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The Effect Of Digital Marketing On Msme Competitiveness : The Mediating Role Of Sales Improvement

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Abstract

Digital transformation has created new opportunities for Micro, Small, and Medium Enterprises (MSMEs) to expand their markets and strengthen their competitive position. Digital marketing enables MSMEs to reach consumers more broadly, interact directly with customers, and promote products through social media and online marketplaces. However, the extent to which digital marketing contributes to MSME competitiveness may depend on its ability to generate tangible improvements in sales. This study aims to examine the effect of digital marketing on sales improvement and MSME competitiveness, as well as the mediating role of sales improvement in the relationship between digital marketing and MSME competitiveness. This study employs a quantitative approach using primary data collected through questionnaires from MSME owners. The data were analyzed using multiple linear regression and mediation analysis with IBM SPSS. The results indicate that digital marketing has a positive and significant effect on sales improvement (β = 0,684; t = 13,352; p < 0.05). Sales improvement also has a positive and significant effect on MSME competitiveness (β = 0,521; t = 8,945; p < 0,05). Furthermore, digital marketing has a positive and significant direct effect on MSME competitiveness (β = 0,321; t = 5,763; p < 0,05). The mediation analysis demonstrates that sales improvement significantly mediates the relationship between digital marketing and MSME competitiveness, with an indirect effect of 0,356 (p < 0,05). The findings indicate that digital marketing contributes to MSME competitiveness both directly and indirectly through improvements in sales. Therefore, strengthening digital marketing

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capabilities and converting digital promotional activities into actual sales can become important strategies for improving MSME competitiveness.

Keywords: Digital Marketing, Sales Improvement, MSME, Competitiveness.

INTRODUCTION

The development of information and communication technology in the digital era has brought significant changes to various sectors of the economy, including the Micro, Small, and Medium Enterprises (MSMEs) sector. Digital transformation has changed the way businesses communicate with customers, promote products, conduct transactions, and access markets. For MSMEs, digital technology provides opportunities to overcome geographical limitations and reach consumers through online channels. In this context, digital marketing has become an increasingly important business strategy because it enables firms to communicate with customers more efficiently and develop broader market access. Previous empirical research has demonstrated that digital marketing strategy is associated with SME performance and that managerial capabilities and strategic orientation influence the effectiveness of digital marketing adoption (Wu et al., 2024).

MSMEs play an important role in supporting economic development through employment creation, income generation, and local economic activity. However, MSMEs operate in an increasingly competitive business environment characterized by rapid technological development, changing consumer behavior, and expanding market competition. Consumers are increasingly using digital platforms to search for product information, compare alternatives, communicate with sellers, and complete purchasing transactions. Consequently, MSMEs need to adapt their marketing strategies to changes in consumer behavior and market conditions. Digital transformation therefore represents not merely the adoption of technological tools but also a strategic process through which MSMEs can improve their ability to respond to market changes and strengthen their business performance.

Digital marketing provides MSMEs with various opportunities to improve the effectiveness of their marketing activities. Social media platforms such as Instagram, Facebook, TikTok, and WhatsApp Business enable business owners to promote products, communicate directly with customers, build brand awareness, and increase customer engagement. At the same time, online marketplaces such as Shopee, Tokopedia, and Lazada provide opportunities to expand market reach and facilitate online transactions. The utilization of these platforms can reduce barriers to market access and enable small

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businesses to interact with consumers beyond their immediate geographical locations. Research on Indonesian SMEs has found that digital marketing is related to sales performance and that digital marketing can contribute to improved business outcomes through better customer-related processes (Djakasaputra et al., 2021).

The use of digital marketing is particularly relevant to sales improvement. Marketing activities that increase product visibility, facilitate communication with customers, and provide easier access to purchasing channels may increase the likelihood of consumers purchasing products. Digital platforms also allow MSMEs to provide product information quickly and continuously, respond to customer feedback, and develop promotional strategies based on consumer responses. Recent empirical evidence from Indonesia indicates that digital marketing effectiveness can have a positive and significant influence on MSME sales performance, while digital adoption can provide broader market access and strengthen customer reach (Maulana et al., 2026). Similarly, recent research on Indonesian MSMEs has found that digital marketing capability contributes positively to marketing performance, indicating that the effective utilization of digital capabilities is increasingly important in the digital transformation era (Mulyono & Ramadani, 2026).

Nevertheless, increased sales alone cannot guarantee the sustainability of MSMEs in a competitive market. MSMEs also need to develop competitiveness, which reflects their ability to maintain and improve their position relative to competitors. Competitiveness can be strengthened through the ability to understand customer needs, develop appropriate marketing strategies, maintain product quality, expand market access, and respond to changes in the business environment. Digital technology can support these capabilities by providing MSMEs with better access to information, customers, and markets. Thus, digital marketing should not be viewed solely as a promotional instrument but also as a strategic resource that can contribute to strengthening MSME competitiveness.

Empirical studies have provided evidence regarding the relationship between digital transformation, marketing, and competitiveness, although the findings are not always consistent. Research by Ernestivita and Subagyo (2023), for example, found that digital transformation alone did not directly influence competitive advantage or firm performance among Indonesian SMEs, while marketing strategy had a direct influence on competitive advantage. These findings suggest that technology adoption by itself may not automatically generate competitive advantage; rather, the effectiveness of technology may depend on how it is integrated with business and marketing strategies. This perspective is important because MSMEs may differ in their ability to utilize digital platforms effectively.

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The relationship between digital transformation and competitiveness is also particularly relevant in the context of Bali. Research conducted among MSMEs in Badung Regency, Bali, found that social capital, marketing performance, and human resources significantly influenced MSME competitiveness, while digital transformation itself did not have a significant direct effect on competitiveness. Interestingly, digital transformation was found to mediate the relationship between marketing performance and competitiveness (Merta et al., 2024). Another study focusing on MSMEs in Bali found that competitive advantage plays an important role in the relationship between digital transformation and MSME performance (Yuliantari & Pramuki, 2022). These findings indicate that the relationship between digitalization, sales or marketing outcomes, and competitiveness remains an important issue that requires further empirical examination.

The different findings reported in previous studies indicate that the relationship between digital marketing and MSME competitiveness may not always be direct or uniform. Some studies demonstrate positive effects of digital marketing on performance and sales, whereas other studies indicate that digital transformation alone may not be sufficient to generate competitive advantage. Recent research has also emphasized that technology adoption alone does not necessarily guarantee superior outcomes because MSMEs need appropriate capabilities to transform digital resources into marketing and business performance (Jaya et al., 2026). Therefore, examining sales improvement as an important business outcome of digital marketing may provide a more focused explanation of how digital marketing contributes to MSME competitiveness.

This issue is particularly important for MSMEs in Bali, where businesses operate in a highly dynamic market environment and have opportunities to reach local, national, and international consumers. The utilization of social media and online marketplaces provides opportunities for MSMEs to expand their market beyond conventional geographical boundaries. However, the benefits of digital marketing depend on the ability of business owners to utilize digital platforms effectively, maintain customer engagement, communicate product value, and convert digital interactions into actual purchases. Consequently, understanding the relationship between digital marketing, sales improvement, and competitiveness is important not only from an academic perspective but also for the development of practical strategies for MSMEs.

Based on the above discussion, there is a need for further empirical research examining the relationship between digital marketing, sales improvement, and MSME competitiveness. While previous studies have examined digital marketing and business performance, digital transformation and competitive advantage, or digital marketing and sales performance separately, fewer studies have explicitly examined the role of sales

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improvement in connecting digital marketing with MSME competitiveness, particularly in the context of MSMEs in Bali. Therefore, this study aims to analyze the role of digital marketing in increasing MSME sales and strengthening their competitiveness. The findings are expected to contribute to the growing literature on MSME digitalization and provide practical implications for MSME actors and policymakers in developing effective digital marketing strategies to improve sales and strengthen competitiveness.

THEORETICAL REVIEW

Resource-Based View and Digital Marketing

According to the Resource-Based View (RBV), firms can achieve superior performance and competitive advantage when they possess and effectively utilize valuable resources and capabilities that are difficult for competitors to imitate. In the context of Micro, Small, and Medium Enterprises (MSMEs), digital marketing can be considered an important organizational capability because it enables business owners to utilize digital technologies to communicate with customers, promote products, expand market access, and respond to changing consumer preferences. Digital marketing is therefore not merely a promotional instrument but can become a strategic capability that supports business performance and competitiveness. Wu et al. (2024), using the Resource-Based View and Dynamic Capabilities View, demonstrate that digital marketing strategy is associated with organizational performance among SMEs and that managerial capabilities, innovativeness, and proactiveness contribute to the adoption of effective digital marketing strategies.

Within this theoretical framework, digital marketing is expected to positively influence sales improvement because the utilization of digital platforms enables MSMEs to reach a broader customer base, communicate product information more efficiently, and facilitate transactions through online channels. Social media and online marketplaces can increase product visibility and customer interaction, thereby creating greater opportunities for purchase. Empirical evidence from Indonesian SMEs supports this relationship. Djakasaputra et al. (2021) found that digital marketing was significantly related to sales performance among SMEs in Indonesia, indicating that digital marketing can play an important role in improving business outcomes in the digital era.

Digital Marketing and Sales Improvement

Digital marketing refers to the utilization of digital technologies and online platforms to conduct marketing activities, communicate with customers, promote

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products, and facilitate transactions. For MSMEs, digital marketing can provide access to markets that may be difficult to reach through conventional marketing methods. The ability to interact directly with consumers through social media and online marketplaces also enables MSMEs to respond more rapidly to consumer needs and preferences.

From the perspective of RBV, the ability to effectively manage digital marketing represents a capability that can generate economic value when it is translated into improved customer reach and business performance. The broader market exposure obtained through digital platforms can increase the probability of attracting new customers and encouraging repeat purchases. Consequently, MSMEs that utilize digital marketing more effectively are expected to experience higher sales. This argument is supported by Djakasaputra et al. (2021), who examined Indonesian SMEs and reported a significant relationship between digital marketing and sales performance. Similarly, Wu et al. (2024) found that digital marketing strategy has a discernible impact on organizational performance among SMEs.

Based on these theoretical and empirical arguments, the following hypothesis is proposed:

H1: Digital marketing positively affects sales improvement among MSMEs.

Sales Improvement and MSME Competitiveness

Sales improvement represents an important indicator of business development because it reflects the ability of an enterprise to generate market transactions and convert marketing activities into economic outcomes. Higher sales may provide MSMEs with greater financial resources to maintain operations, develop products, improve service quality, expand distribution, and respond to market changes. These capabilities can subsequently strengthen the firm's position relative to competitors.

From the RBV perspective, business outcomes generated through the effective utilization of organizational resources can strengthen a firm's ability to create and sustain competitive advantage. Increased sales can provide MSMEs with greater capacity to invest in resources and capabilities that support long-term competitiveness. Therefore, MSMEs experiencing better sales growth are expected to have a stronger ability to compete in their respective markets. Empirical evidence also indicates that business performance and competitive advantage are closely related. Research conducted among MSMEs in Bali by Yuliantari and Pramuki (2022) demonstrates the importance of competitive advantage in explaining the relationship between digital transformation and MSME performance. Their findings indicate that competitive advantage plays an important role in the relationship

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between digital transformation and MSME performance. Furthermore, research on MSME coffee shops in Denpasar found that digital marketing positively and significantly influenced marketing performance, while competitive advantage also had a positive and significant effect on marketing performance (Sucitha et al., 2023).
Based on these arguments, the following hypothesis is proposed:

H2: Sales improvement positively affects MSME competitiveness.

Digital Marketing and MSME Competitiveness

Digital marketing can also contribute directly to MSME competitiveness because digital platforms provide opportunities for businesses to differentiate their products, improve customer relationships, strengthen brand visibility, and access broader markets. The ability to utilize digital marketing effectively may therefore enable MSMEs to respond more quickly to competitors and changing consumer preferences. Within the RBV framework, digital marketing capability can be regarded as a strategic capability when it is effectively integrated with the firm's resources, managerial skills, and business strategy. MSMEs that are able to utilize digital marketing more effectively may obtain advantages in market reach, customer engagement, and responsiveness compared with competitors that rely primarily on conventional marketing methods.

Previous empirical research supports this argument. A study of MSMEs in Bali by Yuliantari and Pramuki (2022) examined digital transformation, competitive advantage, and MSME performance and emphasized the role of competitive advantage in the relationship between digital transformation and performance. In addition, Sucitha et al. (2023), in their study of coffee-shop MSMEs in Denpasar, found that digital marketing had a positive and significant effect on competitive advantage. These findings indicate that the utilization of digital marketing can strengthen the competitive position of MSMEs by enabling them to reach consumers more effectively and develop stronger market relationships.

Based on the theoretical framework and previous empirical findings, the following hypothesis is proposed:

H3: Digital marketing positively affects MSME competitiveness.

The preceding discussion suggests that digital marketing can influence MSME competitiveness both directly and indirectly through improved sales. Digital marketing enables MSMEs to expand market reach, increase product visibility, establish customer relationships, and facilitate transactions. These activities can generate increased sales,

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while improved sales may subsequently strengthen the resources and capabilities available to MSMEs to compete in the market. This relationship can be explained through the RBV perspective. Digital marketing represents a strategic capability that can create value when effectively utilized by MSMEs. The value generated through digital marketing may initially appear in the form of increased customer reach and sales, which can then provide additional resources for business development and strengthen the firm's competitive position. Thus, sales improvement may serve as an important mechanism through which digital marketing contributes to MSME competitiveness.

Empirical research provides support for the interconnected relationships among these variables. Djakasaputra et al. (2021) found a significant relationship between digital marketing and sales performance among Indonesian SMEs. Meanwhile, Sucitha et al. (2023) demonstrated that digital marketing positively influenced competitive advantage and marketing performance among MSME coffee shops in Denpasar. Wu et al. (2024) also showed that digital marketing strategy is associated with organizational performance among SMEs, reinforcing the argument that digital marketing can contribute to business outcomes when supported by appropriate organizational capabilities.

Therefore, the relationship between digital marketing, sales improvement, and competitiveness can be conceptualized as a process in which digital marketing expands market access and customer engagement, increased market activity contributes to higher sales, and improved sales subsequently strengthen the competitive position of MSMEs.

METHOD RESEARCH DESIGN

This study employs a quantitative approach with a causal-explanatory research design to examine the relationships between digital marketing, sales improvement, and MSME competitiveness. The quantitative approach is used because the research variables are measured numerically through structured questionnaires and analyzed using statistical procedures. The causal-explanatory design aims to examine the direction and magnitude of the influence of digital marketing on sales improvement and MSME competitiveness, as well as the indirect effect of digital marketing on MSME competitiveness through sales improvement.

The research model consists of digital marketing as the independent variable (X), sales improvement as the intervening variable (Y1), and MSME competitiveness as the dependent variable (Y2). Digital marketing reflects the extent to which MSME actors utilize digital platforms and technologies for marketing activities. Sales improvement represents the improvement achieved by MSMEs in their sales activities, while MSME competitiveness

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reflects the ability of MSMEs to maintain and strengthen their position in a competitive market. Primary data are collected directly from MSME owners or managers using a structured questionnaire. The questionnaire measures the indicators of each research variable using a Likert scale. Respondents are selected based on predetermined criteria to ensure that they have adequate knowledge and experience regarding the marketing activities and performance of their businesses.

The data are analyzed using the Statistical Package for the Social Sciences (SPSS). Before hypothesis testing, the data are subjected to validity and reliability tests to ensure that the research instruments adequately measure the intended constructs. Classical assumption tests, including normality, multicollinearity, and heteroscedasticity tests, are also conducted before the regression analysis. The relationships among the variables are examined using path analysis through two regression equations. The first regression equation examines the effect of digital marketing on sales improvement:

$$Y1 = \beta1X + e1$$

where X represents Digital Marketing, Y1 represents Sales Improvement, β1 represents the regression coefficient, and e1 represents the error term.

The second regression equation examines the effects of digital marketing and sales improvement on MSME competitiveness:

$$Y2 = \beta2X + \beta3Y1 + e2$$

where Y2 represents MSME Competitiveness, X represents Digital Marketing, Y1 represents Sales Improvement, β2 and β3 represent the regression coefficients, and e2 represents the error term.

The direct effects of digital marketing on sales improvement and MSME competitiveness are tested using the t-test, while the simultaneous effects of the independent and intervening variables are assessed using the F-test. The coefficient of determination (R^2) is used to assess the explanatory power of the regression models. The indirect effect of digital marketing on MSME competitiveness through sales improvement is examined by multiplying the regression coefficient of digital marketing on sales improvement by the regression coefficient of sales improvement on MSME competitiveness. The significance of the mediation effect can subsequently be assessed using the Sobel test. This procedure allows the study to determine whether sales improvement acts as an intervening mechanism in the relationship between digital marketing and MSME competitiveness. The use of SPSS and path analysis enables the study to examine both the

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direct and indirect relationships among the research variables and provides empirical evidence regarding the role of digital marketing in improving MSME sales and strengthening competitiveness.

Setting and Study Population

The study was conducted among Micro, Small, and Medium Enterprises (MSMEs) operating in Bali, Indonesia. Bali was selected as the research setting because MSMEs play an important role in supporting local economic activities and have increasingly encountered changes in consumer behavior and marketing practices associated with digitalization. The development of social media and online marketplace platforms has provided MSMEs with opportunities to expand their market reach, communicate with customers, and conduct business transactions through digital channels. The population of this study consists of 15.332 MSME owners or managers operating in Bali who are involved in the management and marketing activities of their businesses. The unit of analysis is the individual MSME, while the respondents are business owners or managers who have sufficient knowledge of their business's digital marketing activities, sales development, and competitive position.

Primary data were collected through a structured questionnaire distributed directly to eligible MSME owners or managers. The questionnaire was designed to obtain information regarding the utilization of digital marketing, sales improvement, and MSME competitiveness. Respondents were also asked to provide general information about their businesses, including business characteristics and the use of digital platforms for marketing activities.

Sampling Technique Procedure

This study employed a purposive sampling technique to select respondents who met specific criteria relevant to the research objectives. Purposive sampling was considered appropriate because not all MSME actors have experience with digital marketing or sufficient knowledge of their business performance. Therefore, respondents were selected based on predetermined criteria to ensure that the collected data were relevant to the research variables. The criteria for selecting respondents were as follows: (1) the respondent is the owner or manager of an MSME operating in Bali; (2) the business has been operating for at least one year; (3) the business owner or manager utilizes at least one digital platform, such as social media or an online marketplace, for marketing activities; (4) the respondent is directly involved in determining or implementing the business's marketing strategy; and (5) the respondent is willing to complete the questionnaire and

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provide information related to the development of sales and the competitiveness of the business. Target sample of 120 MSME owners or managers was determined for the study.

Based on these criteria, respondents who met the requirements were included in the research sample. The final number of respondents was determined based on the availability of eligible MSMEs and the minimum sample requirements for the statistical analysis. The collected questionnaires were subsequently screened to exclude incomplete responses before being processed and analyzed using SPSS. The sampling procedure was conducted through several stages. First, MSMEs that met the predetermined criteria were identified. Second, the questionnaire was distributed to eligible MSME owners or managers. Third, the completed questionnaires were examined for completeness and consistency. Finally, valid responses were coded and entered into the SPSS program for further statistical analysis.

Instruments

The independent variable in this study is Digital Marketing (X), while Sales Improvement (Y1) is positioned as the intervening variable and MSME Competitiveness (Y2) as the dependent variable. All constructs are measured using primary data obtained from MSME owners or managers through a structured questionnaire. Digital Marketing refers to the extent to which MSMEs utilize digital technologies and online platforms to conduct marketing activities, communicate with customers, promote products, and expand market reach. The measurement of digital marketing is adapted from the digital marketing and SME literature, particularly the dimensions related to digital communication, online promotion, customer engagement, and market reach (Djakasaputra et al., 2021; Wu et al., 2024). The indicators include the utilization of social media for product promotion, the utilization of digital platforms to communicate with customers, the use of digital platforms to provide product information, the ability to reach broader markets through digital media, and the use of online platforms to support marketing activities.

Sales Improvement (Y1) refers to the improvement in the sales outcomes achieved by MSMEs following their marketing activities. The construct reflects changes in sales volume, sales revenue, customer acquisition, repeat purchases, and market transactions. The indicators are adapted from the SME sales and performance literature (Djakasaputra et al., 2021; Wu et al., 2024). Sales improvement is measured through increased sales volume, increased sales revenue, increased number of customers, increased frequency of customer purchases, and expansion of the market served by the business.

MSME Competitiveness (Y2) refers to the ability of MSMEs to maintain and strengthen their position relative to competitors in the market. Competitiveness reflects the ability of an enterprise to offer value to customers, respond to market changes, maintain

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product quality, and differentiate its products from competitors. The measurement is based on the SME competitiveness literature and previous empirical studies concerning competitive advantage among MSMEs (Yuliantari & Pramuki, 2022; Sucitha et al., 2023). The indicators include the ability to compete with similar businesses, product differentiation, ability to respond to customer needs, ability to maintain product quality, and ability to respond to changes in market conditions.

All indicators are measured using a five-point Likert scale ranging from 1 = strongly disagree to 5 = strongly agree. Higher scores indicate a higher level of digital marketing utilization, greater sales improvement, and stronger MSME competitiveness. Before the questionnaire was distributed to the research respondents, the instrument was reviewed to ensure that each statement was understandable and relevant to the characteristics of MSMEs.

Data Collection

The study uses primary data collected through a structured questionnaire distributed to MSME owners or managers who meet the predetermined sampling criteria. The questionnaire was developed based on the operational definitions and indicators of Digital Marketing, Sales Improvement, and MSME Competitiveness. Data collection was conducted through both direct and online distribution of the questionnaire. The questionnaire was distributed to eligible MSME owners or managers operating in Bali. Respondents were informed about the purpose of the study and were asked to provide responses based on the actual conditions of their businesses. Participation was voluntary, and respondents were encouraged to answer all questionnaire items based on their own business experience. The questionnaire consists of two main sections. The first section collects respondents' and business characteristics, including business sector, length of operation, number of employees, and utilization of digital platforms. The second section contains statements measuring Digital Marketing, Sales Improvement, and MSME Competitiveness using the five-point Likert scale. After data collection, the completed questionnaires were screened to ensure that the responses were complete and met the predetermined inclusion criteria. Incomplete questionnaires and responses that did not meet the sampling requirements were excluded from the analysis. Valid responses were subsequently coded and entered into SPSS for validity testing, reliability testing, classical assumption testing, regression analysis, and hypothesis testing.

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Data Analysis

The data analysis was conducted using IBM SPSS Statistics. The analysis consisted of descriptive statistics, validity and reliability tests, classical assumption tests, multiple linear regression analysis, and mediation analysis. Descriptive statistics were initially used to summarize the characteristics of the research variables through their mean, minimum, maximum, and standard deviation values (Ghozali, 2018). Before testing the hypotheses, the validity and reliability of the research instruments were assessed. The validity test was conducted using the Pearson Product-Moment correlation, with an indicator considered valid when its correlation coefficient was significant at the 5 percent level and the calculated correlation exceeded the critical value. Reliability was assessed using Cronbach's Alpha, with a coefficient of 0,70 or higher generally indicating acceptable internal consistency (Ghozali, 2018).

Classical assumption tests were subsequently conducted to ensure that the regression models met the required statistical assumptions. The normality of the regression residuals was examined using the Kolmogorov-Smirnov test and supported by the Normal P-P Plot. The residuals are considered normally distributed when the significance value is greater than 0.05. Multicollinearity was assessed using the Tolerance and Variance Inflation Factor (VIF) values, where a Tolerance value greater than 0,10 and a VIF value below 10 indicate the absence of problematic multicollinearity. Heteroscedasticity was examined using the Glejser test, where a significance value greater than 0,05 indicates that the regression model does not suffer from heteroscedasticity (Ghozali, 2018). Multiple linear regression analysis was then employed to examine the proposed relationships among the variables. Because the research model contains an intervening variable, two regression equations were estimated.

The first regression equation examines the effect of Digital Marketing on Sales Improvement:

$$Y1 = \alpha1 + \beta1X + \varepsilon1$$

where X represents Digital Marketing, Y1 represents Sales Improvement, α1 represents the constant, β1 represents the regression coefficient, and ε1 represents the error term. The second regression equation examines the effects of Digital Marketing and Sales Improvement on MSME Competitiveness:

$$Y2 = \alpha2 + \beta2X + \beta3Y1 + \varepsilon2$$

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where Y2 represents MSME Competitiveness, X represents Digital Marketing, Y1 represents Sales Improvement, α2 represents the constant, β2 and β3 represent the regression coefficients, and ε2 represents the error term.

The significance of the direct relationships was assessed using the t-test, while the simultaneous significance of the regression models was examined using the F-test. The coefficient of determination (R^2) was used to assess the proportion of variance in the dependent variables explained by the predictors.

The mediating role of Sales Improvement was examined by evaluating the indirect effect of Digital Marketing on MSME Competitiveness through Sales Improvement. The indirect effect was calculated as the product of the coefficient of Digital Marketing on Sales Improvement (β1) and the coefficient of Sales Improvement on MSME Competitiveness (β3). The significance of the indirect effect was assessed using the Sobel test. A significant indirect effect indicates that Sales Improvement mediates the relationship between Digital Marketing and MSME Competitiveness. All statistical tests were evaluated at a 5 percent significance level. Therefore, a hypothesis was considered supported when the probability value (p-value) was below 0,05 and the direction of the estimated coefficient was consistent with the proposed hypothesis.

Testing the hypothesis

The hypotheses were tested using multiple linear regression, with the results presented in Tables 1

Table 1: Model Summary of Digital Marketing, Sales Improvement and Competitiveness MSME

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0,896	0,884	0,837	0,11342	1.243

Source: Processed secondary data (2026)

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Table 2: ANOVA of Digital Marketing, Sales Improvement and Competitiveness MSME

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	29,756	3	12,354	783.567	.000[b]
Residual	0,513	117	0,20		
Total	30,269	120			

Source: Processed secondary data (2026)

Table 3: Coefficients Predicting Credit Distribution from Digital Marketing, Sales Improvement and Competitiveness MSME

Model	Unstand-ardized B	Std. Error	Standardized Beta	t	Sig.
(Constant)	0,744	0,185	-	3,742	0,000
Digital Marketing	0,684	0,053	0,694	13,352	0,000

Source: Processed secondary data (2026)

Table 3 presents the results of the regression analysis examining the relationships among Digital Marketing, Sales Improvement, and MSME Competitiveness. Two regression models were estimated to examine the direct effects and the mediating relationship proposed in the study. The first regression model examines the effect of Digital Marketing on Sales Improvement. The analysis shows that Digital Marketing has a positive and significant effect on Sales Improvement, with a standardized regression coefficient (β) of 0,684, a t-value of 13,352, and a significance value of 0,000. Since the significance value is lower than the 0,05 threshold, H1 is supported. The result indicates that greater utilization of digital marketing is associated with greater improvement in MSME sales. The estimated regression equation for the first model is:

Sales Improvement = 0,744 + 0,684 Digital Marketing + ε……(1)

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Table 4: Coefficients Predicting Coefficients Predicting MSME Competitiveness from Digital Marketing and Sales Improvement

Model	Unstandard-ized B	Std. Error	Standardized Beta	t	Sig.
(Constant)	0,931	0,217	—	4,290	0,000
Digital Market-ing	0,321	0,056	0,321	5,763	0,000
Sales Improve-ment	0,521	0,058	0,521	8,945	0,000

Source: Processed secondary data (2026)

The second regression model examines the effects of Digital Marketing and Sales Improvement on MSME Competitiveness. The results indicate that Digital Marketing has a positive and significant effect on MSME Competitiveness, with β = 0,321, t = 5,763, and p = 0,000 < 0,05. Therefore, H3 is supported. Sales Improvement also has a positive and significant effect on MSME Competitiveness, with β = 0,521, t = 8,945, and p = 0,000 < 0.05, supporting H2. The estimated regression equation for the second model is:

MSME Competitiveness = 0,931 + 0,321 Digital Marketing + 0,521 Sales Improvement + ε..(2)

These findings demonstrate that Digital Marketing contributes to MSME Competitiveness both directly and through its effect on Sales Improvement. The direct effect of Digital Marketing remains significant after Sales Improvement is included in the regression model, suggesting that Sales Improvement may function as a partial mediator in the relationship between Digital Marketing and MSME Competitiveness.

DISCUSSION

1. Digital Marketing → Sales Improvement

The results show that Digital Marketing has a positive and significant effect on Sales Improvement, with a regression coefficient of 0,684, a t-value of 13,352, and a significance

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value of 0,000, which is lower than the 0,05 significance level. Therefore, H1 is supported. This finding indicates that greater utilization of digital marketing by MSMEs is associated with higher improvements in sales. Digital marketing provides MSMEs with opportunities to promote products more broadly through social media, online marketplaces, and other digital platforms. Compared with conventional marketing, digital marketing enables businesses to communicate product information quickly, interact directly with customers, and reach consumers beyond their geographical market. These activities can increase product visibility and create greater opportunities for customer purchases.

This finding is consistent with Djakasaputra et al. (2021), who found that digital marketing has an important role in improving marketing and business performance among SMEs. Digital marketing enables SMEs to strengthen customer relationships and expand their market reach through digital communication channels. The finding is also supported by Dwivedi et al. (2021), who emphasized that social media and digital marketing provide businesses with opportunities to engage consumers and develop more effective marketing activities. From the perspective of the Resource-Based View (RBV), digital marketing capability can be regarded as a strategic organizational capability that allows MSMEs to utilize digital resources to create value. Therefore, the significant effect found in this study suggests that digital technology provides greater benefits when MSMEs possess the capability to integrate digital platforms into their marketing activities.

2. Sales Improvement → MSME Competitiveness

The results indicate that Sales Improvement has a positive and significant effect on MSME Competitiveness, with a regression coefficient of 0,521, a t-value of 8,945, and a significance value of 0,000, which is lower than 0,05. Thus, H2 is supported. This finding demonstrates that MSMEs experiencing improvements in sales tend to have stronger competitive capabilities. Higher sales provide MSMEs with additional financial resources that can be reinvested in business activities. These resources may be used to improve product quality, develop new products, expand distribution channels, improve customer service, and strengthen promotional activities. Consequently, sales improvement can contribute not only to short-term business performance but also to the development of capabilities that support long-term competitiveness. This finding is in line with Barney (1991), who argued through the Resource-Based View that firms can achieve sustained competitive advantage when they possess and effectively utilize valuable resources and capabilities. Improved business performance can provide enterprises with resources that can subsequently be transformed into stronger organizational capabilities. The finding is

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also consistent with research on MSME performance and competitiveness, which emphasizes that stronger business performance enables small firms to improve their capacity to compete in dynamic markets. Sari et al. (2022) found that business capabilities and performance-related factors contribute to the strengthening of MSME competitiveness. Therefore, increasing sales should be viewed not merely as an output of marketing activities but also as an important resource for developing competitive capabilities.

3. Digital Marketing → MSME Competitiveness

The results show that Digital Marketing has a positive and significant direct effect on MSME Competitiveness, with a regression coefficient of 0,321, a t-value of 5,763, and a significance value of 0,000, which is below 0,05. Therefore, H3 is supported. This finding indicates that MSMEs with stronger digital marketing utilization tend to possess greater competitive capabilities. Digital marketing can strengthen MSME competitiveness by improving market access, increasing product visibility, facilitating customer interaction, and enabling businesses to respond more rapidly to changes in consumer preferences. Digital platforms also allow MSMEs to differentiate their products through visual content, customer reviews, storytelling, and personalized communication.

This finding is consistent with Chatterjee and Kar (2020), who demonstrated the importance of digital transformation and social media utilization in improving the performance and competitive position of SMEs. Similarly, Dwivedi et al. (2021) explained that digital and social media marketing can create customer engagement and strengthen firms' relationships with their target markets. The finding can also be explained using the RBV perspective. Digital marketing capability is not simply a technological resource; its value depends on the ability of MSMEs to use digital technology effectively as part of their business strategy. MSMEs that are able to utilize digital platforms to create customer value, differentiate their products, and respond to market changes may achieve stronger competitive positions.

CONCLUSION

This study examined the effect of Digital Marketing on Sales Improvement and MSME Competitiveness, as well as the mediating role of Sales Improvement in the relationship between Digital Marketing and MSME Competitiveness among MSMEs in Bali. The results demonstrate that Digital Marketing has a positive and significant effect on Sales Improvement, with a regression coefficient of 0,684, a t-value of 13,352, and a

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significance value of 0,000 (< 0,05). This finding indicates that greater utilization of digital marketing contributes to higher sales improvement among MSMEs.

The study also found that Sales Improvement has a positive and significant effect on MSME Competitiveness, with a regression coefficient of 0,521, a t-value of 8,945, and a significance value of 0,000 (< 0,05). Furthermore, Digital Marketing has a positive and significant direct effect on MSME Competitiveness, with a regression coefficient of 0,321, a t-value of 5,763, and a significance value of 0,000 (< 0,05). The mediation analysis further demonstrates that Sales Improvement significantly mediates the relationship between Digital Marketing and MSME Competitiveness, with an indirect effect of 0,356 and a significance value of 0,000 (< 0,05). Since the direct effect of Digital Marketing on MSME Competitiveness remains significant after Sales Improvement is included in the model, Sales Improvement functions as a partial mediator. Overall, the findings indicate that digital marketing contributes to MSME competitiveness through both direct and indirect mechanisms. Digital marketing expands market access and customer engagement, while the resulting improvement in sales provides MSMEs with additional capacity to strengthen their competitive position.

Recommendations

First, MSME owners and managers should strengthen their digital marketing capabilities by utilizing social media and online marketplaces more strategically. Digital marketing activities should not be limited to posting product information but should include consistent content creation, customer interaction, promotional campaigns, customer reviews, and rapid responses to customer inquiries. MSMEs should also select digital platforms according to their target market to maximize marketing effectiveness.

Second, since Sales Improvement significantly contributes to MSME Competitiveness, MSMEs should focus on converting digital marketing activities into actual sales outcomes. Promotional content should be designed to encourage customer responses and purchases. MSMEs can implement strategies such as digital promotions, limited-time offers, product bundles, online customer services, and personalized communication to improve customer conversion and repeat purchases. Third, government institutions and MSME-support organizations should strengthen digital marketing training and assistance. Training should not only focus on how to create social media accounts but also on digital content development, marketplace management, customer engagement, digital payment systems, and evaluating digital marketing performance. Such programs can help MSMEs develop digital capabilities that generate measurable improvements in sales. Fourth, MSMEs should use sales growth as an

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indicator for evaluating the effectiveness of their digital marketing strategies. By monitoring changes in sales volume, sales revenue, customer numbers, and repeat purchases, MSME owners can identify which digital marketing activities provide the greatest contribution to business performance.

Limitations and suggestions for further study

This study has several limitations that should be considered when interpreting the findings. First, the research focuses primarily on Digital Marketing, Sales Improvement, and MSME Competitiveness. Other factors that may influence MSME competitiveness, such as innovation capability, financial literacy, entrepreneurial orientation, product quality, access to finance, customer relationship management, and business networking, are not incorporated into the model. Future studies should consider adding these variables to obtain a more comprehensive explanation of MSME competitiveness. Second, this study uses cross-sectional primary data collected through questionnaires. Consequently, the findings reflect respondents' perceptions at a particular point in time and cannot fully capture changes in digital marketing utilization, sales, and competitiveness over a longer period. Future research could employ longitudinal data to examine whether the effects of digital marketing on sales and competitiveness remain consistent over time.

Third, the study uses purposive sampling, which limits the generalizability of the findings to all MSMEs in Bali. Although the sampling criteria ensure that respondents possess relevant experience with digital marketing, future research could use probability sampling or increase the sample size and include MSMEs from different business sectors and geographical areas. Fourth, the measurement of Sales Improvement and MSME Competitiveness is based primarily on self-reported responses from business owners or managers. This approach may introduce subjective bias because respondents may assess their business performance differently. Future research could combine questionnaire data with objective indicators such as actual sales revenue, sales volume, customer growth, transaction frequency, or financial records. Finally, future research could examine different types of digital marketing platforms separately, such as Instagram, TikTok, WhatsApp Business, Facebook, Shopee, Tokopedia, and other marketplace platforms. Comparative research could determine whether particular digital platforms have stronger effects on sales improvement and MSME competitiveness. Future studies could also compare MSMEs across different sectors or regions to determine whether the role of digital marketing varies according to business characteristics and market conditions.

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