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DIGITAL CAPABILITY AND MARKET ORIENTATION AS DRIVERS OF MARKETING PERFORMANCE: THE MEDIATING ROLE OF CUSTOMER ENGAGEMENT IN INDONESIAN FASHION MSMES

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Abstract
This study examined the effects of market orientation and digital capability on marketing performance through the mediating role of customer engagement among Indonesian fashion micro, small, and medium-sized enterprises (MSMEs). The study was motivated by rapid digital transformation and intensifying competition in the fashion MSME sector, which require firms to develop strategic capabilities to achieve sustainable marketing performance. Previous studies have largely examined market orientation, digital capability, and customer engagement independently, leaving limited empirical evidence on an integrated framework explaining how these capabilities collectively contribute to superior marketing outcomes. A quantitative survey was conducted among owners and managers of Indonesian fashion MSMEs actively utilizing digital marketing platforms. Data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). The results indicated that market orientation and digital capability significantly enhanced customer engagement and marketing performance. Customer engagement also had a significant positive effect on marketing performance and significantly partially mediated the relationships between market orientation and marketing performance, as well as between digital capability and marketing performance. These findings demonstrated that customer engagement functioned as a critical strategic mechanism through which organizational capabilities were translated into superior marketing outcomes. The study contributed theoretically by providing empirical validation of the Suleman Integrated Digital UMKM Marketing Model and extending Dynamic Capabilities Theory by integrating market orientation, digital capability, customer engagement, and marketing performance within a comprehensive strategic framework. Practically, the findings provided actionable insights for MSME owners, policymakers, and business development institutions in developing digital transformation strategies that strengthen market responsiveness, digital capabilities, customer engagement, sustainable marketing performance, and competitive advantage.

Keywords: Market Orientation, Digital Capability, Customer Engagement, Marketing Performance, MSMES

1. Introduction

Fashion micro, small, and medium-sized enterprises (MSMEs) are important drivers of Indonesia's creative economy through employment creation, innovation, and promotion of local products (Gao et al., 2023). The rapid advancement of digital technologies has transformed how fashion MSMEs interact with customers, build brand identity, and compete beyond traditional geographical boundaries. In this digital landscape, market orientation and digital capability have become essential organizational capabilities for understanding customer preferences and implementing innovative digital marketing strategies (Collazos et al., 2025; Wahyuni & Siratan, 2025). Market orientation enables firms to acquire and utilize customer and competitor intelligence, while digital capability transforms such knowledge into effective digital marketing and customer-centered practices (Prajogo, 2020). However, many fashion MSMEs still struggle to convert market knowledge and digital technologies into sustainable marketing performance, indicating that competitive advantage requires the integration of both capabilities to strengthen customer relationships.

Digital transformation in Indonesia's fashion industry has accelerated through social commerce, live-streaming platforms, and digital marketplaces (Ahmad et al., 2024). Fashion MSMEs increasingly use Instagram, TikTok Shop, and Shopee to expand market reach, strengthen brand visibility, and engage customers throughout the purchasing journey (Christin et al., 2025). Nevertheless, digital adoption has not consistently produced superior marketing performance. Many firms still struggle with customer retention, market share, and sustainable sales growth because they may prioritize technology without developing market intelligence or understand customer needs without sufficient digital capability (Nursalim et al., 2025). As a result, digital marketing often remains transactional and promotional rather than relationship-oriented, limiting long-term customer value. Integrating market orientation and digital capability therefore remains a critical managerial challenge.

The urgency of this research arises from several gaps. First, although market orientation, digital capability, customer engagement, and marketing performance have been widely studied, they are often examined separately or through fragmented frameworks (Khan et al., 2016; Javed et al., 2026). Second, customer engagement has become an important mechanism through which organizational capabilities generate marketing performance (Brodie et al., 2011). In digital markets, customers actively interact with brands, create and share content, participate in online communities, recommend products through electronic word-of-mouth, and develop loyalty (Suleman, 2024). However, many fashion MSMEs continue to emphasize short-term promotion rather than interactive experiences that foster participation, trust, and commitment. Third, previous studies have largely examined the independent effects of market orientation or digital capability without simultaneously positioning customer engagement as the mechanism linking these capabilities to marketing outcomes (Khan et al., 2016). Fourth, customer engagement has often been treated as an outcome of digital marketing rather than as a mediating capability. Consequently, how market orientation and digital capability jointly influence marketing performance remains insufficiently understood, particularly among fashion MSMEs in emerging economies (Javed et al., 2026).

Previous studies provide significant but fragmented evidence. Market orientation positively influences organizational performance by helping firms identify customer preferences and competitive dynamics (Khan et al., 2016), while digital capability supports adaptive and customer-focused marketing strategies (Prajogo, 2020). Customer engagement generates organizational value through repeat purchases, customer acquisition, advocacy, and positive online interactions (Brodie et al., 2011; Suleman, 2024). However, these relationships have rarely been integrated to explain how market orientation and digital capability jointly influence marketing performance through customer engagement, particularly in fashion MSMEs in emerging economies (Javed et al., 2026).

The research gap therefore concerns the limited understanding of how market orientation and digital capability influence marketing performance through customer engagement among Indonesian fashion MSMEs. Although individual studies have examined their direct effects on performance, an integrated framework incorporating customer engagement as a mediating mechanism remains underexplored (Khan et al., 2016; Javed et al., 2026). Moreover, much of the existing evidence derives from large firms or developed countries, leaving limited understanding of these capabilities among MSMEs in emerging digital economies (Suleman, 2024).

The novelty of this research lies in several aspects. First, it adopts the Suleman Integrated Digital UMKM Marketing Model (SIDUMM) as an integrated framework. SIDUMM proposes that superior marketing performance results from the strategic alignment of market orientation, digital capability, customer engagement, and organizational adaptability within Dynamic Capabilities Theory (Suleman, 2024; Suleman, 2025; Dede Suleman et al., 2026). Second, the study conceptualizes market orientation, digital capability, and customer engagement as complementary capabilities that collectively strengthen competitive advantage rather than as isolated determinants. Third, it empirically validates SIDUMM among Indonesian fashion MSMEs, extending Dynamic Capabilities Theory by explaining how market-oriented behavior and digital capability contribute to marketing performance through customer engagement (Suleman et al., 2023; Suleman, 2025). Fourth, it positions customer engagement as a mediating capability through which organizational resources generate sustainable marketing value. Fifth, it extends Dynamic Capabilities Theory to digital marketing among MSMEs in emerging economies (Teece, 2007, 2016).

This study is grounded in Dynamic Capabilities Theory, which argues that sustainable competitive advantage depends on an organization's ability to sense opportunities, seize resources, and continuously reconfigure capabilities in response to environmental changes (Teece, 2007, 2016). Market orientation enables firms to identify customer preferences and competitive dynamics, while digital capability provides the technological competence to implement adaptive and customer-focused strategies (Suryani & Dwiputra, 2025). Customer engagement subsequently functions as the relational mechanism through which these capabilities contribute to marketing performance. Rather than emphasizing resource ownership, Dynamic Capabilities Theory highlights continuous capability renewal as essential for competitiveness in dynamic digital environments (Teece, 2016). Thus, the theory provides a foundation for the integrated relationships proposed in SIDUMM.

The purpose of this study is to examine the effects of market orientation and digital capability on marketing performance through customer engagement among Indonesian fashion MSMEs. Specifically, it investigates the direct effects of market orientation and digital capability on customer engagement and marketing performance, as well as their indirect effects through customer engagement. By integrating these constructs within SIDUMM and Dynamic Capabilities Theory, the study provides a more comprehensive explanation of marketing performance than previous fragmented models.

The contribution of this research is multifaceted. Theoretically, it enriches the literature on marketing performance and dynamic capabilities by empirically validating SIDUMM and extending Dynamic Capabilities Theory to digital marketing among MSMEs in emerging economies. It also clarifies how market orientation and digital

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capability jointly influence marketing performance through customer engagement. Practically, the findings provide insights for MSME owners, policymakers, and business development institutions in designing integrated digital transformation strategies. MSME owners can use the findings to prioritize capabilities supporting effective digital marketing, while policymakers can strengthen market orientation and digital capability through training, digital infrastructure, and business development programs. Business development institutions can also use these findings to design more effective interventions for fashion MSMEs in Indonesia.

2. Theoretical Background

2.1 Dynamic Capabilities Theory

Dynamic Capabilities Theory explains that sustainable competitive advantage is achieved through an organization's ability to sense market opportunities, seize valuable resources, and continuously reconfigure organizational capabilities in response to changing business environments (Teece, 2016). Unlike conventional resource-based perspectives that emphasize the possession of strategic resources, this theory highlights an organization's capability to adapt, innovate, and transform existing resources into superior organizational performance. Dynamic capabilities enable firms to recognize shifts in customer preferences, technological developments, and competitive conditions while responding through strategic renewal and continuous learning (Teece, 2016). In digital business environments, organizations possessing stronger dynamic capabilities are better positioned to integrate market knowledge with digital technologies to create superior customer value. Consequently, Dynamic Capabilities Theory provides an appropriate theoretical foundation for explaining how market orientation and digital capability contribute to marketing performance through customer engagement (Teece, 2007).

Within the context of this study, Dynamic Capabilities Theory explains the relationships among market orientation, digital capability, customer engagement, and marketing performance (Warner & Wäger, 2019). Market orientation enables fashion MSMEs to identify changing customer needs and monitor competitive dynamics, whereas digital capability provides the competence required to implement adaptive digital marketing strategies. Customer engagement functions as the relational mechanism through which these organizational capabilities are transformed into superior marketing outcomes by strengthening customer interaction, participation, commitment, and digital loyalty (Warner & Wäger, 2019). Ultimately, the integration of market orientation and digital capability enables firms to continuously create customer value and improve marketing performance in highly dynamic digital markets. Therefore, Dynamic Capabilities Theory not only explains organizational adaptation but also clarifies how strategic capabilities generate sustainable marketing performance through stronger customer relationships (Warner & Wäger, 2019). Within SIDUMM, market orientation functions as the strategic foundation that enables firms to recognize evolving customer needs and market opportunities. Digital capability represents the firm's ability to effectively utilize digital technologies in marketing activities, operational processes, and customer relationship management. Customer engagement serves as the behavioral mechanism through which organizational capabilities are translated into stronger customer relationships, while marketing performance represents the ultimate organizational outcome reflected in sales growth, customer acquisition, and competitive positioning (Suleman, 2024; Suleman et al., 2023) The framework is theoretically grounded in Dynamic Capabilities Theory, which argues that organizations must continuously sense opportunities, seize market changes, and transform internal resources to maintain long-term competitiveness. Consequently, SIDUMM extends this perspective by explicitly incorporating customer engagement as a strategic pathway linking organizational capabilities to superior marketing outcomes in MSMEs operating in digital environments.

2.2 SIDUMM Framework

The Suleman Integrated Digital UMKM Marketing Model (SIDUMM) was developed to explain the integrated mechanism through which MSMEs achieve sustainable competitive advantage in the digital economy. Unlike conventional marketing models that emphasize isolated organizational resources, SIDUMM integrates market orientation, digital capability, customer engagement, and marketing performance into a unified strategic framework.

2.3 Market Orientation

Market orientation refers to an organization's capability to continuously generate, disseminate, and utilize market intelligence regarding customers, competitors, and environmental changes to create superior customer value. It emphasizes customer orientation, competitor orientation, interfunctional coordination, responsiveness to market changes, and value creation as fundamental organizational behaviors. (Ganjeh & Sanayei, 2021) Firms possessing strong market orientation actively identify customer preferences, monitor competitor strategies, and rapidly adjust their products and marketing activities according to market demands. For fashion MSMEs, market orientation enables businesses to recognize rapidly changing fashion trends, consumer lifestyles, and purchasing behaviors while developing products that better satisfy customer expectations. Consequently, market orientation has become one of the most important strategic capabilities supporting business competitiveness in increasingly dynamic digital markets (Reimann et al., 2022).

From the perspective of Dynamic Capabilities Theory, market orientation represents an organizational sensing capability that enables firms to recognize environmental changes and identify emerging business opportunities before competitors (Teece, 2016). Organizations possessing stronger market orientation are more capable of collecting valuable customer information and translating market knowledge into strategic actions that strengthen customer relationships. Previous empirical studies consistently support this argument. For example, (Morgan, 2012) found that market orientation significantly improves customer relationship quality and organizational competitiveness through superior value creation. Likewise, (Voola et al., 2012) demonstrated that market-oriented SMEs are more successful in developing stronger customer engagement because they continuously adapt their marketing strategies to changing customer expectations. Based on these theoretical and empirical arguments, the following hypothesis is proposed.

H1: Market orientation has a positive effect on customer engagement.

2.4 Digital Capability

Digital capability refers to an organization's ability to effectively utilize digital technologies, digital knowledge, and digital resources to support business operations and create competitive advantage (Ahmed et al., 2022). This capability encompasses digital literacy, social media utilization, marketplace integration, customer analytics, and

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technological innovation that collectively strengthen organizational responsiveness to market changes. For fashion MSMEs, digital capability enables businesses to optimize digital marketing activities, personalize customer communication, monitor consumer behavior, and rapidly respond to changing fashion trends (Vial, 2019). Rather than representing technological adoption alone, digital capability reflects an organization's competence to strategically integrate digital technologies into marketing decision-making and customer relationship management. Therefore, digital capability has become a fundamental capability for improving competitiveness in the digital economy (Verhoef et al., 2021).

According to Dynamic Capabilities Theory, digital capability represents an organizational seizing capability that enables firms to exploit technological opportunities identified through market sensing activities (Teece, 2007). Organizations possessing stronger digital capability are better equipped to transform digital technologies into customer value by creating personalized experiences, interactive communication, and efficient marketing processes. Empirical evidence consistently supports this relationship. (Verhoef et al., 2021) concluded that digital capability significantly enhances firms' ability to improve customer relationships and organizational competitiveness through digital transformation. Similarly, found that SMEs possessing superior digital capability demonstrate stronger customer engagement because digital technologies facilitate continuous interaction, responsiveness, and customer value creation. Accordingly, the following hypothesis is proposed.

H2: Digital capability has a positive effect on customer engagement.

2.5 Customer Engagement

Customer engagement refers to the degree of customers' cognitive, emotional, and behavioral involvement in their interactions with a firm's products, services, or brand across digital and physical channels (Brodie et al., 2011a). It reflects the extent to which customers actively participate in organizational activities through communication, content interaction, feedback, advocacy, and long-term loyalty. In the context of fashion MSMEs, customer engagement extends beyond transactional purchasing behavior by emphasizing continuous relationships that encourage customers to interact with brands through social media, online communities, live streaming, and other digital platforms (Hollebeek et al., 2014). Highly engaged customers are more likely to recommend products, share positive experiences, and establish stronger emotional connections with the brand. Consequently, customer engagement has become an essential strategic asset that enables fashion MSMEs to strengthen customer relationships and sustain competitive advantage in increasingly dynamic digital markets (Dede Suleman et al., 2026).

Dynamic Capabilities Theory explains that customer engagement represents an important outcome of organizational capabilities because firms possessing superior sensing and seizing capabilities are more capable of creating personalized customer experiences and maintaining long-term relationships (Teece, 2007). Organizations that successfully integrate market knowledge with digital technologies can continuously interact with customers, encourage active participation, and strengthen digital loyalty. Previous empirical studies support this perspective. (Islam & Rahman, 2016) found that customer engagement significantly improves marketing performance by increasing customer retention, customer advocacy, and repeat purchasing behavior across digital platforms. Likewise, (Ao et al., 2023) demonstrated that customer engagement functions as a strategic relational capability that directly enhances organizational performance by facilitating stronger customer participation and value co-creation. Based on these theoretical and empirical arguments, the following hypothesis is proposed.

H3: Customer engagement has a positive effect on marketing performance.

2.6 Marketing Performance

Marketing performance refers to the extent to which an organization successfully achieves its marketing objectives through measurable outcomes such as sales growth, customer acquisition, market share expansion, customer retention, and marketing profitability (Dede Suleman et al., 2023). It reflects the effectiveness of marketing strategies in creating customer value while simultaneously generating sustainable business growth. In fashion MSMEs, marketing performance is increasingly determined not only by financial outcomes but also by the firm's capability to establish long-term customer relationships, strengthen brand competitiveness, and respond rapidly to changing consumer preferences (Nursalim et al., 2025). Digital transformation has further expanded the dimensions of marketing performance by emphasizing customer interaction, digital responsiveness, and relationship quality as important determinants of organizational success. Therefore, marketing performance represents one of the primary indicators of business sustainability and competitive advantage within the fashion industry (Faujiah & Novita, 2024).

From the perspective of Dynamic Capabilities Theory, marketing performance is achieved when organizations successfully transform strategic organizational capabilities into superior customer value and sustainable competitive advantage (Teece, 2007). Market orientation enables firms to continuously identify customer needs and monitor competitor behavior, while digital capability facilitates the implementation of adaptive marketing strategies through digital technologies. Customer engagement subsequently strengthens the relationship between organizational capabilities and marketing performance by increasing customer commitment, advocacy, and loyalty. Previous empirical evidence supports this theoretical explanation. (Morgan, 2012) demonstrated that organizations possessing stronger marketing capabilities consistently achieve superior marketing performance because they effectively integrate customer knowledge into strategic decision-making. Similarly, (Al-Dmour et al., 2022) reported that organizational capabilities significantly improve marketing effectiveness by enhancing customer value creation and relationship quality. These findings reinforce the importance of combining market orientation, digital capability, and customer engagement to achieve sustainable marketing performance.

2.7 The Mediating Role of Customer Engagement

Customer engagement has increasingly been recognized as a strategic mechanism explaining how organizational capabilities are transformed into superior organizational outcomes (Suleman, 2024). Dynamic Capabilities Theory argues that market orientation and digital capability create value only when they facilitate continuous interaction with customers and enable firms to respond effectively to changing customer expectations. Market-oriented firms are better able to understand customer preferences and market dynamics, while digitally capable organizations can deliver personalized communication and interactive experiences through digital platforms (Teece, 2016). These complementary capabilities encourage customers to actively participate, interact, and develop stronger emotional attachment toward the brand. Consequently, customer engagement functions as the critical process through which organizational capabilities generate sustainable marketing performance (Warner & Wäger, 2019).

Previous empirical research provides substantial evidence supporting the mediating role of customer engagement. For example, (Chen et al., 2018) found that customer engagement mediates the relationship between organizational marketing capabilities and business performance by strengthening customer participation and long-term loyalty. Likewise, (Verhoef et al., 2021) reported that digital capability and market-oriented strategies improve organizational performance indirectly because they enhance customer interaction, customer experience, and customer commitment throughout the digital customer journey. These findings indicate that fashion MSMEs possessing stronger market orientation and digital capability are more likely to improve marketing performance when such capabilities successfully encourage customer engagement. Based on these theoretical and empirical arguments, the following hypotheses are proposed.

H4: Market orientation has a positive effect on marketing performance.

H5: Digital capability has a positive effect on marketing performance.

H6: Customer engagement positively mediates the relationship between market orientation and marketing performance.

H7: Customer engagement positively mediates the relationship between digital capability and marketing performance.

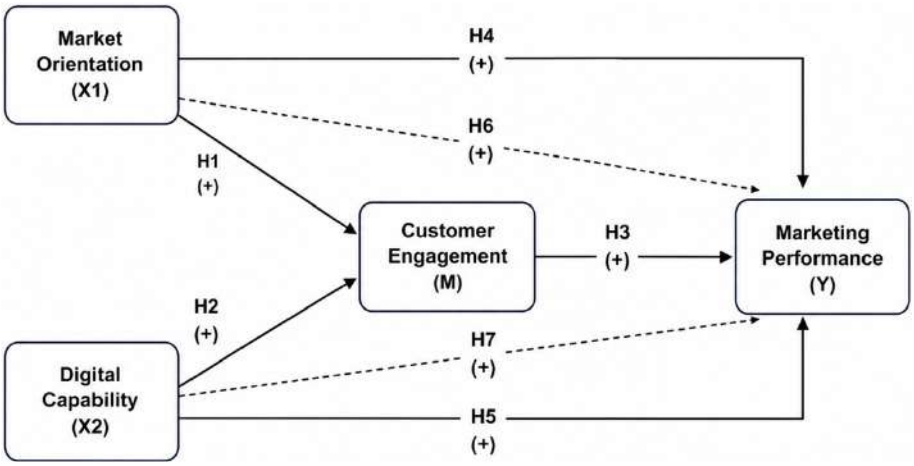

Figure 1. Research Model

This study contributes to the literature in several important ways. First, it provides one of the first empirical validations of the Suleman Integrated Digital UMKM Marketing Model (SIDUMM) as an integrated strategic framework within the context of Indonesian fashion MSMEs, thereby extending its applicability beyond conceptual development. Second, the findings enrich Dynamic Capabilities Theory by demonstrating that market orientation and digital capability are complementary organizational capabilities whose contribution to marketing performance depends on their ability to cultivate meaningful customer engagement. The results further indicate that digital capability alone is insufficient to generate superior marketing performance unless it is supported by a strong market orientation and sustained customer engagement. Third, this study provides robust empirical evidence that integrating organizational capabilities with customer-centered strategies constitutes an effective mechanism for achieving sustainable marketing performance in highly competitive digital business environments. Consequently, the findings reinforce the theoretical foundation of the SIDUMM framework by confirming customer engagement as the critical strategic mechanism through which market orientation and digital capability are translated into superior marketing performance.

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Figure 1 presents the proposed conceptual framework, which examines the relationships among market orientation, digital capability, customer engagement, and marketing performance in Indonesian fashion MSMEs. The framework proposes that market orientation and digital capability positively influence customer engagement, which subsequently enhances marketing performance. In addition to these indirect relationships, both market orientation and digital capability are hypothesized to exert direct positive effects on marketing performance, allowing this study to determine whether customer engagement functions as a partial or full mediating mechanism. Grounded in Dynamic Capabilities Theory and operationalized through the SIDUMM framework, the proposed model argues that fashion MSMEs with strong market orientation and digital capability are better positioned to identify market opportunities, leverage digital technologies effectively, develop meaningful customer relationships, and create superior customer value. These strategic capabilities ultimately enhance marketing performance by fostering higher levels of customer interaction, participation, commitment, advocacy, and digital loyalty. Accordingly, the proposed framework offers a comprehensive explanation of how organizational capabilities are transformed into sustainable marketing performance through customer engagement, while simultaneously providing empirical support for the applicability and generalizability of the SIDUMM framework in Indonesia's digital fashion industry.

3. Methods

3.1 Research Design

This study employs a quantitative research approach using a cross-sectional survey design to investigate the relationships among market orientation, digital capability, customer engagement, and marketing performance (Hair et al., 2022). The unit of analysis is individual owners or managers of fashion MSMEs who are directly responsible for marketing activities and strategic business decisions. The research focuses on fashion MSMEs located in Bandung City, Indonesia, which is widely recognized as one of Indonesia's leading fashion industry hubs with a rapidly growing digital business ecosystem. Data are collected through structured questionnaires administered both directly and online. This research design enables the study to capture respondents' perceptions regarding organizational capabilities, customer engagement, and marketing performance at a single point in time.

3.2 Population and Sample

The population consists of all registered fashion MSMEs operating in Bandung City that actively utilize digital platforms such as Instagram, TikTok Shop, Facebook, Shopee, Tokopedia, or WhatsApp Business to support their marketing activities. Based on records from the local Cooperative and MSME Office, the estimated population is approximately 4,200 fashion MSMEs. Using Slovin's formula with a 5% margin of error, the minimum required sample size is approximately 365 respondents. A purposive sampling technique is employed, requiring respondents to be business owners or marketing managers who have utilized digital marketing for at least one year and possess sufficient experience in managing customer relationships. These criteria ensure that respondents have adequate knowledge to evaluate the research variables objectively (Hair et al., 2022).

3.3 Data Collection Procedure

Primary data are collected using self-administered questionnaires measured on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The

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questionnaire consists of two sections, namely respondent demographic information and measurement items representing each research construct. Prior to the main survey, a pilot test involving 30 fashion MSME owners is conducted to assess the clarity, validity, and reliability of the research instrument. The final survey is implemented over a four-week period through direct visits to fashion business centers and online distribution using Google Forms, WhatsApp, and other digital communication platforms. This combination of offline and online distribution methods is expected to improve response rates while minimizing potential non-response bias (Hair et al., 2022).

3.4 Variables and Measurement

3.4.1 Market Orientation

Market orientation refers to the organizational capability to continuously identify customer needs, monitor competitor activities, coordinate internal resources, respond to market changes, and create superior customer value. It reflects the firm's commitment to understanding market dynamics and utilizing market intelligence in strategic marketing decisions. In this study, market orientation is measured using five indicators (Suliyanto et al., 2023):

1) Customer orientation
2) Competitor orientation
3) Interfunctional coordination
4) Market responsiveness
5) Customer value creation

3.4.2 Digital Capability

Digital capability refers to the organizational ability to effectively utilize digital technologies and digital knowledge to support marketing activities and business competitiveness. It reflects the firm's competence in integrating digital platforms, customer information, and technological innovation into marketing decision-making processes. Digital capability is measured using five indicators (Cenamor et al., 2019):

1) Digital literacy
2) Social media utilization
3) Marketplace utilization
4) Customer data analytics
5) Digital technology integration

3.4.3 Customer Engagement

Customer engagement refers to the degree of customers' cognitive, emotional, and behavioral involvement in their interactions with a firm's products, services, and digital platforms. It reflects customers' willingness to actively participate, communicate, advocate, and maintain long-term relationships with the business. Customer engagement is treated as the mediating variable in this study and is measured using five indicators (Brodie et al., 2011b):

1) Interaction
2) Participation
3) Commitment
4) Customer advocacy
5) Digital loyalty

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3.4.4 Marketing Performance

Marketing performance refers to the degree to which organizational marketing objectives are successfully achieved through effective marketing activities. It reflects the firm's ability to improve business outcomes, strengthen customer relationships, and generate sustainable competitive advantage. Marketing performance is measured using five indicators (Reimann et al., 2022):

1) Sales growth
2) Customer growth
3) Market share
4) Customer retention
5) Marketing profitability

3.5 Data Analysis Technique

The collected data are analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 3 software. PLS-SEM is selected because it is appropriate for predictive research models involving multiple exogenous variables and mediation analysis (Hair et al., 2022). The analysis consists of two stages: evaluation of the measurement model and assessment of the structural model. The measurement model is examined through indicator reliability, internal consistency reliability, convergent validity, and discriminant validity using the Heterotrait-Monotrait Ratio (HTMT) criterion. The structural model evaluates collinearity, path coefficients, coefficients of determination (R^2), predictive relevance (Q^2), effect sizes (f^2), and model fit using the Standardized Root Mean Square Residual (SRMR). Finally, hypothesis testing and mediation analysis are conducted using the bootstrapping procedure with 5,000 resamples to determine the statistical significance of both direct and indirect relationships among market orientation, digital capability, customer engagement, and marketing performance.

4. Results and Discussion

4.1 Results

Table 1. Respondent Characteristics

Category	Frequency	Percentage (%)
Gender		
Male	157	43.0
Female	208	57.0
Age		
Below 30 years	112	30.7
30–40 years	161	44.1
Above 40 years	92	25.2
Education		
Senior High School	101	27.7
Diploma/Bachelor	221	60.5
Postgraduate	43	11.8
Business Operation		
1–3 years	96	26.3
More than 3 years	269	73.7
Main Digital Platform		
Instagram	132	36.2
TikTok Shop	98	26.8

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Category	Frequency	Percentage (%)
Shopee/Tokopedia	83	22.7
WhatsApp Business	52	14.3

Source: Data processed by researchers (SmartPLS 4.0), 2026

Table 1 presents the respondent characteristics of this study. The respondent profile indicates that female entrepreneurs dominate the sample, accounting for 57.0% of the respondents, reflecting the strong participation of women in Indonesia's fashion MSME sector. Most respondents are between 30 and 40 years old and possess a diploma or bachelor's degree, suggesting that they have adequate educational backgrounds to implement digital marketing strategies and market-oriented business practices. Approximately 73.7% of the respondents have operated their businesses for more than three years, indicating considerable entrepreneurial experience. Instagram and TikTok Shop emerge as the most frequently utilized digital platforms, highlighting the importance of visual content and social commerce in fashion marketing. Overall, the respondent characteristics demonstrate that the sample appropriately represents fashion MSMEs actively engaged in digital marketing activities.

Table 2. Measurement Model Results

Variable	Loading Range	AVE	Cronbach's Alpha	Composite Reliability
Market Orientation	0.754–0.901	0.688	0.887	0.917
Digital Capability	0.763–0.894	0.681	0.882	0.914
Customer Engagement	0.771–0.912	0.706	0.901	0.927
Marketing Performance	0.781–0.905	0.713	0.907	0.931

Source: Data processed by researchers (SmartPLS 4.0), 2026

Table 2 presents the measurement model results, including convergent validity and reliability assessments. The convergent validity results indicate that all measurement indicators satisfy the recommended loading threshold of 0.70. Market orientation exhibits loading values ranging from 0.754 to 0.901, while digital capability, customer engagement, and marketing performance also demonstrate consistently strong indicator loadings. Moreover, all constructs achieve AVE values substantially exceeding 0.50, indicating that each construct explains more than half of the variance of its measurement indicators. The reliability results demonstrate that all constructs possess Cronbach's Alpha values above 0.88 and Composite Reliability values exceeding 0.91, indicating excellent internal consistency. Marketing performance records the highest reliability, followed by customer engagement, market orientation, and digital capability. None of the indicators required elimination because every measurement item met the recommended validity and reliability standards. These findings confirm that the measurement model demonstrates satisfactory convergent validity and reliability, and is appropriate for subsequent structural analysis.

Table 3. Discriminant Validity (HTMT) and Collinearity (VIF) Results

Panel A: HTMT	MO	DC	CE	MP
Market Orientation (MO)	-			
Digital Capability (DC)	0.694	-		
Customer Engagement (CE)	0.748	0.734	-	
Marketing Performance (MP)	0.689	0.702	0.791	-
Panel B: VIF	**VIF**			
Market Orientation → Customer Engagement	2.018			

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Digital Capability → Customer Engagement	2.018
Market Orientation → Marketing Performance	2.346
Digital Capability → Marketing Performance	2.482
Customer Engagement → Marketing Performance	2.717

Source: Data processed by researchers (SmartPLS 4.0), 2026

Table 3 presents the discriminant validity and collinearity results. The HTMT analysis demonstrates that all construct correlations remain below the recommended threshold of 0.90, indicating satisfactory discriminant validity. The highest HTMT value is observed between customer engagement and marketing performance (0.791), reflecting a strong conceptual relationship while remaining sufficiently distinct. Likewise, market orientation and digital capability exhibit acceptable discriminant validity relative to the remaining constructs. These findings confirm that each construct measures a unique theoretical domain without substantial conceptual overlap. The VIF values indicate that all predictor constructs are substantially below the recommended threshold of 5.00. Market orientation and digital capability demonstrate identical VIF values of 2.018 when predicting customer engagement, indicating that both constructs independently explain variations in customer engagement without creating multicollinearity problems. Likewise, the predictors of marketing performance produce VIF values ranging from 2.346 to 2.717, all of which remain well within acceptable limits. Consequently, the structural relationships can be interpreted with confidence in the subsequent hypothesis testing stage.

Table 4. Structural Model Assessment Results

Panel A: Coefficient of Determination (R^2)		**R^2**
Customer Engagement		0.593
Marketing Performance		0.714
Panel B: Predictive Relevance (Q^2)		**Q^2**
Customer Engagement		0.412
Marketing Performance		0.503
Panel C: Effect Size (f^2)	**f^2**	**Interpretation**
Market Orientation → Customer Engagement	0.268	Medium
Digital Capability → Customer Engagement	0.331	Medium
Market Orientation → Marketing Performance	0.186	Medium
Digital Capability → Marketing Performance	0.227	Medium
Customer Engagement → Marketing Performance	0.419	Large
Panel D: Model Fit	**Value**	**Recommended**
SRMR	0.051	< 0.080

Source: Data processed by researchers (SmartPLS 4.0), 2026

Table 4 presents the structural model assessment results. The R^2 results indicate that market orientation and digital capability jointly explain 59.3% of the variance in customer engagement, representing a moderate-to-substantial level of explanatory power. Furthermore, market orientation, digital capability, and customer engagement collectively explain 71.4% of the variance in marketing performance, suggesting a strong predictive capability of the proposed model. The predictive relevance results demonstrate that both endogenous constructs achieve Q^2 values well above zero, confirming that the proposed model possesses satisfactory predictive capability. Marketing performance records the highest predictive relevance with a Q^2 value of 0.503, while customer engagement also demonstrates strong predictive performance with a value of 0.412. The effect size analysis indicates that both market orientation and digital capability make meaningful contributions to customer engagement, with digital capability exhibiting a slightly stronger effect. Notably, customer engagement demonstrates the largest effect size (f^2 = 0.419), highlighting its strategic importance in explaining marketing performance among fashion MSMEs. The SRMR value of 0.051 is substantially below the recommended threshold of 0.080, indicating that the proposed structural model adequately represents the observed data. Together with satisfactory reliability, validity, explanatory power, predictive relevance, and effect size results, the model demonstrates a strong overall level of statistical adequacy.

Table 5. Hypothesis Testing Results

Hypothesis	Relationship	β	t-value	p-value	Decision
H1	Market Orientation → Customer Engagement	0.389	7.362	0.000	Supported
H2	Digital Capability → Customer Engagement	0.456	8.615	0.000	Supported
H3	Customer Engagement → Marketing Performance	0.438	7.928	0.000	Supported
H4	Market Orientation → Marketing Performance	0.213	3.887	0.000	Supported
H5	Digital Capability → Marketing Performance	0.284	4.936	0.000	Supported
H6	Market Orientation → Customer Engagement → Marketing Performance	0.170	5.432	0.000	Supported
H7	Digital Capability → Customer Engagement → Marketing Performance	0.200	6.184	0.000	Supported

Source: Data processed by researchers (SmartPLS 4.0), 2026

Table 5 presents the hypothesis testing results. The results indicate that all proposed hypotheses are statistically supported. Market orientation has a significant positive effect on customer engagement ($\beta = 0.389$, $t = 7.362$, $p < 0.001$), suggesting that fashion MSMEs possessing stronger market orientation are more capable of building meaningful customer relationships through a better understanding of customer needs and market dynamics. Digital capability also exerts a significant positive influence on customer engagement ($\beta = 0.456$, $t = 8.615$, $p < 0.001$), indicating that effective utilization of digital technologies enhances customer interaction, participation, and loyalty. Furthermore, customer engagement significantly improves marketing performance ($\beta = 0.438$, $t = 7.928$, $p < 0.001$), demonstrating that actively engaged customers contribute to stronger business performance. The findings additionally reveal that both market orientation ($\beta = 0.213$, $t = 3.887$, $p < 0.001$) and digital capability ($\beta = 0.284$, $t = 4.936$, $p < 0.001$) directly improve marketing performance, confirming that organizational capabilities independently contribute to business success beyond customer engagement. The mediation results demonstrate that customer engagement significantly mediates both proposed indirect relationships. The indirect effect of market orientation on marketing performance through customer engagement is statistically significant ($\beta = 0.170$, $t = 5.432$, $p < 0.001$), indicating that businesses possessing stronger market orientation achieve superior marketing performance partly because they successfully strengthen customer engagement. Likewise, digital capability exhibits a significant indirect effect on marketing performance through customer engagement ($\beta = 0.200$, $t = 6.184$, $p < 0.001$), suggesting that technological competence becomes more valuable when it is translated into stronger customer interaction and long-term digital relationships. Since the direct effects of market orientation and digital capability on marketing performance also remain statistically significant, both mediation effects are categorized as partial mediation.

4.2 Discussion

4.2.1 Market Orientation Affects Customer Engagement

The hypothesis testing results indicate that market orientation has a significant positive effect on customer engagement, with a coefficient value of 0.389 and a probability value of 0.000, indicating that H1 is accepted. This finding suggests that fashion MSMEs possessing stronger market orientation are better able to understand customer preferences, monitor competitor activities, and respond to changes in market demand, thereby encouraging stronger customer interaction and long-term relationships. Businesses that consistently gather market intelligence and create superior customer value are more successful in developing meaningful communication across digital platforms. According to Dynamic Capabilities Theory, market orientation represents an organizational sensing capability that enables firms to identify market opportunities and adapt marketing strategies to changing customer expectations (Teece, 2007, 2016). Such adaptive behavior enhances customers' willingness to participate in brand activities, provide feedback, and maintain long-term loyalty. Therefore, market orientation contributes not only to customer satisfaction but also to stronger customer engagement through continuous market responsiveness.

This finding is consistent with previous empirical studies emphasizing the strategic role of market orientation in strengthening customer relationships. Morgan (2012) reported that organizations with stronger market orientation achieve superior customer relationship quality because they continuously create value based on customer needs and competitive intelligence. Similarly, Suliyanto et al. (2023) found that market-oriented SMEs enhance customer engagement through improved responsiveness, communication quality, and customer value creation. These findings reinforce the argument that market orientation functions as an essential organizational capability for strengthening customer relationships. Rather than relying solely on product quality or promotional activities, market-oriented firms continuously adjust their strategies according to evolving customer expectations. Consequently, customer engagement becomes a natural outcome of organizations that prioritize customer value and market responsiveness.

4.2.2 Digital Capability Affects Customer Engagement

The hypothesis testing results indicate that digital capability has a significant positive effect on customer engagement, with a coefficient value of 0.456 and a probability value of 0.000, indicating that H2 is accepted. This finding suggests that businesses possessing stronger digital capability are more successful in establishing interactive communication, personalized customer experiences, and continuous digital relationships through social media, online marketplaces, and customer analytics. Effective utilization of digital technologies enables fashion MSMEs to respond quickly to customer inquiries, create attractive digital content, and maintain consistent interaction across digital platforms. From the perspective of Dynamic Capabilities Theory, digital capability represents an organizational seizing capability that enables firms to exploit technological opportunities and convert them into customer value (Teece, 2007, 2016). Such capabilities strengthen customer participation, commitment, and digital loyalty by facilitating convenient and

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meaningful customer experiences. Therefore, digital capability becomes an important organizational resource for enhancing customer engagement in competitive digital markets.

This finding supports previous empirical evidence highlighting the importance of digital capability in strengthening customer relationships. Verhoef et al. (2021) concluded that organizations possessing superior digital capabilities are better able to deliver personalized customer experiences that encourage stronger customer engagement. Likewise, Cenamor et al. (2019) found that SMEs with advanced digital capability demonstrate greater customer interaction because digital technologies facilitate responsive communication and effective relationship management. These studies support the present finding that digital capability extends beyond technological infrastructure and represents a strategic organizational capability for customer relationship development. Businesses capable of integrating digital technologies into marketing activities are more likely to cultivate customer commitment and advocacy than those relying on conventional approaches. Accordingly, strengthening digital capability should become a strategic priority for fashion MSMEs operating in increasingly digitalized environments.

4.2.3 Customer Engagement Affects Marketing Performance

The hypothesis testing results indicate that customer engagement has a significant positive effect on marketing performance, with a coefficient value of 0.438 and a probability value of 0.000, indicating that H3 is accepted. This finding indicates that customers who actively interact with businesses, participate in digital activities, recommend products, and maintain long-term loyalty contribute substantially to improvements in sales growth, customer retention, market share, and marketing profitability. Customer engagement enables firms to establish stronger emotional connections with customers, increasing repeat purchasing behavior and positive electronic word-of-mouth. According to Dynamic Capabilities Theory, sustainable organizational performance is achieved when firms continuously create customer value through adaptive organizational capabilities and strong customer relationships (Teece, 2007, 2016). Customer engagement therefore serves as a valuable relational asset that translates organizational capabilities into measurable marketing outcomes. Consequently, marketing performance depends not only on organizational resources but also on the quality of customer relationships developed through continuous interaction.

This finding is consistent with previous studies emphasizing customer engagement as a key determinant of organizational performance. Harrigan et al. (2012) reported that customer engagement significantly improves marketing performance by strengthening customer loyalty, advocacy, and long-term purchasing behavior across digital platforms. Similarly, Brodie et al. (2011) argued that engaged customers actively participate in value co-creation and voluntarily promote brands through positive electronic word-of-mouth, generating substantial marketing value. These findings reinforce the argument that customer engagement constitutes an important intangible asset for organizational competitiveness. Businesses capable of maintaining continuous customer interaction are more likely to achieve sustainable marketing performance than those emphasizing transactional strategies alone. Therefore, customer engagement should be regarded as a central strategic objective within digital marketing initiatives.

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4.2.4 Market Orientation Affects Marketing Performance

The hypothesis testing results indicate that market orientation has a significant positive direct effect on marketing performance, with a coefficient value of 0.213 and a probability value of 0.000, indicating that H4 is accepted. This finding suggests that businesses continuously monitoring customer needs and competitor behavior are better able to develop marketing strategies that improve business performance. Through market intelligence and customer value creation, market-oriented firms are more capable of identifying profitable opportunities, increasing customer satisfaction, and strengthening competitive positioning. Dynamic Capabilities Theory explains that organizations possessing strong sensing capabilities can recognize environmental changes and strategically adjust organizational resources to sustain competitive advantage (Teece, 2007, 2016). Such adaptive capabilities directly contribute to higher sales growth, customer acquisition, and marketing profitability. Therefore, market orientation independently functions as a strategic organizational capability that enhances marketing performance beyond its influence through customer engagement.

This finding is supported by previous empirical evidence. Hasibuan et al. (2026) demonstrated that market orientation consistently improves business performance because organizations become more responsive to changing customer expectations and competitive conditions. Likewise, Voola et al. (2012) concluded through their meta-analysis that market orientation positively influences organizational performance across different industries and organizational contexts. The consistency between previous research and the present findings confirms that market orientation remains a strong strategic determinant of marketing success. Businesses that prioritize customer value are better positioned to achieve sustainable competitive advantage and long-term organizational growth. Accordingly, market orientation should remain an integral component of strategic decision-making within fashion MSMEs.

4.2.5 Digital Capability Affects Marketing Performance

The hypothesis testing results indicate that digital capability has a significant positive direct effect on marketing performance, with a coefficient value of 0.284 and a probability value of 0.000, indicating that H5 is accepted. This finding demonstrates that fashion MSMEs possessing stronger digital capability can improve marketing outcomes through more efficient digital marketing activities, better customer targeting, enhanced customer analytics, and rapid adaptation to digital market trends. Organizations effectively utilizing digital technologies can optimize promotional effectiveness, improve operational efficiency, and expand market reach through integrated digital platforms. According to Dynamic Capabilities Theory, digital capability enables organizations to reconfigure technological resources and organizational competencies in response to environmental changes (Teece, 2007, 2016). Such adaptive capabilities strengthen firms' ability to create customer value while improving organizational competitiveness. Consequently, digital capability directly contributes to sustainable marketing performance in increasingly digital business environments.

Previous empirical studies support this conclusion. Vial (2019) emphasized that digital transformation improves organizational performance because digital capability enables firms to integrate technological innovation into strategic marketing activities. Similarly, Verhoef et al. (2021) reported that organizations possessing stronger digital capability consistently outperform competitors through improved customer experiences, operational efficiency, and marketing effectiveness. These findings reinforce the strategic importance of digital capability as a key organizational resource for business competitiveness. Rather than merely adopting digital technologies, firms must develop organizational competencies that enable effective utilization of digital resources. Therefore, digital capability represents a critical strategic investment for fashion MSMEs seeking sustainable marketing performance.

4.2.6 Customer Engagement Mediates the Relationship between Market Orientation and Marketing Performance

The hypothesis testing results indicate that customer engagement significantly mediates the relationship between market orientation and marketing performance, with an indirect effect coefficient of 0.170 and a probability value of 0.000, indicating that H6 is accepted. These findings provide deeper insight into the mechanisms through which organizational capabilities generate superior marketing outcomes. Although market orientation directly improves marketing performance, its effects become stronger when businesses establish continuous customer interaction, participation, commitment, and digital loyalty. Dynamic Capabilities Theory explains that organizational capabilities create sustainable competitive advantage when effectively translated into superior customer value and stronger customer relationships (Teece, 2007, 2016). Customer engagement therefore serves as the strategic process connecting organizational capabilities with marketing performance. The significant partial mediation indicates that market orientation improves marketing performance both independently and through stronger customer engagement.

The mediation findings are consistent with previous empirical evidence highlighting customer engagement as a critical mechanism linking organizational capabilities and business performance. Hollebeek et al. (2019) demonstrated that customer engagement mediates the relationship between organizational marketing capabilities and business performance by strengthening customer participation, advocacy, and long-term loyalty. Likewise, Cenamor et al. (2019) found that customer engagement serves as a primary mechanism through which digital capabilities generate superior organizational performance in digital business environments. These findings suggest that fashion MSMEs should simultaneously strengthen market orientation, enhance digital capability, and develop customer engagement strategies rather than focusing on individual capabilities in isolation.

4.2.7 Customer Engagement Mediates the Relationship between Digital Capability and Marketing Performance

The hypothesis testing results indicate that customer engagement significantly mediates the relationship between digital capability and marketing performance, with an indirect effect coefficient of 0.200 and a probability value of 0.000, indicating that H7 is accepted. These findings demonstrate that technological competence becomes more valuable when translated into stronger customer interaction and long-term digital relationships. Although digital capability directly improves marketing performance, its effects become stronger when businesses establish continuous customer interaction, participation, commitment, and digital loyalty. Dynamic Capabilities Theory explains that digital capability creates sustainable competitive advantage when effectively translated into superior customer value and stronger customer relationships (Teece, 2007, 2016). Customer engagement therefore serves as the strategic process connecting digital capability with marketing performance. The significant partial mediation indicates that

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digital capability improves marketing performance both independently and through stronger customer engagement.

The mediation findings are consistent with previous empirical evidence highlighting customer engagement as a critical mechanism linking digital capability and business performance. Hollebeek et al. (2019) demonstrated that customer engagement mediates the relationship between organizational marketing capabilities and business performance by strengthening customer participation, advocacy, and long-term loyalty. Likewise, Cenamor et al. (2019) found that customer engagement serves as a primary mechanism through which digital capabilities generate superior organizational performance in digital business environments. Overall, the findings support the extended SIDUMM framework by demonstrating that market orientation and digital capability jointly improve marketing performance, while customer engagement functions as the strategic bridge that transforms these organizational capabilities into sustainable business success among fashion MSMEs in Indonesia.

5. Conclusion

This study aimed to examine the effects of market orientation and digital capability on marketing performance through the mediating role of customer engagement among Indonesian fashion MSMEs. Using a quantitative research design with Partial Least Squares Structural Equation Modeling on 365 respondents actively engaged in digital marketing activities, the study explored how organizational capabilities influence customer engagement and marketing performance, as well as how customer engagement mediates these relationships within the SIDUMM framework and Dynamic Capabilities Theory.

The results indicate that marketing performance is influenced by two major organizational capabilities and one relational mechanism: market orientation, digital capability, and customer engagement. Market orientation significantly predicted customer engagement, functioning as an organizational sensing capability that enables firms to identify market opportunities and adapt marketing strategies to changing customer expectations (Teece, 2007, 2016). Digital capability also had a significant positive effect on customer engagement, representing an organizational seizing capability that enables firms to exploit technological opportunities and convert them into customer value (Teece, 2007, 2016). Customer engagement significantly predicted marketing performance, demonstrating that actively engaged customers contribute to improvements in sales growth, customer retention, market share, and marketing profitability. Furthermore, market orientation and digital capability demonstrated significant direct effects on marketing performance, confirming that organizational capabilities independently contribute to business success beyond customer engagement. Mediation analysis revealed that customer engagement significantly mediates the relationships between market orientation and marketing performance and between digital capability and marketing performance, with both effects categorized as partial mediation. These findings align with Dynamic Capabilities Theory, which explains that organizational capabilities create sustainable competitive advantage when translated into superior customer value and stronger customer relationships (Teece, 2007, 2016).

The evaluation shows that organizational capabilities alone are insufficient to maximize marketing performance unless they are effectively translated into meaningful customer relationships. The central finding is that marketing performance cannot be determined solely by individual organizational capabilities. Capabilities become strategically valuable when they guide customer interaction, encourage engagement, and support continuous value co-creation. Applying the SIDUMM framework highlights how the interaction between market orientation, digital capability, and customer engagement enables fashion MSMEs to move beyond technology-oriented approaches toward meaningful digital transformation. This finding is consistent with previous research emphasizing that customer engagement should be understood as an ongoing relational process rather than a static outcome of digital marketing initiatives (Brodie et al., 2011; Hollebeek et al., 2019).

The main contribution of this study lies in integrating market orientation, digital capability, customer engagement, and marketing performance into a single conceptual framework for examining marketing performance among fashion MSMEs. The resulting framework provides a methodological contribution to research on digital marketing and dynamic capabilities while offering practical implications for MSME owners, policymakers, and business development institutions. More importantly, this study provides one of the first empirical validations of the Suleman Integrated Digital UMKM Marketing Model (SIDUMM) within Indonesian fashion MSMEs, confirming its proposition that sustainable marketing performance is achieved through the strategic integration of complementary organizational capabilities rather than their development in isolation (Suleman, 2024; Suleman, 2025; Dede Suleman et al., 2026).

From a practical perspective, this study provides actionable insights for MSME owners, policymakers, and business development institutions. MSME owners need to strengthen market intelligence, enhance digital capability, and cultivate customer engagement through interactive digital communication, personalized customer experiences, and long-term relationship management. Policymakers should provide clearer policy frameworks and resources to support MSMEs through training programs, digital infrastructure, and business development initiatives. Business development institutions should design intervention programs that simultaneously strengthen market responsiveness, digital capability, customer engagement, and sustainable marketing performance.

This study has several limitations. First, it focused only on fashion MSMEs in Indonesia, which may limit the generalizability of the findings to other sectors or countries. Second, the cross-sectional design limits the ability to establish causal relationships between variables. Third, the study relied on self-reported data, which may be subject to social desirability bias and common method bias. Fourth, the study did not examine the moderating role of organizational characteristics such as business size, age, or digital platform type.

Future research should expand the geographical scope to other sectors and countries to enhance generalizability. Researchers should employ longitudinal designs to examine how the relationships among market orientation, digital capability, customer engagement, and marketing performance evolve over time. Future studies should also examine the moderating role of organizational characteristics and incorporate objective business performance indicators, such as sales growth, profitability, customer retention, and market share, to complement perceptual measures. More importantly, future research should further validate and extend the SIDUMM framework across different organizational and industrial contexts by incorporating additional strategic capabilities and contextual variables, such as artificial intelligence capability, digital innovation capability, organizational agility, customer experience, digital trust, environmental dynamism, and business ecosystem capability (Javed et al., 2026; Khan et al., 2016).

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This study contributes to the growing literature on digital marketing and dynamic capabilities by providing empirical evidence on the relationships among market orientation, digital capability, customer engagement, and marketing performance within the Indonesian fashion MSME context and demonstrating the applicability of the SIDUMM framework. The findings suggest that market orientation, digital capability, and customer engagement are key factors influencing marketing performance. As Indonesia continues to develop its digital economy, understanding these factors is increasingly important for strengthening MSME competitiveness and promoting sustainable marketing transformation in the digital era.

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