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Impact of Digital Transformation, Differentiation Strategy, and Innovation Capability on Competitive Advantage (Survey of Beverage MSMEs in Sukabumi City)

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Abstract

This study aims to determine the influence of Digital Transformation, Differentiation Strategy, and Innovation Capability on Competitive Advantage in beverage MSMEs in Sukabumi City. The respondents in this study were 100 beverage MSMEs in Sukabumi City. This research employed a quantitative method with a descriptive and associative approach. The statistical tests used in this study included simultaneous testing (F-test) and partial testing (t-test).

The results of the study indicate that there is a positive and significant simultaneous influence of Digital Transformation, Differentiation Strategy, and Innovation Capability on Competitive Advantage, as evidenced by the F-count value of 13,416 > F-table 3,096. Partially, Digital Transformation does not have a significant positive effect on Competitive Advantage, as shown by the t-count value of 1.152 with a significant value of 0.252 > 0.05. Meanwhile, Differentiation Strategy has a positive and significant effect on Competitive Advantage, which is proven by the t-count value of 4.312 with a significance value of 0.000 < 0.05. Furthermore, Innovation Capability also has a positive and significant effect on Competitive Advantage, with a t-count value of 2.891 and a significance value of 0.005 < 0.05.

Keywords: *Digital Transformation; Differentiation Strategy; Innovation Capability on Competitive Advantage.*

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INTRODUCTION

MSMEs have role important in the Indonesian economy , including in Sukabumi City . One of sectors that are experiencing development rapidly is business drinks , driven by change style life public as well as increasing culture hanging out in circles generation young . Drink with appearance interesting and unique taste become Power pull main in the middle trend consumption modern society . However , the rapid growth industry drinks also trigger increasing competition strict between perpetrator business , so that demand MSME actors to more innovative and creative in interesting attention consumers (Halma, 2021; Dunan et al ., 2020).

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Based on data from the Sukabumi City Cooperative and MSME Service , in 2023 there were 2,621 MSMEs operating in the sector drinks . However Thus , data from Department of Trade and Industry show existence trend decline sale from year to year . Decline This allegedly due to lack of right market focus as well as the inability of MSMEs in understand need specific consumer or change market preferences that are not responded to optimally . In addition , the lack of implementation of differentiation strategy cause products offered No own uniqueness compared to competitors . In this situation tight competition , MSMEs that do not capable differentiate the product tend experience difficulty in maintain interest consumers , so that impact on the decline number sale .

Therefore that , the implementation of the right strategy become key For increase superiority compete . MSMEs in the field culinary , including business drinks , can reach superiority compete through product or unique and different service compared to competitors . Classification of strategies and differentiation is very important applied so that the product own characteristics easy typical remembered and recognized by consumers , so that can help increase Power MSME competitiveness in the midst increasing competition competitive .

According to Porter (2020), a company is said to have a competitive advantage if it is able to provide more value to consumers than its competitors. This value can take the form of more affordable prices or additional benefits that can support higher prices through the provision of superior quality services.

Digital transformation has become a key foundation of modern business strategy. This concept involves a fundamental shift in organizational paradigms by integrating digital technology into various operational aspects, resulting in increased efficiency, innovation, and customer experience. Technological advances such as artificial intelligence (AI) and machine learning enable data-driven decision-making, market trend prediction, and personalized customer service (Fachrurazi et al., 2023) .

Differentiation strategy is a company's strategy to differentiate its offerings in the market with the aim of adding value to customers. This process involves integrating content, context, and infrastructure into the products or services offered to consumers. Differentiation aims to provide unique meaning and value so that the company's offering stands out from competitors (Nikmah, 2022) .

Facing global competition, MSMEs need the ability to innovate to survive. This is similarly explained by (Sinurat et al., 2017) . Innovation capability refers to a company's capacity to discover new ideas and integrate them into new or improved products, services, or processes, thereby providing benefits to the company (Nuramdini & Gunawan, 2022) .

LITERATURE REVIEW

The Grand Theory used in this research is that Management is the process of achieving predetermined goals through cooperation or joint efforts with other people (Tanjung et al., 2022)

The Middle Theory used in this study is that strategic management is a series of managerial decisions and actions that are repetitive and continuous, which include the formulation, implementation, and evaluation of comprehensive strategies, both short-term and long-term, in an organization to achieve predetermined goals (Rosyadi and S Saori., 2024).

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The applied theory used by the researchers includes competitive advantage as the dependent variable. Digital transformation, differentiation strategy, and innovation capability as the independent variables. If existing opportunities are optimally utilized, the business has the potential to occupy a superior position compared to competitors. Competitive advantage is a unique position or strength to defeat competitors by creating a special and more profitable product compared to competitors (Zahara and RDM Danial., 2020) .

Digital Transformation From a business perspective, digital transformation is the application of technology to create new business models, processes, software, and systems aimed at increasing profitability, competitive advantage, and efficiency. This transformation is realized through changes to business processes and models, empowering the workforce to support efficiency and innovation, and personalizing the customer experience (Schwertner, 2017).

Differentiation strategy is an effort to create a series of significant differences to differentiate the company's offerings from those offered by competitors *(Firmansyah et al., 2019)* .

Innovation capability is the capacity to create ideas, products, or services that were previously unknown, accepted, or used by society in everyday life (Wibowo, 2019).

METHODOLOGY

Study This use method quantitative with approach descriptive and associative , which aims For know connection between variables in a way objective through analysis statistics . Object study This is beverage MSME actors in Sukabumi City. Data collection techniques samples used is non-probability sampling with purposive sampling method , with amount sample as much as 100 respondents . Collected data is the primary data obtained through distribution questionnaire online using Likert scale . Data analysis was carried out with use multiple linear regression through help device SPSS software version 26. Before do testing hypothesis , carried out moreover first test the instrument research that includes validity testing and reliability testing . Furthermore assumption testing was carried out classical tests that include normality , multicollinearity , heteroscedasticity , and autocorrelation tests . Stages analysis to be continued with testing coefficient determination , F test, and t test for test influence variables in a way simultaneous and partial .

RESULTS AND DISCUSSION

Validity and Reliability Testing

This study tested the validity and reliability of the variables Digital Transformation (X1), Differentiation Strategy (X2), and Innovation Capability (X3) against the variable Congregation Satisfaction (Y). The test was conducted with the help of SPSS software version 26, using a standard validity value of 0.5 and a reliability of 0.6. This standard refers to the opinion of Ghozali (2018), which states that an indicator is considered valid if its correlation value exceeds 0.5, and is considered reliable if its Cronbach's Alpha value is more than 0.6 used to clarify the presentation of research results verbally. Tables and graphs must be commented on or discussed.

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Tabel 4.2 Pengujian Validitas dan Reliabilitas

Variabel	Item	Validitas rHitung	Reliabilitas rHitung
Transformasi Digital	X1.1	0,493	
	X1.2	0,529	
	X1.3	0,577	
	X1.4	0,536	0,749
	X1.5	0,612	
	X1.6	0,697	
	X1.7	0,522	
	X1.8	0,614	
	X1.9	0,612	
Strategi Diferensiasi	X2.1	0,647	
	X2.2	0,652	
	X2.3	0,478	
	X2.4	0,558	0,783
	X2.5	0,608	
	X2.6	0,622	
	X2.7	0,588	
	X2.8	0,614	
	X2.9	0,659	
Kemampuan Inovasi	X3.1	0,692	
	X3.2	0,595	
	X3.3	0,695	
	X3.4	0,666	
	X3.5	0,617	0,793
	X3.6	0,466	
	X3.7	0,587	
	X3.8	0,588	
	X3.9	0,613	
Keunggulan Bersaing	Y.1	0,655	
	Y.2	0,679	
	Y.3	0,600	
	Y.4	0,659	
	Y.5	0,630	
	Y.6	0,588	0,866
	Y.7	0,665	
	Y.8	0,657	
	Y.9	0,591	
	Y.10	0,579	
	Y.11	0,640	
	Y.12	0,685	

Sumber : Hasil Pengolahan Data SPSS V26, 2025

CLASSICAL ASSUMPTION TEST

Normality Test

This study used the Kolmogorov-Smirnov test to test data normality. The assumption of normality is considered met if the significance value of the Kolmogorov-Smirnov test is greater than 0.05. The results of the normality test for all variables in this study are presented in Table 2 below:

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One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		100
Normal Parameters [a,b]	Mean	.0000000
	Standard Deviation	2.84587908
Most Extreme Differences	Absolute	.066
	Positive	.066
	Negative	-.061
Test Statistics		.066
Asymp. Sig. (2-tailed)		.200 [c,d]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.

Based on the results of the normality test, a significance value of 0.200 was obtained, which exceeds the significance level of 0.05. This indicates that the data has a normal distribution, so the data distribution can be said to be even and there is no significant deviation from the normal distribution.

b) Multicollinearity Test

Multicollinearity testing aims to determine whether there is a relationship between independent variables in a regression model. Indications of multicollinearity can be seen through the variance inflation factor (VIF) and tolerance values. A model is declared free of multicollinearity if the VIF is less than 10.00 or the tolerance value is greater than 0.10. The results of the multicollinearity test in this study are presented in Table 6 below:

Table 3. Multicollinearity Test

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Coefficients [a]

Model	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1(Constant)	64,801	7,644		8,477	.000		
Digital Transformation	-.108	.112	-.096	-.963	.338	.996	1,004
Differentiation Strategy	-.128	.121	-.105	-1.056	.294	.993	1,007
Innovation Ability	-.220	.118	-.186	-1,870	.065	.995	1,005

a. Dependent Variable: Competitive Advantage

Based on the results of the multicollinearity test, the tolerance value for variables X1 is 0.996, X2 is 0.993, and X3 is 0.995 (more than 0.1), and the VIF value for X1 is 1.004, X2 is 1.007, and X3 is 1.005 (less than 10). Thus, it can be concluded that there is no indication of multicollinearity. This means that there is no strong relationship between the independent variables, so that each variable can be analyzed independently without any excessive influence on each other.

c) Heteroscedasticity Test

Table 4. Heteroscedasticity Test

Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	8,668	4,248		2,041	.044
	Digital Transformation	-.028	.062	-.045	-.444	.658
	Differentiation Strategy	-.095	.067	-.142	-1,402	.164
	Innovation Ability	-.053	.065	-.082	-.817	.416

a. Dependent Variable: Abs_Res

Based on the results of the heteroscedasticity test, the significance values for X1 were 0.658, X2 0.164, and X3 0.416, all above 0.05. This finding indicates that the model does not experience heteroscedasticity, resulting in consistent residual distribution for each predicted value. This indicates that the regression model used is stable and reliable.

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d) Autocorrelation Test

Table 5. Autocorrelation Test

Model Summary [b]

Model	R	R Square	Adjusted R Square	Standard Error of the Estimate	Durbin-Watson
1	.225 [a]	.051	.021	2.89000	1,899

a. Predictors: (Constant), Innovation Capabilities, Digital Transformation, Differentiation Strategy
b. Dependent Variable: Competitive Advantage

Based on the results of the autocorrelation test, the Durbin-Watson value was 1.899, which is between the Du and 4-Du limits (1.7634 < 1.889 < 2.263). This indicates that there is no autocorrelation, so the residuals between observations are random, do not show a particular pattern, and are not affected by time sequence .

Data analysis

a) Coefficient of Determination

Table 6. Coefficient of determination

Model	R	R Square	Adjusted R Square	Standard Error of the Estimate
1	.544 [a]	.295	.273	4.23075

a. Predictors: (Constant), Innovation Capabilities, Digital Transformation, Differentiation Strategy

b. Dependent Variable: Competitive Advantage

Based on the table above , it is known that The R Square value is 0.295. This is show that 29.5% of the variation or changes in variables Superiority Compete can explained by Ability Innovation , Digital Transformation , and Differentiation Strategy . Meanwhile the rest 70.5 % is explained by other variables that are not investigated in study this . Coefficient value determination This show that connection between variables free to variables bound is in the category Enough strong , so the model used in study This can give a pretty good picture Good to variables dependent .

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b) Simultaneous Test (F Test)

Table 7. F Test

ANOVA [a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	720,421	3	240,140	13,416	.000 [b]
	Residual	1718,329	96	17,899		
	Total	2438.750	99			

a. Dependent Variable: Competitive Advantage

b. Predictors: (Constant), Innovation Capability, Digital Transformation, Differentiation Strategy

Based on the table above, it is known that the F value is 13.416 with a significance value of 0.000. Since the significance value is less than 0.05 (0.000 < 0.05), it can be concluded that Innovation Capability, Digital Transformation, and Differentiation Strategy simultaneously have a significant effect on Competitive Advantage.

c) Multiple Linear Regression Test

Table 8. Multiple Linear Regression Test

Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
	(Constant)	11,877	7,948		1,494	.138
	Digital Transformation	.182	.158	.099	1,152	.252
	Differentiation Strategy	.510	.118	.389	4,312	.000
	Innovation Ability	.353	.122	.262	2,891	.005

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a. Dependent Variable: Competitive Advantage

Based on the results of the multiple linear regression test , obtained equality regression as as follows : Y=11.877+0.182X1+0.510X2+0.353X3. Test results show that Digital Transformation is not influential significant to Superiority Competitive (Sig. = 0.252). Meanwhile that , Differentiation Strategy influential positive and significant to Superiority Competitive (Sig. = 0.000), as is Ability Innovation that also has an impact positive and significant (Sig. = 0.005). With Thus , it can concluded that Differentiation Strategy and Capabilities Innovation influential real in increase Superiority Compete , while Digital Transformation is not give significant influence .

Hypothesis Testing

a) Persian Test

Table 9. T-test

The t-test results show that the Digital Transformation variable has a significance value of 0.252, so it does not significantly influence Competitive Advantage. Meanwhile, Differentiation Strategy has a significance value of 0.000, and Innovation Capability has a significance value of 0.005, both of which are smaller than 0.05. Thus, it can be concluded that Differentiation Strategy and Innovation Capability have a positive and significant influence on Competitive Advantage.

1. The Influence of Digital Transformation (X1) on Competitive Advantage (Y)

   Based **on** *the IBM Statistic Version 26 software,* hypothesis testing can be seen in the t-test table. Seen from table 4.17, the t-count and sig values in the hypothesis testing between the Digital Transformation variable and Competitive Advantage show a t-count value of 1.152 <1.660 t table and sig (0.252> 0.05). The results of the hypothesis testing indicate that Ho is accepted and H1 is rejected. The results of the hypothesis testing indicate that H1 is rejected. This means that the hypothesis testing indicates that partially or simultaneously Digital Transformation does not have a positive and simultaneous effect on Competitive Advantage. Based on these results, it can be concluded that Digital Transformation has not made a significant contribution to Competitive Advantage in beverage MSMEs in Sukabumi City.

2. The Influence of Digital Transformation (X2) on Competitive Advantage (Y)
   Based on IBM Stratistik software version 26, hypothesis testing can be seen in the T-test table. Seen from table 4.17, the t-count and significant value in the hypothesis testing between the Differentiation Strategy variable and Competitive Advantage shows a calculated t-value of 4.312> 1.660 t-table and sig (0.000> 0.05). The results of the hypothesis testing indicate that Ho is rejected and H1 is accepted. This means that the hypothesis testing shows that partially and simultaneously Differentiation Strategy has a positive and simultaneous effect on Competitive Advantage.

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3. The Influence of Innovation Capability (X3) on Competitive Advantage (Y)

Based **on** *the IBM Statistic Version 26 software,* hypothesis testing can be seen in the t-test table. Seen from table 4.17, the t-count and sig values in the hypothesis testing between the Innovation Capability variable and Competitive Advantage show a calculated t value of 2.891 > 1.660 t table and sig (0.005 > 0.05). The results of the hypothesis testing indicate that Ho is rejected and H1 is accepted. This means that the hypothesis testing shows that Innovation Capability has a positive and simultaneous effect on Competitive Advantage, both partially and simultaneously.

CONCLUSION

Based on results testing hypothesis , can concluded that Digital Transformation is not influential significant to Superiority Competing in the beverage MSME sector in Sukabumi City . This is indicated by the t- count value of 1.152 < 1.660 and significance of 0.252 > 0.05. On the other hand , Differentiation Strategy proven influential positive and significant to Superiority Compete with t - value of 4,312 > 1,660 and significance of 0.000 < 0.05. Likewise , the Ability Influential innovation positive and significant to Superiority Compete with t - value of 2,891 > 1,660 and significance of 0.005 < 0.05. With Thus , it can concluded that improvement Superiority Competing in the beverage MSMEs in Sukabumi City more influenced by the implementation of Differentiation and Capabilities Strategy Innovation compared to Digital Transformation .

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