

The Influence of Digital Marketing, Price, and Product Quality on the Competitive Advantage of MSMEs Fashion in Yogyakarta

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ABSTRACT

This research seeks to explore how digital marketing strategies, pricing approaches, and product quality contribute to the competitive edge of Micro, Small, and Medium Enterprises (MSMEs) operating in Yogyakarta's fashion sector. Due to the intensifying market competition, it is essential to understand the key elements that drive MSMEs' competitiveness. The research adopts a quantitative method by distributing questionnaires to fashion MSME practitioners in Yogyakarta to gather primary data. The analysis results reveal that all three factors digital marketing, price, and product quality all have a positive and significant impact on competitive advantage, with digital marketing emerging as the most dominant factor. Therefore, MSMEs are encouraged to improve their digital marketing strategies, set optimal pricing, and ensure product quality in order to strengthen their competitive positioning in the market.

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a vital role in driving the national economy by generating employment opportunities, enhancing household incomes, and supporting sustainable economic development. MSMEs in Indonesia contribute about 60% of the national Gross Domestic Product (GDP) and employ around 97% of the workforce, which is an index of their strategic importance. Among various sectors, the MSME fashion industry has experienced rapid growth, especially in Yogyakarta, where the local government actively supports entrepreneurial initiatives and sector development.

Statistics from the Dinas Koperasi dan UKM DIY (Yogyakarta's Cooperative and SMEs Office) indicate that the number of registered fashion SMEs in the region has increased steadily over recent years, reflecting a vibrant and expanding industry. This growth, however, brings increased competition, both locally and globally, necessitating SMEs to adopt effective strategies to maintain their competitiveness.

In particular, marketing strategies such as digital marketing have become essential in contemporary business practices. The proliferation of the internet and social media platforms has transformed how businesses connect with consumers, providing SMEs with opportunities to expand their market reach at relatively low costs. Digital marketing enables SMEs to promote their products more efficiently, engage directly with customers, and adapt quickly to market trends.

Besides marketing, other critical factors influencing a SME's competitive advantage include pricing strategies and product quality. Competitive pricing can attract price-sensitive consumers, while high-quality products foster customer loyalty and brand reputation. Balancing these factors is crucial for SMEs aiming for long-term sustainability.

Despite the recognition of these factors, there remains a need to empirically examine their relative influence on the competitive advantage of fashion SMEs in Yogyakarta. Previous research indicates that digital marketing, pricing, and product quality significantly impact SME performance. However, specific context-based analyses are vital for tailoring strategies suited to the Yogyakarta market and the unique characteristics of local fashion SMEs.

Therefore, this study seeks to analyze the influence of digital marketing, price, and product quality on the competitive advantage of fashion SMEs in Yogyakarta. The findings aim to provide valuable insights for SME practitioners and policymakers, encouraging smarter investment in digital tools, effective pricing policies, and quality enhancements to foster sustainable growth and increased competitiveness in a dynamic business environment.

THEORETICAL REVIEW

Competitive Advantage

Competitive advantage is a business's ability to create added value that is difficult for competitors to imitate (Porter, 1985). MSMEs with strong competitive advantage can survive in the market and attract more customers.

Digital Marketing

Digital marketing refers to promotional activities using digital platforms such as social media and websites to reach consumers more broadly and efficiently (Kotler & Keller, 2016).

Hypothesis H1: Digital marketing has a positive and significant effect on the competitive advantage of fashion MSMEs in Yogyakarta.

Price

Price is the amount of money paid by consumers to obtain a product. Competitive pricing can increase purchase interest and business competitiveness (Kotler & Armstrong, 2016).

Hypothesis H2: Price has a positive and significant effect on the competitive advantage of fashion MSMEs in Yogyakarta.

Product Quality

Product quality includes durability, design, and the product's ability to meet customer needs (Roberts, 2015). High-quality products lead to customer satisfaction and loyalty.

Hypothesis H3: Product quality has a positive and significant effect on the competitive advantage of fashion MSMEs in Yogyakarta.

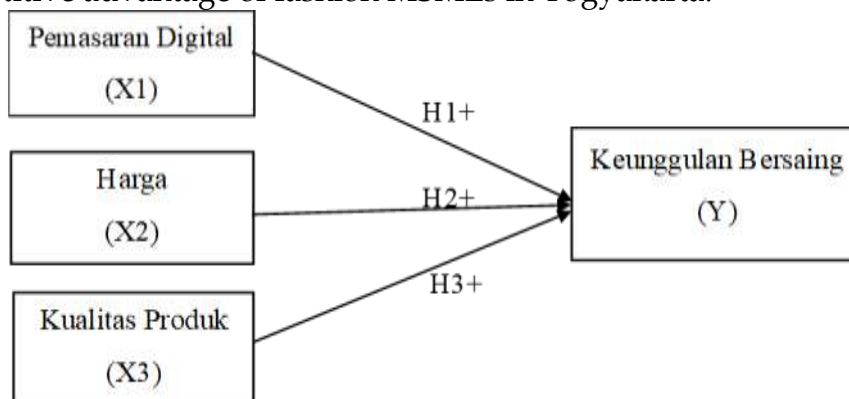


Figure 1. Conceptual Framework

METHODOLOGY

This research adopts a quantitative method to examine how independent variables digital marketing (X1), price (X2), and product quality (X3) affect the dependent variable, the competitive advantage of fashion MSMEs in Yogyakarta. As a causal study, it aims to determine the cause and effect relationships between the observed variables. Primary data were obtained by distributing structured questionnaires to business actors in the fashion MSME sector within the Yogyakarta region. The collected data were then analyzed using statistical methods to test the proposed hypotheses.

In the following research, the model applied is multiple linear regression.

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + e$$

Description:

Y = Competitive advantage

α = Constant value

β_1 = Regression coefficient of digital marketing variables

β_2 = Regression coefficient of price variables

β_3 = Regression coefficient of product quality variables

X1 = Digital marketing

X2 = Price

X3 = Product quality

e = error

RESULTS

Validity Test

The findings from the questionnaire instrument's validity assessment in this study are presented below.

Table. 1 Validity Test Results

Statement	r count	r table	informasion
Digital Marketing (X1)			
X1.1	711	312	Valid
X1.2	753	312	Valid
X1.3	774	312	Valid
X1.4	756	312	Valid
X1.5	767	312	Valid
X1.6	843	312	Valid
Price (X2)			
X2.1	737	312	Valid
X2.2	745	312	Valid
X2.3	804	312	Valid
X2.4	677	312	Valid
Product Quality (X3)			
X3.1	648	312	Valid
X3.2	664	312	Valid
X3.3	792	312	Valid
X3.4	750	312	Valid
X3.5	749	312	Valid
Competitive Advantage (Y)			
Y1.1	620	312	Valid
Y1.2	629	312	Valid
Y1.3	615	312	Valid
Y1.4	600	312	Valid
Y1.5	797	312	Valid
Y1.6	782	312	Valid

Table 1 indicates that all questionnaire items for variables encompassing digital marketing, price, product quality and competitive advantage possess a

calculated r value greater than the table r value of 0.382. Thus it can be concluded that questionnaire items are termed valid.

Reliability Test

The outcomes of the reliability evaluation of the questionnaire instrument in this study are detailed below

Table. 2 Reliability Test Results

Variables	Cronbach's Alpha	Crisis Value	Description
Digital Marketing	857	0,6	Reliable
Price	725	0,6	Reliable
Product Quality	770	0,6	Reliable
Competitive Advantage	766	0,6	Reliable

Referring to Table 2, it is evident that all variables in this study achieved Cronbach's Alpha values exceeding 0.6. Therefore, the questionnaire items can be considered reliable and appropriate for further analysis.

Normality Test

Table. 3 Normality test results

One-Sample Kolmogorov-Smirnov Test			Unstandardized Residual
N			40
Normal Parameters ^{a,b}	Mean		.0000000
	Std. Deviation		2.27743256
Most Extreme Differences	Absolute		.165
	Positive		.100
	Negative		-.165
Test Statistic			.165
Asymp. Sig. (2-tailed)			.008 ^c
Monte Carlo Sig. (2-tailed)	Sig.		.203 ^d
	99% Confidence Interval	Lower Bound	.192
		Upper Bound	.213

a. Test distribution is Normal.

b. Calculated from data.

A one-sample Kolmogorov-Smirnov test was utilized to assess data normality, yielding a Monte Carlo Sig. (2-tailed) value of 0.203. As this figure exceeds the 0.05 threshold, the dataset can be considered to follow a normal distribution.

Multicollinearity Test

The results of the multicollinearity test are shown as below:

Table. 4 Multicollinearity Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	3.290	4.477		.735	.467		
X1	.183	.160	.190	1.144	.260	.600	1.667
X2	.188	.282	.105	.667	.509	.666	1.502
X3	.582	.229	.435	2.543	.015	.565	1.770

All independent variables recorded a Variance Inflation Factor (VIF) of below 10 and tolerance values of above 0.10. This implies that there is no significant interdependence of the independent variables, hence supporting the absence of multicollinearity in this research.

Heteroscedasticity Test

The results of the heteroscedasticity test are shown as below:

Table. 5 Results of Heteroscedasticity Test Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.965	2.573		-.375	.710
X1	-.017	.092	.040	-.189	.851
X2	.173	.162	.213	1.066	.293
X3	.008	.132	.014	.063	.950

Table 5 presents the Glejser method test for heteroscedasticity, where digital marketing (X1), price (X2), and product quality (X3) recorded significance values of 0.851, 0.293, and 0.950 respectively. Since all these numbers are greater than 0.05, the conclusion is that no indications of heteroscedasticity were detected within the regression model, confirming its consistency.

Multiple Linear Regression Analysis Coefficients

Table. 6 Results Multiple Linear Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	3.290	4.477		.735	.467
X1	.183	.160	.190	1.144	.260
X2	.188	.282	.105	.667	.509
X3	.582	.229	.435	2.543	.015

Table 6 multiple linear regression analysis results can be seen multiple linear regression equation formulated as below:

$$Y = 3.290 + 0.190X_1 + 0.105X_2 + 0.435X_3 + e$$

The regression equation model above can be explained as below:

1. The constant value (β) is 3.290, meaning that if the Digital Marketing variable (X_1), Price (X_2), and Product Quality (X_3) = 0, then the Competitive Advantage variable has a value of 3.290.
2. The regression coefficient value of the Digital Marketing variable is 0.190 which is positive, meaning that if Digital Marketing increases by 1 unit, then the Competitive Advantage variable will increase by 0.188.
3. The regression coefficient value of the Price variable is 0.105 which is positive, meaning that if Price is added by 1 unit, then the Competitive Advantage variable will be added by 0.105.
4. The regression coefficient value of the Product Quality variable is 0.435 and is positive, indicating that when Product Quality is raised by 1 unit, then the Competitive Advantage variable will increase by 0.435.

T-test

Table. 7 Summary Table of t-Test

Variable	Signification (p)	Conclusion
X1 Y	0,260	H01 is accepted, Ha1 is rejected
X2 Y	0,509	H02 is accepted, Ha1 is rejected
X3 Y	0,015	H03 is rejected, Ha3 is accepted

Based on the results of the t-test in table 4.14, it is stated as below:

1. Hypothesis Testing 1 (The Effect of Digital Marketing on Competitive Advantage)

The results of the test show that the calculated t-value of 1.144 is lower than the critical t-value of 2.021, and the p-value of 0.260 is higher than the 0.05 significance level. This justifies the acceptance of the null hypothesis (H_{01}) and rejection of the alternative (H_{a1}), which means that digital marketing does not have a significantly effect on the competitive advantage of fashion MSMEs in Yogyakarta.

2. Hypothesis Testing 2 (The Effect of Price on Competitive Advantage)

The test shows a t-value of 0.667, which is lower than the critical value of 2.021, and a significance level of 0.509, which is greater than 0.05. Thus, the null hypothesis (H_{02}) is accepted and the alternative hypothesis (H_{a2}) is rejected, which means that pricing strategy does not have any effect on the competitive advantage of Yogyakarta fashion MSMEs.

3. Hypothesis Testing 3 (The Role of Product Quality towards Competitive Advantage)

The calculated t-value of 2.543 is greater than the t-table 2.021, and the p-value 0.015 is lower than the significance level 0.05. Hence, the null hypothesis (H_{03}) is rejected and the alternative hypothesis (H_{a3}) is accepted. This indicates

that product quality significantly influences the competitive advantage of fashion MSMEs in Yogyakarta.

DISCUSSION

The findings are consistent with prior research, which emphasizes the importance of digital marketing in improving market reach and consumer engagement for SMEs (T5). Digital marketing provides a cost-effective and efficient means for fashion SMEs to promote their products, reach broader audiences, and respond swiftly to market trends. The significant impact of product quality aligns with the belief that high-quality products foster customer satisfaction and loyalty, thus strengthening competitive advantage.

Moreover, setting competitive prices remains essential in attracting price sensitive consumers and maintaining profitability. The study's results suggest that SMEs should optimize their digital marketing efforts while ensuring their product quality remains high and pricing strategies are competitive.

It is noteworthy that digital marketing emerges as the most influential factor, underscoring the shift toward digital-based business practices among SMEs in Yogyakarta. SMEs that neglect digital marketing may find it difficult to sustain competitiveness in the contemporary marketplace, where consumers increasingly rely on online channels for information and purchasing decisions.

In conclusion, to enhance their competitive advantage, fashion SMEs in Yogyakarta should invest in digital marketing, ensure the quality of their products, and adopt appropriate pricing strategies. Policymakers and stakeholders are encouraged to support SMEs through training and infrastructure development to maximize these variables and ensure long-term competitiveness.

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of the study, it can be concluded that:

1. Digital marketing does not have a significant effect on the competitive advantage of SMEs in the fashion sector in Yogyakarta. Despite being utilized by SMEs, their digital marketing strategies do not significantly influence their market competitiveness, possibly due to ineffective execution or awareness issues.
2. Price significantly affects the competitive advantage of SMEs in Yogyakarta's fashion industry. Competitive pricing strategies are essential for attracting consumers and maintaining market position.
3. Product quality has a significant positive impact on the competitive advantage. High-quality products enhance customer satisfaction, loyalty, and overall competitiveness.

Overall, among the variables studied, digital marketing is identified as the most influential factor, emphasizing its importance in contemporary business practices. However, the findings suggest that simply implementing digital marketing is insufficient; effective utilization matters.

Recommendations

Based on these conclusions, the following recommendations are proposed:

For SMEs:

1. Enhance the effectiveness of digital marketing strategies by adopting target-ed marketing approaches, engaging customers through social media, and utilizing various online platforms to expand reach.
2. Maintain and improve product quality to ensure customer satisfaction and loyalty.
3. Develop competitive pricing strategies by conducting market research to offer attractive prices without compromising quality.

For Policymakers and Stakeholders:

1. Provide training and workshops to help SMEs optimize their digital marketing efforts.
2. Facilitate access to digital infrastructure and technology to support online marketing channels.
3. Encourage collaborations and networks among SMEs to share best practices in digital marketing and product development.

FURTHER STUDY

Future research is recommended to expand the geographical scope beyond Yogyakarta to gain a broader understanding of how digital marketing, price, and product quality influence the competitive advantage of fashion MSMEs at a national level. Additionally, future studies may incorporate other variables such as product innovation, customer loyalty, and branding strategies to explore additional factors that contribute to business competitiveness in the digital era. A qualitative or mixed-methods approach could also be employed to provide deeper insights into the strategies used by MSME actors to maintain their competitive edge.

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