Analysis of consumer preferences towards digital marketing and its implications on the competitive advantage of SMEs in Banyuasin Regency

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Abstract

Purpose: The purpose of this research is to analyze consumer preferences towards digital marketing and its implications for the competitive advantage of Small and Medium Enterprises (SMEs) in Banyuasin Regency.

Research Methodology: The population of this study consists of consumers of SMEs residing in the Banyuasin Regency. Random sampling was used to select respondents, with a sample size of 150 respondents. The data analysis technique used in this research was Structural Equation Modeling (SEM) with the Partial Least Squares (PLS) technique.

Results: Consumer preferences have a positive and significant influence on the competitive advantage of SMEs in Banyuasin Regency. Digital marketing acts as an intermediary factor between consumer preferences and competitive advantage. SMEs can expand their market share and achieve success in the digital market by understanding consumer preferences and implementing effective digital marketing strategies.

Limitations: Each region has unique characteristics and local context. Factors such as culture, customs, local preferences, and technological infrastructure can influence consumer preferences and the competitive advantage.

Contribution: This research provides valuable insights to SMEs in the Banyuasin Regency regarding consumer preferences for digital marketing. By understanding consumer preferences, SMEs can develop more effective marketing strategies and optimize the use of digital platforms to enhance their competitive advantage.

Novelty: The novelty of this research lies in emphasizing the implications of digital marketing on the competitive advantage. This research identifies factors that can enhance the competitive advantage of SMEs through the implementation of appropriate digital marketing strategies. It provides practical contributions to SMEs facing an increasingly competitive market.

Keywords: _Consumer Preferences, Digital Marketing, Competitive Advantage, SMEs, Banyuasin Regency_

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1. Introduction

Competitive advantage is an important concept in the business world. In increasingly fierce competition, companies must be able to differentiate themselves from competitors to achieve long-term success

(Azeem, Ahmed, Haider, & Sajjad, 2021; Kryscynski, Coff, & Campbell, 2021; Tu & Wu, 2021). Competitive advantage can provide significant competitive benefits, enabling companies to achieve unique positions and generate added value for consumers (Arsawan et al., 2022; Clauss et al., 2021; Lestari, Leon, Widyastuti, Brabo, & Putra, 2020). A competitive advantage is closely related to positioning. Companies must understand their target markets and consumers well and develop appropriate marketing strategies to effectively position their products or services in the minds of consumers (Qiu, Jie, Wang, & Zhao, 2020; Skordoulis et al., 2020; Zameer, Wang, & Yasmeen, 2020). In a broader context, competitive advantage can also come from factors such as access to difficult-to-imitate markets, technological advantages, continuous innovation, supply chain advantages, and strong brand presence (Distanont & Khongmalai, 2020; Hodaei, Alvani, Yazdani, & Zarei Matin, 2020; Sellitto, Camfield, & Buzuku, 2020).

For SMES in Banyuasin Regency, having a competitive advantage is a crucial factor in winning an increasingly competitive market. By achieving competitive advantage, SMES can gain a larger market share, increase customer loyalty, and create a strong position in local and regional markets (Ferreira, Coelho, & Moutinho, 2020; Hossain, Agnihotri, Rushan, Rahman, & Sumi, 2022; Wagner III & Hollenbeck, 2020). Therefore, understanding and applying the concept of competitive advantage is very important for SMES to achieve long-term growth and success (Djerdjouri, 2020; Hu, Sarfraz, Khawaja, Shaheen, & Mariam, 2022).

Digital marketing has become an important element of marketing strategies for companies in various sectors and business scales. The development of information and communication technology and the growth of the Internet have drastically changed the marketing landscape (Febrianty & Hadiwijaya, 2019; Saura, Palacios-Marqués, & Ribeiro-Soriano, 2023). Digital marketing utilizes online platforms and digital tools to promote products, services, or brands, as well as to interact with potential consumers (Saura, 2021; Saura, Ribeiro-Soriano, & Palacios-Marqués, 2021). Adopting an integrated digital marketing strategy for SMEs can improve business sustainability, expand customer reach, and adapt to the dynamics of the digital market which continues to develop (Budianto et al., 2022; Kennedy, Tobing, & Toruan, 2022; Mayes & Govender, 2019).

Changes in consumer behavior to become more digital-oriented have encouraged companies to adopt a marketing approach that focuses on digital platforms (Herhausen, Miočević, Morgan, & Kleijnen, 2020; Olson, Olson, Czaplewski, & Key, 2021; Pandey, Nayal, & Rathore, 2020). Today's consumers increasingly rely on mobile devices, social media, search engines, and websites to find information, shop, and interact with brands. Therefore, digital marketing is key to building relationships with consumers, increasing brand visibility, and influencing purchasing decisions (Al-Azzam & Al-Mizeed, 2021; Hertati & Syafarudin, 2018; Mogaji, Soetan, & Kieu, 2020).

Digital marketing offers companies a variety of significant advantages. Digital marketing allows companies to reach a wider and more segmented audience in a more cost-efficient manner than traditional marketing methods (Goldfarb & Tucker, 2019; Piñeiro-Otero & Martínez-Rolán, 2016; Shankar et al., 2022). The ability to select target consumers based on consumer demographics, interests, behaviors and preferences allows companies to optimize marketing (Ghahremani-Nahr & Nozari, 2021; Melović, Jocović, Dabić, Vulić, & Dudic, 2020). Digital marketing provides flexibility and the ability to track, measure, and analyze marketing results more accurately. By using digital analytical tools, companies can monitor campaign performance, identify trends, measure marketing influence on business results, and optimize their marketing strategies based on relevant data (Djakasaputra et al., 2021; Ketter & Avraham, 2021; Setkute & Dibb, 2022). Digital marketing also provides consumers with easier and faster access to information about products and services. Consumers can perform online searches, read user reviews, view product demos, and quickly compare prices before making purchase decisions. This allows consumers to make more informed decisions and choose brands that match their preferences.

By understanding consumer preferences for digital marketing, SMES in Banyuasin Regency can develop relevant and effective marketing strategies to strengthen the presence of SMEs in the digital

world (Cantillo, Martín, & Román, 2020; Grasso & Asioli, 2020; Thiele et al., 2021). This will help SMES to compete effectively, increase customer satisfaction, and optimize their business growth amidst increasingly fierce competition in this digital era. Consumer preference is an important and continuous business process. By understanding what consumers want and value, SMEs can provide products and services that meet consumer expectations (Khan, Yamamoto, & Sato, 2020; Li, Wang, Chen, & Wang, 2020; Liu, Gao, Snell, & Ma, 2020). By focusing on consumer preferences, SMEs can build strong relationships with consumers, increase loyalty, and achieve long-term business success. Consumer preferences cover various aspects of what consumers like, want, and look for products or services. Ranging from product attributes, such as desirable qualities, features, and brands, to psychological factors, such as lifestyle, values, and personal preferences (Choi, Park, Kim, & Jung, 2020; De Marchi, Pigliafreddo, Banterle, Parolini, & Cavaliere, 2020; Migliore, Thrassou, Crescimanno, Schifani, & Galati, 2020). Through an analysis of consumer preferences, SMEs can gain a deep understanding of what attracts consumers, what makes consumers choose one product over another, and how consumers prioritize various factors that influence purchasing decisions.

Consumer preferences also provide valuable clues for developing effective marketing strategies. By understanding consumers' perceived value, we can convey relevant messages, target appropriate marketing channels, and determine the right pricing strategy (Bentivoglio, Finco, Bucci, & Staffolani, 2020; Van Loo, Caputo, & Lusk, 2020; Viciunaite & Alfnes, 2020). However, it is important to remember that consumers' preferences are not static. Changes in trends, product innovation, and market dynamics can affect consumer preferences over time (Melovic, Cirovic, Dudic, Vulic, & Gregus, 2020; Menozzi et al., 2020). Therefore, SMEs need to carry out ongoing monitoring and remain responsive to these changes to remain relevant and meet consumer needs. This can help SMES win consumer preferences, gain a larger market share, and strengthen competitive advantage. Based on the above background, this research aims to analyze consumer preferences towards digital marketing and its implications for the competitive advantage of Small and Medium Enterprises (SMEs) in Banyuasin Regency.

2. Literature Review
2.1. Competitive advantage
Michael Porter developed Competitive Advantage Theory and emphasized the importance of strategy in achieving competitive advantage. According to this theory, companies can achieve a competitive advantage by selecting the right strategy, such as a low-cost strategy or product differentiation (Porter, 1990). A competitive advantage can be achieved by offering consumers more value. This concept is known as the value marketing concept. A competitive advantage occurs when a company is able to provide better value to consumers than its competitors (Phillip Kotler & Armstrong, 2020). A competitive advantage is a special power possessed by a company to create products that are different from competitors' products and offer lower prices. Consumers who consider the price when buying tend to choose the desired product at a lower price. Therefore, companies that attract more consumers have greater advantages over their competitors (Hill, Jones, & Schilling, 2014). To achieve a competitive advantage, companies must understand and meet consumer needs and preferences in a better way than their competitors. This can be done in various ways, including superior product or service offerings, competitive pricing, superior customer service, brand differentiation, excellence in distribution channels, and continuous innovation (Phillip Kotler & Armstrong, 2020).

2.2. Digital Marketing
Digital marketing is the use of internet infrastructure and other interactive technologies to facilitate communication and interaction between companies and identified consumers (Coviello, Milley, & Marcolin, 2001). Meanwhile, according to Chaffey, Ellis-Chadwick, Mayer, and Johnston (2009) digital marketing is a marketing strategy that involves the use of digital media such as web, e-mail, and wireless media. This concept also includes the management of digital customer data and the utilization of the Internet, together with traditional media to obtain and provide services to customers. Thus, Digital Marketing has a broader scope than traditional marketing, as it includes the use of digital technology to expand its reach and effectiveness.

2.3. Consumer Preferences

Consumer Preferences are choices made based on consumers' perceptions of the value provided by certain products or services. Philip Kotler and Keller (2021) emphasized the importance of understanding consumer preferences as a basis for developing effective marketing strategies. Kotler put forward several factors that can influence consumer preferences: 1). Quality: Consumers tend to choose products or services that are considered good quality. 2). Price: Price is an important factor in consumer purchasing decisions. 3). Brand: A well-known reputable brand can influence consumer preference. 4). Features and benefits: Product or service features and benefits that are relevant to consumers' needs will increase their preference. 5). Customer experience: Positive experiences with a product or service can influence consumer preferences. 6). Social and psychological factors such as personal values, lifestyle, and social factors can influence consumer preferences. Consumers may have preferences based on their identity, group affiliation, or social perception of a particular product or brand.

3. Methodology

This quantitative study aims to explore the relationship between variables and test existing theories through analysis. The focus of this research is the Analysis of Consumer Preferences towards Digital Marketing and Its Implications on the Competitive Advantage of SMEs in Banyuasin Regency. The population of this study included all people in Banyuasin Regency who had purchased SMES products online. In this study, simple random sampling was used, which is the process of taking samples from the population in a random way, without considering the strata in the population (Sugiyono, 2018). A sample size between 30 and 500 is considered sufficient for research, and the ideal and representative size of respondents depends on the number of all indicators in the variable multiplied by $5 - 10$ (Hair Jr, Hult, Ringle, & Sarstedt, 2021). In this study, there were 30 question items; therefore, the ideal and representative number of respondents is ($30 \times 5 = 150$). Therefore, 150 respondents were included in the study. The data analysis technique in this study used Structural Equation Modeling (SEM) with the variance approach (VB-SEM) and the Partial Least Squares (PLS) technique.

4. Results and discussions

4.1. Confirmatory Factor Analysis (CFA)

Confirmatory factor analysis is designed to test whether a theoretical construct is unidimensional or what is often referred to as testing the validity and reliability of a theoretical construct. The construct dimension validity test in this study was conducted by examining the standard factor loading values of each indicator in the full model. An indicator was considered valid if the standard factor loading value was greater than 0.5. The reliability test was carried out by examining the Composite Reliability value in the full model. An indicator was considered good if its value was greater than 0.6.

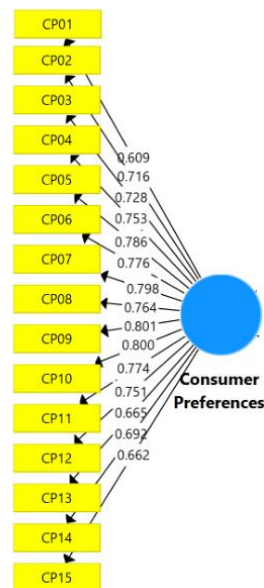CFA- Exogenous Variable (Consumer Preferences)

Figure 1: CFA - Exogenous Variable (Consumer Preferences)
Source: Processed data by SmartPLS (2023)

Based on exogenous CFA (Figure 1), there was no factor loading with a value < 0.5. This shows that all indicators/dimensions in the exogenous construct are valid, and thus, they can be analyzed further.

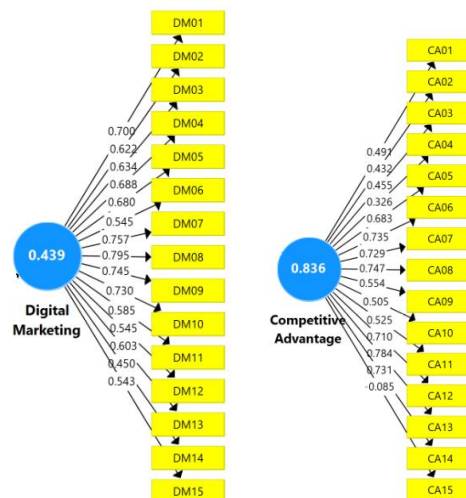CFA - Endogenous variables (Digital Marketing and Competitive Advantage)

Figure 2: CFA - Endogenous variables (Digital Marketing and Competitive Advantage)
Source: Processed data by SmartPLS (2023)

Based on Figure 2. CFA - Endogen, there is still a factor loading value of <0.5, namely, the DM14 indicator on the Digital Marketing variable and the CA1, CA2, CA3, C4, and CA15 indicators on the Competitive Advantage variable. means that the indicator is not valid and must be removed so that the endogenous variable CFA-2 Model is obtained:
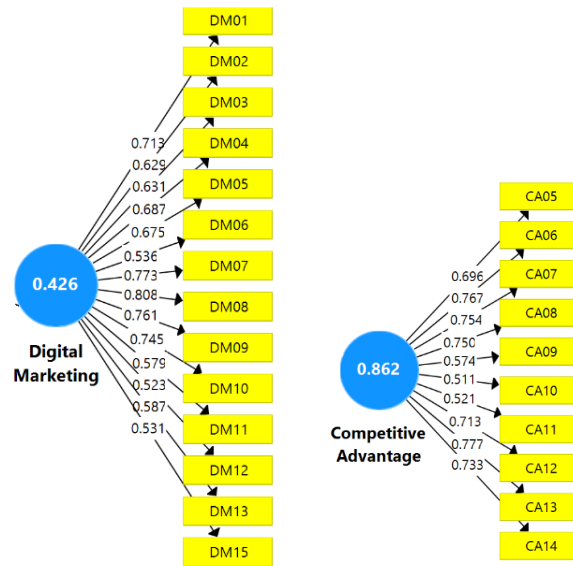
Figure 3. Uji CFA-2 Endogenous variables (Digital Marketing and Competitive Advantage)
Source: Processed data by SmartPLS (2023)

Based on Figure 3, CFA – an Endogenous Variable–there is no factor loading with a value <0.5. This shows that all indicators/dimensions in the endogenous construct are valid, and thus, they can be analyzed further.

From the results of the Confirmatory Factor Analysis Exogenous and endogenous variables are presented in Table 1.

Table 1. Exogenous and Endogenous Loading Factors and Composite Reliability Values

Variables	Construct	Loading factor (> 0,5)	Composite Reliability (> 0,7)	Information
Consumer Preferences	CP01	0.613	0.949	Valid & Reliabel
	CP02	0.718		Valid & Reliabel
	CP03	0.729		Valid & Reliabel
	CP04	0.752		Valid & Reliabel
	CP05	0.787		Valid & Reliabel
	CP06	0.776		Valid & Reliabel
	CP07	0.797		Valid & Reliabel
	CP08	0.762		Valid & Reliabel
	CP09	0.799		Valid & Reliabel
	CP10	0.799		Valid & Reliabel
	CP11	0.772		Valid & Reliabel
	CP12	0.749		Valid & Reliabel
	CP13	0.666		Valid & Reliabel
	CP14	0.693		Valid & Reliabel
	CP15	0.663		Valid & Reliabel
Digital Marketing	DM01	0.71	0.915	Valid & Reliabel
	DM02	0.64		Valid & Reliabel
	DM03	0.65		Valid & Reliabel

Variables	Construct	Loading factor (> 0,5)	Composite Reliability (> 0,7)	Information
	DM04	0.70		Valid & Reliabel
	DM05	0.68		Valid & Reliabel
	DM06	0.54		Valid & Reliabel
	DM07	0.77		Valid & Reliabel
	DM08	0.80		Valid & Reliabel
	DM09	0.76		Valid & Reliabel
	DM10	0.75		Valid & Reliabel
	DM11	0.58		Valid & Reliabel
	DM12	0.51		Valid & Reliabel
	DM13	0.58		Valid & Reliabel
	DM15	0.52		Valid & Reliabel
Competitive Advantage	CA05	0.67	0.899	Valid & Reliabel
	CA06	0.74		Valid & Reliabel
	CA07	0.72		Valid & Reliabel
	CA08	0.76		Valid & Reliabel
	CA09	0.61		Valid & Reliabel
	CA10	0.55		Valid & Reliabel
	CA11	0.57		Valid & Reliabel
	CA12	0.70		Valid & Reliabel
	CA13	0.78		Valid & Reliabel
	CA14	0.73		Valid & Reliabel

Source: Processed data by SmartPLS (2023)

Based on Table 1. shows that all indicators of exogenous variables and endogen are valid. The results of reliability calculations using the Composite Reliability Exogenous Variable and endogenous variable also show that the Consumer Preferences, Digital Marketing, and Competitive Advantage variables in the full model have good reliability so that they can be analyzed further.

4.2. Structural Equation Model- Partial Least Square Analysis (SEM-PLS)
The next analysis is the structural equation model, partial least squares (SEM-PLS) analysis in the full model (without involving invalid indicators). The following is the result of SEM-PLS using the SmartPLS application.
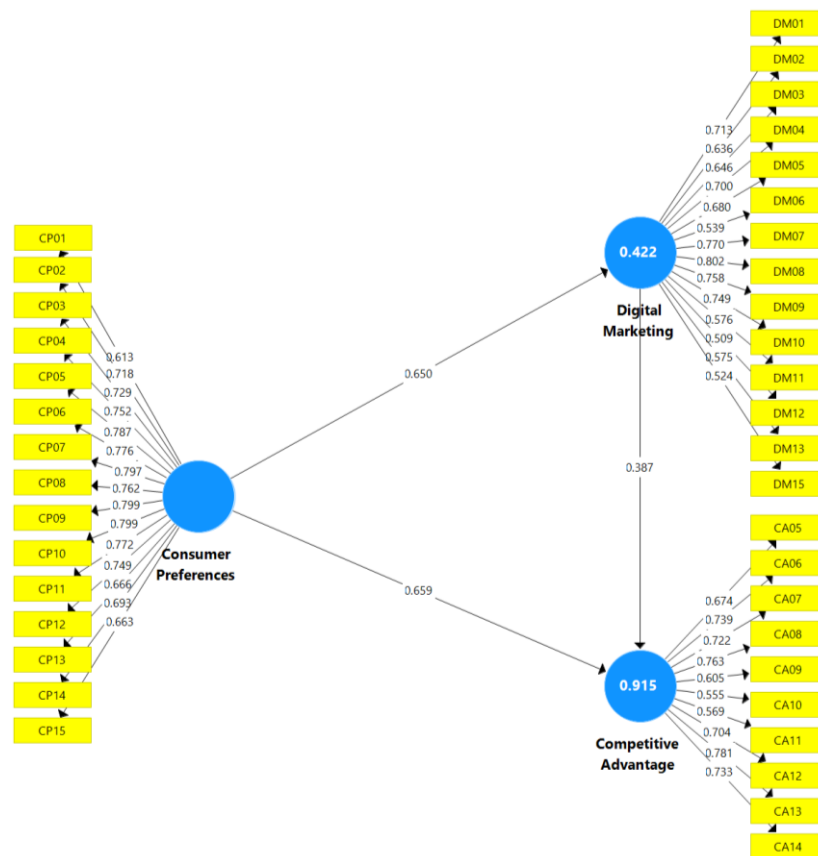
Figure 4: SEM-PLS
Source: Processed data by SmartPLS (2023)

a. Goodness of Fit Index

GoF was used to validate the model as a whole, goodness of fit (GoF) is used. This GoF index is a single measure used to validate the combined performance of the measurement model (outer model) and the structural model (inner model). The GoF index value was obtained from the average communality index multiplied by the R² model.

$$GoF = \sqrt{\overline{Com} \; x \; \overline{R^2}}$$

$$GoF = \sqrt{0,920 \; x \; 0,915}$$

$$GoF = 0,917$$

The calculation results show a good goodness of fit (GoF) value of 0.917

b. Direct and Indirect Influence

Based on the research objectives, a hypothesis test design that can be used was presented in accordance with the objectives of this study. The confidence level used was 95%, which means that the level of precision or inaccuracy limit was 5% or 0.05. In this context, the resulting t-table value was 1.96. Therefore, we can conclude that:

Table 2. Coefficient values and t-values at the 5% level

Variables	coefficient	t-Values (>1,96)	P Values	Information
Consumer Preferences -> Competitive Advantage	0.659	19.789	0.000	Signifikan
Consumer Preferences -> Digital Marketing	0.650	11.128	0.000	Signifikan

Digital Marketing -> Competitive Advantage	0.387	10.128	0.000	Signifikan
Consumer Preferences -> Digital Marketing -> Competitive Advantage	0.251	8.362	0.000	Signifikan

Source: Processed data by SmartPLS (2023)

Table 2. shows that the consumer preference variable has a positive and significant influence on the Competitive Advantage of SMEs in Banyuasin Regency (coefficient 0.659). Consumer preferences for the products or services offered by SMEs have a positive impact on their competitive advantage in the Banyuasin Regency. By focusing on consumer preferences, SMEs can direct marketing strategies to better meet consumer needs and wants. SMEs can create products and services that meet consumer expectations through a deep understanding of consumer preferences. This can create a differentiation advantage that allows consumers to select SMEs as their first choice. In addition, well-catered consumer preferences can also build strong consumer loyalty (Azeem et al., 2021; Kryscynski et al., 2021; Tu & Wu, 2021).

Consumers tend to return to SMEs that can consistently meet their preferences and provide positive experiences. This helps build long-term relationships with consumers, which, in turn, increases consumer retention and creates loyal customers (Arsawan et al., 2022; Clauss et al., 2021; Lestari et al., 2020). Apart from benefiting from consumer loyalty, SMEs can also benefit from a positive reputation and brand image. Good consumer preferences for products or services affect the perceptions and beliefs of potential consumers (Qiu et al., 2020; Skordoulis et al., 2020; Zameer et al., 2020). In a competitive business environment, a good reputation can be a valuable asset that provides a significant competitive advantage (Distanont & Khongmalai, 2020; Hodaei et al., 2020; Sellitto et al., 2020). Understanding consumer preferences can also trigger product and service innovations (Ferreira et al., 2020; Hossain et al., 2022; Wagner III & Hollenbeck, 2020). By knowing what consumers want and expect, SMEs can develop new solutions that are both relevant and attractive to the market. This innovation can differentiate SMEs from competitors, provide added value, and create sustainable competitive advantage.

Digital Marketing also has a positive and significant influence on the Competitive Advantage of SMEs in Banyuasin Regency (coefficient 0.387). This shows that the use of digital marketing strategies has a positive impact on their competitive advantage. In the increasingly advanced digital era, Digital Marketing plays an important role in the success of SMEs. An effective digital marketing strategy can provide a significant competitive advantage (Herhausen et al., 2020; Olson et al., 2021; Pandey et al., 2020). Digital Marketing helps SMEs increase brand visibility and market reach, build strong brand awareness, and differentiate themselves from their competitors. Through direct interaction with consumers through social media and other digital platforms, they can build closer relationships and respond better to consumer needs (Al-Azzam & Al-Mizeed, 2021; Hertati & Syafarudin, 2018; Mogaji et al., 2020). The ability of SMEs to adapt quickly to changing trends and the business environment is also an important factor in gaining a competitive advantage. In a constantly developing world, SMEs that can keep up with technological developments and market trends will have a stronger advantage in meeting consumer needs. Digital Marketing has a significant influence on the competitive advantage in Banyuasin Regency. By utilizing digital marketing strategies properly, one can gain better visibility, build strong brand awareness, increase interaction with consumers, use data for informed decision-making, provide personalized experiences, and adapt quickly to market changes (Goldfarb & Tucker, 2019; Hadiwijaya & Octafian, 2022; Piñeiro-Otero & Martínez-Rolán, 2016; Shankar et al., 2022). This contributes to a competitive advantage that enables SMEs to achieve long-term success in business competition.

Role of Digital Marketing as an Intervening Variable: In addition, the test shows that Digital Marketing has a positive and significant effect on Consumer Preferences (coefficient 0.650). This shows that the use of digital marketing can influence consumer preferences for SMEs' products or services, which in turn contributes to the competitive advantage of SMEs in the Banyuasin Regency. By properly utilizing digital marketing strategies, SMEs can gain a strong competitive advantage through increased brand

visibility, increased brand awareness, better consumer interaction, and the use of data for intelligent decision-making, personalization, and precise targeting (Ghahremani-Nahr & Nozari, 2021; Melović et al., 2020). Digital Marketing provides SMEs with an effective tool to compete in an increasingly digital marketplace.

Effect of Consumer Preferences on Competitive Advantage with Digital Marketing as an Intervening Variable: Tests also show that Consumer Preferences have a positive and significant effect on the Competitive Advantage of SMEs in Banyuasin Regency, with Digital Marketing as an intervening variable (coefficient 0.251). This shows that consumer preferences have a direct influence on the competitive advantage, and the use of digital marketing acts as an intermediary factor in the relationship between Consumer Preferences and Competitive Advantage. Consumer Preferences and Digital Marketing play important roles in increasing competitive advantage (Djerdjouri, 2020; Hu et al., 2022). By understanding consumer preferences and implementing effective digital marketing strategies, SMEs can leverage competitive advantages to expand their market share and achieve success in digital markets. This shows that MSMEs in Banyuasin Regency can take advantage of consumer preferences and digital marketing to gain a better competitive advantage. In addition, it is necessary to build strong foundations, such as the rule of law, education, and access to bank credit so that it can encourage SME innovation so that they can participate in international trade (Mashizha, Gumbo, & Chimwe, 2023; Smith, 2019).

5. Conclusion
5.1. Conclusion
This study aims to analyze consumer preferences towards digital marketing and its implications for the competitive advantage in the Banyuasin Regency. The research findings have successfully achieved the objectives of this study by providing valuable insights into consumer preferences and their impact on SMEs' competitive advantage. The implications of consumer preferences for digital marketing on SMEs' competitive advantage are also highlighted. First, it is essential for SMEs to develop a comprehensive digital marketing strategy that aligns with consumer preferences to reach and engage their target markets effectively. By understanding which digital channels consumers favor, SMEs can strategically allocate their resources and maximize their impact. Second, investing in digital marketing capabilities and infrastructure is crucial for SMEs to remain competitive in this era. This includes building a user-friendly website, leveraging social media platforms, utilizing email marketing, and exploring mobile applications relevant to their target market. SMEs must adapt to the changing digital landscape and continuously upgrade their digital marketing skills and technologies. Finally, the study emphasizes the importance of monitoring consumer preferences and adapting digital marketing strategies accordingly. Consumer preferences can evolve over time, and staying tuned to these changes allows SMEs to remain relevant and maintain their competitive advantages. By regularly evaluating consumer feedback, conducting market research, and staying updated about industry trends, SMEs can make informed decisions to optimize their digital marketing efforts.

5.2. Limitation
While this study provides valuable insights into consumer preferences towards digital marketing and its implications for the competitive advantage of SMEs in Banyuasin Regency, it is important to acknowledge certain limitations and gaps that should be considered in future research. 1). Sample Size and Representativeness: One limitation of this study was the sample size and the representativeness of the participants. The survey and interviews were conducted with a specific group of consumers and SMEs in the Banyuasin Regency, which may not fully represent the diverse consumer population and SME landscape. A larger and more diverse sample could provide a more comprehensive understanding of consumer preferences and their impact on SMEs' competitive advantage of SMEs. 2). External Factors: This study focuses on analyzing consumer preferences for digital marketing. However, it is important to recognize that consumer preferences can be influenced by various external factors such as economic conditions, competitor strategies, and technological advancements. Future research could explore the interplay between these external factors and consumer preferences to gain a more holistic understanding of this topic.

5.3. Suggestion

Based on the findings and limitations of this study, the following suggestions are proposed for future research and practical implications:rovide suggestions based on the findings and limitations of this study. Conducting longitudinal studies would be beneficial for tracking the changes in consumer preferences over time. This provides insights into the dynamics of consumer behavior and the evolving nature of digital marketing strategies. Examining the long-term effects of digital marketing initiatives on SME competitive advantage will contribute to a deeper understanding of their sustainability and effectiveness.

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