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The Role Of Digital Marketing Capabilities And Service Innovation On Marketing Performance Through Customer Relationship Quality

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Abstract
This study aims to examine the role of digital marketing capabilities and service innovation on marketing performance, with customer relationship quality as a mediating variable, in Micro, Small, and Medium Enterprises (MSMEs) in the food and beverage sector in Pontianak City. A descriptive quantitative method was employed, with data collected through questionnaires distributed to business owners who actively use social media accounts. The data were analyzed using Structural Equation Modeling (SEM) with the AMOS software to assess the relationships among the variables. The results indicate that digital marketing capabilities do not have a significant direct effect on marketing performance. In contrast, service innovation and customer relationship quality have a significant direct influence on marketing performance. As a mediator, customer relationship quality plays a critical role in the relationship between service innovation and marketing performance but does not mediate the relationship between digital marketing capabilities and marketing performance. It is recommended that MSMEs enhance their service innovation and consistently maintain the quality of their customer relationships to achieve the desired marketing performance.

Keywords: *digital marketing capabilities, service innovation, customer relationship quality, marketing performance*

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INTRODUCTION
The rapid acceleration of the digitalization era, largely driven by shifts in consumer behavior towards technology-driven activities, has compelled all business sectors to transition onto digital platforms. Digitalization has emerged as a crucial determinant of success for modern businesses, necessitating that both large corporations and small enterprises integrate digital technology into every facet of their operations to sustain a competitive edge (Purwanti, Lailiningsih, & Suyanto, 2022). In this context, digital marketing plays a pivotal role by enabling businesses to reach a broader audience through diverse online channels such as social media, email, and search engines, thereby enhancing brand visibility and attracting more potential customers (Apasrawirote, Yawised, & Muneesawang, 2022). For Micro, Small, and Medium Enterprises (MSMEs) in particular, digital marketing capabilities offer significant opportunities to expand market reach efficiently, engage directly with consumers, and foster improved internal collaboration for product and service development, ultimately enhancing overall marketing performance (Tariq et al., 2022).

Digital Marketing Capability (DMC) refers to a company's ability to leverage digital

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technology for integrated, measurable, and targeted interactions with customers and partners, thereby creating new value without geographical or temporal constraints. This encompasses the capacity to design, implement, and evaluate digital marketing strategies. The dramatic surge in online shopping, particularly since the COVID-19 pandemic, underscores the growing importance of DMC as an effective strategy for MSMEs to boost sales and competitiveness (Saboor & Khan, 2020; Mavilinda et al., 2021). Numerous previous studies have consistently demonstrated a positive relationship between DMC and marketing performance (Tariq et al., 2022; Marbun & Simanjuntak, 2021; Chusumaswati, Zulfikri, & Rukmana, 2023). However, some findings present conflicting results, indicating that the impact of digital marketing is not always statistically significant (Fitri & Halik, 2023; Erwin, Suade, & Purnomo, 2021), suggesting a need for further investigation into the mediating or moderating factors influencing DMC's effectiveness.

Beyond DMC, service innovation is also a critical driver of competitive advantage. Service innovation focuses on creating superior customer experiences, which can serve as a powerful marketing tool given that satisfied customers are more likely to share positive experiences (Leavengood & Anderson, 2010). Companies that effectively utilize customer and competitor insights to develop unique and valuable services can gain substantial benefits (Arshad, Wang, & Su, 2016). Digital channels facilitate the effective promotion of service innovation through social media and digital advertising campaigns, helping to capture customer attention and enhance brand awareness (Heng et al., 2020). Integrating service innovation into digital marketing strategies can improve competitiveness, better meet customer needs, and ultimately enhance customer satisfaction and loyalty, contributing to overall marketing performance improvement (Heng et al., 2020).

In Pontianak City, the presence of 14,682 MSMEs in the food and beverage sector (over 22% of total MSMEs) and a significant 42.65% of residents' monthly expenditure allocated to this sector (Central Statistics Agency of Pontianak City, 2024) indicate a substantial market potential coupled with intense business competition. MSMEs face challenges in developing strategies that fulfill market needs, adopting technology-based entrepreneurship, and implementing sustainable product innovations. Given the strategic importance of digital marketing capabilities and service innovation in this competitive digital business landscape, and in light of the inconsistent findings in previous research, this study aims to re-examine the influence of digital marketing capabilities on marketing performance. Furthermore, this research will consider the role of two additional variables believed to be significant contributors: service innovation and customer relationship quality, to provide a more comprehensive understanding.

Although previous studies have identified a positive relationship between digital marketing capabilities and marketing performance, the findings remain inconsistent. Some research supports a significant effect, while others report weak or statistically insignificant impacts. This gap highlights the need for further investigation. Therefore, this study aims to re-examine the influence of digital marketing capabilities on marketing performance by incorporating two potentially influential variables—service innovation and customer relationship quality—as mediators in the model.

Digital marketing capabilities refer to a firm's ability to leverage digital technologies in planning, implementing, and evaluating marketing strategies. Prior studies have shown that DMC plays a crucial role in enhancing marketing outcomes through wider reach, better targeting, and cost-effective campaigns (Tariq et al., 2022). However, the effectiveness of DMC on performance outcomes remains inconclusive across contexts.

Service innovation involves the development of new or improved services that provide additional value to customers. Innovations in services are often facilitated by customer insights and technological tools, particularly digital platforms (Arshad, Wang, & Su, 2016). This innovation is not only a competitive advantage but also a driver of customer satisfaction and loyalty.

Customer relationship quality is another key construct that reflects the depth of

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interaction and trust between firms and their customers. High-quality relationships improve retention, satisfaction, and long-term engagement, which are essential for sustainable marketing performance. The emergence of the concept of "Relationship Marketing" in the 1920s has given rise to the concept of "Customer Relationship Management" (CRM) in the late 1990s. This new concept emphasizes the importance of direct interaction between customers and marketers, customer retention, and long-term relationships to increase organizational profitability in a competitive modern economy.

Today, CRM is considered one of the most important goals in about 60 percent of projects worldwide. Major advances in technology help in better division of market areas, improving communication with customers, providing an information-rich environment to contribute in improving efficient strategies for handling customers (Soliman, 2011).

In the theory of measuring the quality of customer relationship management, it is said that CRM is one of the marketing strategies that is currently popularly applied by business managers in Indonesia in retaining existing customers. The way to retain existing customers is to have a good long-term relationship between the company and the existing customers (Mokhtar, Mus, & Sjahruddin, 2019).

H1: Digital marketing capabilities positively influence marketing performance.
H2: Service innovation positively influences marketing performance.
H3: Customer relationship quality positively influences marketing performance.
H4: Digital marketing capabilities positively influence customer relationship quality.
H5: Service innovation positively influences customer relationship quality.
H6: Customer relationship quality mediates the effect of digital marketing capabilities on marketing performance.
H7: Customer relationship quality mediates the effect of service innovation on marketing performance.

This study aims to develop a conceptual model that explains the role of digital marketing capabilities and service innovation in influencing marketing performance, with customer relationship quality acting as a mediating variable. Specifically, the research seeks to examine the direct and indirect effects among these variables by addressing seven objectives: to analyze the influence of digital marketing capabilities on marketing performance, to assess the effect of service innovation on marketing performance, to determine the impact of customer relationship quality on marketing performance, to evaluate the influence of digital marketing capabilities on customer relationship quality, to examine the effect of service innovation on customer relationship quality, to investigate the mediating role of customer relationship quality in the relationship between digital marketing capabilities and marketing performance, and to test the mediating role of customer relationship quality in the relationship between service innovation and marketing performance. Through these objectives, the study provides a comprehensive understanding of how digital and relational strategies contribute to marketing success in the MSME sector.

This research is expected to generate meaningful contributions for food and beverage entrepreneurs, particularly in identifying effective marketing strategies to enhance business performance. Theoretically, the findings are anticipated to serve as a reference for future research in the field of marketing, especially studies involving digital marketing capabilities, service innovation, and customer relationship management in relation to company performance. Practically, the results of this study may assist business practitioners, policymakers, and academics in developing more accurate economic models, understanding business cycles, and formulating effective marketing policies. By exploring the dynamics among the studied variables, companies can better design strategies that support sustainable growth and competitiveness in the digital economy.

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METHODS

This study adopts a descriptive quantitative research design to examine the relationships between digital marketing capabilities, service innovation, customer relationship quality, and marketing performance. A quantitative approach was selected because it allows the researcher to measure and analyze the relationships between variables objectively using statistical techniques.

The object of this research is Micro, Small, and Medium Enterprises (MSMEs) in the food and beverage sector located in Pontianak, Indonesia. Data collection was conducted using a structured online questionnaire distributed via Google Forms. The questionnaire consisted of both closed- and open-ended items, developed based on validated indicators for each research variable. Responses were measured using a 5-point Likert scale, which helps to assess participants' perceptions and attitudes.

The population of this study includes all food and beverage MSMEs registered in the city of Pontianak. According to OSS data from October 2024, there were 66,619 registered MSMEs, of which 14,692 operated in the culinary sector. The sample was selected using purposive sampling, focusing on MSMEs that actively use at least one social media account for marketing purposes. The final sample consisted of 80 respondents, determined using a multivariate method with a minimum ratio of five times the total number of indicators.

The study includes four main variables: two independent variables (digital marketing capabilities and service innovation), one mediating variable (customer relationship quality), and one dependent variable (marketing performance). These variables were analyzed using Structural Equation Modeling (SEM) with the help of AMOS software. SEM allows for the simultaneous testing of multiple relationships within a conceptual model, including both direct and indirect (mediated) effects, offering a comprehensive analysis of the proposed hypotheses..

RESULTS AND DISCUSSION

Validity and Reliability Testing

The questionnaire was evaluated through two stages: validity testing and reliability testing. Validity testing aims to determine the extent to which the questionnaire accurately measures the intended constructs, as well as to assess the influence of independent variables on the dependent variable. A questionnaire item is considered valid if it is able to effectively capture the concept it is designed to measure.

Several items were removed during the data processing stage due to skewness and kurtosis values that exceeded acceptable normality thresholds. These items, specifically the second and fourth questions under the service innovation variable, were excluded because their distribution could potentially compromise the validity of the statistical analysis.

The results of the validity test are presented alongside the reliability test. Validity was assessed through Standardized Loading Estimates, where a value greater than 0.50 indicates acceptable validity, and through Average Variance Extracted (AVE), which also must exceed 0.50. Meanwhile, reliability was evaluated using the Construct Reliability (CR) scores, as shown in the following table.

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Table 1. *Construct Reliability and Average Variance Extracted (AVE) of Endogenous Variables*

Konstruk	Digital Marketing Capability			Service Innovation			Customer Relationship Quality			Marketing Performance		
Item	Std. Loading	(Std. Loading)^ 2	Std. Error	Std. Loading	(Std. Loading)^ 2	Std. Error	Std. Loading	(Std. Loading)^ 2	Std. Error	Std. Loading	(Std. Loading)^ 2	Std. Error
DMC1	0,6613	0,4373	0,5627									
DMC2	0,7639	0,5835	0,4165									
DMC3	0,7996	0,6394	0,3606									
DMC4	0,7374	0,5438	0,4562									
DMC5	0,6686	0,4470	0,5530									
SN1				0,6351	0,4034	0,5966						
SN3				0,8020	0,6432	0,3568						
SN5				0,7120	0,5069	0,4931						
CRQ1							0,6835	0,4672	0,5328			
CRQ2							0,8448	0,7137	0,2863			
CRQ3							0,9289	0,8629	0,1371			
CRQ4							0,8106	0,6571	0,3429			
CRQ5							0,7220	0,5213	0,4787			
MP1										0,9343	0,8729	0,1271
MP2										0,9337	0,8718	0,1282
MP3										0,8989	0,8080	0,1920
∑λ	**3,6308**			**2,1491**			**3,9898**			**2,7669**		
Construct Reliability (CR)	**0,8488**			**0,7615**			**0,8995**			**0,9448**		
Average Variance Extracted (AVE)	**0,5302**			**0,5178**			**0,6444**			**0,8509**		

Based on Table 1, the results of the AVE and CR calculations for the variables Digital Marketing Capability (DMC), Service Innovation (SI), Customer Relationship Quality (CRQ), and Marketing Performance (MP) are presented. The Construct Reliability (CR) values for each construct are above 0.7, indicating that all constructs are reliable. Meanwhile, the Average Variance Extracted (AVE) values, which indicate construct validity, are all above 0.5. Therefore, it can be concluded that all variables meet the requirements for both reliability and validity.

Before conducting the model fit test, the researcher first performed several preliminary data assessments, including sample adequacy testing (Hoelter's critical N), normality testing, and outlier detection. The results of these preliminary tests indicated that the data met the necessary requirements and were appropriate for further analysis using model fit testing with the AMOS software.

Goodness of Fit Model

The model fit testing aims to evaluate how well the proposed structural model corresponds with the empirical data. This testing is conducted to determine whether the statistically developed model can adequately represent the relationships among the studied variables. The research model was developed based on theoretical foundations and the formulation of hypotheses described in the previous chapter. It illustrates the causal relationships between the variables under investigation: Digital Marketing Capability, Service Innovation, Customer Relationship Quality, and Marketing Performance. These relationships are visualized in the form of a path diagram and analyzed using the Structural Equation Modeling (SEM) approach with the help of AMOS software.

In SEM analysis using AMOS, several model fit indices are employed as benchmarks to evaluate the goodness of fit. These indices include the Chi-Square (χ^2) value, Probability (p-value), Root Mean Square Error of Approximation (RMSEA), Goodness of Fit Index (GFI), Adjusted Goodness of Fit Index (AGFI), Comparative Fit Index (CFI), and Tucker-Lewis Index (TLI). Each of these indices has specific threshold criteria that indicate whether the

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model provides a good fit to the data. The interpretation of the goodness of fit results serves as the basis for assessing whether the research model is suitable for hypothesis testing and for analyzing the relationships among variables. The following table presents the results of the Goodness of Fit Index assessment:

Tabel 2. *Goodness of Fit Index*

No	Indikator	Nilai Default Model	Cut-off Value	Interpretasi
1	CMIN/DF (Chi-Square/df)	1,643	1.0 - 3.0	Good fit
2	RMSEA (Root Mean Square Error of Approximation)	0,091	< 0.08 (lebih baik < 0.05)	Marginal Fit
3	GFI	0,831	> 0.90	Marginal Fit
4	AGFI	0,891	≥ 0,90 (ideal), ≥ 0,80 (cukup)	Marginal Fit
5	CFI (Comparative Fit Index)	0,925	> 0.90	Good fit
6	TLI (Tucker-Lewis Index)	0,908	> 0.90	Good fit
7	IFI (Incremental Fit Index)	0,927	> 0.90	Good fit
8	NFI (Normed Fit Index)	0,832	> 0.90	Marginal Fit

The CMIN/DF value of 1.643 falls within the acceptable range, as it is below the threshold of 3.00. This indicates that the model is not overly complex and fits the data well. The RMSEA value of 0.091 is still within the acceptable limit (<0.10), suggesting a reasonable approximation error. The GFI (Goodness of Fit Index) value of 0.831 and the AGFI (Adjusted Goodness of Fit Index) value of 0.891 indicate a moderate fit, though slightly below the commonly accepted cut-off value of 0.90.

Other indices, such as the CFI (Comparative Fit Index) at 0.925, TLI (Tucker-Lewis Index) at 0.908, and IFI (Incremental Fit Index) at 0.927, all exceed the cut-off value of 0.90, indicating a good model fit. The NFI (Normed Fit Index), which measures the discrepancy between the target model and the null model, is 0.832. This falls within the marginal fit range of 0.80 to 0.90, suggesting that the model meets the criteria for an acceptable fit. As previously discussed, Hoelter's Critical N indicates that the model remains stable with the existing sample size, thus providing a reliable basis for drawing conclusions.

In conclusion, based on the majority of the goodness-of-fit indicators showing either good or marginal fit, it can be stated that the research model demonstrates an adequate fit and is suitable for further hypothesis testing.

HYPOTHESIS TESTING

The following figure presents the structural model of the study, which illustrates the directional relationships among the independent variables, the mediating variable, and the dependent variable, which will be tested through hypothesis analysis.

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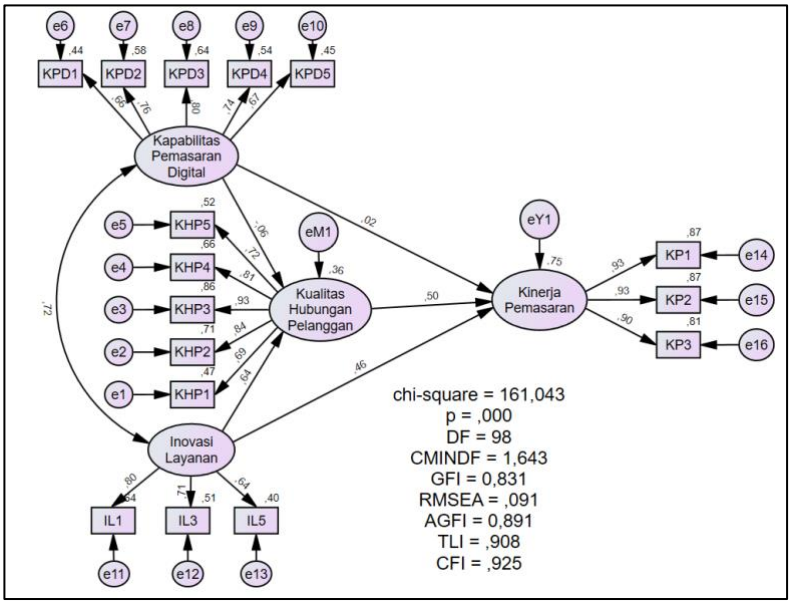

Figure 1. Hypothesis Model and Results

Illustrates the loading factors for each path in the structural model. A loading factor is considered significant if its value exceeds 0.50, indicating that all indicators in the structural model meet the required threshold for validity.

Hypothesis testing in this study is conducted through the analysis of regression weights, with particular attention to the p-values provided in the estimates output. The statistical significance of each indicator variable is determined by comparing its p-value to the predefined significance level (α), which in most cases is set at 0.05 (5%). An indicator is deemed statistically significant if the p-value is less than or equal to 0.05, and not significant if it is greater than 0.05. Additionally, the critical ratio (C.R.) must exceed ±1.96 to be considered significant (Haryono, 2016).

In the estimates output, asterisks (*) are used to indicate extremely small p-values (typically < 0.001), which suggest a highly significant result. The regression weight results are summarized and presented in Table below.

Tabel 3. Hypothesis Results

No	Hypothesis	H	S.E.	C.R.	P-value	Description
1	Digital marketing capability on marketing performance	H1	0,16881	0,15264	0,87868	Not statistically significant
2	Service innovation on marketing performance	H2	0,12725	2,53093	0,01138	Positive and statistically significant
3	Customer relationship quality on marketing performance	H3	0,13329	4,14331	***	Positive and statistically significant
4	Digital marketing capability on customer relationship quality	H4	0,22147	-0,29548	0,76763	Not statistically significant
5	Service innovation on customer relationship quality	H5	0,14831	2,74338	0,00608	Positive and statistically significant

Based on the results presented in Table 3, it can be concluded that not all proposed hypotheses in the research model were supported. The findings indicate that digital marketing capability does not have a statistically significant effect on marketing performance, nor does it significantly influence customer relationship quality. These results suggest that, within the context of this study, digital marketing capability alone may not directly drive performance outcomes or strengthen customer relationships. Conversely,

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service innovation demonstrated a positive and statistically significant effect on both marketing performance and customer relationship quality, indicating its critical role in enhancing business outcomes through innovative service delivery. Furthermore, customer relationship quality was also found to significantly and positively affect marketing performance, emphasizing the importance of maintaining strong relationships with customers in achieving marketing success.

Overall, the study highlights the mediating role of service innovation and customer relationship quality in influencing marketing performance, while the direct impact of digital marketing capability remains limited within this model. These findings provide valuable insight for practitioners to prioritize innovation and relationship-building strategies to improve overall marketing effectiveness.

In this study, the Sobel test was employed to examine whether customer relationship quality mediates the effect of digital marketing capability and service innovation on marketing performance. The Sobel test is a statistical method used to assess the significance of indirect effects of an independent variable on a dependent variable through a mediator. According to Baron and Kenny (1986), mediation is established if the indirect effect via the mediator is statistically significant.

Technically, the Sobel test calculates a test statistic based on regression coefficients and standard errors from the paths linking the independent variable to the mediator and from the mediator to the dependent variable. A Sobel test value exceeding the critical value (±1.96 at a 5% significance level) indicates a significant mediation effect. Thus, this test was conducted to confirm the mediating role of customer relationship quality in bridging the influence of digital marketing capability and service innovation on marketing performance in food and beverage SMEs in Pontianak City. The results of the Sobel test for hypotheses six and seven are presented below.

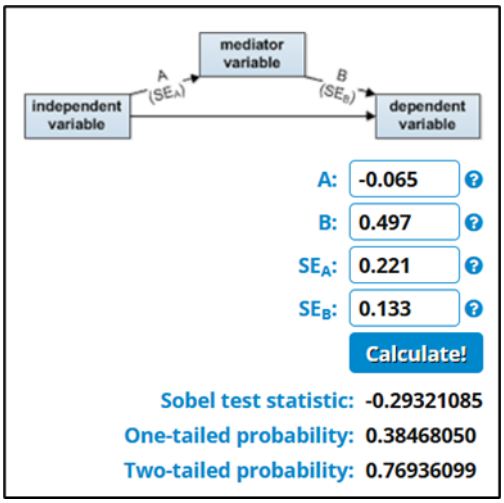

Figure 2. Sobel Test on Hyphothesis 6

The Sobel test results indicate a Sobel test statistic value of -0.293 with a two-tailed p-value of 0.769 (greater than 0.05), suggesting that the indirect effect of digital marketing capability on marketing performance through customer relationship quality is not statistically significant. Therefore, the mediation hypothesis for this pathway is not supported by the data.

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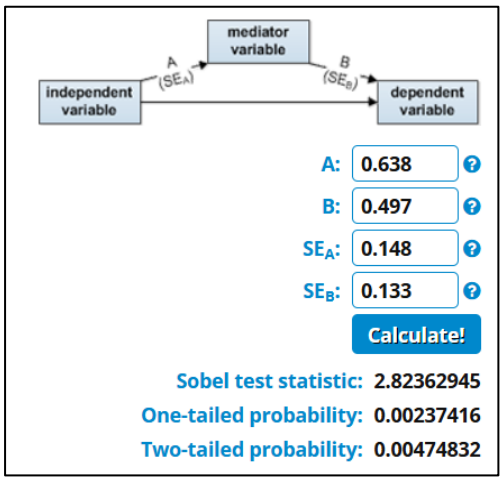

Figure 3. Sobel Test on Hyphothesis 7

Based on the Sobel test results, the Sobel test statistic value of 2.823 with a two-tailed p-value of 0.0473 (less than or equal to 0.05) indicates that customer relationship quality significantly mediates the effect of service innovation on marketing performance. Therefore, the mediation hypothesis for this pathway is statistically supported, suggesting that service innovation enhances marketing performance through the improvement of customer relationship quality. Hence, hypothesis seven is accepted and empirically validated.

CONCLUSION

The findings of this study, derived from Structural Equation Modeling (SEM) analysis using AMOS, provide important insights into the theoretical and managerial implications of digital marketing capability, service innovation, and customer relationship quality in the context of MSMEs (Micro, Small, and Medium Enterprises), particularly in the food and beverage sector in Pontianak.

The first major finding reveals that digital marketing capability does not have a significant or direct effect on marketing performance. Despite the prevalent notion that digital tools enhance marketing outcomes, the study aligns with prior research by Fitri & Halik (2023), who also found no significant impact of digital marketing on sustainable business performance within agribusiness MSMEs. This suggests a potential disconnect between the possession of digital marketing tools and their strategic utilization. As Chaffey et al. (2009) emphasized, digital technologies, in the absence of a clear strategy, may merely serve as supplementary tools rather than performance drivers. In regions such as Pontianak, MSMEs may still lack the necessary digital maturity or strategic direction, using platforms like social media only for promotion, without integration into broader sales or customer service strategies. This finding expands the Resource-Based View (RBV) by reinforcing that digital capabilities alone are insufficient; they must be paired with relational competencies and strategic alignment to positively influence performance. From a managerial perspective, this implies that MSMEs need not only access to digital technologies but also the development of integrated marketing strategies and skill sets to embed these tools effectively within their business operations.

The second key result supports the assertion that service innovation significantly influences marketing performance. Service innovation, which encompasses service concept development, delivery personalization, client interface design, and technological integration, acts as a strategic lever for improved business outcomes. This finding reinforces the notion that innovation fosters competitive advantage and, subsequently, better performance, particularly for food and beverage MSMEs. As noted by Heng et al. (2020), service innovation is a reliable instrument for enhancing marketing outcomes. Managerially, this indicates the necessity for MSMEs to adopt service innovation as a core component of their marketing strategy. Practical applications include digital ordering and payment systems, membership

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programs, eco-friendly packaging, and personalized service experiences, which collectively boost brand differentiation, customer loyalty, and sales growth.

The third empirical insight confirms that customer relationship quality positively and significantly affects marketing performance. Strong relational ties between MSMEs and their customers lead to increased satisfaction, loyalty, repeat purchases, and ultimately, greater profitability. This underscores the value of Relationship Marketing theory as proposed by Morgan & Hunt (1994), who highlighted trust and commitment as central to long-term marketing success. In MSMEs, where direct engagement and emotional connections with customers are more feasible, customer relationship quality emerges as a vital intangible asset. From a managerial standpoint, this necessitates a shift in mindset: customers should not be seen merely as sales targets, but as long-term partners. Strategies such as regular product updates, engaging content on social media, responsive customer service, and honest communication can foster deeper emotional and functional bonds with consumers, encouraging repeat business and word-of-mouth promotion.

Contrary to expectations, the fourth result indicates that digital marketing capability does not significantly influence customer relationship quality. Although digital tools are widely accessible, their potential to foster meaningful and lasting customer relationships remains underutilized among MSMEs. Often, digital tools are employed in a unidirectional promotional manner, lacking interactivity and personalization. Trainor et al. (2011) emphasized that digital marketing capabilities contribute to relationship building only when integrated with organizational capabilities for customer interaction management, including data use, personalization, and feedback mechanisms. Theoretically, this suggests that in less digitally mature settings like Pontianak, digital marketing capabilities may not translate into stronger customer bonds unless coupled with relational strategies. Managerially, this calls for a paradigm shift: technology should be leveraged not just for outreach but for engagement—replying to customer comments, using names in digital messages, and hosting interactive sessions are just a few tactics to enhance relational value through digital media.

Further reinforcing the importance of service innovation, the fifth finding establishes that service innovation significantly enhances customer relationship quality. The more innovative and customer-centered the service delivery—whether through improved processes, personalized interactions, or technological support—the stronger the emotional and functional connections formed with customers. This aligns with relationship marketing theory, which posits that trust and satisfaction are built through consistent, value-adding, and responsive interactions (Morgan & Hunt, 1994). In the context of MSMEs, which often maintain close proximity to consumers, service innovation becomes a critical enabler of high-quality relationships. This finding strengthens the theoretical linkage between service innovation and relational quality, highlighting the importance of continued service enhancement as a basis for sustained customer engagement.

The sixth result investigates the indirect impact of digital marketing capability on marketing performance via customer relationship quality. It reveals that digital marketing capability does not significantly affect marketing performance through customer relationship quality. This supports Trainor et al.'s (2011) assertion that digital tools must be strategically aligned with relational approaches to generate tangible business outcomes. Theoretically, this underscores the importance of human-centered communication and personalized engagement in MSMEs—digital transformation alone cannot substitute for relational depth. As such, customer relationship quality does not act as an effective mediating mechanism between digital marketing capabilities and marketing performance in this context. The managerial implication is clear: digital tools should be used to foster relationship-building, not just for transactions. MSMEs should consider incorporating personal touches in digital communication, such as name-based greetings or thank-you notes in packaging, and ensure staff are trained in empathetic digital communication to preserve the human element in digital interactions.

Finally, the seventh and perhaps most integrative finding reveals that service

innovation significantly impacts marketing performance through customer relationship quality. This indicates that service innovations—such as speed, personalization, convenience, and technological enhancement—not only elevate the quality of relationships but also drive marketing success. The mediation pathway through customer relationship quality serves as a critical mechanism linking innovation to performance. This finding echoes Grönroos' interpretation in Vargo & Lusch (2004), asserting that service should be central—not peripheral—to marketing. In modern marketing paradigms, particularly within MSMEs, service is not merely a feature but the very essence of competitive differentiation and customer engagement. Managerially, this implies that service innovation must aim beyond functional upgrades; it must deepen customer involvement and emotional engagement. Practical examples include personalized digital branding, thank-you messages in product packaging, loyalty programs, and co-creation opportunities where consumers contribute to product development.

In conclusion, this research offers nuanced insights into the complex dynamics among digital capability, service innovation, relationship quality, and marketing performance in MSMEs. While digital tools offer potential, their impact is contingent upon strategic integration and relational intent. Conversely, service innovation demonstrates a more direct and relationally mediated path to performance gains, positioning it as a critical lever for MSMEs seeking sustainable growth.

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