts as a mediating variable in the relationship between digital marketing, innovation, and market orientation on marketing performance (H8). Thus, the positive influence of these three strategic capabilities on marketing performance is estimated to occur not only directly, but also indirectly through the formation and strengthening of competitive advantages.

5 Conclusion

This study provides a conceptual understanding of the influence of digital marketing, innovation, and market orientation on marketing performance, both directly and indirectly through competitive advantage as a mediating variable. Based on a synthesis of previous literature, these three variables constitute strategic capabilities that play a crucial role in enhancing a company's competitiveness, particularly in a business environment characterized by digital transformation, dynamic market changes, and increasing competitive intensity. Digital marketing contributes to improved marketing performance by strengthening communication effectiveness, expanding market reach, increasing customer engagement, and optimizing more targeted promotional activities. Innovation, on the other hand, enables companies to create added value through the development of products, services, and business processes that meet customer needs and maintain competitiveness in the market. Furthermore, market orientation supports improved marketing performance by ensuring that the company's strategy is always aligned with customer needs, competitive dynamics, and changing market conditions. In addition to their direct influence, these three strategic capabilities also contribute to the formation of competitive advantage, which in turn becomes a crucial factor in improving marketing performance. Thus, competitive advantage acts as a mediating mechanism that explains how a company's strategic capabilities can be transformed into more optimal marketing outcomes. From a theoretical perspective, this study contributes to the development of business management literature by integrating digital marketing, innovation, and market orientation into a single conceptual framework based on the Resource-Based View (RBV). This provides a more comprehensive explanation of how a company's internal capabilities can be leveraged to build competitive advantage and improve marketing performance. From a practical perspective, this study emphasizes the need for companies to manage digital marketing, innovation, and market orientation in an integrated manner as complementary strategic capabilities, rather than as stand-alone initiatives. The integration of these three capabilities is expected to strengthen the company's competitive position while encouraging the achievement of sustainable marketing performance. Future research is recommended to empirically test the proposed conceptual model across different industry sectors, company sizes, and market conditions so that the relationships between the variables proposed in this study can be more comprehensively validated.

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