

Research Article

Analysis of The Effect of Digital Marketing, Product Innovation and Market Orientation on Marketing Performance through Competitive Advantage as an Intervening Variable

(Case Study of Coffee Shop at Medan)

Gilang Suryabuana^{1*}, Muhammad Anggia Muchtar², and Syahyunan³

¹⁻³ Magister Management, Universitas Sumatera Utara, Indonesia

* Corresponding Author: suryabuanagilang04@gmail.com

Abstract: This study aims to analyze the effect of digital marketing, product innovation and market orientation on marketing performance through competitive advantage as an intervening variable. The method used is causal associative research with a quantitative approach, which aims to examine the relationship between one or more variables with a research population of 78 respondents. The data analysis technique used is Structural Equation Modeling with Partial Least Square (SEM-PLS). The results showed that digital marketing and market orientation have a direct effect on competitive advantage, while product innovation has no effect on competitive advantage. Digital marketing has no effect on marketing performance, while product innovation and market orientation have a direct effect on marketing performance. Path analysis shows that the combination of digital marketing and product innovation has an insignificant impact on marketing performance, indicating that competitive advantage has not been able to mediate the relationship between digital marketing and product innovation.

Keywords: Digital Marketing; Product Innovation; Market Orientation; Marketing Performance; Competitive Advantage.

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1. Introduction

In recent years, coffee consumption in Indonesia has experienced rapid growth, especially among the younger generation. This can be seen from the data presented by Hanadian Nurhayati-Wolff on July 31, 2023, sourced from statista.com. In 2022, total sales in cafes and bars in Indonesia reached around US\$1.9 billion, with a projected growth of up to US\$3.8 billion by 2026. This increase is influenced by global coffee consumption trends that are attracting the interest of Indonesia's younger generation.

Marketing performance is often used as an indicator to assess the effectiveness of a company's strategies (Ferdinand, 2011). This performance reflects the goals that a company wants to achieve in improving operational efficiency, expanding market share, and increasing profitability. According to Alrubaiee (2013), company performance is a concept that continues to evolve and is oriented towards customer needs and perspectives. Meanwhile, Suwarman (2010) states that marketing can be measured as the results and achievements of all processes that take place within an organization. Marketing performance is also a benchmark in assessing a company's success in creating value, which is the result of a combination of increased innovation capabilities and a deep understanding of market orientation (Nurjaya et al., 2021).

Digital marketing also provides opportunities for companies to reach consumers more effectively and efficiently through various digital channels, such as social media, search engines, email, and other digital platforms, which are one of the competitive advantages of digital marketing itself. This is because the advantages of a channel can provide added value to attract the attention of consumers regarding the marketing performance being carried out or programmed by a company, especially in the field of coffee shop marketing.

Apart from digital marketing, product innovation is also a key factor in achieving competitive advantage. Product innovation that is oriented towards market needs can increase competitiveness and create added value for consumers. A study conducted by Fadila (2021) shows that product innovation carried out by large technology companies such as Samsung and Apple contributes significantly to improving marketing performance, because product innovation is essentially an important element in maintaining a company's relevance in a dynamic market.

Product innovation also has great potential in shaping creative ideas and creating appeal for customers. In addition, product innovation is also a source of competitive advantage obtained through creativity, technology transfer, and partnership management. Therefore, product innovation is considered one of the main business functions after marketing (Kotler, 2017). Product innovation is not merely the result of a single experiment, but rather a long cumulative process, covering various stages from idea creation to market implementation.

Another factor that can influence competitive advantage is market orientation. Market orientation enables companies to proactively respond to customer needs, desires, and changing preferences. Market orientation is also a fundamental factor that influences a company's business strategy. Strong market orientation enables companies to understand customer needs and respond to market changes more quickly. This is in line with research conducted by Tsai et al. (2013), which found that market orientation, marketing synergy, and product superiority play an important role in improving the performance of new products (Tsai et al., 2013).

The influence of digital marketing, product innovation, and market orientation on marketing performance is not direct, but can be mediated by competitive advantage. Cheng and Chen (2017) found that innovation in services and market orientation can increase competitive advantage, which ultimately has a positive impact on business performance (Cheng & Chen, 2017). Competitive advantage refers to an organization's achievement of superiority through the utilization of its resources and capabilities. According to Tirtayasa et al. (2022), companies need to build and optimize their capabilities to support marketing strategies that can drive business growth and ensure long-term business continuity. However, companies still face various challenges in improving their competitiveness, such as limited market access, lack of market information, and lack of product innovation. With competitive advantage, every business is able to differentiate itself from its competitors. Therefore, in this context, competitive advantage means being able to create a strong competitive position and provide added value to customers based on superior assets and capabilities. Competitive advantage can also be defined as the superiority of a business over its competitors, which is obtained through higher customer value offerings, more competitive prices, or the provision of additional benefits commensurate with the price set (Kotler, 2017). In an ever-evolving business environment, the development and implementation of effective competitive advantage strategies are crucial for business sustainability and growth.

Based on the results of a preliminary survey related to digital marketing, product innovation, and market orientation, it can be said that these three variables are capable of influencing competitive advantage because competitive advantage is a condition in which a business or organization has an advantage over its competitors in creating value for customers, thereby enabling it to maintain or improve its market position on both a large and small scale. Therefore, every business actor is required to be able to create innovations and creations in product development in order to overcome marketing performance.

Research by Harjadi et al. (2020) confirms that market orientation and product innovation have a significant impact on competitive advantage and marketing performance in food MSMEs, which is in line with the characteristics of the coffee shop business. Similar findings were obtained by Muchsin et al. (2022), who highlighted the importance of creativity, innovation, and market orientation simultaneously in influencing marketing performance in the coffee business in Aceh.

If these variables are not managed properly, coffee shops have the potential to lose their competitiveness. Ineffectiveness in implementing digital marketing or a lack of product

innovation can reduce consumer appeal. Meanwhile, weak market orientation causes a mismatch between supply and market demand. Research by Aniyati and Indayani (2023) confirms that market orientation and product innovation not only directly influence marketing performance but also through the mediating role of competitive advantage.

2. Preliminaries or Related Work or Literature Review

Marketing performance is an important concept in the business world that serves as a measure of a product's success in the market. To understand the extent to which a product can compete, companies need to monitor and evaluate its performance regularly. Ferdinand A. (2011) explains that marketing performance is often used to assess the effectiveness of the strategies implemented by companies.

Marketing Performance Indicators

Marketing performance is measured using three main indicators, namely

Website Traffic & Engagement, namely the number of visits, duration of visits, and bounce rate on the website, which reflect how effective digital campaigns are in reaching the target audience (Sampath, 2024).

Social media engagement, which includes likes, shares, comments, and follower growth on platforms such as Instagram and TikTok, plays an important role in reflecting the success of digital marketing, especially in branding (Ghahremani-Nahr & Nozari, 2021).

Conversion Rate & Lead Generation, which is the percentage of visitors who take the desired action (purchase, form submission, etc.), is a key metric for measuring the effectiveness of digital campaigns (Molchanova, 2024).

Competitive Advantage

Competitive advantage is a situation where a company has an offering that its competitors do not have. According to Nindya et al. (2018), competitive advantage is an advantage that a company has over its competitors in the market. This is certainly necessary, especially when a company is involved in a market with many other similar producers. By knowing its competitive advantages, a company will have a better chance of getting consumers' attention. Factors that contribute to competitive advantage include lower prices, bonuses that are not offered elsewhere, or products or services that competitors cannot provide. However, competitive advantage does not only include the final product or output, but also skilled labor, which influences the final product.

Indicators of Competitive Advantage According to Darmanto et al. (2021), indicators of competitive advantage consist of several aspects, namely: a). Quality advantage Product quality superiority is the ability of a company to offer good product quality and performance in creating superior value for customers. Product quality here means the suitability of a product in line with buyer needs. Businesses that have a competitive advantage strategy in terms of quality will have superior competitiveness and can provide added value to customers compared to their competitors; b). Selling price One indicator of competitive advantage is the selling price, which includes billing, packaging, shipping, placement, and other costs incurred until the product reaches the consumer. The benchmark for a company that has a competitive advantage over its competitors is when a company understands the desires of its consumers, especially regarding product prices, because product prices can influence buyers' decisions; c). Production costs A good company is one that is able to reduce production costs so that the products produced are affordable and attractive to its customers. Production costs themselves include the costs of processing products and obtaining raw materials for products.

Digital marketing

Sagita and Wijaya (2022) define digital marketing as the use of digital technology in efforts to achieve marketing objectives and develop or adjust marketing concepts carried out by companies. The strategic role of digital marketing is important for attracting consumers and directing them to communicate electronically and conventionally.

Digital Marketing

Indicators According to Hollebeek and Macky (2019), there are three digital marketing indicators, as follows:

Internet usage, which is the use of the internet as the main medium in marketing activities.

Digital Content, which is the creation and distribution of various types of interesting and informative content to attract consumers' attention.

Social Media Usage: the utilization of social media platforms to build interactions with customers and increase brand visibility.

Product Innovation

According to (B. D. Prasetyo, 2020), product innovation is a new and interesting inspiration that can be developed. Innovation is deliberately created for the purpose of development and attractive strategies. In order to be able to compete with other companies, innovation must be continuously carried out and developed.

Product Innovation Indicators

According to (B. D. Prasetyo, 2020), there are several indicators of product innovation, namely: a). Product Features Product features are features used to differentiate a product from other companies' products, which can be seen from the product's functions; b). Product Design Product design is one way to add value for consumers. Style describes the appearance of a particular product, and its design has more concepts. Not only will the appearance of the product be influenced by the design, but also the function of the product; c). Product quality Product quality is a product's ability to perform its functions, including reliability, durability, and production accuracy. Durability refers to the economic life of the product, and reliability is the performance of the product from one purchase to another.

Market Orientation

Theory Market orientation is a company's effort to understand competition and commit to creating and delivering value for customers by satisfying consumer needs in line with consumer preferences for a product (Nikmah, Sudarmiatin, Hermawan, & Soetjipto, 2020). According to (Issau, Acquah, Gnankob, & Hamidu, 2021), market orientation explains the strategies and operations implemented by a company to respond to market demand so that it can achieve the business performance determined by a business. According to (Fernandes, Mogollon, & Rodrigues, 2019), market orientation is defined as a business culture that focuses on creating higher value for consumers so that consumers feel satisfied with the product to achieve better performance.

Market Orientation

Indicators According to (Alhakimi & Mahmoud, 2020), market orientation has three indicators, consisting of customer orientation, competitor orientation, and inter-functional coordination, with the following descriptions: a). Customer Orientation Customer orientation is an organizational culture that always prioritizes consumer desires, constantly seeking information about consumer needs and striving to fulfill them. Basically, customer orientation includes efforts to create customer satisfaction, accurately understand consumer needs, focus on increasing the value of a product to be offered to consumers, and provide supporting services; b). Competitor orientation Competitor orientation involves monitoring every action taken by competitors and assessing their strengths and weaknesses in order to study them and select the best strategy for winning the competition. Competitor orientation includes responding quickly to threats posed by competitors, closely monitoring competitor strategies, and increasing competitive advantages by targeting consumers in the business market; c). Inter-functional coordination Inter-functional coordination is defined as market information that is systematically disseminated to all functions within a business to encourage human resources to be actively involved in marketing, innovation, improvement, and product development. Inter-functional coordination is described as the sharing of information about competitors and customers with all functions within a business, the involvement of all functions in product development, and contributing to the added value of products for consumers.

Conceptual Framework

The Influence of Digital Marketing on Competitive Advantage

With the digitization of marketing, the relationship between marketing and sales efforts is used to analyze conversion rates and optimize the allocation and interaction of resources

used across various channels, both offline and online. This study provides empirical evidence of how marketing activities in both channels affect purchasing metrics.

The results of this study help companies make decisions regarding resource allocation from a sales perspective by analyzing the response between one marketing activity and another. Interestingly, online channel metrics have a one-way influence on the number of customers, regardless of whether the channel used is offline. In line with this, Breugelmans and Campo empirically found that online marketing has a significant positive impact on competitive advantage. This study emphasizes the importance of optimizing resource allocation in digital marketing strategies and the need for continuous monitoring to ensure an optimal response to changes in marketing strategies.

The Influence of Product Innovation on Competitive Advantage

Research conducted by Droege and Vickery (1994) shows that product innovation can be one of the main factors in creating competitive advantage. Companies that are able to design their products according to customer preferences have a greater chance of surviving in the market competition because their products remain in demand. Similar findings were also presented by Bharadwaj et al. (1993), who stated that a company's ability to continuously innovate its products will ensure that the products are in line with customer needs and desires. Therefore, product innovation can be used as one of the main sources of a company's competitive advantage.

The Influence of Market Orientation on Competitive Advantage

To measure market orientation, there are several key indicators, namely customer orientation, competitor orientation, and interfunctional coordination. Customer orientation reflects a company's willingness to understand and meet the needs and desires of its consumers. Meanwhile, competitor orientation refers to a company's ability to recognize the strengths and weaknesses of its competitors, as well as understand their long term strategies and capabilities. Interfunctional coordination refers to specific elements in the organizational structure that support effective communication between various functions within the company. This coordination is based on information about customers and competitors, and includes various efforts to align overall business strategies (Narver & Slater, 1995).

The Influence of Competitive Advantage on Digital Marketing

Research conducted by Li (2000) found a positive relationship between competitive advantage and company performance, which was measured through sales volume, profit margin, market share, and return on investment. Competitive advantage can be achieved through a company's ability to optimally manage and utilize its resources and capital. Companies that successfully build competitive advantage will have higher competitiveness than their competitors because their products remain in demand by customers. Therefore, competitive advantage contributes positively to improving a company's marketing performance. Several indicators used to measure marketing performance include sales volume, customer growth, and profitability. Sales volume refers to the number of products sold by the company. Customer growth indicates the rate of increase in the number of the company's customers. Meanwhile, profitability reflects the amount of profit earned by the company (Pelhan, 1997). Based on this concept, the higher a company's competitive advantage, the higher the level of marketing performance it can achieve.

The Influence of Digital Marketing on Marketing Performance

Considering the development of information in the company's current system, users' communicative interactions with the company's website can be analyzed through their activity records. The retail sector is one of the industries most affected by digitalization. In digital marketing, the relationship between marketing efforts and sales is used to analyze conversion rates (Moe and Fader, 2004) and optimize the allocation and interaction of resources across various channels, both offline and online (Wiesel et al., 2010; Banerjee and Bhardwaj, 2019). The study conducted by Wiesel et al. (2010) provides empirical evidence on how various online and offline marketing strategies, such as the use of flyers, AdWords ads, and discounts, can influence metrics in the purchasing process.

The Influence of Product Innovation on Marketing Performance

Hurley and Hult (1998) define innovation as a mechanism that enables companies to adapt to an ever-changing environment. Therefore, companies must be able to develop new ideas, create innovative concepts, and offer better products and services to improve customer satisfaction. Wahyono (2002) explains that continuous innovation in a company is a fundamental need that can ultimately create competitive advantage.

The Influence of Market Orientation on Marketing Performance

Narver and Slater (1990) define market orientation as the organizational culture that is most effective in encouraging behavior that contributes to the creation of superior value for customers and improved business performance. A number of previous studies have examined the relationship between market orientation and marketing performance. For example, research conducted by Baker and Sinkula (1999) found that market orientation has a significant influence on company performance. These findings are also reinforced by Wahyono's (2002) research, which shows that the level of market orientation has a positive effect on marketing performance.

Competitive advantage mediates the influence of digital marketing on marketing performance.

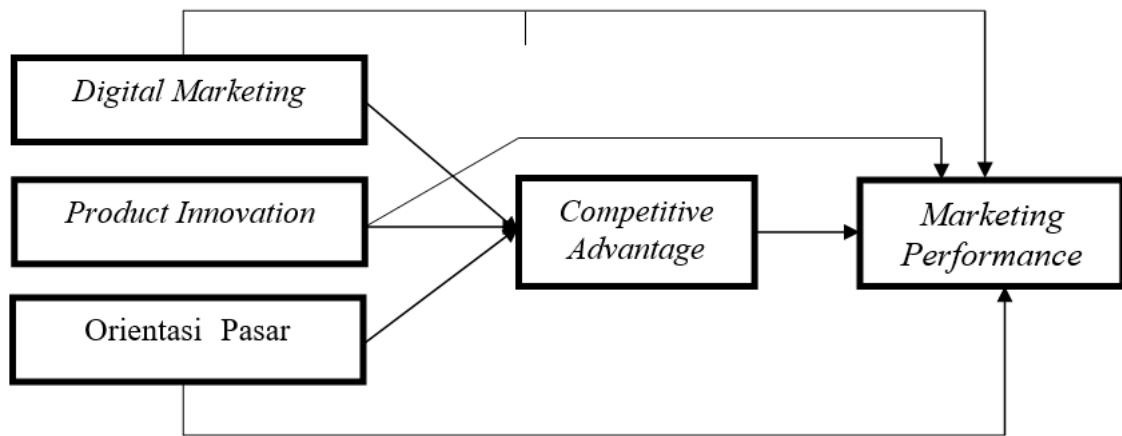
Digital marketing plays an important role in improving marketing performance, but its impact is often mediated by competitive advantage. Digital marketing enables companies to build differentiation through more personalized marketing strategies, wider reach, and more effective interactions with customers. By implementing innovative digital technologies, companies can create competitive advantages in terms of pricing, product innovation, and customer service. Studies show that the integration of e-business and digital marketing can improve operational efficiency and customer relationships, which ultimately strengthens a company's competitiveness (Dwiwijaya, 2024). Competitive advantage gained through digital marketing contributes to improved marketing performance, both in terms of increased customer loyalty, marketing efficiency, and increased profitability. Research shows that competitive advantage plays a significant mediating role in the relationship between marketing strategy and business performance (Dharma & Sudarmiatin, 2024). In other words, companies that utilize digital marketing effectively can increase their competitiveness before obtaining a direct impact on marketing performance.

Competitive Advantage mediates the influence of Product Innovation on Marketing Performance

Product innovation plays an important role in improving marketing performance, but its impact is often mediated by competitive advantage. Product innovation enables companies to create competitive advantages by offering higher quality, unique, and value-added products to customers. According to research, innovation in product design, function, or technology provides significant differentiation and helps companies compete in the international market (Armawan et al., 2022).

Competitive advantage mediates the influence of Market Orientation on Marketing Performance

Market orientation plays an important role in improving marketing performance, but its impact is often mediated by competitive advantage. Market orientation enables companies to understand customer needs, analyze competitor strategies, and coordinate internal functions to increase added value. Studies show that market orientation helps companies create competitive advantage by adjusting their strategies to the ever-changing market dynamics (Chakravorti, 2020). Based on the theory described earlier and previous research results, the conceptual framework of this study can be described as follows:



Picture 1. Conceptual Framework.

3. Materials and Method

This research is causal associative research. According to Sujarweni (2019), associative research is research that aims to examine the relationship between one or more variables. According to Sujarweni (2019), quantitative research is research that involves giving a series of structured questions with predetermined answer choices to a number of respondents. This research takes the form of a causal relationship, which is a cause-and-effect relationship pattern. This research is also quantitative research because the testing is carried out using data processing in the form of numbers and processed using statistical procedures. The scope of the variables in this study includes 3 (three) dependent variables that influence 1 (one) independent variable through 1 (one) intervening variable.

Research Location and Time

The research location is the place where the research is conducted. Determining the research location is a very important stage in quantitative research because the existence of a research location means that the object and purpose have been determined, making it easier for researchers to conduct their research. This research will be conducted at a coffee shop in Medan City and will be carried out from May 2025 to July 2025.

Operational Definition of Variables

In a study, it is important to clearly define the variables before collecting data. The definition of a research variable is the nature or value of a person, object, or activity that has certain variations determined by the researcher to be studied. Through this research, information will be obtained and conclusions can be drawn; several variables must be clearly defined before starting to collect data (Sugiyono, 2019).

Table 1. Variabel.

Variabel	Definisi Variabel	Indikator	Skala Ukur
<i>Digital marketing</i> (X ₁)	Digital marketing is a form of marketing that uses broader content through digital (online) platforms, including company websites, virtual communities, blogs, vlogs, social media, mobile applications, and so on.	1. Internet users 2. Digital Content 3. Social Media Users	Interval
<i>Product innovation</i> (X ₂)	Product innovation is a new and interesting inspiration that can be developed	1. Product features 2. Product design 3. Product quality	Interval
<i>Market Orientation</i> (X ₃)	Sumber : Prasetyo (2020). Market orientation is an organization that has an effective culture used to encourage behavior that creates sustainable advantages for customers.	Sumber: Prasetyo (2020) 1. Customer orientation 2. Competitor Orientation 3. Cross-functional coordinator	Interval
<i>Marketing performance</i> (Y)	Sumber: Prasetyo & Wijaya (2019). Marketing performance is a factor that is often used to measuring the impact of strategies implemented by companies from a marketing perspective. Sumber : Ferdinand (2000)	Sumber : Alhakimi & Mahmoud (2020) Website traffic & Engagement Social Media Engagement Conversion Rate & lead Sumber: Sampath (2024), Moichanova (2024), Ghahremani-Nahr & Nozari (2021)	Interval
<i>Competitive advantage</i> (Z)	Competitive advantage is the advantage that a company has over its competitors in the market Sumber : Nindya dkk (2018)	1. Superiority 2. Selling price 3. Production costs Sumber: Darmanto, dkk (2021)	Interval

Population and Sample

Research Population

According to Sujarweni (2019), the population is the entire group being studied as a form of specification in accordance with the research project objectives. Based on the previous explanation, the population in this study is visitors from data sourced from the Medan City Culture and Tourism Office, which shows that there are 351 coffee shops in Medan City in 2022.

Research Sample

According to Sugiyono (2016), "a sample is a part of the number and characteristics possessed by the population." The sampling technique used in this study is probability sampling using simple random sampling. Meanwhile, determining the sample size from a population can be done in other ways, for example, using the following Slovin formula:

Where:

$$n = N$$

$$1 + N (e)^2$$

n = sample size

N = population size

e = Percentage of margin of error due to sampling error that is still tolerable or desirable (e.g., 1%, 5%, 10%, etc.).

In this study, the population size known to the researcher is Based on data from the Medan City Culture and Tourism Office, there were 351 coffee shops in Medan City in 2022. Therefore, the sample size is as follows

$$n = N / 1 + N (e)^2$$

$$n = 351 / (1 + 351(0.01))^2$$

$$n = 351 / 1 + 351(0.01)$$

$$n = 77.8$$

$$n = 78$$

So, from a population of 351, the researcher can draw a sample of customers with a margin of error of 10%. With a margin of error of 10% (10% margin of error and 90% accuracy), this study used 78 sample respondents (coffee shop owners in Medan).

Data Collection Techniques

Data collection techniques are methods used by researchers to uncover quantitative information from respondents in accordance with the scope of the research. The data collection technique used is a questionnaire or survey. Sugiyono (2019) states that a questionnaire is a list of questions asked to respondents to obtain data related to the research, which is given directly to the respondents.

Data Analysis Technique

According to Sugiyono (2012), "Data analysis is an activity carried out after data from all respondents has been collected. Activities in data analysis include grouping data based on variables and respondent types, tabulating data based on variables from all respondents, presenting data from each variable studied, and performing calculations to examine the hypotheses that have been proposed." The data analysis technique in this study involves processing data using the Smart PLS program.

4. Results and Discussion

The Effect of Digital Marketing on Competitive Advantage

Based on the results of the path analysis, digital marketing has a significant positive effect on competitive advantage. This indicates that the better the digital marketing strategy, the better the competitive advantage will be. Digital marketing has a significant positive effect on competitive advantage with $P = 0.041 < 0.05$ with a coefficient value of 0.114. This coefficient indicates that the better the digital marketing strategy, the better the competitive advantage will be in a positive direction. A positive coefficient means that a good digital marketing strategy results in an increase in competitive advantage. The results of the first hypothesis test prove this statement and can be interpreted to mean that a good digital marketing strategy has been proven to have a real (significant) effect on competitive advantage.

The Influence of Product Innovation on Competitive Advantage

Product innovation is a company's effort to create or update products to meet consumer needs and face market competition. However, not all product innovations succeed in ly increasing competitive advantage in a business. Sometimes, several studies show that product innovation can have an insignificant effect on competitive advantage. Based on this description, it is known that from the results of the path analysis, product innovation does not have a positive and significant effect on competitive advantage with a p -value = 0.771 > 0.05, indicating that this hypothesis is not supported. Negative product innovation results in

a decline in competitive advantage, thus having a meaningless effect on competitive advantage.

The Effect of Market Orientation on Competitive Advantage

Market orientation is a strategic approach that places customer needs and desires as the main focus in business decision making. This approach has been proven to have a positive and significant effect on competitive advantage. The findings for the third hypothesis show that market orientation and competitive advantage are significant with a t-statistic of $2.870 > 1.96$ and a P-value = $0.004 < 0.05$. The original sample estimate value is 0.594, which is positive. This indicates that the direction of the relationship between market orientation and competitive advantage is positive. Based on the results of data analysis and hypothesis testing, market orientation has a positive and significant effect on competitive advantage. These findings are consistent with previous theories and studies which state that market orientation is one of the main determinants in achieving sustainable competitive advantage. In addition, the market orientation referred to in this study includes key indicators such as customer orientation, competitor orientation, and coordination between internal functions within the company. When implemented consistently, these three indicators enable companies to respond quickly and accurately to market dynamics, thereby creating added value for consumers and strengthening the company's competitive position in the market.

The Influence of Competitive Advantage on Marketing Performance

The findings for the fourth hypothesis show that competitive advantage and marketing performance are significant with a t-statistic of $3.117 > 1.96$ and a P-value = $0.002 < 0.05$. The original sample estimate value is 0.322, which is positive. This indicates that the direction of the relationship between competitive advantage and marketing performance is positive. The data results show that competitive advantage has a positive and significant effect on marketing performance in coffee shops in Medan. This is in line with the competitive advantage theory proposed by Porter (1985), which states that companies that are able to create competitive advantages through product differentiation, low costs, or a specific market focus will have a stronger position in competition and better marketing performance.

The Influence of Digital Marketing on Marketing Performance

Based on the results of data analysis in this study, it was found that digital marketing does not have a significant effect on marketing performance in the coffee shops studied. This can be seen from the results of the fifth hypothesis test, which shows that digital marketing and marketing performance are not significant with a t statistic of $0.786 > 1.96$ and a P-value = $0.432 > 0.05$. The original sample estimate value is 0.068. This indicates that the direction of the relationship between digital marketing and marketing performance is negative. This shows that even though digital marketing strategies have been implemented, they have not been able to provide a significant positive impact on improving marketing performance.

The effect of product innovation on marketing performance

Product innovation is one of the key strategies in maintaining and improving business competitiveness in an era of rapid change and intense competition. Product innovation can be defined as a company's efforts to create, develop, or renew the products it offers to the market in order to meet the ever-evolving needs of consumers and to create higher value compared to competitor products. Based on this description, it can be concluded that product innovation has a positive and significant effect on marketing performance with a P value = $0.000 < 0.05$, indicating that the relationship between product innovation and marketing performance is positive. This shows that the development of new products and improvements in the quality of products offered can increase the effectiveness of marketing strategies and business competitiveness.

The Influence of Market Orientation on Marketing Performance

Market orientation is a strategic approach that emphasizes the importance of a deep understanding of consumer needs and desires as the basis for business decision-making. This concept is rooted in the principle that customer satisfaction is the key to creating long-term value for the company. In the coffee shop industry, market orientation is reflected in the business's ability to deliver products and services that suit consumer tastes, such as creating trendy coffee drinks (cold brew, non-dairy alternatives) and providing a comfortable and friendly atmosphere for customers. Coffee shops with a strong market orientation will be

better able to establish long-term relationships with customers, build loyalty, and increase the effectiveness of marketing strategies. Additionally, market orientation is an important foundation for building sustainable competitive advantage. Based on the results of the hypothesis test, it shows that market orientation and marketing performance are significant with a t-statistic of $1.971 > 1.96$ and a P-value = $0.049 < 0.05$. The original sample estimate value is 0.218, which is positive. This indicates that the direction of the relationship between market orientation and marketing performance is positive. This shows that the higher the market orientation of a coffee shop, the better its marketing performance.

The Effect of Digital Marketing on Marketing Performance through Competitive Advantage

The results of the analysis in this study indicate that digital marketing does not have a significant effect on marketing performance through competitive advantage in coffee shops, with a p-value of $0.163 > 0.05$. Although digital marketing can enhance competitive advantage, this enhancement does not significantly impact marketing performance. The ineffectiveness of competitive advantage in mediating the influence of digital marketing on marketing performance can be attributed to several factors. First, the use of digital marketing is not yet optimal, such as a lack of attractive content strategies or the use of digital platforms that are not suitable for the target market. Second, the competitive advantage possessed may not be strong enough or relevant to current consumer preferences. Therefore, it is important for coffee shop businesses to not only focus on implementing digital marketing but also ensure that the competitive advantage they possess is truly relevant and valuable to consumers.

The Influence of Product Innovation on Marketing Performance through Competitive Advantage

The results of the analysis in this study indicate that product innovation does not significantly affect marketing performance through competitive advantage in coffee shops with a p-value of $0.805 > 0.05$. Although product innovation can enhance competitive advantage, this enhancement does not significantly impact marketing performance. Competitive advantage cannot effectively mediate the influence of product innovation on marketing performance because the product innovation carried out is not in line with consumer preferences or does not provide significant added value. In addition, the competitive advantage possessed may not be strong enough or relevant to current consumer needs, so it is unable to significantly improve marketing performance.

The Effect of Market Orientation on Marketing Performance through Competitive Advantage

Based on the results of data analysis obtained through the distribution of questionnaires to respondents, it is known that market orientation has a positive and significant effect on marketing performance, both directly and indirectly through competitive advantage with a p-value = $0.007 > 0.05$. Market orientation is the ability of a business to understand consumer needs and desires, monitor changes in market trends, and respond to competitor dynamics. In the context of coffee shops in Medan, a large city with intense competition in the coffee beverage business, market orientation is crucial. Coffee shops that consistently monitor customer needs, such as preferences for contemporary or local coffee menus and the desire for a comfortable atmosphere and fast service, tend to be able to attract more customers and create customer loyalty.

5. Conclusion

Based on the analysis and discussion of the influence of digital marketing, product innovation, and market orientation on marketing performance through competitive advantage as an intervening variable, it can be concluded that digital marketing and market orientation both have a positive and significant effect on competitive advantage, while product innovation does not. Furthermore, competitive advantage itself positively and significantly influences marketing performance. In terms of direct relationships, digital marketing does not significantly affect marketing performance, whereas product innovation and market orientation both have positive and significant effects. Regarding indirect relationships through competitive advantage, only market orientation demonstrates a positive and significant effect on marketing performance, while digital marketing and product

innovation do not. These findings indicate that market orientation plays a crucial role in enhancing both competitive advantage and marketing performance, emphasizing the importance of customer-focused strategies in achieving sustainable business success.

Based on the research findings, discussion, and conclusions, several recommendations are proposed to support the growth and competitiveness of coffee shop entrepreneurs. Business owners are advised to optimize the use of digital marketing platforms such as Instagram, TikTok, and WhatsApp Business by creating engaging and interactive content that enhances brand visibility and fosters positive customer perceptions. Continuous product innovation is also essential, whether in terms of menu, packaging, presentation, or customer experience, as innovations aligned with youth trends and urban lifestyles can strengthen competitiveness. Furthermore, coffee shop owners should actively understand consumer needs, desires, and behaviors by conducting regular small-scale market research to identify emerging trends and customer preferences. To achieve optimal marketing performance, it is also important to develop a distinctive business identity that is difficult for competitors to imitate, such as through a unique café atmosphere, personalized services, or a specific market focus—whether eco-friendly, local-based, or community-oriented concepts.

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