



The Influence of Product, Price, Promotion, and Distribution on Competitive Advantage of Craft MSMEs in Yogyakarta

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ARTICLE INFO

Keywords: Product, Price, Promotion, Distribution, Competitive Advantage

Received : 16, July

Revised : 30, July

Accepted: 24, August

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ABSTRACT

This study aims to examine and analyze the influence of product, price, promotion, and distribution on competitive advantage in craft MSMEs in Yogyakarta City. The sample of this study was 100 leaders/persons in charge of craft MSMEs in Yogyakarta City. The sampling technique used was purposive sampling. The data collection method used a questionnaire distributed directly to respondents. Data analysis techniques consisted of multiple linear regression, t-test, and coefficient of determination test. The results of the study indicate that (1) product has a positive and significant effect on competitive advantage in craft MSMEs in Yogyakarta City; (2) price does not affect competitive advantage in craft MSMEs in Yogyakarta City; (3) promotion has a positive and significant effect on competitive advantage in craft MSMEs in Yogyakarta City; and (4) distribution does not affect competitive advantage in craft MSMEs in Yogyakarta City.

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a vital role in Indonesia's economy, contributing approximately 61% of the national GDP and generating widespread employment (BPS, 2023). According to Munthe, Yarham & Siregar (2023), MSMEs are essential for job creation and social welfare. However, around 50% of MSMEs struggle to grow due to intense competition, limited product innovation, and insufficient access to broader markets (Suyanto & Wibowo, 2022).

To overcome these challenges and maintain their existence in the competitive market, MSMEs must develop a sustainable competitive advantage. According to Kevin & Novani (2023), competitive advantage is a strategy that enables a business to outperform its competitors by delivering superior value. This can be achieved through the marketing mix strategy, which includes product, price, promotion, and distribution (Al Badi, 2018).

A quality and innovative product, as explained by Armstrong (2020), can attract consumer interest and create value that sets a business apart from its competitors. Arifiya et al. (2021) further explain that a product includes physical and psychological attributes, as well as services. However, Rosyida & Yamit (2022) and Prasetya & Slamet (2023) found that product innovation alone does not necessarily lead to competitive advantage if product differentiation is lacking.

Pricing also affects competitive advantage. Price is the amount of money customers must pay for goods or services (Stanton, 2018). A competitive pricing strategy can influence customer loyalty and market penetration. According to Teferi (2024) and Setiawan & Dewi (2023), pricing strategies are crucial in improving MSMEs' competitiveness. However, Fathiyah & Nuvriasari (2024) found that pricing does not always significantly impact competitive advantage.

Promotion plays a critical role in communicating product value to the market. Kotler & Keller (2016) emphasize that effective promotional strategies such as digital marketing and participation in trade fairs can enhance brand awareness and customer reach. Wadhah et al. (2025) and Prasetyo (2022) highlight the importance of digital platforms in promoting MSME products.

Distribution determines how products are delivered from producers to consumers (Lamb, Hair, & McDaniel, 2017). Nugroho (2023) and Dedy & Soelaiman (2023) state that using digital distribution platforms and collaborating with reliable distributors help MSMEs access broader markets. Ardianwiliandri et al. (2021) show that efficient distribution channels can increase customer satisfaction and provide a competitive edge.

Given the unique characteristics of craft MSMEs in Yogyakarta known for their cultural and creative industries this research contributes to knowledge enrichment by focusing on a niche sample. By empirically testing the relationship between the marketing mix and competitive advantage, the study bridges a gap in literature and provides insights for practitioners and policymakers to enhance MSMEs' strategic competitiveness.

The objectives of this study are: (1) to analyze the influence of product on the competitive advantage of craft MSMEs in Yogyakarta, (2) to analyze the

influence of price, (3) to analyze the influence of promotion, and (4) to analyze the influence of distribution on the competitive advantage of craft MSMEs in Yogyakarta.

LITERATURE REVIEW

Competitive Advantage Theory

Competitive advantage refers to the superiority a business achieves by offering greater customer value, either through lower prices or by providing greater benefits that justify higher prices (Lenggogeni & Ferdinand, 2016). It can be realized through product differentiation, effective market segmentation, and the ability to enter markets successfully (Ernawati & Ali, 2024). Kotler & Armstrong (2018) state that competitive advantage is achieved when a company delivers higher value compared to competitors. You Tang & Mesfin (2020) emphasized that marketing mix differentiation, cost efficiency, and market responsiveness are essential for sustaining advantage.

Product Theory

Products are core to the marketing mix and directly affect other elements (Al Badi, 2018). Defined as anything offered to meet consumer needs, they include physical goods, services, and experiences (Kotler & Keller, 2021). Innovative and high-quality products enhance competitive edge (Rostina, 2018). Prior research affirms the product's significant impact on competitive advantage (Putta, 2023; Al Badi, 2018; Mulyani & Prabowo, 2024).

H1: Product positively and significantly influences the competitive advantage of craft MSMEs in Yogyakarta.

Pricing Theory

Price plays a critical role in retail strength and competitive positioning (Al Badi, 2018). It encompasses production costs, market demand, and marketing strategies (Ali et al., 2022). Effective pricing aligns with quality and consumer perception (Setiawan & Dewi, 2023). Previous studies demonstrate the positive significance of price on competitive advantage (Amir, 2025; Aulia, 2022; Al Badi, 2018).

H2: Price positively and significantly influences the competitive advantage of craft MSMEs in Yogyakarta.

Promotion Theory

Promotion communicates value and persuades consumers (Belch & Belch, 2018). It involves advertising, direct marketing, public relations, and digital engagement (Kotler & Keller, 2016). Effective promotion boosts competitive edge by enhancing brand awareness and recall (Prasetyo et al., 2022). Supporting studies confirm its role in strengthening MSME competitiveness (Al Badi, 2018; Putta, 2023; Rasida & Anisah, 2024).

H3: Promotion positively and significantly influences the competitive advantage of craft MSMEs in Yogyakarta.

Distribution Theory

Distribution focuses on efficiently delivering products to customers (Lamb, Hair, & McDaniel, 2017). It includes logistics, intermediaries, and retail management (Christopher, 2016). Effective distribution ensures product accessibility and enhances market presence (Adrianwiliandri, 2021). Studies highlight its positive impact on MSME competitiveness (Al Badi, 2018; Ardianwiliandri, 2021; Putta, 2023).

H4: Distribution positively and significantly influences the competitive advantage of craft MSMEs in Yogyakarta.

Conceptual Framework

This study proposes a conceptual framework in which four independent variables product, price, promotion, and distribution are hypothesized to influence the dependent variable: competitive advantage. Each marketing mix component contributes uniquely to how craft MSMEs position themselves in a competitive market. The relationships are modeled to empirically test these effects using quantitative methods.

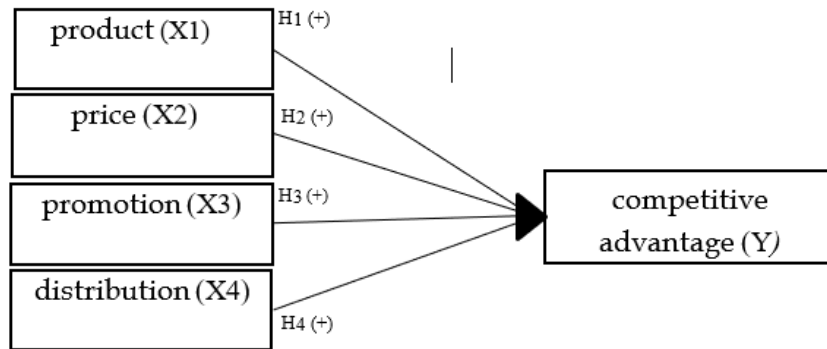


Figure 1. Conceptual Framework

METHODOLOGY

This research is a quantitative study with an explanatory approach and experimental design aimed at identifying the causal relationship between independent and dependent variables (Sugiyono, 2013; Creswell, 2014). The study was conducted on craft MSMEs in Yogyakarta with an infinite population and employed purposive sampling, resulting in 100 respondents who were owners or managers of craft MSMEs operating for at least the last three years. Data were collected through face-to-face questionnaires and analyzed using multiple linear regression, t-tests, and the coefficient of determination. The independent variables are: (1) Product, with indicators including product quality, innovation, design, packaging, and product variety; (2) Price, with indicators such as price affordability, price-quality alignment, competitive pricing strategy, payment flexibility, and payment methods; (3) Promotion, measured through clarity and attractiveness of promotion, product sampling, structured promotional activities, discounts, and use of digital media; and (4) Distribution, with indicators like effective distribution channels, product accessibility, efficient distribution systems, clear product information, and ease of access to points of sale. The dependent variable is Competitive Advantage,

assessed through indicators such as superior product/service quality, strong product/service reputation, good customer and partner relationships, distribution system excellence, and pricing strategies as a source of advantage. Instrument validity and reliability were tested using Pearson Product Moment and Cronbach's Alpha, while classical assumption tests included normality, multicollinearity, and heteroscedasticity to ensure the suitability of the regression model.

RESEARCH RESULT

Profile of Research Objects (MSMEs) and Respondents

The research object consisted of 100 craft MSMEs in Yogyakarta. Most businesses had been operating for more than 8 years (51%), and the dominant business sector was leather production (23%). The majority of business entities were sole proprietorships (88%), with most MSMEs employing between 5 to 10 workers (39%). In terms of market reach, 74% of MSMEs served the domestic market, and Facebook was the most frequently used marketing medium (40%). Respondents were mostly male (54%), with the highest level of education being senior high school graduates (59%). Most respondents were aged 41–50 years (51%) and held dual roles as owners and managers (45%). Additionally, 43% of respondents had worked in their MSMEs for more than 8 years.

Validity Test

The validity test is used to measure whether a questionnaire item is valid or not in the context of the research. The results of the validity test using the Pearson Product Moment technique are presented in Table 1.

Table 1. Validity Test

Variabel	Question Items	r Count	r table	Information
Price (X₁)	1	0,607	0,1966	Valid
	2	0,581	0,1966	Valid
	3	0,544	0,1966	Valid
	4	0,659	0,1966	Valid
	5	0,744	0,1966	Valid
Product (X₂)	1	0,499	0,1966	Valid
	2	0,444	0,1966	Valid
	3	0,508	0,1966	Valid
	4	0,649	0,1966	Valid
	5	0,572	0,1966	Valid
Promotion (X₃)	1	0,707	0,1966	Valid
	2	0,630	0,1966	Valid
	3	0,695	0,1966	Valid
	4	0,601	0,1966	Valid
	5	0,690	0,1966	Valid
Distribution (X₄)	1	0,730	0,1966	Valid
	2	0,656	0,1966	Valid
	3	0,585	0,1966	Valid
	4	0,713	0,1966	Valid
	5	0,571	0,1966	Valid
Competitive Advantage (Y)	1	0,648	0,1966	Valid
	2	0,761	0,1966	Valid
	3	0,705	0,1966	Valid
	4	0,622	0,1966	Valid
	5	0,499	0,1966	Valid

Based on Table 1 above, it can be concluded that the entire questionnaire used in this study is declared valid, as all question items have a calculated r value greater than the r table value of 0.1966

Reliability Test

The results of the reliability test using the Cronbach's Alpha technique are presented in Table 2.

Table 2. Reliability Test Results

<u>Variabel</u>	<i>Cronbach's Alpha</i>	Information
Product	0,748	<u>Reliabel</u>
Price	0,693	<u>Reliabel</u>
Promotion	0,762	<u>Reliabel</u>
Distribution	0,759	<u>Reliabel</u>
Competitive Advantage	0,755	<u>Reliabel</u>

Based on the reliability test table above, all variable items have an alpha coefficient value greater than the critical value of 0.70, so it can be concluded that all variable items are reliable.

Data Normality Test

He data normality test is used to test whether the independent variables as well as the dependent variables in the regression have a normal data distribution or not. The results of the data validity test can be seen in table 3.

Table 3. Data Normality Test Results
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		100
<u>Normal Parameters^{a,b}</u>	Mean	.0000000
	Std. Deviation	113.969.810
Most Extreme Differences	Absolute	.053
	Positive	.053
	Negative	-.047
Test Statistic		.053
<u>Asymp. Sig. (2-tailed)</u>		<u>.200^{c,d}</u>

Based on the table above, it is known that the significance value is 0.200. This value > 0.05 so that it can be concluded that the data is distributed normally.

Data Multicollinearity Test

The following are the results of the multicollinearity test based on the VIF value presented in table 4.

Table 4. Multicollieaniarity Test

Coefficients^a

Model		Collinearity Statistics	
		Tolerance	VIF
1	X1	.493	2.029
	X2	.572	1.749
	X3	.520	1.922
	X4	.327	3.055

Based on the table above, it is known that all variable items have a VIF value of < 10 and a tolerance > 0.1 so that it can be concluded that all variable items do not have symptoms of multicollinearity.

Data Heteroscedasity Test

The heteroskedasticity test is used to ascertain the difference in residual variables from one observation to another. The heteroskedasticity test is presented in the table below as follows:

Table 5. Heteroscedasity Test Results

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.976	1.116		1.771	.080
	Product	.045	.059	.108	.772	.442
	Price	.065	.060	.140	1.081	.282
	Promotion	-.095	.050	-.256	-1.882	.063
	Distribution	-.069	.060	-.197	-1.148	.254

Based on the table above, it is known that the significance value of all variable items is > 0.05 so that it can be concluded that all variable items do not have symptoms of heteroskedasticity.

Assessment of Product Variables

The respondents' assessment of the product variables based on the 5 indicators described in the statement on the questionnaire can be seen in the following table:

Table 6. Assessment of Product Variables

No	Statement	Mean	Information
1	Our MSMEs offer very high quality products and or services	4,36	Strongly Agree
2	Our MSMEs actively develop products and services to excel in competition	4,27	Strongly Agree
3	Our MSMEs offer a variety of products and or services to meet market demand	4,26	Strongly Agree
4	Our MSMEs pay great attention to product design	4,31	Strongly Agree
5	Our MSMEs pay close attention to the product packaging used	4,29	Strongly Agree
Overall Average		4,30	Strongly Agree

Source: Primary Data Processed (2025)

Based on the results of the overall assessment of the product variables, it is known that the average value of 4.30 is in the category of very agreeable. This shows that MSME products have been developed very well. The indicators on the products that are rated the highest are products and/or services that are of very high quality, while the indicators that are rated the lowest are in the variety of products offered.

Assessment of Price Variables

The respondents' assessment of the product variables based on the 5 indicators described in the statement on the questionnaire can be seen in the following table:

Table 7. Assessment of Price Variables

No	Statement	Mean	Information
1	Our MSMEs offer very affordable prices	4,34	Strongly Agree
2	Our MSMEs implement a competitive price strategy	4,43	Strongly Agree
3	Our MSMEs provide a variety of payment methods	4,21	Strongly Agree
4	Our MSMEs offer flexible payment periods for resellers	4,22	Strongly Agree
5	Our UMM sets the price according to the quality offered	4,34	Strongly Agree
Overall Average		4,31	Strongly Agree

Source: Primary Data Processed (2025)

Based on the results of the overall assessment of the price variable, it is known that the average value of 4.31 is in the category of very agreeable. This

shows that the price policy set by MSMEs has been developed very well. The indicator at the highest rated price is a competitive price strategy, while the indicator at the lowest rated is a flexible payment period.

Assessment of Promotion Variables

The respondents' assessment of the product variables based on the 5 indicators described in the statement on the questionnaire can be seen in the following table:

Table 8. Assessment of Promotion Variables

No	Statement	Mean	Information
1	The promotions we convey are very clear and very attractive	4,34	Strongly Agree
2	Our MSMEs provide product samples for potential consumers	4,26	Strongly Agree
3	Our MSMEs have a planned agenda of promotional activities	4,13	Agree
4	Our MSMEs provide sales promotion facilities through discounts or quantity discounts	4,23	Strongly Agree
5	Our MSMEs have made effective use of digital marketing media	4,29	Strongly Agree
Overall Average		4,25	Strongly Agree

Source: Primary Data Processed (2025)

Based on the results of the overall assessment of the promotion variables, it is known that the average score of 4.25 is in the category of strongly agree. This shows that the promotions carried out by MSMEs have been developed very well. The indicators in the promotions that are rated the highest are the promotions that are delivered very clearly and very interestingly, while the indicators that are rated very low are planned promotional activities.

Assessment of Distribution Variables

The respondents' assessment of the product variables based on the 5 indicators described in the statement on the questionnaire can be seen in the following table:

Table 9. Assessment of Distribution Variables

No	Statement	Mean	Information
1	Our MSMEs have leveraged distribution channels effectively	4,33	Strongly Agree
2	Our MSME products are easy for consumers to get	4,21	Strongly Agree
3	Our MSMEs have an effective distribution system	4,16	Agree
4	Our MSMEs provide detailed and clear information about products/services needed by consumers	4,18	Agree
5	Our MSMEs have an easy-to-reach sales location	4,23	Strongly Agree
Overall Average		4,22	Strongly Agree

Source: Primary Data Processed (2025)

Based on the results of the overall assessment of the distribution variables, it is known that the average value of 4.22 is in the category of strongly agree. This shows that the distribution carried out by MSMEs has been developed very well. The highest rated distribution indicator is the effective use of distribution channels, while the lowest rated indicator is an effective distribution system.

Assessment of Competitive Advantage Variables

The respondents' assessment of the product variables based on the 5 indicators described in the statement on the questionnaire can be seen in the following table:

Table 10. Assessment of the Competitive Advantage Variable

No	Statement	Mean	Information
1	The quality of products/services is one of the sources of excellence for our MSMEs	4,36	Strongly Agree
2	Our MSMEs have an excellent reputation	4,45	Strongly Agree
3	Our MSMEs are able to foster good relationships with customers and business partners	4,44	Agree
4	The distribution system for our MSMEs is able to be one of the competitiveness	4,33	Agree
5	The price strategy set by our MSMEs is able to be a source of competitive advantage	4,23	Strongly Agree
Overall Average		4,36	Strongly Agree

Source: Primary Data Processed (2025)

Based on the results of the overall assessment of the competitive advantage variable, it is known that the average score of 4.22 is in the category of very agreeable. This shows that the competitive advantage strategy of handicraft MSMEs in Yogyakarta is very good. The highest rated indicator of competitive advantage is the excellent reputation of MSMEs, while the lowest rated indicator of competitive advantage is the price strategy.

Multiple Linear Regression Analysis

Multiple linear regression analysis was performed using SPSS version 25, with the results of multiple linear regression analysis presented in table 11.

Table 11. Multiple Linear Regression Analysis

Model		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3,287	1,817		1.809	.074
	Product	,339	,096	.336	3.535	.001
	Price	,169	,097	.153	1.735	.086
1	Promotion	.218	.082	.246	2.657	.009
	Distribution	.141	.098	.168	1.439	.153

The regression coefficient values used are standardized coefficients using the following linear equations:

$$Y = 3,287 + 0,339 X1 + 0,169 X2 + 0,218 X3 + 0,141 X4 + e$$

Based on the calculations that have been found, the above regression equation can be explained, namely:

- a. The constant value is 3.287 which states that if the variable has a meaning if the value of the product, price, promotion, and distribution variables is constant or zero, then the variable of competitive advantage results remains 3.287.
- b. The value of the coefficient in the product variable X1 is 0.339 which means that the research score of the product variable increases by 1 unit, then the competitive advantage research score will increase by 0.339 units. Product variables have a positive influence on competitive advantage
- c. The value of the coefficient in the price variable X2 is 0.169 which means that the research score of the price variable increases by 1 unit, then the competitive advantage research score will increase by 0.169 units. Product variables have a positive influence on competitive advantage
- d. The coefficient value in the promotion variable X3 is 0.218 which means that the research score of the promotion variable will increase by 1 unit, then the competitive advantage research score will increase by 0.218 units. Product variables have a positive influence on competitive advantage.
- e. The value of the coefficient in the distribution variable X4 is 0.141 which means that the research score of the distribution variable will increase by 1 unit, then the competitive advantage research score will increase by 0.141

units. Product variables have a positive influence on competitive advantage.

Hypothesis t test

The hypothesis test in the form of a t-test is intended to partially test the significance of the influence of product variables, price, promotion, distribution and competitive advantage on the marketing performance of MSMEs of green products. Based on table 4.14. In the multiple linear regression test, the results of the hypothesis test can be summarized as follows:

Table 12. Hypothesis Testing

Variabel	t	Sig.	Conclusion
Product	3,535	0,001	Ha1 accepted
Price	1,735	0,086	Ha2 rejected
Promotion	2,657	0,009	Ha3 accepted
Distribution	1,439	0,153	Ha4 ditolak

1. Testing Hypothesis 1: the effect of products on competitive advantage. The results of the hypothesis test on H1 obtained a significance value of $0.001 < 0.05$. So, H0 was rejected and Ha was accepted so that it can be concluded that the product variable has a positive and significant effect on the competitive advantage of handicraft MSMEs in Yogyakarta.
2. Testing Hypothesis 2: the effect of price on competitive advantage. The results of the hypothesis test on H2 obtained a significance value of $0.086 > 0.05$. So, H0 was accepted and Ha was rejected, so it can be concluded that the price variable does not have a significant effect on the competitive advantage of handicraft MSMEs in Yogyakarta.
3. Testing Hypothesis 3: the influence of promotion on competitive advantage. The results of the hypothesis test on H3 obtained a significance value of $0.009 < 0.05$. Therefore, H0 was rejected and Ha was accepted so that it can be concluded that the promotion variable has a positive and significant effect on the competitive advantage of handicraft MSMEs in Yogyakarta.
4. Hypothesis 4 testing: the effect of distribution on competitive advantage. The results of the hypothesis test on H4 obtained a significance value of $0.153 > 0.05$. So, H0 was accepted and Ha was rejected so that it can be concluded that the distribution variable does not have a significant effect on the competitive advantage of handicraft MSMEs in Yogyakarta.

Coefficient Determination Test

The determination coefficient is used to determine the contribution of the influence of the free variable can explain the bound variable. The determination coefficient test is presented in table 13.

Table 13. Determination Coefficient Test (R2)

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.759 ^a	.576	.558	1.163

Based on table 4.8, it can be seen that if it has an Adjusted R Square (R2) value of 0.576, this means that 57.6% of the variables of MSMEs' competitive advantage can be explained by independent variables in the form of products, prices, promotions, and distribution. While the remaining 42.4% can be explained by other factors that were not studied in this study. Thus, the contribution of the influence of variable independent to variable dependent is in the medium category.

DISCUSSION

The Influence of Product on Competitive Advantage

The research shows that the product variable has a positive and significant effect on the competitive advantage of craft MSMEs in Yogyakarta. The better the product strategy implemented, the greater the competitive advantage gained. Descriptive analysis highlights that product quality is the main factor driving this advantage. These findings are consistent with studies by Ezra (2022) and Aulia (2022), which affirm that strong product strategies enhance competitive edge. Al Badi (2018) also supports this view, stating that product strategy is a key determinant of competitive advantage.

The Influence of Price on Competitive Advantage

The study reveals that the price variable does not significantly affect the competitive advantage of craft MSMEs in Yogyakarta, indicating that pricing policies are not a decisive factor in this context. Despite evidence from descriptive analysis showing that most MSMEs have implemented good pricing strategies, they do not contribute significantly to their competitiveness. These findings align with the research of Fathiyah & Nuvriasari (2024), who found no significant relationship between price and competitive advantage.

The Influence of Promotion on Competitive Advantage

Promotion has a positive and significant impact on the competitive advantage of craft MSMEs in Yogyakarta. The more effective the promotional strategy, the stronger the competitive positioning of the MSMEs. The key promotional indicator identified is the delivery of clear and informative messages. This result is in line with studies by Muhrim & Hehanusa (2025), Jufriyano et al. (2024), and Laisa et al. (2022), all of which emphasize that effective promotional strategies are essential drivers of competitive advantage.

The Influence of Distribution on Competitive Advantage

The findings indicate that distribution does not have a significant impact on the competitive advantage of craft MSMEs in Yogyakarta. Although most

MSMEs have implemented proper distribution strategies, they do not substantially affect competitive strength. This supports the research of Sari & Gultom (2019), who also concluded that distribution is not a primary factor influencing competitive advantage in the craft MSME sector.

CONCLUSIONS AND RECOMMENDATIONS

Based on the research findings and discussion, it can be concluded that product and promotion have a positive and significant influence on the competitive advantage of craft MSMEs in Yogyakarta, while price and distribution do not have a significant effect, indicating that these two variables are not key determinants of competitive advantage. The study also provides several recommendations: MSME actors should pay more attention to product variety, as it was the lowest-rated product indicator; diversify payment methods, which scored lowest under the price variable; establish a structured promotional agenda, which was lacking in the promotion variable; and develop a more effective distribution system, which was the weakest aspect in the distribution variable. These improvements are essential to enhance the competitive position of craft MSMEs in a dynamic and competitive market environment.

ADVANCED RESEARCH

This study has a limitation in that the sample was heterogeneous and not specifically categorized by type of craft business, which may have led to varied assessments of each research variable, particularly the product variable. Moreover, the coefficient of determination (R^2) analysis showed that the variables of product, price, promotion, and distribution contributed only 57.6% to the competitive advantage of MSMEs, which falls into the moderate category. Therefore, future research is recommended to increase the sample size, focus on specific types of craft products, and examine additional variables that, both theoretically and empirically, may influence MSME competitive advantage.

ACKNOWLEDGMENT

The author would like to thank Universitas Mercu Buana Yogyakarta and Dr. Audita Nuvriasari, SE., MM., for their valuable guidance throughout the research process. Appreciation is also extended to the MSME owners in Yogyakarta who participated in the study.

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