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The Influence of Digital Marketing Capability and Product Innovation on the Competitive Advantage of Culinary MSMEs in Manokwari City, with Business Capital as a Moderating Variable

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Abstract

Culinary MSMEs in Manokwari City face intensifying competition amid the growth of digital marketing and shifting consumer tastes. This study analyses the effect of digital marketing capability and product innovation on the competitive advantage of culinary MSMEs, and the moderating role of business capital. A quantitative approach was applied through a survey of 96 culinary MSME owners in Manokwari City selected via purposive sampling. Data were collected using a five-point Likert questionnaire covering 32 indicators and analysed through Moderated Regression Analysis (MRA) in IBM SPSS. The results show that digital marketing capability (β=0.328; p<0.001), product innovation (β=0.437; p<0.001), and business capital (β=0.308; p<0.001) have a positive and significant effect on competitive advantage. Business capital strengthens the effect of both digital marketing capability (β=0.202; p=0.016) and product innovation (β=0.180; p=0.022) on competitive advantage. The model explains 54.4% of the variance in competitive advantage. These findings reinforce the Resource-Based View in the context of regional micro-enterprises and provide empirical support that business capital, including government capital assistance, is a crucial enabler for digital marketing capability and product innovation to translate into competitive advantage.

Keywords: Digital marketing capability; Product innovation; Business capital; Competitive

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advantage; Culinary MSMEs.

INTRODUCTION

Micro, small, and medium enterprises in the culinary sector serve as one of the main pillars of the local economy in Manokwari City. Restaurants, cafés, coffee shops, online food businesses, and snack enterprises have grown rapidly and created employment opportunities for local communities. The increasing number of business actors requires each MSME to develop effective strategies to remain competitive amid increasingly intense market competition. The respondent profile in this study shows that 40.6% of the surveyed businesses had operated for two to five years and 25.0% for less than two years. This composition indicates that a substantial proportion of culinary MSMEs in the sample were still in an early growth stage, when market expansion, product differentiation, and capital management are particularly important.

Digital marketing has transformed how culinary MSMEs reach their customers. Social media, marketplaces, and food delivery applications enable businesses to expand their markets without incurring substantial costs. The ability of business owners to utilize digital channels, create promotional content, and interact with customers has become a capability that distinguishes growing businesses from those that fall behind (Cenamor et al., 2019; Khin & Ho, 2019). Strong digital marketing capabilities enable MSMEs to respond quickly to market trends and build a broader customer base.

Product innovation is another important driver of competitive advantage for culinary MSMEs. New menu items, flavor variations, attractive packaging, and the use of local raw materials create value that is difficult for competitors to imitate (Distanont & Khongmalai, 2020; Rajapathirana & Hui, 2018). In the culinary industry, where consumer preferences change rapidly, the ability to innovate determines business resilience and growth.

Digital marketing capabilities and product innovation require sufficient financial resources to be effectively implemented. Business capital determines the extent to which MSME owners can finance digital promotional activities, develop new products, and maintain business operations. Capital availability, ease of obtaining additional funding, support from financial institutions, and government capital assistance are important components of a firm's financial capacity (Beck et al., 2005; Fowowe, 2017). Adequate business capital enables marketing and innovation strategies to be translated into competitive advantage, whereas limited capital may hinder the benefits generated by both strategies.

Previous studies have generally examined digital capability, innovation, or access to

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finance as separate determinants of SME performance. Empirical research that treats business capital as a boundary condition linking digital marketing capability and product innovation to competitive advantage remains limited, especially among culinary MSMEs in eastern Indonesia. This study differs from earlier work by simultaneously testing two interaction effects digital marketing capability × business capital and product innovation × business capital in Manokwari City. The model therefore contributes contextual evidence on when digital and innovation capabilities are more likely to generate competitive advantage in a regional micro-enterprise setting.

Based on the preceding discussion, this study aims to analyze the effects of digital marketing capability and product innovation on the competitive advantage of culinary MSMEs in Manokwari City. It also examines the moderating role of business capital in these relationships. The findings are expected to enrich the application of the Resource-Based View in the context of local micro-enterprises and provide practical recommendations for MSME owners and local policymakers.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Resource-Based View and Competitive Advantage

The Resource-Based View explains that competitive advantage originates from resources that are valuable, rare, difficult to imitate, and non-substitutable (Barney, 1991). Competitive advantage refers to a firm's ability to create greater value than its competitors and secure a favorable position in the market (Porter, 1985). In culinary MSMEs, competitive advantage is reflected in product uniqueness, customer loyalty, price competitiveness, and business reputation. Resources in the form of capabilities and financial capacity provide the foundation for achieving such an advantage (Ferreira et al., 2020).

Digital Marketing Capability

Digital marketing capability refers to a firm's ability to use digital technologies to market products, reach customers, and respond to market dynamics (Day, 1994; Wielgos et al., 2021). This capability includes the use of social media, content management, digital interaction, and customer data utilization. Studies on MSMEs indicate that digital marketing capability contributes to business performance and competitiveness (Bakator et al., 2023; Nuseir & Aljumah, 2020).

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Product Innovation

Product innovation refers to a firm's efforts to introduce new products or improve existing ones to meet customer needs (Gupta et al., 2016; Schumpeter, 1934). In the culinary sector, innovation may involve menu variations, flavors, presentation, and packaging. Innovation capability is positively associated with competitive advantage because it creates differentiation that is difficult for competitors to imitate (Distanont & Khongmalai, 2020; Hanaysha et al., 2022).

Business Capital

Business capital reflects a firm's financial capacity to finance its operations, innovation, and marketing activities. Its indicators include the adequacy of operational capital, ease of obtaining additional capital, the ability to finance innovation and digital marketing, financial support from financial institutions, government capital assistance, flexibility in the use of funds, and the sustainability of capital availability. Adequate access to financing has been shown to support the growth and performance of MSMEs (Beck et al., 2005; Fowowe, 2017; Rao et al., 2023). External support, including government assistance, strengthens the ability of businesses to survive and grow (Adam & Alarifi, 2021; Zulu-Chisanga et al., 2021). These indicators are treated as one financial-capacity construct because they jointly represent the availability, accessibility, allocation flexibility, and continuity of funds that allow an MSME to execute its operating, marketing, and innovation decisions. Government assistance is included as one source of accessible external capital rather than as a separate organizational capability.

Hypothesis Development

Strong digital marketing capability expands market reach and accelerates responses to customers, thereby enhancing competitive advantage (Khin & Ho, 2019; Wielgos et al., 2021).

H1: Digital marketing capability has a positive effect on the competitive advantage of culinary MSMEs.

Product innovation creates differentiation that is difficult to imitate and increases customer value, thereby strengthening competitive advantage (Distanont & Khongmalai, 2020; Rajapathirana & Hui, 2018).

H2: Product innovation has a positive effect on the competitive advantage of culinary MSMEs.

Adequate business capital supports business operations and competitive strategies, thereby directly affecting competitive advantage (Fowowe, 2017; Kijkasiwat & Phuensane, 2020).

H3: Business capital has a positive effect on the competitive advantage of culinary MSMEs.

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Business capital strengthens the benefits of digital marketing capability because effective digital promotion requires sustainable financial support (Rakshit et al., 2021; Troise et al., 2022).

H4: Business capital strengthens the effect of digital marketing capability on the competitive advantage of culinary MSMEs.

Business capital also strengthens the contribution of product innovation because new product development requires sufficient financial resources (Adam & Alarifi, 2021; Kijkasiwat & Phuensane, 2020).

H5: Business capital strengthens the effect of product innovation on the competitive advantage of culinary MSMEs.

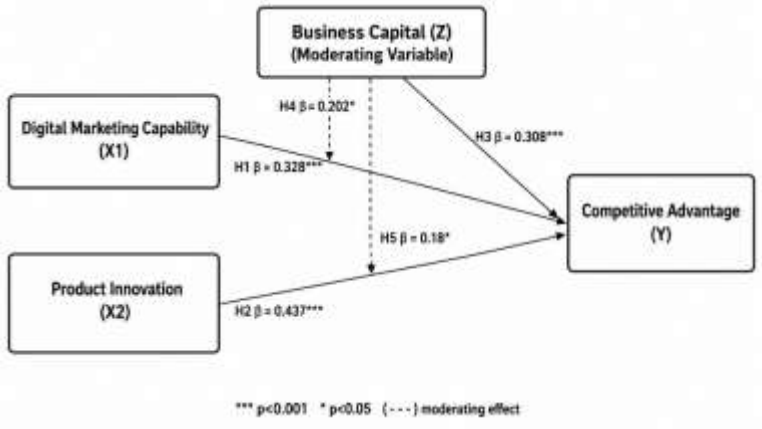


Figure 1. Research Model

RESEARCH METHOD

This study employed a quantitative approach with an explanatory, cross-sectional survey design. The study population consisted of culinary MSME owners in Manokwari City. The sample was selected using purposive sampling based on the following criteria: the business had operated for at least one year, actively marketed its products through at least one offline or digital channel, and the owner was willing to participate as a respondent. A total of 96 respondents participated in the study. With five predictors in the full moderated regression model, the sample provided 19.2 observations per predictor and met the recommended ratio of approximately 15–20 observations per predictor for multiple regression (Hair et al., 2019).

Data were collected using a five-point Likert-scale questionnaire ranging from 1 (strongly disagree) to 5 (strongly agree). The research variables included digital marketing capability (X1), product innovation (X2), business capital (Z) as a moderating variable, and competitive advantage (Y). Each variable was measured using eight indicators, resulting in a total of 32 indicators.

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Business capital was measured through the adequacy of operational capital, ease of obtaining additional capital, ability to finance innovation, ability to finance digital marketing activities, financial support from financial institutions, government capital assistance, flexibility in capital utilization, and the sustainability of capital availability. The digital marketing capability indicators were adapted from Khin and Ho (2019) and Wielgos et al. (2021); product innovation indicators were informed by Gupta et al. (2016) and Distanont and Khongmalai (2020); business capital indicators were developed from Fowowe (2017), Kijkasiwat and Phuensane (2020), and Rao et al. (2023); and competitive advantage indicators followed the differentiation and value-creation dimensions discussed by Barney (1991), Porter (1985), and Distanont and Khongmalai (2020). The wording was adjusted to the operational context of culinary MSMEs.

Instrument validity was assessed using Pearson item-total correlation, while reliability was evaluated using Cronbach's Alpha. Data analysis included descriptive statistics, classical assumption tests comprising normality, multicollinearity, and heteroscedasticity tests, and Moderated Regression Analysis (MRA) using IBM SPSS. The independent and moderating variables were mean-centered before the interaction terms were constructed to reduce multicollinearity (Aguinis et al., 2017). The regression equation was formulated as follows: Item validity was calculated as the Pearson correlation between each item score and the total score of its respective construct; the reported coefficients are Pearson item–total correlations rather than corrected item–total correlations. Mean-centering was applied before both interaction terms were created.

$$Y = a + b_1X_1 + b_2X_2 + b_3Z + b4(X_1 \times Z) + b_5(X_2 \times Z) + e$$

The characteristics of the respondents are presented in Table 1.

Table 1. Respondent Characteristics

Characteristic	Category	Frequency	%
Gender	Male	41	42.7
	Female	55	57.3
Age	17–25 years	15	15.6
	26–35 years	26	27.1
	36–45 years	32	33.3
	46–55 years	16	16.7
	>55 years	7	7.3
Education	Junior High School	18	18.8
	Senior High School/Vocational High School	45	46.9

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	Diploma	13	13.5
	Bachelor's Degree	20	20.8
Length of Business Operation	<2 years	24	25.0
	2–5 years	39	40.6
	6–10 years	19	19.8
	>10 years	14	14.6

Source: Processed primary survey data.
Note: n = 96.

RESEARCH RESULTS

Descriptive Analysis

The mean scores of all variables fall within the high category. The category was determined from equal-width intervals on the five-point scale: 1.00–1.80 = very low, 1.81–2.60 = low, 2.61–3.40 = moderate, 3.41–4.20 = high, and 4.21–5.00 = very high. The observed means of 3.725–3.779 therefore indicate positive perceptions of digital marketing capability, product innovation, business capital, and competitive advantage. A summary of the results is presented in Table 2.

Table 2. Descriptive Statistics of the Variables

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Digital Marketing Capability (X1)	96	2.38	4.88	3.760	0.596
Product Innovation (X2)	96	2.25	5.00	3.754	0.584
Business Capital (Z)	96	2.12	5.00	3.725	0.599
Competitive Advantage (Y)	96	2.75	5.00	3.779	0.564

Source: Processed primary survey data.

Validity and Reliability Tests

All indicators have Pearson item–total correlation coefficients greater than the critical r-value of 0.201 at N = 96. Therefore, all indicators are considered valid. The Cronbach's Alpha value for each variable exceeds 0.70, indicating that the research instrument is reliable. The results are summarized in Table 3.

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Table 3. Results of the Validity and Reliability Tests

Var.	Indicator	Calculated r-value	Critical r-value	Interpretation	Alpha
X1	DM1	0.756	0.201	Valid	0.902
	DM2	0.800	0.201	Valid	
	DM3	0.772	0.201	Valid	
	DM4	0.759	0.201	Valid	
	DM5	0.795	0.201	Valid	
	DM6	0.749	0.201	Valid	
	DM7	0.749	0.201	Valid	
	DM8	0.787	0.201	Valid	
X2	IP1	0.766	0.201	Valid	0.900
	IP2	0.778	0.201	Valid	
	IP3	0.769	0.201	Valid	
	IP4	0.738	0.201	Valid	
	IP5	0.801	0.201	Valid	
	IP6	0.795	0.201	Valid	
	IP7	0.768	0.201	Valid	
	IP8	0.711	0.201	Valid	
Z	MU1	0.796	0.201	Valid	0.901
	MU2	0.735	0.201	Valid	
	MU3	0.791	0.201	Valid	
	MU4	0.782	0.201	Valid	
	MU5	0.811	0.201	Valid	
	MU6	0.736	0.201	Valid	
	MU7	0.763	0.201	Valid	
	MU8	0.731	0.201	Valid	
Y	KK1	0.723	0.201	Valid	0.886
	KK2	0.793	0.201	Valid	
	KK3	0.789	0.201	Valid	
	KK4	0.779	0.201	Valid	
	KK5	0.757	0.201	Valid	

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	KK6	0.673	0.201	Valid	
	KK7	0.726	0.201	Valid	
	KK8	0.726	0.201	Valid	

Source: Processed primary survey data.

Correlations Among Variables

Table 4. Correlation Matrix Among Variables

	X1	X2	Z	Y
X1	1	0.190	0.100	0.379
X2	0.190	1	0.426	0.585
Z	0.100	0.426	1	0.439
Y	0.379	0.585	0.439	1

Source: Processed primary survey data.

All independent variables were positively correlated with competitive advantage. The correlations among the independent variables ranged from low to moderate, indicating no evidence of multicollinearity.

Classical Assumption Tests

The Kolmogorov–Smirnov normality test produced a significance value of 0.960 > 0.05, indicating that the residuals were normally distributed. The Shapiro–Wilk test yielded a similar result (W = 0.982; p = 0.221).

Table 5. Normality Test Results (One-Sample Kolmogorov–Smirnov Test)

Statistic	Value
N	96
Kolmogorov-Smirnov Z	0.490
Test Statistic (D)	0.050
Asymp. Sig. (2-tailed)	0.960

Source: Processed primary survey data.

All tolerance values were above 0.10, while all VIF values were below 10. Therefore, no multicollinearity was detected, as presented in Table 6.

Table 6. Multicollinearity Test Results

Variabel	Tolerance	VIF
Digital Marketing Capability (X1)	0.899	1.113

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Product Innovation (X2)	0.755	1.325
Business Capital (Z)	0.731	1.368
X1·x Z Interaction	0.750	1.333
X2·x Z Interaction	0.858	1.165

Source: Processed primary survey data.

The Glejser test produced significance values above 0.05 for all variables, indicating that the model was free from heteroscedasticity. The points in the scatterplot were randomly distributed around the zero line, as shown in Figure 2.

Table 7. Heteroscedasticity Test Results (Glejser Test)

Variable	t	Sig.
Digital Marketing Capability (X1)	0.836	0.405
Product Innovation (X2)	-0.163	0.871
Business Capital (Z)	0.293	0.770
X1·x Z Interaction	0.015	0.988
X2·x Z Interaction	0.612	0.542

Source: Processed primary survey data.

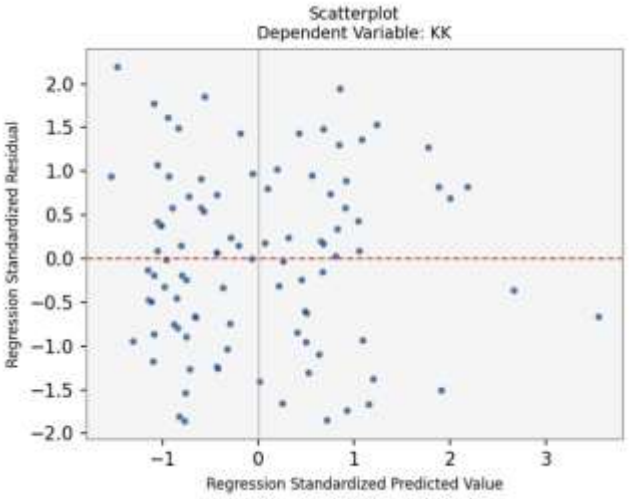


Figure 2. Scatterplot of the Heteroscedasticity Test

Moderated Regression Analysis

The analysis was conducted in two stages. Model 1 examined the main effects, while

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Model 2 added the interaction terms. The coefficient of determination increased from 0.458 to 0.544, with a ΔR^2 of 0.086. The change was statistically significant, F-change(2, 90) = 8.487, $p < 0.001$, indicating that the interaction terms added explanatory power beyond the main effects.

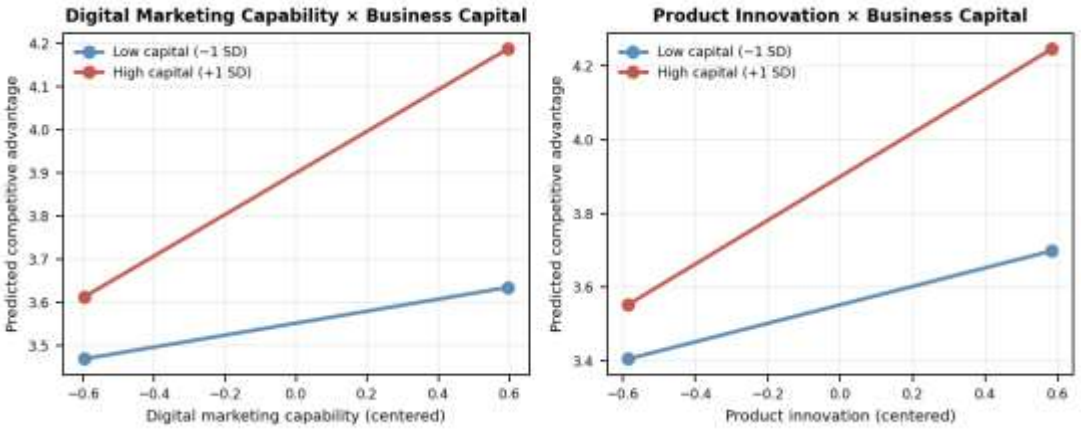


Figure 3. Predicted interaction patterns at low (−1 SD) and high (+1 SD) levels of business capital.

Table 8. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error
1 (Main Effects)	0.677	0.458	0.440	0.422
2 (With Moderation)	0.738	0.544	0.519	0.391

Source: Processed primary survey data.

Table 9. ANOVA (Model 2)

Source	Sum of Squares	df	Mean Square	F	Sig.
Regression	16.446	5	3.289	21.472	p < 0.001
Residual	13.787	90	0.153		
Total	30.234	95			

Source: Processed primary survey data.

The F-test produced a value of 21.472 with $p < 0.001$, indicating that the model was simultaneously significant.

Table 10. Coefficients (Model 2)

Variable	B	Std. Error	Beta	t	Sig.
(Constant)	3.726	0.043	-	85.722	p < 0.001
Digital Marketing Capability (X1)	0.310	0.071	0.328	4.364	p < 0.001

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Product Innovation (X2)	0.422	0.079	0.437	5.333	p < 0.001
Business Capital (Z)	0.290	0.078	0.308	3.702	p < 0.001
X1 × Z Interaction	0.286	0.117	0.202	2.454	0.016
X2 × Z Interaction	0.286	0.122	0.180	2.339	0.022

Source: Processed primary survey data.

Cohen's f^2 effect size for the overall model was 1.193, indicating a large effect. The contribution of the interaction terms produced an f^2 value of 0.189, which is classified as a medium effect.

Table 11. Summary of Hypothesis Testing

Hypothesis	Path	Beta	Sig.	Decision
H1	X1 → Y	0.328	p < 0.001	Supported
H2	X2 → Y	0.437	p < 0.001	Supported
H3	Z → Y	0.308	p < 0.001	Supported
H4	X1 × Z → Y	0.202	0.016	Supported
H5	X2 × Z → Y	0.180	0.022	Supported

Source: Processed primary survey data.

DISCUSSION

Digital marketing capability has a positive and significant effect on competitive advantage. H1 is therefore supported. Culinary micro, small, and medium-sized enterprises that effectively use social media, marketplaces, and digital interactions can reach broader markets and build a strong customer base. This finding is consistent with the Resource-Based View, which regards organizational capabilities as sources of competitive advantage (Barney, 1991). It also supports empirical evidence from studies of MSMEs (Bakator et al., 2023; Khin & Ho, 2019).

Product innovation has a positive and significant effect on competitive advantage. H2 is therefore supported. Product innovation also has the largest coefficient among the three independent variables. In the culinary industry, where consumer preferences change rapidly, the ability to introduce new menus, flavors, and packaging creates differentiation that is difficult for competitors to imitate. This result strengthens the findings of Rajapathirana & Hui (2018) and Distanont & Khongmalai (2020) regarding the role of innovation in building competitive advantage. The larger coefficient for product innovation suggests that culinary competition in

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Manokwari is strongly shaped by visible and immediately experienced forms of differentiation, such as menu variety, flavor, presentation, and packaging. These attributes can be evaluated directly by customers and may therefore create a faster competitive response than promotional capability alone.

Business capital has a positive and significant effect on competitive advantage. H3 is therefore supported. Adequate capital, access to financing, and government capital assistance enable businesses to finance their operations and competitive strategies. This finding is consistent with the MSME financing literature, which links access to capital with business performance and resilience (Fowowe, 2017; Kijkasiwat & Phuensane, 2020).

The positive interaction coefficients provide empirical support for the moderating role of business capital in both relationships. As illustrated in Figure 3, the predicted slope linking digital marketing capability to competitive advantage becomes steeper at a higher level of business capital. A similar pattern occurs for product innovation. This means that firms with stronger financial capacity are better positioned to convert promotional content, digital customer interaction, menu development, packaging improvement, and product trials into competitive outcomes. The interaction patterns should be interpreted as conditional associations rather than causal effects because the data were collected cross-sectionally.

The model explains 54.4% of the variation in competitive advantage, while the interaction block contributes an additional 8.6 percentage points. Product innovation has the largest standardized main effect, followed by digital marketing capability and business capital. The findings indicate that capital does not replace managerial capability or innovation; it enables both resources to be implemented more consistently. For culinary MSMEs in Manokwari, financing support is therefore most useful when it is linked to specific digital marketing and product-development activities.

RESEARCH IMPLICATIONS

Theoretical Implications

This study enriches the Resource-Based View in the context of regional culinary MSMEs by positioning business capital as a moderating variable. The findings provide empirical support for the proposition that business capital is not merely a resource with a direct effect but also strengthens the effectiveness of digital marketing capabilities and product innovation. Conceptualizing business capital as a single construct that includes government capital assistance offers a parsimonious operational model for moderation analysis, although further construct

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validation is required.

Practical Implications

For culinary MSME owners in Manokwari City, the findings emphasize the importance of simultaneously strengthening digital marketing capability and product innovation, supported by sound business capital management. Business owners need to actively utilize social media and marketplaces, regularly innovate their menus and packaging, and access various financing sources, including government capital assistance programs, to ensure the sustainability of these strategies.

POLICY RECOMMENDATIONS

First, local governments need to expand capital assistance and financing programs that are easily accessible to culinary MSME owners. These programs should be accompanied by guidance on using capital for digital marketing and innovation. Second, digital marketing and product development training should be organized to improve business owners' capabilities. Third, partnerships among MSMEs, financial institutions, and digital platforms should be encouraged to broaden access to capital and markets. Fourth, policies should be formulated to link capital assistance with measurable targets for strengthening business competitiveness.

CONCLUSION

This study concludes that digital marketing capability, product innovation, and business capital have positive and significant effects on the competitive advantage of culinary MSMEs in Manokwari City. Business capital was also found to strengthen the effects of digital marketing capability and product innovation on competitive advantage. The model explains 54.4% of the variation in competitive advantage. The findings support that the competitive advantage of culinary MSMEs is determined not only by capabilities and innovation but also by adequate and sustainable business capital support, including government capital assistance.

LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

This study has several limitations. The data were derived from the perceptions of MSME owners in one city, so the findings should be generalized with caution. Competitive advantage was measured perceptually and did not incorporate objective performance data, such as revenue or market share. The cross-sectional design also limits the ability to draw causal conclusions. Future

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research is recommended to expand the study area to several regencies, combine perceptual data with objective performance indicators, adopt a longitudinal design, and include additional variables such as entrepreneurial orientation, financial literacy, and business network support. The use of Structural Equation Modeling may also be considered to examine a more complex research model. Because all predictors and outcomes were reported by the same respondent at one time, common method bias may affect the observed relationships. Purposive sampling may also introduce selection bias because participating owners may differ from non-participating culinary MSME owners.

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