



The Influence Of Digital Marketing, Product Innovation, And Brand Equity On Competitive Advantage Of UMKM Sambal Dede Satoe

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How to Cite :

Andini, A, P., Hendrarini, H., Yuliati, N. (2026) The Influence of Digital Marketing, Product Innovation, and Brand Equity on Competitive Advantage of UMKM Sambal Dede Satoe. EKOMBIS REVIEW: Jurnal Ilmiah Ekonomi Dan Bisnis, 14(3). DOI: <https://doi.org/10.37676/ekombis.v14i3>

ARTICLE HISTORY

Received [16 December 2025]

Revised [16 July 2026]

Accepted [19 July 2026]

KEYWORDS

Digital Marketing, Product Innovation, Brand Equity.

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ABSTRACT

This study was conducted at UMKM Sambal Dede Satoe in Surabaya. The high level of competition among chili sauce micro-enterprises and packaged chili products serves as the background of this research, focusing on the aspects of digital marketing, product innovation, and brand equity. The purpose of this study is to analyze the influence of digital marketing, product innovation, and brand equity on competitive advantage at UMKM Sambal Dede Satoe. This research employs a quantitative approach by distributing questionnaires to 65 consumers of Sambal Dede Satoe. The data were analyzed using the Structural Equation Modeling–Partial Least Squares (SEM-PLS) method. The results indicate that digital marketing and brand equity have a positive and significant effect on competitive advantage, while product innovation shows a positive but not significant effect. These findings suggest that digital marketing and brand equity are the strongest factors in enhancing competitive advantage at UMKM Sambal Dede Satoe, whereas product innovation remains incremental and has yet to produce a significant impact. This study is expected to provide practical insights for UMKM Sambal Dede Satoe in strengthening their competitive advantage, particularly through improvements in digital marketing, product innovation, and brand equity.

INTRODUCTION

Indonesia is a significant consumer of sauces and spices globally. According to the latest data, spice consumption in Indonesia continues to show a positive trend, with Indonesia ranking fourth and becoming a major spice exporter in the global market. This factor presents an opportunity for MSMEs in the food sector, including chili sauce MSMEs, to increase their competitiveness. The need for product diversification, effective digital marketing

strategies, and quality improvement are crucial for local MSMEs to compete in an increasingly competitive global market.

Surabaya is a hub for the growth of MSMEs in East Java, particularly in the food processing sector, particularly in chili sauce. The high public interest in spicy foods has spurred the development of MSMEs producing various varieties of chili sauce. Several MSMEs producing chili sauce in Surabaya include Sambal Dede Satoe, Sambal Bu Sandra, Sabal Cuk, Sambal Bu Rudy, Sambal Njewer, and others. The large number of chili sauce MSMEs in Surabaya creates intense competition, expanding consumer choice and encouraging businesses to be more responsive to market needs.

Sambal Dede Satoe is an MSME focused on producing and selling traditional chili sauce while maintaining its distinctive flavor, keeping up with the times. However, compared to competitors' chili sauce sales, Sambal Dede Satoe has seen lower sales. Sambal Dede Satoe has implemented a digital marketing strategy to reach a wider audience. This strategy is implemented through social media platforms such as Instagram, TikTok, and e-commerce platforms. However, this digital marketing implementation has not been optimal. This is evident in the inconsistent frequency of content uploads, the lack of interaction with consumers on social media, and the suboptimal use of digital promotional features.

According to Chaffey and Ellis-Chadwick (2022), digital marketing is a marketing strategy that uses digital technology integrated with traditional marketing activities to increase the effectiveness and efficiency of communication with customers. In this case, digital marketing serves as a means to create personal, interactive, and measurable relationships with customers through various digital media such as social media, websites, and email. Competitive advantage can be created through increased customer loyalty, digital experience-based differentiation, and higher promotional cost efficiency compared to conventional media.

Increasing competition among businesses requires entrepreneurs to innovate their products. According to Adedapo et al. (2020), product innovation is a tool in growth strategies to penetrate new markets, increase market share, and enhance a company's competitiveness. Sambal Dede Satoe offers 16 different types of chili sauce variants and various packaging options. However, these variations are already widely available on the market, so Sambal Dede Satoe still lacks its own innovative product.

Brands are crucial assets in shaping consumer perceptions and business competitiveness. According to Ansary and Hashim (2018), brand equity can be built through digital marketing activities that increase awareness, build positive associations, and foster consumer engagement with the brand. Sambal Dede Satoe, a small and medium-sized enterprise (SME), has grown rapidly and successfully penetrated the international market. However, strengthening the brand in the local market still faces challenges. Inconsistent digital promotions and a minimal presence on social media mean consumers are not yet fully familiar with the brand. Furthermore, most consumers still prefer to make purchases offline, indicating that brand awareness on digital platforms is not yet optimal.

Based on the existing problems, this study aims to analyze the influence of digital marketing, product innovation, and brand equity on competitive advantage. What distinguishes this study from existing research is the use of three main variables, namely digital marketing, product innovation, and brand equity, with more specific indicators, such as incentive programs, site design, interactive (in digital marketing), product expansion, product imitation, new products (in product innovation), as well as brand knowledge, brand awareness, and brand image (in brand equity). This study also uses the Structural Equation Modeling-Partial Least Squares (SEM-PLS) method to analyze the relationship between variables, which has not been widely used in previous similar studies.

LITERATURE REVIEW

Digital Marketing

Digital marketing is the use of information technology to promote products and services through various internet-based platforms. As the number of internet and smartphone users increases annually, digital marketing strategies are increasingly being used, particularly by MSMEs, to expand their market reach. Through digital marketing, consumers and potential customers can access information about products and services quickly and easily. Furthermore, digital media allows for interaction between businesses and potential buyers without the constraints of time or location (Abdurrahman et al., 2020).

Product innovation

Product innovation is a key element in business development, especially for MSMEs like Sambal Dede Satoe. The innovation process doesn't always mean introducing a completely new product; it can also involve refining or developing existing products to maintain market competitiveness. Kotler and Armstrong (2018) explain that product innovation is a company's effort to design new offerings or improve existing products to adapt to changing consumer needs and preferences.

Brand Equity

Brand equity is a key concept in marketing because a strong brand presence not only influences consumer preferences and purchasing decisions but also provides long-term benefits for the company. Keller (2021) explains that customer-based brand equity arises when consumers have a good understanding and positive perception of a brand.

Competitive Advantage

Competitive advantage describes a company's superior position compared to its competitors, either through its ability to offer value at a lower cost or provide superior benefits at a higher price. There are two main approaches to achieving this advantage: low-cost strategy and product differentiation (Lestari et al., 2020).

METHODS

Analysis Method

Respondents in this study were consumers of Sambal Dede Satoe, a small and medium enterprise (UMKM) who had purchased and consumed the product. A total of 65 respondents were obtained through a non-probability sampling technique with a purposive sampling method, which selects individuals deemed to meet the criteria for knowledge and experience related to the product under study. The research data consisted of primary data collected through questionnaires and secondary data sourced from various supporting literature.

The research method was conducted systematically. First, the instrument was developed based on indicators of digital marketing variables, product innovation, brand equity, and competitive advantage. Second, data collection was conducted by distributing questionnaires to respondents who met the criteria. Third, the data were analyzed using the Structural Equation Modeling–Partial Least Squares (SEM-PLS) approach with WarpPLS 8.0 software. The analysis process included validity and reliability testing, outer model evaluation, inner model assessment (R^2 , Q^2 , and effect size), and hypothesis testing based on path coefficient and p-value values.

RESULTS

The test results show that all indicators in the digital marketing (X1), product innovation (X2), brand equity (X3), and competitive advantage (Y1) variables have loading factors above 0.6. Thus, all indicators have met the requirements for convergent validity, in line with the recommendations of Hair et al. (2021), which state that a reasonable loading factor value in PLS-SEM is greater than 0.6. In addition, Yarsasi et al. (2025) also emphasized that indicators with outer loadings above 0.70, accompanied by Composite Reliability (CR) values between 0.817 and 0.914 and AVE values above 0.50, indicate adequate internal consistency and convergent validity.

The indicator with the highest loading factor on the digital marketing variable (X1) is X1.5 (0.861), which reflects that the digital media display aspect provides the strongest contribution to this variable. In the product innovation variable, indicator X2.2 obtained the highest value (0.865), indicating that the existence of product variants that offer new experiences is the most influential innovation component. For the brand equity variable, indicator X3.4 with a value of 0.802 is the most dominant, indicating that the ease of recognizing a product through packaging and brand image plays a significant role in the formation of brand equity. Meanwhile, indicator Y1.4 on the competitive advantage variable obtained a value of 0.856, indicating that the unique characteristics of the product have the greatest influence on competitive advantage.

Table 1. Discriminant Validity Value (Cross Loading)

	X1	X2	X3	Y1
X1.1	0.852	0.650	0.736	0.728
X1.2	0.693	0.496	0.527	0.529
X1.3	0.633	0.616	0.535	0.474
X1.4	0.732	0.508	0.674	0.768
X1.5	0.861	0.638	0.756	0.731
X1.6	0.828	0.578	0.735	0.736
X2.1	0.462	0.751	0.547	0.502
X2.2	0.631	0.865	0.733	0.698
X2.3	0.550	0.594	0.555	0.579
X2.4	0.631	0.821	0.684	0.741
X2.5	0.500	0.695	0.569	0.512
X2.6	0.543	0.640	0.605	0.482
X3.1	0.707	0.628	0.696	0.703
X3.2	0.741	0.653	0.789	0.770
X3.3	0.491	0.508	0.728	0.525
X3.4	0.622	0.682	0.802	0.689
X3.5	0.654	0.770	0.780	0.703
X3.6	0.676	0.530	0.698	0.560
Y1.1	0.667	0.668	0.701	0.796
Y1.2	0.618	0.589	0.659	0.758
Y1.3	0.787	0.614	0.710	0.757
Y1.4	0.688	0.588	0.753	0.856
Y1.5	0.529	0.578	0.621	0.631
Y1.6	0.721	0.664	0.707	0.844
Y1.7	0.601	0.584	0.588	0.683
Y1.8	0.664	0.638	0.633	0.766

Source: Processed Data, 2025

Based on the results of the discriminant validity test using cross-loading in Table 1, all indicators showed higher loading values on the construct from which they were derived compared to other constructs. This condition indicates that each indicator is able to differentiate the variables being measured, thus discriminant validity in the model can be declared fulfilled. Hair et al. (2021) stated that discriminant validity is considered good if the indicator has the strongest relationship with its construct, and the results of this study have met this criterion. Noper Ardi et al. (2020) emphasized that the evaluation of loading factors is a crucial step to ensure that each indicator in the research model is truly able to reflect the construct being measured validly and reliably.

Table 2. Fornell Larcker Discriminant Validity Values

	X1	X2	X3	Y1
X1	0.771			
X2	0.753	0.734		
X3	0.864	0.841	0.750	
Y1	0.865	0.804	0.880	0.765

Source: Processed Data, 2025

Based on the results presented in Table 2, all variables in this study, including digital marketing (X1), product innovation (X2), brand equity (X3), and competitive advantage (Y1), show that the square root of the AVE value (diagonal value) is higher than the correlation between constructs. This finding indicates that each variable has met the requirements for discriminant validity. Janadari et al. (2016) emphasized that a construct is declared to have discriminant validity if the square root of its AVE value exceeds its correlation value with other constructs. They also emphasized that evaluating discriminant validity is an important part of the measurement model assessment process and must be ensured to be met before proceeding to testing the structural model. Thus, all constructs used in this study can be considered appropriate in representing the variables being measured.

Table 3. Fornell Larcker Discriminant Validity Values

	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
X1	0.860	0.897	0.595
X2	0.823	0.873	0.539
X3	0.843	0.885	0.563
Y	0.897	0.918	0.585

Source: Processed Data, 2025

Based on Table 3, all variables used in this study, namely digital marketing (X1), product innovation (X2), brand equity (X3), and competitive advantage (Y), have Cronbach's Alpha and Composite Reliability values above 0.7 and Average Variance Extracted (AVE) values above 0.5. This indicates that all variables show good internal consistency and meet the requirements for reliability and convergent validity.

Research by Nabila, FS et al. (2023) also found that each construct studied had Cronbach's Alpha and Composite Reliability values above 0.7 and AVE values above 0.5, thus proving that the construct has adequate internal reliability and convergent validity.

Table 4. R-Square and Q-Square Values

	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
X1	0.860	0.897	0.595
X2	0.823	0.873	0.539
X3	0.843	0.885	0.563
Y	0.897	0.918	0.585

Source: Processed Data, 2025

Based on Table 4, the R-Square value for the competitive advantage variable (Y) reached 0.869 with an Adjusted R-Square of 0.862. This indicates that approximately 86.9% of the variation in competitive advantage can be explained simultaneously by digital marketing, product innovation, and brand equity variables. PLS-SEM analysis revealed that the dependent construct can be substantially explained by the exogenous construct, so that a model with a high R-Square value has good explanatory power for endogenous variables (Suriana et al., 2022). This is in line with Shmueli et al. (2019), who emphasized that a high Q-Square value reflects strong predictive relevance of the PLS-SEM model to endogenous variables, and the higher the Q² value, the more effective the model is in predicting the analyzed construct.

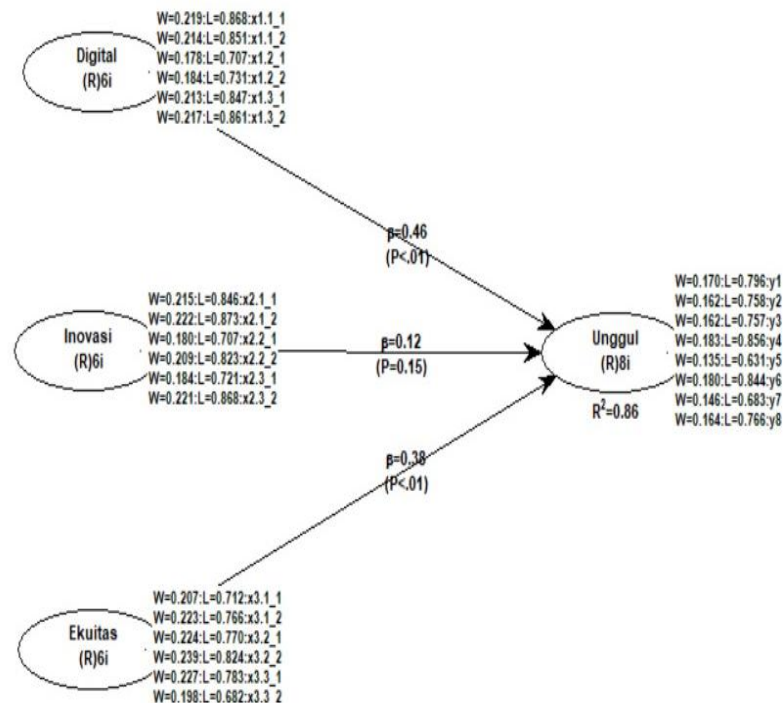
Table 5. Model Fit Test Results

Model Fit Index	Mark	Criteria	Information
Average Path Coefficient (APC)	P = 0.001	P < 0.05	Fulfilled
Average R-Squared (ARS)	P < 0.001	P < 0.05	Fulfilled
Average Adjusted R-Squared (AARS)	P < 0.001	P < 0.05	Fulfilled
Average VIF (AVIF)	7,149	acceptable if ≤ 5, ideally ≤ 3.3	Fulfilled (Tolerance)
Average Full Collinearity VIF (AFVIF)	5,264	acceptable if ≤ 5, ideally ≤ 3.3	Fulfilled (Tolerance)
Tenenhaus GoF (GoF)	0.704	small ≥ 0.1, medium ≥ 0.25, large ≥ 0.36	Large
Simpson's Paradox Ratio (SPR)	1,000	acceptable if ≥ 0.7, ideally = 1	Fulfilled
R-Squared Contribution Ratio (RSCR)	1,000	acceptable if ≥ 0.9, ideally = 1	Fulfilled
Statistical Suppression Ratio (SSR)	1,000	acceptable if ≥ 0.7	
Nonliner Bivariate Causality Direction Ratio (NLBCDR)	1,000	acceptable if ≥ 0.7	Fulfilled

Source: Processed Data, 2025

Based on Table 5, all indicators meet the specified criteria. The APC, ARS, and AARS values indicate significance, while the AVIF and AFVIF are within the tolerance limits, indicating no multicollinearity issues. The GoF value of 0.704 indicates high model strength, and perfect values for SPR, RSCR, SSR, and NLBCDR confirm that the model is free from bias. This condition is consistent with the report of Liday et al. (2022), which stated that a PLS-SEM model with a value can be considered statistically valid and stable. A similar finding was also seen in the study of Adi et al. (2022), where the applied PLS-SEM model showed a high GoF value and low multicollinearity indicators, indicating adequate endogenous variable variance.

Figure 1. Results of Path Coefficient and Bootstrapping Hypothesis Tests



Based on Figure 1, the path of influence from the digital marketing variable (X1) to competitive advantage (Y) shows the coefficient $\beta = 0.444$ with p-values < 0.001 (t-ratio = 4.155), which means the influence is significantly positive. Meanwhile, the path from product innovation (X2) to competitive advantage shows a coefficient of $\beta = 0.161$ with p-values = 0.088 (t-ratio = 1.367), so the effect is not significant at the 5% level. Meanwhile, the path from brand equity (X3) to competitive advantage shows a coefficient of $\beta = 0.361$ with p-values < 0.001 (t-ratio = 3.291), indicating a significant positive effect.

The analysis results show that digital marketing variables have a positive and significant effect on competitive advantage, with a path coefficient of $\beta = 0.444$ and a p-value < 0.001 . These results align with research by Prabawanti and Kang (2025), who found that digital marketing significantly increases competitive advantage. This means that the more effective the digital marketing implemented by the Sambal Dede Satoe MSME, the greater the business's ability to maintain competitive advantage.

Based on the test results, the product innovation variable shows a positive but insignificant coefficient on competitive advantage with a β value of 0.161 and a p-value of 0.088 (> 0.05). This means that although product innovations carried out by the Sambal Dede Satoe MSME, such as adding flavor variants and updating packaging, lead to increased competitive advantage, the effect is not yet statistically strong enough. These results are in line with research by Ahmad and Wahyuni (2024), which states that product innovation does not always significantly strengthen competitive advantage among MSMEs.

The test results show that brand equity has a positive and significant effect on competitive advantage, with a β value of 0.361 and a p-value <0.001. This means that the stronger the brand equity of Sambal Dede Satoe, the greater its ability to create and maintain competitive advantage. Strong brand equity is reflected in the level of brand awareness, positive image, and consumer trust in product quality. These results align with research by Rua and Santos (2022), which shows that brand equity directly contributes to competitive advantage through positioning and market orientation.

CONCLUSION

The results of the variable influence analysis show that digital marketing and brand equity have a positive and significant effect on competitive advantage, while product innovation has not yet had an effect on competitive advantage in Sambal Dede Satoe MSMEs. This means that digital marketing strategies and brand strength play an important role in increasing the competitiveness of Sambal Dede Satoe MSMEs, while product innovation has not been a dominant factor because consumers prioritize taste and quality over product updates.

LIMITATION

Sambal Dede Satoe's MSME is advised to strengthen its digital marketing strategy by improving the quality and consistency of promotional content on social media to expand its market reach and strengthen relationships with customers. Furthermore, product innovation development should focus on flavor differentiation, more attractive packaging, and product quality and safety assurance to increase competitive value. Brand equity strengthening also needs to be continuously improved by maintaining quality, building a positive image, and highlighting the uniqueness of local products so that Sambal Dede Satoe's MSME can maintain and improve its competitive advantage amidst increasingly fierce competition in the culinary industry, especially in the Surabaya packaged chili sauce market.

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