

## MARKETING STRATEGY AND INNOVATION TO ENHANCE MSMEs MARKETING PERFORMANCE: COMPETITIVE ADVANTAGE AS INTERVENING VARIABLE

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### Abstract

This study aims to analyze the effects of creativity in marketing strategies and product innovation on the marketing performance of furniture micro, small, and medium enterprises (MSMEs) in Jepara, with competitive advantage as an intervening variable. Utilizing a quantitative approach, data were collected from 150 MSMEs through questionnaires and subsequently analyzed using the Structural Equation Modeling method with SmartPLS 4.0. The results indicate that creativity in marketing strategies has a significant impact on both competitive advantage and marketing performance, whereas product innovation exhibits a significant effect solely on marketing performance and not on competitive advantage. This finding suggests that competitive advantage plays a significant mediating role in the relationship between creativity in marketing strategies and marketing performance. The lack of a significant effect of product innovation on competitive advantage is believed to be influenced by the homogeneity of product design and consumer perceptions that prioritize traditional elements. Consequently, MSMEs are encouraged to develop creative marketing strategies and product differentiation that align with market values to enhance their competitiveness and improve marketing performance.

**Keywords:** Marketing Strategy Creativity, Product Innovation, Competitive Advantage, Marketing Performance

## Introduction

Micro, Small, and Medium Enterprises (MSMEs) represent one of the most resilient categories of businesses in times of economic crisis within this nation. The consistent growth in the number of micro, small, and medium-sized business units is poised to create significant employment opportunities. Nevertheless, these small enterprises continue to be perceived as possessing limited performance capabilities (Amalina, 2024). Recent developments in Indonesia necessitate that economic participants not only survive but also prepare to compete against other Micro, Small, and Medium Enterprises (MSMEs). This situation compels MSMEs to innovate by establishing new and distinct businesses, all while maintaining high performance standards (Viviani et al., 2020). The government has undertaken initiatives to enhance the performance of the Micro, Small, and Medium Enterprises (MSME) sector by implementing various regulatory supports and incentive programs. These include provisions for tax relief, capital assistance, and training (Aryadi & Hoesin, 2022). However, this endeavor cannot operate effectively without a robust commitment from the owners of Micro, Small, and Medium Enterprises (MSMEs) to enhance their learning capacity further and persist in innovation. Innovation is the pivotal factor for enterprises that aspire to sustain their viability in today's era of unrestricted competition (Khairunnisah et al., 2023). Numerous studies indicate that learning factors and product market orientation are strategies that can be employed to foster organizational innovation (Elwisam, 2019).

Especially wooden furniture crafts have a long history in Jepara. These skills are passed down from generation to generation, producing superior quality and aesthetically valuable goods (Azzahra, 2023). Furniture SMEs in Jepara play a significant role in the local economy. With many craftsmen and small businesses, this sector creates jobs and boosts the local community's income. The Jepara local government is active in supporting the development of SMEs through various training programs, capital assistance, and product promotion. This creates a conducive environment for business growth (Hasanuddin, 2019). Jepara furniture products are known both domestically and internationally. With online platforms and exhibitions, craftsmen can reach a broader market, increasing sales opportunities. Furniture SMEs in Jepara continue to innovate by creating new designs that are in line with market trends (Andika, 2024). Product diversification also helps attract a variety of consumer segments. Many craftsmen in Jepara utilize raw materials from sustainable sources, including responsibly managed wood. This aligns with the global trend toward environmentally friendly products. With training and access to information, many SMEs in Jepara are able to improve the quality of their products, so they can compete in the international market (H. S. Arifin, n.d.).

Jepara Regency is one of the key areas in Indonesia's wooden furniture industry. Jepara furniture products are renowned in both local and international markets for their exceptional wood quality, distinctive artistic designs, and meticulous craftsmanship. These advantages make Jepara a center for wooden furniture production that continues to grow (Ali, 2012). In recent years, furniture MSMEs in Jepara have demonstrated positive growth, driven by design innovation, the utilization of digital technology, and increasing market demand. Despite facing various challenges such as fluctuations in raw material prices and industry competition, Jepara furniture MSMEs still have great opportunities to develop and strengthen their position in the local and global markets (S. Arifin & Komaryatin, 2020).

Wooden furniture SMEs in Jepara Regency have shown positive developments in recent years, both in the local market and export opportunities. Design innovation, utilization of digital technology, and increasing consumer demand have contributed to the growth of this industry. However, SMEs still face various challenges, including market competition, the availability of raw materials, and trade regulations. With the right strategies, such as boosting production efficiency, diversifying products, and strengthening branding, Jepara furniture SMEs have great opportunities to grow and improve their position in both local and international markets (Fachrunnisa, 2020).

In addition to being the center of Indonesia's wood-based furniture industry, Jepara Regency is renowned worldwide for producing high-quality furniture. The rich cultural heritage in the art of carving, easy access to high-quality wood raw materials, and the presence of hundreds of Micro, Small, and Medium Enterprises (MSMEs) in the industry all contribute to the greatness of the Jepara furniture industry (Dahmiri et al., 2024).

Several MSMEs in Jepara have utilized various creative marketing strategies, such as engaging content, attractive promotions, and innovative approaches to reach a broader market and boost the local economy (Lestari et al., 2024). However, there are still many MSMEs that have not fully realized the importance of creativity in marketing strategies, and some of them still rely on traditional marketing methods that are less effective in today's digital era (Kitsios et al., 2022).

The first thing that MSME business actors do is to create a marketing strategy such as marketing strategy creativity. Marketing strategy creativity is the most important and primary thing in formulating a strategy to generate new ideas in company planning. The same understanding also arises from the perspective of Fillis and McAuley (2000) in Adijati Utaminingsih (2016) which explains that strategic creativity is something that allows a person or organization to generate new ideas in every plan. The second is by innovating, innovation is the basis or main key for companies to survive in the era of free competition like today. According to Robbins and Coulter (2010) stated

that innovation is the process of changing creative ideas into useful products or work methods. It is essential for companies to understand the relationship between innovation and organizational performance, as it is well established that the higher the level of innovation, the greater the marketing performance (Numat, 2022).

Several previous studies have shown varying and inconsistent results regarding the influence of Marketing Strategy Creativity on marketing performance. (Leeflang, Verhoef et al. 2014), (Royle and Laing 2014), (Järvinen, Tollinen et al. 2012) stated that Marketing strategy creativity has no significant effect on marketing performance, while (Ryan and Jones 2009) and (Morris 2009) stated that marketing strategy creativity has a significant effect on marketing performance. According to Ramadhani, Kusumah et al. (2022), marketing strategy creativity has no significant effect on marketing performance. In contrast, Suwarno (2020) stated that marketing strategy creativity has a significant effect on marketing performance.

Although various studies have highlighted the importance of marketing strategy, creativity, and product innovation in enhancing marketing performance, several research gaps remain that have not been widely explored. One such gap is the impact of digitalization on creativity in marketing strategies and its effect on marketing performance. Along with the rapid development of technology, social media, big data analytics, and artificial intelligence are increasingly influencing marketing strategies. However, there are still a few studies that discuss this aspect in depth.

In addition, research on product innovation generally still focuses on conventional innovation, while the impact of sustainable product innovation on competitive advantage and marketing performance has received less attention. Likewise, the role of competitive advantage, which is often seen as an intervening variable in many studies, has not been widely examined as a moderating variable that could strengthen or weaken the relationship between marketing strategy creativity and product innovation on marketing performance (Muhti Saputri, 2023).

Organizational culture, as a factor that can influence creativity and innovation, is also rarely studied about marketing strategy and business performance. Finally, most previous studies are general without considering the characteristics of a particular industry. More research focusing on specific industries, such as the creative industry, technology, or manufacturing, is still needed to understand better how these factors interact in particular contexts.

The urgency of this research lies in the need to understand how the implementation of digital strategies can improve the marketing performance of furniture MSMEs in Jepara. Many furniture MSMEs still use conventional marketing methods, so that the use of digital technology is minimal, such as e-commerce, social media, or marketing strategies, and the lack of innovation in the use of alternative raw materials, and still rely on traditional designs without adapting to market trends.

This study aims to analyze the role of marketing strategy creativity on the marketing performance of furniture MSMEs in Jepara and explore the mediating role of product innovation and competitive advantage in increasing business growth.

By considering the business phenomenon that exists in furniture MSME in Jepara and the gap in previous research, the title of this study is "The Role of Marketing Strategy Creativity and Product Innovation in Improving the Marketing Performance of Furniture MSME Towards Competitive Advantage" This study aims to provide in-depth insight into the application of Marketing Strategy Creativity in improving marketing performance, expanding market reach, and providing relevant solutions to improve the performance and competitiveness of furniture MSME, as well as encouraging the growth and sustainability of MSME in the area.

Strategic creativity is a crucial aspect in carrying out activities, particularly in strategy formulation. Creativity allows a person or organization to come up with new ideas in every plan formulation (Filis and McAuley, 2000) in Widodo (2008:152). Likewise, in the world of marketing, creativity is considered necessary in the formulation of marketing strategies (Utaminingsih, 2016).

In the context of MSMEs, particularly in the furniture sector of Jepara, creativity in marketing strategies is key to escaping the traditional marketing trap. Many MSMEs still rely on conventional methods (for example, waiting for buyers to come directly to the workshop). In fact, with creativity in digital marketing (for example, creating TikTok or Instagram Reels content that shows the carving production process), business actors can reach national and even global markets.

The strategy implemented in every company must be planned and directed to improve marketing performance. Marketing performance is essential to achieve because marketing performance is an achievement obtained by the company in achieving sales targets in the market with a certain strategy, not only sales but also market share must be considered, (Nasir, 2018). To achieve this, a corporate culture is needed that is able to implement marketing concepts in the form of product creativity, (Rahmawati et al., 2019); and product innovation, (Ulya, 2019), which have been viewed by several experts as factors that can influence the company's efforts to improve its marketing performance.

Product innovation can be used as a strategy to improve marketing performance. Competition in the industrial world is not only about product price and quality, but also product innovation used as a marketing strategy so that marketing performance increases and the company also has the opportunity to advance and excel over its competitors because the company can find out what its market wants (Amin et al., 2019).

According to Tjiptono (2015:444) innovation is a crucial factor in supporting the success of a company, both manufacturing service providers. Innovation leads to the introduction of new products. The type of new product is related to the strategy that the company wants to achieve. Kotler and Keller (2012) argue that innovation can continue to develop if changes are made continuously, present in the rhythm of modern life, and sophisticated. Along with changing times and evolving market tastes, customers are more sensitive in determining what products can satisfy them. Innovation through science has undergone endless evolution as seen from the various increasingly developing production complements, spurring companies to produce products that can satisfy their customers. Raw materials, machines, human resources, are a series of tools that can be used as benchmarks in producing products that can be the company's flagship (Ernawati et al., 2019)

In this section, the researcher develops the key proposition that competitive advantage mediates the impact of business strategy quality, and seller behavioral ethics on MSME business performance. According to Porter (2008), competitive advantage is related to the method by which companies choose and implement strategies into practice. Furthermore, Purnama & Setiawan (2003) argue that the source of competitive advantage is superior skills, resources and control. Skills include technical, managerial and operational satisfaction. Ultimately, these sources of competitive advantage are expected to increase the company's profitability in the form of expanding market share, sales and profit growth, and increasing the number of customers (Asyhari et al., 2018).

The mediating role of competitive advantage on MSME business performance has been explained in previous studies by Zhou, Brown, & Dev (2009), Yacob, Octavia, Mayrina, & Hasan (2017), and strengthened by Nurlina & Darsono's research (2017). The findings of the study by Sutapa, Mulyana & Wasitowati (2017) stated that marketing strategy creativity has a significant influence on competitive advantage and marketing performance, and furthermore, competitive advantage has a significant influence on marketing performance. The study by Tobing, Fathorazz & Wulandari (2018) found that the ability of marketing strategy creativity is a factor that significantly influences the competitive advantage of MSMEs in Central Java. Using the multiple regression analysis method, the results of the study concluded that the higher the ability of marketing strategy creativity, focus on business strategy, and response to changes that occur, the stronger the competitive advantage of MSMEs (Tobing et al., 2018). Testing the mediating role of competitive advantage in this study was carried out more comprehensively, namely through the Partial Least Square Structural Equation Model (PLS-SEM) analysis method.

Therefore, competitive advantage is relevant to be used as an intervening variable because it is able to explain how the indirect influence of marketing strategy creativity and product innovation on

marketing performance can occur. When MSMEs are able to build competitive advantages through product uniqueness, competitive prices, or superior service, the impact of creative strategies and innovation will be more effective in improving marketing performance. This is reinforced by previous research findings (Sutapa et al., 2017; Tobing et al., 2018) which show that competitive advantage significantly mediates the relationship between these variables, so that its position as an intervening variable is not only theoretically logical, but has also been proven empirically.

Performance is a system related to activities and results (outcomes) obtained. Marketing is a measure of achievement from the overall marketing process activities in the organization, (Suwarman et al., 2010). Every company is interested in knowing its achievements as a reflection of the success of its business in market competition, with marketing performance the company can know where the position of the company's success is measured from each specified period, (Utaminingsih, 2016).

Marketing has evolved from the traditional marketing concept to the modern marketing concept, (Kotler & Keller, 2011). The modern marketing concept explains that marketing does not only focus on sales, but emphasizes the implementation of strategies to explore various aspects such as customer needs, the company's strengths to meet customer needs and how to satisfy consumers better than competitors. The existence of competitors has a major influence on the company, so to win the competition, the company's ability to create competitive advantages through the implementation of the right marketing strategy is needed (Harini et al., 2024).

The emergence of competition in business is something that cannot be avoided, including in the furniture business in Jepara City. With the competition, entrepreneurs are faced with various opportunities and threats that come from internal and external sources. For this reason, every MSME Furniture entrepreneur is required to understand and comprehend what is happening in the market so that they are able to compete with other entrepreneurs and improve marketing performance. The key to improving the marketing performance of a business actor must have the ability to create competitive advantage. Competitive advantage can be created by increasing factors from related variables, including products, price perception and promotion. To increase competitive advantage and marketing performance, MSME actors can develop product variables in terms of product diversity, product quality, product design, product size and provide product warranties if necessary to ensure product quality. From the price perception variable, MSME actors can make efforts such as providing special discounts, implementing a credit system and even giving special prizes to loyal consumers (Aulia, 2022).

Marketing performance, as defined by Er and Mukti (2023), is a company's efforts to identify and meet customer needs and tastes. This concept can be interpreted as a measurement of market performance achieved by a product. Marketing performance encompasses measures of a company's marketing strategies and activities, including increased sales, market share, and the achievement of other marketing objectives. Defined (N. Farida 2016), marketing performance as a measure of a company's success involves various factors, including sales turnover, number of customers, sales, and growth profitability. Voss and Voss (2000), stated that marketing performance is a business measurement related to the company's success, which includes sales turnover, number of customers, sales, and growth profitability. According to Narver, J. C. and Slater (1990), Marketing Performance indicators involve the success of new products, sales growth, and annual profits (Farid et al., 2024).

Marketing performance is a measure of achievement obtained from the overall marketing process activities of a company or organization. In addition, marketing performance can also be viewed as a concept used to measure the extent to which a product produced by a company (Bakti & Harun, 2011) has achieved its market performance. Several dimensions used in assessing marketing performance are: Sales turnover, namely the number of sales of the company's products; sales return, namely the number of product sales that are returned (returned); marketing area coverage, namely the breadth of the product marketing area; and sales increase, namely the number of sales that increase from the period (Suendro, 2010). Marketing performance itself is known to be influenced by several factors, including competitive advantage (Almira Amelia & JE Sutanto, 2018). Understanding the marketing performance of MSMEs is important, because it has a crucial role for a country's economy, because it is able to open up employment opportunities, improve the quality of life (Nofrizal et al., 2021).

## Methods

This study aims to analyze Micro, Small, and Medium Enterprises (MSMEs) in the furniture sector of Jepara Regency. In this study, the approach used is quantitative, which allows researchers to collect and analyze numerical data systematically. The population focus of this study comprises 4,243 furniture MSME actors in Jepara Regency. From this population, a sample of 150 respondents was taken using the Non-probability sampling method based on selected variables, which were determined using the hair formula. (Hair, Ringle et al. 2013) that a good sample size ranges from 100 - 200 respondents and can be adjusted to the number of indicators used in the questionnaire, with the assumption of 5 to 10 times the number of existing indicators. In this study, there are 15 indicators multiplied by 10 ( $15 \times 10 = 150$ ). Therefore, based on calculations using

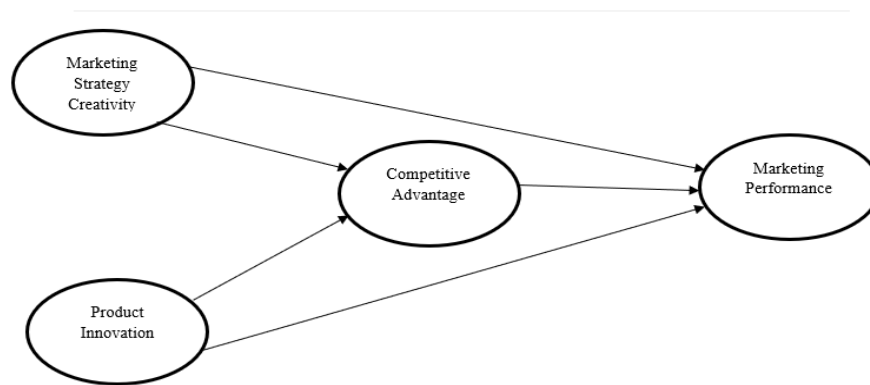


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this formula, the number of samples to be studied is 150 respondents. This technique ensures that each MSME actor has an equal opportunity to be selected as a respondent, thereby ensuring that the study's results accurately reflect the condition of the population as a whole.

Data were collected through a questionnaire designed using a 1-10 Likert scale, distributed online via Google Forms, which allowed respondents to provide an assessment of various statements regarding factors that influence their business. In addition, direct interviews were conducted with several MSME actors to gather further and in-depth information about the experiences and challenges they face in running their furniture businesses. Data analysis was conducted using Structural Equation Modeling (SEM) via SmartPLS 3.0 software. The SEM method enables researchers to simultaneously evaluate the relationship between variables and understand the direct and indirect influences of various factors on MSME performance.



**Figure 1. Research Model**

#### **Hypothesis:**

H1: The Influence of Marketing Strategy Creativity on Competitive Advantage in Furniture MSMEs in Jepara Regency

H2: The Influence of Marketing Strategy Creativity on Marketing Performance in Furniture MSMEs in Jepara Regency

H3: The Influence of Product Innovation on Competitive Advantage in Furniture MSMEs in Jepara Regency

H4: The Influence of Product Innovation on Marketing Performance in Furniture MSMEs in Jepara Regency

H5: The Influence of Competitive Advantage on Marketing Performance in Furniture MSMEs in Jepara Regency

## Result and Discussion

### Analysis Partial Least Squares (PLS)

#### Outer Model

This study employs two measurement models: the Validity Test and the Reliability Test.

#### Convergent Validity Test

The purpose of this test is to assess the extent to which the indicators describe the concept being measured. The results of this test are considered adequate if the loading factor has a value greater than 0.7 and the AVE value is greater than 0.5 (Ghozali, 2006).

**Table 1. Uji Convergent Validity**

Variable	Indicator	Outer Loading	AVE	Result
Marketing Strategy Creativity	KSP1	0.779	0.595	VALID
	KSP2	0.754		
	KSP3	0.781		
Product Innovation	IP1	0.796	0.627	VALID
	IP2	0.732		
	IP3	0.843		
Competitive Advantage	KK1	0.815	0.611	VALID
	KK2	0.777		
	KK3	0.753		
Marketing Performance	KP1	0.784	0.665	VALID
	KP2	0.828		
	KP3	0.834		

Source: Primary data processed with SmartPLS version 4.0

The results of the Convergent Validity Test show that all variables are declared valid because all Outer Loading values exceed 0.7 and the AVE value is more than 0.5.

#### Reliability Test

Composite Reliability and Cronbach's Alpha are metrics considered reliable, with a value scale ranging from zero to one. If the value is greater than 0.7, then the reliability test is considered reliable.

Table 2. Nilai *Composite Reliability* dan *Cronbach's Alpha*

Variable	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Result
Marketing Strategy Creativity	0.707	0.712	0.819	Reliable
Product Innovation	0.701	0.714	0.834	Reliable
Competitive Advantage	0.725	0.752	0.819	Reliable
Marketing Performance	0.709	0.740	0.822	Reliable

Source: Primary data processed with SmartPLS version 4.0

The Reliability Test indicates that the indicators of the four variables—Marketing Strategy Creativity, Product Innovation, Competitive Advantage, and Marketing Performance — obtained a Composite Reliability value above 0.7 and a Cronbach's Alpha value above 0.7, thus indicating reliability.

### Inner Model

The inner model is a structural model used to predict causal relationships between variables that cannot be measured directly with hidden variables.

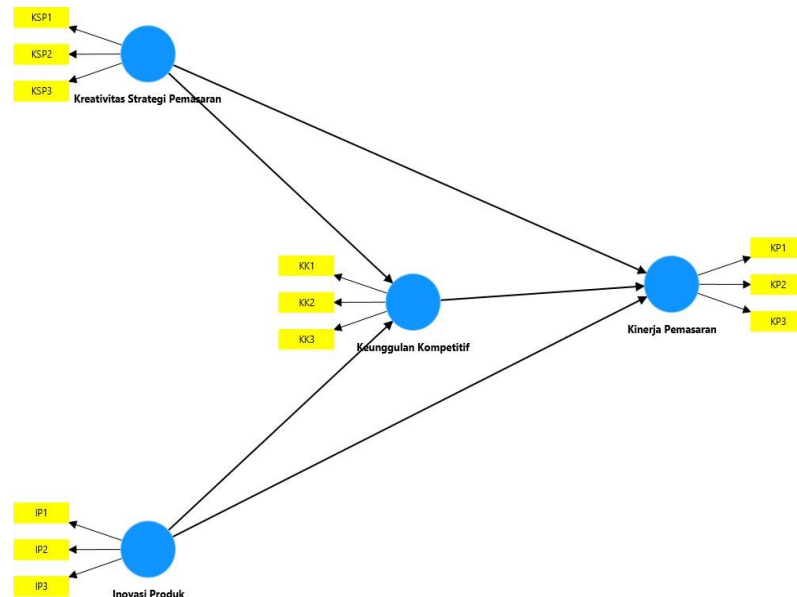


Figure 2. Structural Model

### R- Square

R-squared is a test used to indicate the extent to which the independent variable impacts the dependent variable. When R-squared is considered strong when it reaches 0.67, it is considered moderate when it reaches 0.33, and the value is considered weak when it reaches 0.19.

**Table 3. R-Square**

Variable	R-Square	adjusted R-Square
Competitive Advantage	0.433	0.426
Marketing Performance	0.565	0.556

Source: Primary data processed with SmartPLS version 4.0

The R-squared value for Competitive Advantage is 0.986, while the Adjusted R-squared value is 0.986. It shows that Marketing Strategy Creativity has an impact of 90.8% on Competitive Advantage, which can be considered a strong influence. While the remaining 2% can be attributed to other variables and indicators not addressed in this study.

The R-squared value for Marketing Performance is 0.943, while the Adjusted R-squared value is 0.942. It shows that Product Innovation has an impact of 90.4% on Marketing Performance, which can be considered a strong influence. While the remaining 6% can be attributed to other variables and indicators not addressed in this study.

#### **F-Square**

**Table 4. F-Square**

Variable	F-Square
KSP -> KK	0,163
KSP -> KP	0,035
IP -> KK	0,112
IP -> KP	0,108
KK-> KP	0,205

Source: Primary data processed with SmartPLS version 4.0

KK -> KP (F-square = 0.205): Competitive Advantage variable has the most significant influence on Marketing Performance. This figure shows that changes in Competitive Advantage can substantially affect Marketing Performance, reflecting the key role of Competitive Advantage in the model. This strong influence indicates that Competitive Advantage may contain important factors that contribute to the expected results, so it is important to pay more attention in the development and research related to Competitive Advantage.

KSP -> KK (F-square = 0.163): The Marketing Strategy Creativity variable shows a moderate influence on Competitive Advantage. Although not as strong as KK -> KP, Marketing Strategy Creativity still contributes to the variation of Y, indicating that the factors contained in Marketing Strategy Creativity also have relevance in this model. This indicates that the strategy or changes

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applied to Marketing Strategy Creativity can still have a significant impact, although it may not be as big as the influence of Y.

IP -> KK (F-square = 0.112): On the other hand, Product Innovation shows the weakest influence on Competitive Advantage. With a low F-square value, its contribution to the variation of Y is very small, indicating that Product Innovation may not have a significant relationship with Y. This implies that if there is no interaction or other factors that can increase its influence, Product Innovation may not need to be retained in the model, considering its limited impact.

## **Hypothesis Test**

**Table 5. Path Coefficient**

<b>Variable</b>	<b>Original Sample (O)</b>	<b>Sample Mean (M)</b>	<b>Standard deviation (STDEV)</b>	<b>T statistic (O/STDEV)</b>	<b>P values</b>
KSP -> KK	0.397	0.396	0.078	5.116	0.000
KSP-> KP	0.173	0.175	0.066	2.626	0.009
IP -> KK	0.328	0.321	0.108	3.038	0.002
IP -> KP	0.299	0.298	0.082	3.658	0.000
KK -> KP	0.397	0.398	0.079	5.007	0.000

Source: Primary data processed with SmartPLS version 4.0

### **The Influence of Marketing Strategy Creativity on Competitive Advantage**

It can be seen if the Coefficient value is (0.397) with t-statistics (5.116) and p value (0.000) < 0.05. So H0 is rejected and H1 is accepted. This indicates that the variable of Marketing Strategy Creativity with Competitive Advantage has a positive and significant effect on MSME Furniture in Jepara Regency.

### **The Influence of Marketing Strategy Creativity on Marketing Performance**

It can be seen if the Coefficient value is (0.173) with t-statistics (2.626) and p value (0.009) > 0.05. So H0 is rejected and Ha1 is accepted. This indicates that the variable Marketing Strategy Creativity with Marketing Performance has a positive and significant effect on MSME Furniture in Jepara Regency.

### **The Effect of Product Innovation on Competitive Advantage**

It can be seen if the Coefficient value is (0.328) with t-statistics (3.038) and p value (0.002) > 0.05. So, H0 is rejected and Ha1 is rejected. This indicates that the Product Innovation variable with Competitive Advantage does not have a positive and insignificant effect on MSME Furniture in Jepara Regency.

### **The Effect of Product Innovation on Marketing Performance**

It can be seen if the Coefficient value is (0.299) with t-statistics (3.658) and p value (0.000) < 0.05. So H<sub>0</sub> is rejected and H<sub>a1</sub> is accepted. This indicates that the Product Innovation variable with Marketing Performance has a positive and significant effect on MSME Furniture in Jepara Regency.

### **The Effect of Competitive Advantage on Marketing Performance**

It can be seen if the Coefficient value is (0.397) with t-statistics (5.007) and p value (0.000) < 0.05. So H<sub>0</sub> is rejected and H<sub>a1</sub> is accepted. This indicates that the Competitive Advantage variable with Marketing Performance has a positive and significant effect on MSME Furniture in Jepara Regency.

### **Mediation Test**

In mediation, there are three scenarios: non-mediation, full mediation, and partial mediation. The results of bootstrapping tests with SmartPLS 4.0 interpret the indirect effect based on the P value: P > 0.05 indicates a negative effect, while P < 0.05 indicates a positive effect.

### **The Influence of Marketing Strategy Creativity on Competitive Advantage through Marketing Performance**

From table 5, it can be seen that the Path Coefficient, Marketing Strategy Creativity on Marketing Performance has a negative relationship because the P value = 0.009 > 0.05. In addition, table 6 shows the Specific Indirect Effect, Marketing Strategy Creativity on Competitive Advantage mediated by Marketing Performance has a positive relationship because the P value = 0.000 < 0.05, therefore it can be categorized as Full Mediation.

**Table 6. Specific Indirect Effects**

<b>Variable</b>	<b>Original Sample (O)</b>	<b>Sample Mean (M)</b>	<b>Standard deviation (STDEV)</b>	<b>T statistic (O/STDEV)</b>	<b>P values</b>
KSP -> KK -> KP	0.157	0.158	0.045	3.538	0.000
IP -> KK -> KP	0.130	0.128	0.053	2.458	0.014

*Source:* Primary data processed with SmartPLS version 4.0

## **Discussion**

### **The Influence of Marketing Strategy Creativity on Competitive Advantage**

Product creativity reflects an individual's ability to combine new ideas and develop previous ideas, which are directed by customer needs and desires to create valuable products (Kurniasari & Utama, 2018). In a business context, innovation and creativity play a crucial role in driving value creation, particularly through marketing strategies that enhance the attractiveness and relevance of products

to consumers. The added value generated from this creative strategy is one of the main drivers of achieving excellence in market competition (Kasih, 2023).

Market superiority is not only determined by the product itself, but also by the business's ability to establish strong customer relationships, respond to market needs, and differentiate itself from competitors. MSMEs, including the furniture sector in Jepara Regency, show that business actors who actively implement creative marketing strategies, such as through social media, tend to experience increased sales and customer satisfaction (Hasibuan & Najmudin, 2024).

### **The Influence of Marketing Strategy Creativity on Marketing Performance**

Marketing performance reflects the success of a company's strategy in achieving competitive results in the market. Evaluating this performance is crucial to understanding the effectiveness of the approach used in reaching and retaining customers (Maulana, 2023).

The results of the analysis indicate that marketing strategy creativity has a positive and statistically significant impact on marketing performance. A creative strategy allows companies to build more substantial value in the eyes of customers through a relevant and adaptive approach to market changes. Previous research also supports this finding; Dharma, Fadillah et al. (2022) showed that innovative marketing strategies can increase brand awareness and customer loyalty. Yuswono reported similar findings, as Turmudhi et al. (2024) stated that the right digital strategy fosters higher interaction between business actors and customers.

### **The Influence of Product Innovation on Competitive Advantage**

The study's results indicate that product innovation has a positive and significant impact on competitive advantage. Innovation, according to Hills (2008), is an idea, practice, or object that is considered new by individuals or other user groups. Product innovation includes the development of new designs and increased utility, which increases choices and benefits for customers so that that product quality can be more in line with consumer expectations (Prajogo & Sohal, 2003).

Companies that continue to innovate, especially in product design and increasing utility, will be able to maintain their competitiveness. In an era of rapid technological advancement and intense competition, innovation is the key to increasing competitive advantage. This study aligns with the findings of Aang Curatman et al. (2016), which demonstrate that product innovation has a positive impact on competitive advantage in the SME sector.

### **The Influence of Product Innovation on Marketing Performance**

The results of this study indicate that product innovation has a positive effect on marketing performance. Data from MSMEs in Jepara confirm that product changes, such as design improvements and feature additions, increase their product appeal and marketing performance.

MSMEs that innovate in terms of product design or quality improvement report increased sales and customer satisfaction. Product innovation helps them compete better with competitors, while meeting changing customer needs and preferences.

In line with these findings, the theory proposed by Wahyono (2002) suggests that technical innovations, including product changes and technological improvements, have a significant impact on marketing performance. MSMEs that adopt product innovations, such as design variations or new features, can enhance the relevance of their products in the market and improve customer interactions.

### **The Influence of Competitive Advantage on Marketing Performance**

The results of this study indicate that competitive advantage has a positive effect on marketing performance in furniture MSME in Jepara Regency. Competitive advantage is not only influenced by the entire company, but also by various activities carried out in the design, production, marketing, and distribution of products. This competitive advantage is created through the value the company provides to its customers, which in turn increases the attractiveness of the product in the market. Customers will be more interested in products that offer more value for the price offered.

In this case, the company's internal resources, whether physical, human, or organizational, play an essential role in creating and maintaining a competitive advantage that is difficult to imitate, as explained by Brahmana (2007). These rare and irreplaceable resources enable companies to remain competitive and improve marketing performance.

This study supports the findings of Li (2000), who found a positive relationship between competitive advantage and marketing performance, as measured by sales volume, market share, and return on investment. Other studies by Suendro (2010) and Prakosa (2005) also demonstrate that a sustainable competitive advantage has a positive impact on marketing performance, a finding supported by Sismanto (2006).

### **Conclusion**

According to the analysis results, the marketing strategy creativity factor was found to have the most decisive influence on competitive advantage, surpassing product innovation and other factors. This finding shows that MSMEs engaged in the furniture industry must have a competitive advantage with the ability to do business to achieve profit through marketing strategy creativity by producing unique products according to customer tastes and needs, rarely found, not easily imitated meaning that they can be imitated imperfectly, difficult to replace and competitive prices in the market have a very large and significant influence on improving marketing performance. Compared



to product innovation, it does not guarantee an improvement in marketing performance. This means that MSMEs need to explore, recognize, and determine exactly what the source of their superiority is in competing with other MSMEs. By continuing to maintain and develop sources of competitive advantage, marketing performance will be maintained.

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