

# **Leveraging Digital Marketing: How Tulungagung Bamboo Crafts Gain a Competitive Edge**

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**Abstract:** Small and Medium Enterprises (SMEs), including the bamboo craft sector in Tulungagung, Indonesia, are vital to the national economy yet face significant challenges in leveraging digitalization for growth. The central issue is understanding how digital tools translate into tangible business performance. This study addresses a critical research gap by investigating the underexplored mediating role of competitive advantage in the relationship between digital marketing and marketing performance within a traditional craft industry. The research objective was to empirically test these relationships. Using a quantitative method, data were collected via a survey from 62 bamboo craft businesses (selected via purposive sampling from a population of 105) and analyzed using Structural Equation Modeling (SEM) with Smart-PLS. The results reveal that digital marketing has a significant direct positive effect on both competitive advantage and marketing performance. However, competitive advantage itself does not directly improve marketing performance, nor does it act as a significant mediator between digital marketing and performance. This conclusion indicates that while digital marketing is a powerful driver, competitive advantage alone is insufficient to enhance performance in this context, suggesting the influence of other complex factors. The policy implication is that support programs for artisans must move beyond basic digital adoption and focus on holistic strategies that integrate marketing skills with other operational improvements to ensure sustainable growth in an increasingly digitized market.

**Keywords:** Digital Marketing; Competitive Advantage; Marketing Performance; Bamboo Craft SMEs.



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## **1. Introduction**

Small and Medium Enterprises (SMEs) serve as a critical backbone for national economies globally, acting as primary engines for economic growth, job creation, and innovation. In Indonesia, this is particularly evident, where 64.2 million SMEs contribute 61.07% to the national GDP and absorb 97% of the total workforce (Ministry of Cooperatives and SMEs, 2021; Hartato & Handoyo, 2021). Despite their significant role, SMEs face persistent challenges related to limited resources in operations, marketing, technology, and funding (Anoraga, 2018; Rosenbusch et al., 2011). These constraints often hinder their

performance and longevity, pushing them to seek innovative strategies to survive and thrive in competitive markets (Donbesuur et al., 2020; Carraresi et al., 2015).

A key aspect of performance that requires enhancement is marketing performance, which is a vital indicator of the effectiveness of a company's strategies and a direct driver of overall business success (Sarfiah et al., 2019; Marbun & Simanjuntak, 2021). In the modern era, digital marketing has emerged as a powerful tool for SMEs to overcome resource limitations. Strategies such as social media marketing, content marketing, and search engine optimization have proven effective in increasing sales, reducing costs, and sustaining businesses, especially in the wake of the COVID-19 pandemic (Sampedro, 2021; Marfuin & Robin, 2021). The ultimate goal of adopting such strategies is to build a sustainable competitive advantage—be it through cost leadership, differentiation, or focus—which is the core of superior company performance (Sofianto, 2019; Hsu, 2023).

However, a clear research gap exists in understanding the precise mechanism through which digital marketing translates into improved marketing performance. While a positive relationship is often assumed, the mediating role of competitive advantage in this relationship remains underexplored, particularly within unique, traditional sectors such as artisan crafts. This gap is exemplified by the bamboo craftsmen of Tulungagung, Indonesia. Despite their cultural significance and potential, these artisans often operate with limited market reach, primarily serving local areas due to suboptimal marketing strategies and a lack of strategic focus on building a distinct competitive advantage. The opportunity to leverage digital tools to showcase their unique products and tap into national and global markets is largely untapped.

Therefore, this study aims to address this gap by investigating the role of competitive advantage as a mediator between digital marketing and marketing performance. The specific objectives of this research are: (1) to analyze the direct impact of digital marketing on the marketing performance of bamboo craftsmen in Tulungagung. (2) to examine the effect of digital marketing on building a sustainable competitive advantage. (3) to determine the extent to which competitive advantage mediates the relationship between digital marketing and marketing performance. By achieving these objectives, this research will provide a deeper understanding of the strategic importance of digital marketing and competitive advantage. The findings are expected to offer practical insights and recommendations for bamboo craftsmen and similar SMEs to enhance their digital marketing effectiveness, solidify their market position, and ultimately improve their overall marketing performance.

## **2. Literature Review**

### **2.1. Digital Marketing and Marketing Performance**

Digital marketing encompasses the strategies, activities, and institutions that leverage digital technologies to communicate, create, and deliver value for consumers and stakeholders (Kumar et al., 2016). Its effectiveness is measured through multifaceted indicators, including search engine optimization (SEO), search engine marketing (SEM), content marketing, social media marketing, email marketing, and paid advertising methods like pay-per-click (Wardhana, 2015). The foundational theory posits that these activities allow for precise consumer targeting and a deeper understanding of customer behavior, loyalty, and product value, thereby directly facilitating the achievement of core marketing objectives (Chaffey & Chadwick, 2016). Empirical evidence supports this, as demonstrated in a study by Amir et al. (2020), which found that the adoption of economical and globally accessible digital marketing strategies had a positive impact on the performance of local traders. The collective findings suggest a direct and positive pathway from digital marketing to enhanced marketing performance. The synthesis of these studies indicates that digital marketing is not merely a promotional tool but a comprehensive strategic capability. By improving market reach, customer engagement, and cost efficiency, digital marketing initiatives directly contribute to key performance outcomes such as sales growth, market share, and customer satisfaction.

### **2.2. Digital Marketing and Competitive Advantage**

The relationship between digital marketing and competitive advantage is rooted in resource-based theory, which argues that a firm's unique resources and capabilities are primary drivers of superior market positioning (Bharadwaj et al., 1993). Digital marketing strategies constitute such a valuable capability. When effectively implemented, they enable firms to differentiate their brand, personalize customer interactions, and build online communities, thus creating a distinct advantage that is difficult for competitors to replicate. This theoretical assertion is strongly supported by contemporary research; Melović et al. (2020) conclusively found that companies integrating digital marketing into their core business strategies tended to be more successful and competitively positioned. The literature confirms that digital marketing is a

significant antecedent to competitive advantage. It acts as a strategic resource that fosters differentiation and market leadership. Rather than just facilitating communication, digital marketing builds a modern competitive moat through superior data analytics, targeted engagement, and enhanced brand visibility, directly leading to a stronger and more sustainable market position.

### 2.3. Competitive Advantage and Marketing Performance

A well-established body of research confirms that competitive advantage is a critical determinant of marketing performance. The fundamental logic is that a strong competitive advantage—whether through cost leadership, differentiation, or focus to enhance product attractiveness, distinguishes the company from its rivals, and provides significant value to customers (Pradhan et al., 2018). This superior positioning translates directly into tangible performance metrics. Empirical studies by Jatmiko (2016) and Pudyastuti & Saputra (2021) provide robust evidence that competitive advantage positively influences factors such as sales growth, market share, and customer loyalty, thereby solidifying a company's standing in a competitive marketplace. The previous findings establish a clear causal link: competitive advantage is a powerful driver of marketing performance. It is not the possession of an advantage but its effective market application that leads to superior results. Companies that successfully leverage their unique strengths are better equipped to attract and retain customers, command premium prices, and ultimately achieve sustained financial and market success.

### 2.4. Proposed Hypotheses

Based on the synthesized literature and theoretical foundations, the following hypotheses are proposed for this study:

**H1:** Digital marketing has a significant positive effect on the marketing performance of bamboo craftsmen.

**H2:** Digital marketing has a significant positive effect on the competitive advantage of bamboo craftsmen.

**H3:** Competitive advantage has a significant positive effect on the marketing performance of bamboo craftsmen.

## 3. Materials and Methods

This study adopts a quantitative research design (Pramita et al., 2021). The population of this research is all bamboo craft business players in Tulungagung, totaling 105 people (Arikunto, 2018). A purposive sampling technique will be used, with respondents selected based on criteria such as knowing online marketing through digital marketing and having a minimum business experience of 5 years, resulting in a sample of 62 wood craftsmen (Sugiyono, 2018). Data will be collected through a structured survey questionnaire given to bamboo business owners or craftsmen (Ghozali, 2021). The survey will include questions related to competitive advantage, digital marketing, and marketing performance. The data collected will then be analyzed using Structural Equation Modeling (SEM) to test research hypotheses (Hair et al., 2014). This analysis will be performed using the Partial Least Square (PLS) method with the assistance of Smart-PLS software (Juliandi, 2018) to determine the influence between variables and assess the strength and direction of the relationships.

## 4. Results

### 4.1. Descriptive Statistics

The demographic characteristics of the study's respondents are summarized in Table 1. This profile, essential for contextualizing the research findings, is based on data pertaining to gender, age, highest level of education, and business operating tenure.

**Table 1.** Result of Characteristics of Wood Craft Business Operators

| Demography | Category    | Frequency | Percentage |
|------------|-------------|-----------|------------|
| Gender     | Male        | 53        | 85,5       |
|            | Female      | 9         | 14,5       |
| Age        | 21-30 Years | 12        | 19,4       |
|            | 31-40 Years | 22        | 35,5       |
|            | 41-50 Years | 24        | 38,7       |

| Demography      | Category           | Frequency | Percentage |
|-----------------|--------------------|-----------|------------|
| Education       | > 50 Years         | 4         | 6,5        |
|                 | Bachelor's Degree  | 10        | 16,1       |
|                 | High School        | 35        | 56,5       |
|                 | Junior High School | 17        | 27,4       |
| Business Tenure | <5-7 Years         | 11        | 17,7       |
|                 | >7-10 Years        | 30        | 48,4       |
|                 | > 10 Years         | 21        | 33,9       |

Table 1 depicts the demographic profile of the 62 respondents provides critical context for interpreting the study's findings. The data reveals a significant gender disparity within the Tulungagung bamboo crafting industry, with male craftsmen constituting the overwhelming majority at 85.5% (n=53), compared to their female counterparts at 14.5% (n=9), suggesting a male-dominated field. In terms of age distribution, the cohort is predominantly comprised of middle-aged individuals, with the largest group being 41-50 years old (38.7%, n=24), closely followed by those aged 31-40 years (35.5%, n=22). This indicates a mature and experienced workforce, though the lower representation of younger generations, with 19.4% (n=12) aged 21-30 and only 6.5% (n=4) over 50, may raise questions about the long-term sustainability and succession planning within the sector. The educational background of the respondents is characterized by a strong practical, rather than academic, foundation. A majority of 56.5% (n=35) have completed high school, while 27.4% (n=17) have a junior high school education. Only 16.1% (n=10) hold a bachelor's degree, underscoring that formal higher education is not a prerequisite for success in this traditional craft. Finally, the business tenure data confirms a high level of experience, with a combined 82.3% of respondents having been in business for more than 7 years. Nearly half (48.4%, n=30) have 7 to 10 years of experience, and a substantial portion (33.9%, n=21) boast over a decade of tenure. This extensive practical experience is a significant asset, implying that the respondents are well-established in their trade and highly knowledgeable about its operational and market challenges. The small group with 5-7 years of experience (17.7%, n=11) represents the relative newcomers, completing a picture of a stable, experienced, and deeply knowledgeable participant.

## 4.2. Inferential Analysis

In the Smart PLS data analysis framework, the assessment of the measurement model (outer model) is conducted through three primary criteria: convergent validity, discriminant validity, and composite reliability.

### 4.2.1. Construct Validity

Convergent validity is assessed based on the correlation between item scores or component scores as estimated by the PLS software. This test evaluates the extent to which indicators of a specific construct converge or share a high proportion of variance. A fundamental rule for individual reflective measures is that they are considered to have high reliability if they exhibit a correlation (loading) greater than 0.70 with the construct they are intended to measure. However, for exploratory research or in the early stages of developing new measurement scales, loading values within the range of 0.5 to 0.6 are often considered acceptable. Reflecting this methodological guidance, the present study employs a loading factor threshold of 0.60 for retaining items in the measurement model.

**Table 2.** Result of Construct Validity and Reliability

| Variable(s)       | Indicator(s) | Loading Factor(s) | Composite Reliability | Average Variance Extracted |
|-------------------|--------------|-------------------|-----------------------|----------------------------|
| Digital Marketing | DM1          | 0,762             | 0.923                 | 0.705                      |
|                   | DM2          | 0,920             |                       |                            |
|                   | DM3          | 0,853             |                       |                            |
|                   | DM4          | 0,876             |                       |                            |
|                   | DM5          | 0,779             |                       |                            |

| Variable(s)           | Indicator(s) | Loading Factor(s) | Composite Reliability | Average Variance Extracted |
|-----------------------|--------------|-------------------|-----------------------|----------------------------|
| Competitive Advantage | CA1          | 0,821             | 0.918                 | 0.692                      |
|                       | CA2          | 0,771             |                       |                            |
|                       | CA3          | 0,828             |                       |                            |
|                       | CA4          | 0,866             |                       |                            |
|                       | CA5          | 0,871             |                       |                            |
| Marketing Performance | MP1          | 0,642             | 0.839                 | 0.509                      |
|                       | MP2          | 0,732             |                       |                            |
|                       | MP3          | 0,784             |                       |                            |
|                       | MP4          | 0,753             |                       |                            |
|                       | MP5          | 0,645             |                       |                            |

Table 2 presents the results of the construct validity assessment, specifically the outer loadings for each indicator. The analysis confirms that all indicators across the variables possess sufficiently high loading factors, signifying that they are significant measures of their respective theoretical constructs. For the Digital Marketing (DM) construct, all five indicators (DM1 to DM5) demonstrate significant loadings, which range from 0.762 to 0.920. This indicates that each indicator is a robust and effective measure of the underlying digital marketing construct. A similar pattern is observed for the Competitive Advantage (CA) construct. All five of its indicators (CA1 to CA5) exhibit high loading factors, ranging from 0.771 to 0.871. This confirms that these indicators collectively and effectively represent the competitive advantage construct. Likewise, all five indicators for the Marketing Performance (MP) construct (MP1 to MP5) show adequately high loadings, ranging from 0.642 to 0.784. This result confirms that each indicator consistently reflects the marketing performance construct. Thus, the convergent validity analysis confirms that the measurement model is sound. All indicators for Digital Marketing, Competitive Advantage, and Marketing Performance effectively measure their intended constructs, with all loading factors exceeding the 0.60 threshold adopted for this study. Therefore, it can be concluded that the measurement instrument possesses good convergent validity.

Also, the results further capture the reliability and validity of the constructs through Composite Reliability (CR) and Average Variance Extracted (AVE) metrics. The Digital Marketing variable exhibits excellent psychometric properties. It achieved a high Composite Reliability value of 0.923, which significantly exceeds the recommended threshold. This indicates a very strong level of internal consistency, confirming that the indicators used are reliable and mutually supportive in measuring the construct. Furthermore, the Average Variance Extracted (AVE) value of 0.705 demonstrates strong convergent validity, meaning that approximately 70.5% of the variance in the Digital Marketing construct is explained by its indicators, while the remainder is attributable to measurement error.

Similarly, the Competitive Advantage construct demonstrates high quality. A Composite Reliability of 0.918 reflects a strong degree of internal consistency among its indicators. The Average Variance Extracted value of 0.692 also confirms adequate convergent validity, indicating that its indicators explain nearly 69.2% of the construct's variance. In comparison, the Marketing Performance construct shows acceptable but relatively lower values. Its Composite Reliability is 0.837, which is above the acceptable threshold and indicates a satisfactory level of internal consistency. However, it is lower than that of the other two constructs, suggesting that the coherence among its indicators could be strengthened. The Average Variance Extracted value is 0.509, which meets the minimum requirement of 0.5. This confirms that the construct possesses convergent validity, but the value indicates that a significant portion of the variance (nearly 50%) is due to error. Therefore, while the construct is valid and reliable for this study, future research could focus on refining its indicators to improve its explanatory power.

#### 4.2.2. Discriminant Validity

Discriminant validity aims to test how far latent constructs truly differ from each other. High discriminant validity values indicate that a construct is unique and capable of explaining the measured phenomena. A construct is considered valid by comparing the square root of the Average Variance Extracted (AVE) with the correlation values between latent variables. The square root of the AVE should be greater than the correlation between latent variables.

**Table 3.** Result of Discriminant Validity

| Construct | Digital Marketing | Competitive Advantage | Marketing Performance |
|-----------|-------------------|-----------------------|-----------------------|
| X1        | 0,506             | 0,821                 | 0,356                 |
| X2        | 0,355             | 0,771                 | 0,408                 |
| X3        | 0,369             | 0,828                 | 0,377                 |
| X4        | 0,421             | 0,866                 | 0,439                 |
| X5        | 0,562             | 0,871                 | 0,362                 |
| M1        | 0,762             | 0,439                 | 0,416                 |
| M2        | 0,920             | 0,554                 | 0,470                 |
| M3        | 0,853             | 0,451                 | 0,312                 |
| M4        | 0,876             | 0,432                 | 0,485                 |
| M5        | 0,779             | 0,355                 | 0,298                 |
| Y1        | 0,415             | 0,333                 | 0,642                 |
| Y2        | 0,218             | 0,364                 | 0,732                 |
| Y3        | 0,280             | 0,335                 | 0,784                 |
| Y4        | 0,340             | 0,333                 | 0,753                 |
| Y5        | 0,414             | 0,286                 | 0,645                 |

Table 3 captures the result of discriminant validity assessment using cross-loadings. The result confirms that the measurement model is valid and discriminate. Discriminant validity is established when an indicator's loading on its associated construct is higher than all of its cross-loadings on other constructs. The data demonstrates this requirement is successfully met for all three constructs: Digital Marketing (DM), Competitive Advantage (CA), and Marketing Performance (MP). For the Digital Marketing construct, all its indicators (M1 to M5) load highly on their parent construct (loadings ranging from 0.762 to 0.920). Crucially, each of these loadings is significantly higher than their cross-loadings on Competitive Advantage (0.355 to 0.554) and Marketing Performance (0.298 to 0.485). For example, indicator M2 has a primary loading of 0.920 on DM, which is far greater than its cross-loadings of 0.554 on CA and 0.470 on MP.

Similarly, all Competitive Advantage indicators (X1 to X5) show their highest loadings on their own construct (ranging from 0.771 to 0.871). These values are substantially larger than their cross-loadings on Digital Marketing (0.355 to 0.562) and Marketing Performance (0.356 to 0.439). Indicator X5, for instance, loads at 0.871 on CA, compared to 0.562 on DM and 0.362 on MP. Likewise, all Marketing Performance indicators (Y1 to Y5) load most strongly on their intended construct (loadings between 0.642 and 0.784). These loadings are markedly higher than their cross-loadings on both Digital Marketing (0.218 to 0.415) and Competitive Advantage (0.286 to 0.364). Indicator Y3, with a primary loading of 0.784 on MP, clearly demonstrates this distinction against its cross-loadings of 0.280 on DM and 0.335 on CA. In conclusion, the cross-loading analysis provides robust evidence for discriminant validity. The clear pattern, where each indicator's strongest relationship is with its theoretical construct, confirms that the three constructs are empirically distinct and measure uniquely different phenomena within the model.

### 4.2.3 Structural Model (Inner model)

The evaluation of the structural model in Partial Least Squares (PLS) analysis involves assessing key metrics, including Coefficient Determination ( $R^2$ ). The analysis yielded an  $R^2$  value of 0.290 for the competitive advantage construct, indicating that 29.0% of its variance is explained by digital marketing. Simultaneously, the model explains 29.2% ( $R^2 = 0.292$ ) of the variance in marketing performance through the combined influence of digital marketing and competitive advantage. Also, this study conducts hypothesis testing, the results as seen in Table 4 below:

**Table 4.** Result of Hypothesis Testing

| Path Analysis                             | Original Sample | Sample Mean | Standard Deviation | t-Stat | Sig.  |
|-------------------------------------------|-----------------|-------------|--------------------|--------|-------|
| Digital Marketing → Competitive Advantage | 0,539           | 0,553       | 0,080              | 6,753  | 0,000 |

|                                                                   |       |       |       |       |       |
|-------------------------------------------------------------------|-------|-------|-------|-------|-------|
| Digital Marketing → Marketing Performance                         | 0,326 | 0,330 | 0,151 | 2,154 | 0,032 |
| Competitive Advantage → Marketing Performance                     | 0,289 | 0,289 | 0,160 | 1,804 | 0,072 |
| Digital Marketing → Competitive Advantage → Marketing Performance | 0,156 | 0,155 | 0,092 | 1,691 | 0,091 |

Table 4 provides empirical evidence for testing the hypothesized relationships within the structural model. All path coefficients are positive, indicating positive directional relationships between the constructs. First, the analysis reveals a strong, positive, and statistically significant direct effect of Digital Marketing on Competitive Advantage ( $\beta = 0.539$ ,  $t = 6.753$ ,  $p = 0.000$ ). This path is highly significant, as the t-statistic far exceeds the critical value of 1.96 and the p-value is less than 0.05. This indicates that an increase in digital marketing efforts leads to a substantial and direct enhancement of a firm's competitive advantage. Second, the direct path from Digital Marketing to Marketing Performance is also positive and statistically significant ( $\beta = 0.326$ ,  $t = 2.154$ ,  $p = 0.032$ ). This confirms that implementing digital marketing strategies has a direct and positive impact on improving marketing outcomes, even when not mediated by other factors.

However, the direct effect of Competitive Advantage on Marketing Performance, while positive, is not statistically significant at the conventional 5% significance level ( $\beta = 0.289$ ,  $t = 1.804$ ,  $p = 0.072$ ). This suggests that, in isolation, the direct contribution of competitive advantage to marketing performance within this model is not robustly supported by the sample data. Finally, the analysis tested the indirect mediating effect of Competitive Advantage in the relationship between Digital Marketing and Marketing Performance. The indirect path coefficient is positive ( $\beta = 0.156$ ) but is not statistically significant ( $t = 1.691$ ,  $p = 0.091$ ). Therefore, while a positive mediation effect appears to exist, the analysis does not provide sufficient evidence to conclusively confirm that Competitive Advantage acts as a significant mediator in this model. Thus, the most powerful and confirmed relationship is the direct impact of Digital Marketing on both Competitive Advantage and Marketing Performance. The role of Competitive Advantage as a direct driver of performance or as a mediating mechanism, however, remains inconclusive based on this analysis.

## 5. Discussion

### 5.1. Effect of Digital Marketing on Competitive Advantage

The results of this study indicate that digital marketing has a direct influence on competitive advantage. The higher the level of digital marketing, the greater the competitive advantage of bamboo craft businesses in Tulungagung (Chaffey & Bosomworth, 2013). This phenomenon can be explained by the ability of digital marketing to reach a wider audience, strengthen brand image, and engage consumers more effectively. Therefore, the adoption of digital marketing can be considered a key factor in enhancing the competitiveness of bamboo craft businesses in Tulungagung, demonstrating that the development of digital technology contributes positively to marketing strategies and the sustainability of local businesses. This finding aligns with previous research, such as the study by Khan et al. (2022), which stated that digital marketing influences competitive advantage. However, it contrasts with studies suggesting that competitive advantage is not influenced by digital marketing activities (Dyer & Singh, 2011; Haynes & Hietanen, 2023; Nguyen et al., 2021).

### 5.2. Effect of Digital Marketing on Marketing Performance

The results of this study show that digital marketing has a direct influence on marketing performance. The higher the level of digital marketing, the greater the marketing performance of bamboo craft businesses in Tulungagung. This finding aligns with the perspective of Charles, Joel, and Samwel, who state that marketing performance reflects the extent of a company's achievements in its products. Furthermore, marketing performance is also a measure used to assess the effectiveness of marketing activities conducted by a company (Jawad et al., 2020). Therefore, it can be concluded that investment in digital marketing is an effective strategic choice to enhance marketing performance and strengthen the position of bamboo craft businesses in Tulungagung in an increasingly digitized market. This finding is consistent with previous studies by Padli (2022) and Sudirjo et al. (2023), which state that digital marketing influences marketing performance. The result is further supported by research from Amir et al. (2020), Haryanto and Dewi (2020), and Sidi and Yogatama (2019).

### 5.3. Effect of Competitive Advantage on Marketing Performance

The results of this study indicate that competitive advantage does not have a direct influence on marketing performance. An increase in competitive advantage does not guarantee a proportional increase in the marketing performance of bamboo craft businesses in Tulungagung. This finding presents an interesting perspective, suggesting that competitive advantage does not have a significant direct impact on marketing performance in the context of bamboo craft businesses in Tulungagung. While it might be expected that higher competitive advantage leads to higher marketing performance, this result highlights the complexity of factors influencing marketing performance in this industry. It may indicate that, apart from competitive advantage, other factors such as market dynamics, changing consumer trends, or internal business elements play a critical role in shaping marketing effectiveness. Business actors in the bamboo craft industry in Tulungagung may need to conduct further analysis to identify specific elements that support or hinder their marketing performance. Effective marketing strategies should consider these factors to ensure businesses remain competitive in a dynamic market. This finding contradicts the opinion of Schermerhorn (2012), who states that competitive advantage enables outperformance of competitors. However, it aligns with studies by Arbawa and Wardoyo (2018) and Wibowo and Raharjo (2021), which state that competitive advantage does not affect marketing performance.

### 5.4. Effect of Digital Marketing on Marketing Performance Through Competitive Advantage

The results of this study indicate that digital marketing does not influence marketing performance through competitive advantage. An increase in digital marketing does not guarantee an improvement in marketing performance mediated by competitive advantage. These findings suggest that there is no significant indirect relationship between digital marketing and marketing performance through competitive advantage in the context of bamboo craft businesses in Tulungagung. The results emphasize the importance of adopting a holistic approach and considering multiple variables that influence marketing outcomes to achieve optimal success. This finding contradicts the opinion of Pradhan et al. (2018), who state that digital marketing facilitates brand development and ensures business growth. However, it aligns with previous research by Padli (2022), which states that competitive advantage does not mediate the relationship between digital marketing and marketing performance.

## 6. Conclusions

This study concludes that digital marketing exerts a significant direct influence on both competitive advantage and marketing performance within the bamboo craft industry in Tulungagung, indicating that a higher level of digital marketing adoption is positively correlated with improvements in these areas. However, the findings reveal a critical nuance: competitive advantage itself does not directly enhance marketing performance, nor does it act as a mediating mechanism between digital marketing and performance. This suggests that the relationship between these variables is more complex than initially theorized, underscoring the significant role of other external and internal factors—such as market dynamics, supply chain efficiency, access to capital, or artisan skillsets—in ultimately determining marketing success. A primary limitation of this study is its focus on a single geographic location and a specific craft sector, which may limit the generalizability of the findings to other regions or industries. Furthermore, the cross-sectional nature of the data provides a snapshot in time rather than capturing the longitudinal effects of digital marketing strategies.

On the basis of these conclusions, several policy implications arise. Local government and business associations should prioritize initiatives that enhance digital literacy and provide accessible training programs for artisans on effective digital marketing tools and social media platform management. Support could include grants or subsidies for technology acquisition and the development of centralized digital marketplaces to promote Tulungagung's bamboo crafts to a broader national and international audience. Future studies can expand to a broader geographical scale and include other traditional craft sectors to validate and compare these findings. Subsequent research should also adopt a longitudinal design to observe the long-term impact of digital marketing strategies. Most importantly, future work must identify and integrate the "missing" variables that influence marketing performance, such as innovation capability, access to working capital, leadership effectiveness, or external economic factors, to develop a more holistic model of performance drivers for small-scale craft industries.



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