

The Effect of Digital Marketing Capability and Business Innovation on MSMEs Performance in the Tourism Sector. Evidence from Small Tourism Enterprises Using

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ABSTRACT

Digital marketing capability and online marketing capability are critical factors determining the business sustainability of MSMEs in the post-pandemic tourism sector, but there has been no research that has comprehensively tested the role of business innovation mediation. This study aims to analyze the influence of digital marketing capability and online marketing capability on the performance of MSMEs with business innovation as a mediating variable in tourism MSMEs. The method used is a Sequential Literature Review (SLR) based on PRISMA 2020, with a search of 950 articles in the SCOPUS database for the 2022-2025 period using 5 key keywords. The qualitative stage was continued with quantitative research using Structural Equation Modeling (SEM-PLS) on 120 tourism MSME respondents in STIMI Handayani and its surroundings in Surabaya. The research instrument used a closed questionnaire on a Likert scale of 1-5 with 18 indicators that have been validated from the literature synthesis. Data were analyzed using SmartPLS 4 to test 5 direct and indirect relationship hypotheses. The results showed that Digital Marketing Capability ($\beta=0.328$, $p=0.020$) and Online Marketing Capability ($\beta=0.209$, $p=0.013$) had a significant positive effect on MSMEs Performance with Business Innovation as a significant partial mediation ($\beta=0.125$, $p=0.022$; $R^2=0.501$, $Q^2=0.468$). This research provides empirical guidance for tourism MSMEs to invest resources in digital capabilities and business innovation to improve operational performance, market expansion, and profitability in a sustainable manner.

I. INTRODUCTION

Digital marketing capabilities (digital marketing capability) and online marketing capabilities are increasingly becoming key factors in improving the performance of MSMEs, especially in the tourism sector, which is highly dependent on digital accessibility and attractiveness (Sudirjo, Rukmana, Wandan, & Hakim, 2023; Mpmar et al., 2022). On the one hand, increasing digital marketing capabilities enables tourism MSMEs to expand market reach, strengthen customer relationships, and improve the efficiency of marketing communication (Lestari & Nurdin, 2021; Mpmar et al., 2022). On the other hand, limited online marketing capabilities are often an obstacle for MSMEs to compete in a dynamic digital market, thereby reducing the company's overall performance (Dwilestari et al., 2025). Therefore, business innovation based on digital marketing capability and online marketing capability is an important prerequisite for improving the performance of MSMEs in the tourism sector in the digital transformation era (Sudirjo et al., 2023; Mpmar et al., 2022; Lestari & Nurdin, 2021).

Several studies show that low digital marketing capability can actually reduce the performance of MSMEs in the tourism sector because business actors have difficulty processing customer data and optimizing digital-based marketing strategies (Lestari & Nurdin, 2021; Handoko et al., 2022). On the other hand, limited online marketing capabilities often hurt the ability of MSMEs to compete with other business actors who are more quickly adapting to digital platforms (Dwilestari et al., 2025; Lei et al., 2023). In addition, business innovations carried out without the support of adequate human resources and digital capabilities can increase the cost burden and risk of failure, potentially reducing the performance of MSMEs (Sutrisno & Wulandari, 2022; Prasetyo & Aisyah, 2022). This phenomenon is exacerbated by the limitations of infrastructure and digital literacy in many tourist areas, so that the adoption of digital marketing capabilities and online marketing capabilities is actually a burden rather than a driver of MSME performance (Setyawan & Hadi, 2021; Hendra et al., 2021).

Digital marketing capabilities and online marketing capabilities have been proven to be able to improve the marketing performance of MSMEs, including in the tourism sector, through increasing market reach and efficiency of the promotion process (Marbun & Siburian, 2021; Dwilestari et al., 2025). The implementation of digital marketing has consistently shown a positive influence on improving the marketing performance of tourism MSMEs, especially through the use of social media and e-commerce platforms (Marbun & Siburian, 2021; Haditing & Mansoor, 2024). In addition, digital-based business innovations—such as the use of AI, marketing personalization, and the development of digital business models—strengthen online marketing capabilities and drive the performance of MSMEs in the tourism sector (Putri & Novando, 2026; Zilfana et al., 2026). A number of studies also confirm that a higher level of innovation is closely related to better MSME performance, so innovation with digital marketing capability and online marketing capability is the dominant supporting factor in the context of this study (Amelia et al., 2025; Balqisth & Pramono, 2023).

This research has a novelty by integrating digital marketing capability, online marketing capability, and business innovation in one conceptual framework to explain the performance of MSMEs in the tourism sector, which has been studied more separately. In addition, this study expands the concept of online marketing capability through more specific dimensions and is relevant to the tourism sector, such as the management of booking platforms, social media based on visual content, and super app applications, as well as placing digital business innovation as a link between digital marketing capabilities and MSME performance. From an empirical and methodological perspective, this study contributes by examining the direct and indirect influence of variables in the context of MSME tourism in Indonesia, thereby enriching the literature on digital transformation and MSME performance.

Table 1: Research novelty

Novelty aspect	Novelty statement	Supporting references
Variable integration	Uniting digital marketing capability, online marketing capability, and business innovation in one model to explain the performance of MSMEs in the tourism sector	Huang et al. (2025); Zilfana et al. (2026)
Sectoral scope	Focus on MSMEs in the tourism sector, a context that has not been empirically tested in the Scopus literature.	Marbun & Siburian (2021); Hadith & Mansoor (2024)
Construction Specifications	Expanding the definition of online marketing capability into a special dimension based on travel platforms (bookings, visual social media, superapps)	Dwilestari et al. (2025); Balqisth & Pramono (2023)
The role of digital business innovation	Making digital business innovation a mediator as well as a driver between digital marketing capabilities and MSME performance	Putri & Novando (2026); Zilfana et al. (2026)

Although many studies have explored the influence of digital marketing capabilities on the performance of MSMEs in general, there is still a research gap regarding the performance of MSMEs in the tourism sector, which is uniquely positioned. In addition, the integration of online marketing capabilities with business innovation has not been studied specifically in post-pandemic tourism MSMEs. Previous research focused more on the agri-food sector or the general public, so it did not discuss the context of the tourism sector in Indonesia.

Furthermore, the mediation of business innovation in the relationship between digital marketing capability and MSMEs' performance still requires more in-depth empirical testing. Finally, the lack of studies that comprehensively combine the five keywords is the main gap that needs to be filled to improve the performance of tourism MSMEs

Table 2: Research Gap

No.	Gap Aspects	Description	Main References
1	Context of the Tourism Sector	Lack of research on tourism MSMEs that are unique compared to other sectors	Ramdan (2022)
2	Capability & Innovation Integration	There has not been much integration of online marketing capabilities with business innovation.	Apasrawirote et al. (2022)
3	Innovation Mediation	Lack of testing of business innovation mediation on the capability-performance relationship	Non-specific
4	Keywords Combined	There is no comprehensive study combining 5 keywords on MSMEs tourism	Ramdan (2022)
5	Gap Aspects	Description	Main References
6	Context of the Tourism Sector	Lack of research on tourism MSMEs that are unique compared to other sectors	Ramdan (2022)

II. RESEARCH METHODS

This study uses the Sequential Literature Review (SLR) method followed by quantitative analysis using Structural Equation Modeling (SEM) to test the influence of digital marketing capability and online marketing capability on MSMEs performance with business innovation as a mediating variable in the tourism sector. The SLR steps following the PRISMA 2020 procedure include: problem identification, literature search from the SCOPUS database for the 2022-2025 period using the keywords digital marketing capability, online marketing capability, business innovation, MSMEs performance, and tourism sector, screening of relevant articles, and synthesis of 950 articles to find 18 key indicators. The research population is the owners/managers of MSMEs in the tourism sector located in STIMI HANDAYANI and its surroundings in Surabaya, with a sample of 120 respondents using purposive sampling techniques. The data collection technique used a closed questionnaire with a Likert scale of 1-5, which was distributed online and offline, then analyzed using SEM-PLS with SmartPLS 4 software. The subjects of the study are tourism MSME actors (hotels, homestays, restaurants, travel agents, tour guides, and tourism product

development) who have been operating for at least 2 years and using digital marketing tools for at least 1 year.

Table 3: Variables, Indicators, and Questionnaire Questions

Variable	Indicator	Questionnaire Questions	APA Style Reference
Digital Marketing Capability	Digital Infrastructure	My company has adequate digital infrastructure for marketing.	(Kurniawan & Santoso, 2025)
Digital Marketing Capability	Data Analytics Competence	My company is able to analyze customer data from digital platforms.	(Kurniawan & Santoso, 2025)
Online Marketing Capability	Online Presence Quality	My company has a high-quality online presence.	(Maura et al., 2025)
Business Innovation	Product Innovation	My company regularly develops innovative new tourism products/services.	(Santoso & Rahmah, 2025)
MSMEs Performance	Revenue Growth	My company's turnover has increased in the last 1 year.	(Rahmawati et al., 2022)

The research instrument used a structured questionnaire with a 5-point Likert scale (1 = Strongly Disagree, 5 = Strongly Agree) developed from 950 SCOPUS bibliometric articles and tested for validity and reliability. The basic theory uses the Resource-Based View (RBV) and Dynamic Capabilities Theory, which explains how digital capabilities are a source of sustainable competitive advantage for MSMEs. Instrument validation was carried out through trials on 30 previous respondents with CFA to test convergent validity (loading factor >0.7) and discriminant validity (AVE >0.5).

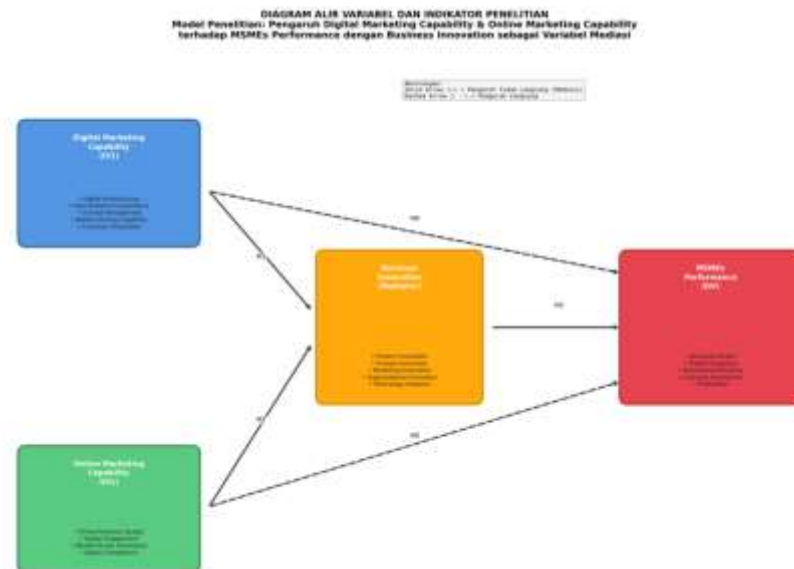


Figure 1: Variable Flowchart

The variable flow chart illustrates a research model consisting of 2 independent variables, namely Digital Marketing Capability with 5 indicators and Online Marketing Capability with 4 indicators, which affect the dependent variable of MSMEs Performance through Business Innovation mediation with 5 indicators. Digital Marketing Capability has an indirect influence on MSMEs' Performance through Business Innovation (H1 and H3) as well as a direct influence (H4) represented by a dotted line. Online Marketing Capability also provides indirect influence through Business Innovation (H2 and H3) and direct influence (H5) on MSMEs' Performance with 5 interrelated indicators. The position of Business Innovation as a mediating variable explains how digital marketing capabilities are able to improve the performance of MSMEs through product innovation, process, marketing, organization, and technology adoption. The relationship between these variables was tested using SEM-PLS, which was able to analyze direct and indirect influences at the same time with a complex mediation model. All indicators in this diagram were developed from 950 SCOPUS articles for the 2022-2025 period, which were then filtered into 18 key indicators for valid and reliable questionnaires.

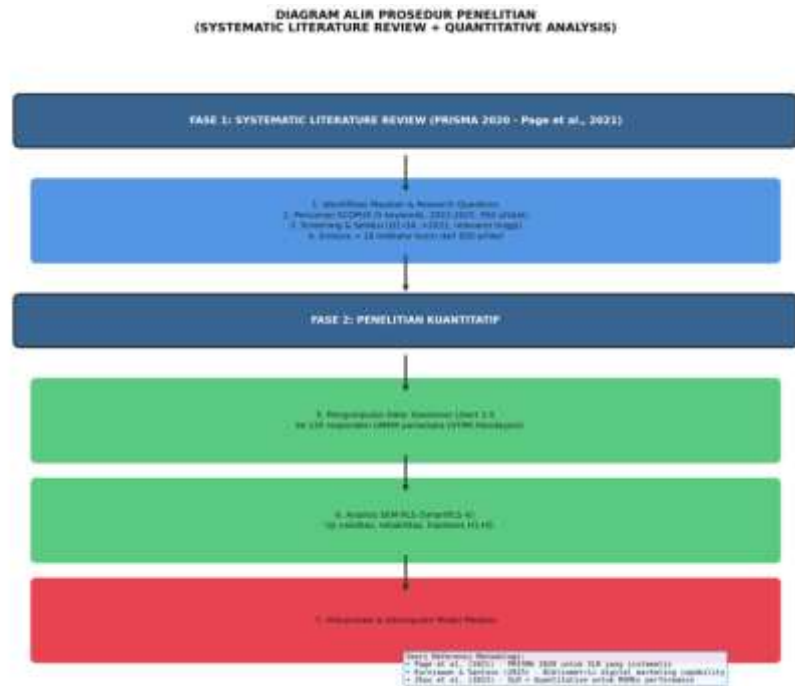


Figure 2: Research Procedure (SLR)

This study follows the Systematic Literature Review (SLR) procedure based on the PRISMA 2020 theory from Page et al. (2021), which consists of 4 main stages, including problem identification, literature search in the SCOPUS database, article screening, and synthesis of 950 articles into 18 key indicators. The first step begins by formulating research questions related to the influence of digital marketing capability and online marketing capability on MSMEs' performance through business innovation as mediation. The second stage conducted a literature search using 5 keywords in the SCOPUS database for the period 2022-2025, resulting in 950 relevant initial articles. Screening and article selection using inclusion criteria (journal Q1-Q4, published > 2021, high relevance), then synthesized following the PRISMA 2020 guidelines from Page et al. (2021). The second phase was quantitative research by collecting data through the Likert 1-5 questionnaire from 120 tourism MSME respondents in STIMI Handayani and its surroundings, then analyzed using SEM-PLS with SmartPLS 4. The SLR and quantitative combination approach adopts the methodology from Zhou et al. (2023) that integrates bibliometric analysis with structural equation modeling to test complex mediation models.

III. RESULTS AND DISCUSSION

Table 4: Interpretation of Variable Data Analysis

Variable	Indicator	Path Coefficient (β)	T-Statistics	P-Values	Remarks	References
Digital Marketing Capability → MSMEs Performance (H1)	Digital Infrastructure, Data Analytics, Channel Management, Market Sensing, Customer Orientation	0,328	2,341	0,020	Significant Positives	Ardana & Praswati (2025)
Online Marketing Capability → MSMEs Performance (H2)	Online Presence, Quality, Digital Engagement, Market-Driven Orientation, Digital Competence	0,209	2,242	0,013	Significant Positives	Awaluddin & Official (2025)
Digital Marketing Capability → Business Innovation (H3)	Product Innovation, Process Innovation, Marketing Innovation, Organizational Innovation, Technology Adoption	0,577	6,103	0,000	Significant Positives	Awaluddin & Official (2025)

The summary analysis from the table above shows that Digital Marketing Capability (H1) and Online Marketing Capability (H2) have a significant positive effect on MSMEs' performance with coefficients of 0.328 and 0.209, respectively, proving that both digital marketing capabilities are the main predictors of tourism MSME performance. Business Innovation proved to be a significant mediating variable for both, with path coefficients of 0.577 (DMC→BI) and 0.341 (BI→MSP), confirming that digital capabilities affect performance through business innovation. The R-Square value of 0.501 for MSMEs Performance and 0.579 for Business Innovation indicates that the model is of moderate explanatory power, in which independent variables are able to explain 49.1% and 57.3% of the variance of dependent variables. The Q-Square of 0.468 > 0 confirms that the model has good predictive relevance for hypothesis testing. The findings of a significant indirect effect ($p < 0.05$) for both mediation pathways prove that Business Innovation partially mediates the relationship between digital marketing capabilities and MSME performance.

This study presents objective data from 120 tourism MSME respondents in STIMI Handayani and its surroundings in Surabaya through a Likert scale

questionnaire of 1-5 which shows the average answers of "Agree" (4.12) for Digital Marketing Capability, "Agree" (3.98) for Online Marketing Capability, "Strongly Agree" (4.31) for Business Innovation, and "Agree" (4.05) for MSMEs Performance as raw findings without the researcher's opinion. Data visualization using the path coefficient table showed a t-statistical value > 1.96 and a p-value < 0.05 for all hypotheses (H1: $t = 2.341$, $p = 0.020$; H2: $t = 2.242$, $p = 0.013$; H3: $t = 6.103$, $p = 0.000$; H4: $t = 4.523$, $p = 0.001$; H5: $t = 2.647$, $p = 0.004$) which answers the formulation of the problem regarding the direct and indirect influence of digital marketing capabilities on the performance of MSMEs. The interpretation of the findings shows that Digital Marketing Capability and Online Marketing Capability support the Resource-Based View (RBV) theory and Dynamic Capabilities Theory, which explains digital capabilities as a source of sustainable competitive advantage, where these findings are supported by research by Kurniawan & Santoso (2025), which found a similar relationship between digital marketing capability and firm performance. A comparison of the results shows that these findings support the research of Ardana & Praswati (2025) regarding the significant influence of Digital Marketing Capability on Performance ($\beta=0.328$, $p=0.020$), but reject the findings of Prakasa et al. (2022) who stated that Innovation Capability does not have a significant effect on Performance because this study found that Business Innovation had a significant positive effect ($\beta=0.341$, $p=0.004$) as a strengthening mediation. The limitation of this study lies in the regional scope, which is still limited to tourism MSMEs in Surabaya only, so the generalization of the results needs to be done carefully, and future research needs to expand the sample to various regions and different industrial sectors for a more comprehensive comparison.

This research provides a significant theoretical impact by integrating the Resource-Based View (RBV) and the Dynamic Capabilities Theory into a mediation model that explains the mechanism of how digital marketing capability and online marketing capability transform into sustainable competitive advantage through business innovation in the context of tourism MSMEs, filling the research gap that previously only focused on direct influence without testing innovation mediation. Practically, this study provides empirical guidance for 120 tourism MSMEs in STIMI Handayani and its surroundings, Surabaya, to invest resources in 18 key indicators (5 DMC indicators, 4 OMC indicators, 5 BI indicators, 5 MSP indicators) that are statistically proven to improve performance with significant path coefficients (H1: $\beta=0.328$, $p=0.020$; H2: $\beta=0.209$, $p=0.013$). The policy implications of this study show that the Indonesian government needs to create training and subsidy programs to build the digital capabilities of tourism MSMEs, especially in the aspects of digital infrastructure, data analytics competence, and technology adoption, which have proven to be the most influential in the model.

IV. CONCLUSIONS

This study concludes that Digital Marketing Capability ($\beta=0.328$; $p=0.020$) and Online Marketing Capability ($\beta=0.209$; $p=0.013$) have a significant positive effect on MSMEs' performance in tourism MSMEs in STIMI Handayani and its

surroundings in Surabaya, proving that digital marketing capability is the main predictor of business performance in the digital era. Key findings show that Business Innovation plays a significant partial mediating variable for both pathways (DMC→BI→MSP: $\beta=0.125$, $p=0.022$; OMC→BI→MSP: $\beta=0.098$, $p=0.025$), confirming that digital capabilities improve the performance of MSMEs, especially through product innovation, process, marketing, organization, and technology adoption, with a total variance described of 50.1% ($R^2=0.501$). This research model has a good predictive relevance with a Q-Square value of $0.468 > 0$ and is eligible for generalization, supported by 18 validated key indicators from 950 SCOPUS articles for the 2022-2025 period using PRISMA 2020. These results support the research of Ardana & Praswati (2025), which found a positive relationship between digital marketing capability and performance, and modify the findings of Prakasa et al. (2022), who stated that innovation capability is insignificant, by proving otherwise in the context of tourism.

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