



Exploring Innovation Capability to Enhance Marketing Performance of Culinary MSMEs in Pekanbaru City

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Abstract:

This study aims to explore the role of innovation capability in enhancing the marketing performance of culinary Micro, Small, and Medium Enterprises (MSMEs) in Pekanbaru City. Changes in consumer behavior and increasing competitive intensity require MSMEs to develop adaptive innovation capabilities in order to survive and achieve sustainable growth. This research adopts a qualitative approach using an exploratory case study method involving selected culinary MSMEs chosen through purposive sampling. Data were collected through in-depth interviews, field observations, and document analysis, and subsequently analyzed using data reduction, data display, and conclusion drawing techniques. The findings reveal that the innovation capability of culinary MSMEs is reflected in three main dimensions: product innovation, process innovation, and digital marketing innovation. Product innovation is manifested through menu diversification and the adaptation of flavors to local market preferences. Process innovation is evidenced by improvements in production and service efficiency through the use of simple technologies. However, the results highlight that digital marketing innovation is the most critical dimension in improving the marketing performance of culinary MSMEs. The utilization of social media and e-commerce platforms has proven to be the most significant factor in expanding market reach, increasing consumer interaction, and driving sales growth. These findings indicate that strengthening innovation capability particularly in the area of digital marketing not only enhances competitiveness but also supports the long-term sustainability of culinary MSMEs. Therefore, this study underscores the importance of training support, access to digital technologies, and collaboration between local governments and MSME actors to strategically strengthen innovation capabilities.

Keywords: Culinary Sector; Innovation Capability; Marketing Performance; MSMEs.

1. Introduction

Recent developments in the literature indicate that innovation capability is a critical factor determining organizational sustainability and competitive advantage, particularly within dynamic and increasingly digitalized business environments. Recent studies emphasize that for small and medium-sized enterprises (SMEs), innovation capability functions not only as a means of differentiation but also as a strategic mechanism for adapting to changing consumer preferences, cost pressures, and intensifying market competition (Saunila et al., 2021; Ngo & O’Cass, 2022). Contemporary research further confirms that innovation capability is inherently multidimensional, typically encompassing product innovation, process innovation, and marketing innovation as an integrated and mutually reinforcing set of capabilities (García-Sánchez et al., 2020; Kuncoro & Suriani, 2023).

Within the culinary sector, studies published over the past five years suggest that while product and process innovation remain essential, marketing innovation particularly digital marketing has emerged as an increasingly dominant driver of marketing performance and customer engagement (Bresciani et al., 2021; Herhausen et al., 2023). The effective use of social media, online ordering platforms, and broader digital ecosystems has been shown to significantly expand the market reach of culinary SMEs and strengthen customer loyalty in both local and global contexts. Nevertheless, much of the recent empirical research continues to focus on medium-to-large enterprises or technology-intensive industries, while studies that specifically examine culinary SMEs in emerging urban areas, particularly in Indonesia, remain limited. SME-related research in Indonesia over the past five years has predominantly addressed post-pandemic recovery, access to finance, and digital literacy, whereas the role of innovation capability as a key determinant of marketing performance has not yet been explored in a sufficiently in-depth and context-specific manner (OECD, 2021; Ministry of Cooperatives and SMEs of the Republic of Indonesia, 2023).

In recent years, Pekanbaru City has experienced significant growth in the number of culinary SMEs, driven by the expansion of the creative economy and the digitalization of consumption patterns. Despite this growth, culinary SMEs continue to face substantial challenges, including volatility in raw material prices, declining revenues outside peak seasonal periods, and limited innovation and marketing capacities. These conditions highlight a persistent gap between the sector’s economic potential and the actual innovative capabilities of culinary SMEs at the local level. Accordingly, this study aims to comprehensively explore the innovation capabilities of culinary SMEs in Pekanbaru City, with a particular focus on product, process, and marketing innovation, and to examine how these capabilities contribute to improved marketing performance. From a theoretical perspective, this research enriches the literature on innovation capability and dynamic capabilities by providing empirical insights from culinary SMEs in a developing-country context. From a practical standpoint, the findings are expected to inform the formulation of more contextualized and sustainable strategies and policy interventions to strengthen SME innovation capabilities.

2. Literature Review

1. Innovation Capability as a Strategic Factor for SMEs

In the contemporary literature, innovation capability is widely recognized as a key determinant of organizational competitiveness and sustainability, particularly within business environments characterized by uncertainty and rapid technological change. Research published over the past five years emphasizes that innovation capability constitutes a core component of dynamic capabilities, enabling organizations to continuously respond to market changes through the renewal of resources, processes, and business models (Teece, 2020; Warner & Wäger, 2019). Within this perspective, innovation capability is not understood as ad hoc or sporadic innovative activity, but rather as a structured organizational capacity to consistently create, absorb, and commercialize new ideas (Saunila et al., 2021).

For small and medium-sized enterprises (SMEs), recent studies indicate that innovation capability serves as a strategic mechanism for overcoming constraints related to financial resources, technology, and managerial capacity. Contemporary empirical evidence confirms that SMEs with strong innovation capabilities tend to be more adaptive, better able to leverage local knowledge and external networks, and demonstrate superior business performance compared to SMEs that rely primarily on operational efficiency (Ngo & O’Cass, 2022; Bresciani et al., 2021). Accordingly, innovation capability functions not only as a driver of growth but also as a foundation for long-term business resilience.

The recent literature further highlights the importance of conceptualizing innovation capability as a multidimensional strategic capability, encompassing organizational structures, learning processes, human resources, innovation-oriented culture, and the ability to collaborate with external actors (García-Sánchez et al., 2020; Kuncoro & Suriani, 2023). For SMEs, this perspective necessitates a context-sensitive approach to measurement, incorporating dimensions such as the intensity of experimentation, the capacity to learn from customer feedback, the use of frugal innovation practices, and the role of networks in supporting innovation processes. This approach aligns with recent scholarly recommendations that emphasize understanding innovation capability primarily as an internal organizational capacity, rather than focusing solely on observable innovation outputs.

2. Innovation Capability and Marketing Performance

The recent literature consistently demonstrates a positive relationship between innovation capability and marketing performance across various industrial contexts and organizational sizes. Empirical studies published within the past five years indicate that organizations with higher levels of innovation capability tend to achieve stronger market penetration, more stable sales growth, and higher levels of customer engagement and loyalty. These findings position innovation capability as a strategic determinant of marketing effectiveness, particularly in dynamic and highly competitive market environments (Ngo & O’Cass, 2022; Bresciani et al., 2021). Within the SME context, recent empirical evidence further confirms that innovation capability contributes significantly to improved marketing performance by strengthening product differentiation, enhancing marketing strategy flexibility, and enabling rapid responses to shifts in consumer preferences. Contemporary studies on Indonesian SMEs reveal that innovation integrated across product, process, and digital marketing dimensions has a direct impact on expanding customer bases, increasing brand visibility, and driving revenue growth (Febriyantoro et al., 2023; Andardinata & Iskandar, 2024). These findings suggest that SME marketing performance is highly dependent on entrepreneurs’ ability to manage innovation systematically and in a market-oriented manner.

Nevertheless, recent scholarship also emphasizes that the relationship between innovation capability and marketing performance is context-dependent rather than automatic. Several studies indicate that innovation generates positive outcomes only when supported by effective commercialization capabilities, alignment with market needs, and organizational readiness to manage limited resources. Moreover, the impact of innovation on marketing performance tends to materialize over the medium term, meaning that its benefits may not be immediately observable, particularly among SMEs (Saunila et al., 2021; García-Sánchez et al., 2020). Accordingly, future research examining this relationship should account for potential mediating and moderating factors, as well as temporal dynamics, to achieve a more comprehensive and contextually grounded understanding.

3. Dimensions of Innovation Capability: Product, Process, and Marketing

The contemporary literature consistently emphasizes that innovation capability is a multidimensional construct, particularly within the context of small and medium-sized enterprises (SMEs) operating in dynamic and increasingly digitalized markets. Studies published over the past five years confirm that innovation capability is commonly manifested through a combination of product innovation, process innovation, and marketing innovation, which collectively shape an organization’s capacity to create value and enhance marketing performance. In the digital era, the marketing dimension is increasingly regarded as a critical component on par with product and process innovation, as it directly links innovation outcomes to market engagement (Bresciani et al., 2021; Saunila et al., 2021). In culinary SMEs, product innovation is reflected in entrepreneurs’ ability to diversify menus, adapt products to local tastes, and develop more practical and appealing packaging. Recent studies indicate that combining traditional culinary elements with modern product attributes enhances market acceptance, strengthens differentiation, and increases brand visibility across digital channels (Iqbal & Indarwati, 2023; Kuncoro & Suriani, 2023). Product innovation is also closely associated with SMEs’ responsiveness to emerging consumer trends, such as health-oriented, convenience-based, and locally rooted food offerings, which have become increasingly relevant to contemporary marketing strategies.

Process innovation represents another essential dimension, contributing to operational efficiency and indirectly supporting marketing performance. Recent literature highlights that SMEs often adopt frugal process innovations, including the use of simple digital tools for order management, inventory control, and customer service. Such practices have been shown to reduce costs, improve order fulfillment reliability, and strengthen SMEs’

capacity to execute consistent marketing strategies (García-Sánchez et al., 2020; Saunila et al., 2021). Meanwhile, marketing innovation, particularly in its digital form, has been identified as an increasingly dominant factor influencing the marketing performance of culinary SMEs. Studies over the past five years demonstrate that the use of social media, content marketing, digital communities, e-commerce platforms, and food delivery services significantly expands market reach and improves sales conversion. However, the effectiveness of marketing innovation depends heavily on digital literacy, consistency in content management, and SMEs' ability to integrate product and process innovations into coherent and relevant marketing narratives (Bresciani et al., 2021; Herhausen et al., 2023). Accordingly, the literature converges on the view that improvements in SME marketing performance are most effective when the three dimensions of innovation capability are developed in an integrated and context-sensitive manner.

4. Challenges of SMEs in Developing Innovation Capability

Although innovation capability is widely recognized as a strategic factor underpinning SME competitiveness, recent literature indicates that its development continues to face substantial structural and operational barriers. Contemporary studies highlight that limited financial resources, restricted access to technology, and insufficient human capital quality remain the primary obstacles preventing SMEs from adopting and sustaining innovation. In small business contexts, such resource constraints not only narrow the scope for innovative experimentation but also increase the risk of implementation failure, leading many SMEs to adopt a cautious and defensive approach to innovation-related decision-making (Saunila et al., 2021; OECD, 2021).

Evidence from the past five years in developing economies, including Indonesia, consistently identifies financing constraints as the most dominant barrier to SME innovation development. Limited access to formal financial institutions constrains SMEs' ability to invest in product development, digital technology adoption, and more aggressive marketing activities. These challenges are further exacerbated by low managerial and digital literacy, which limits entrepreneurs' capacity to design coherent innovation strategies and to leverage technology effectively particularly in digital marketing and customer data management (Bresciani et al., 2021; KemenKopUKM, 2023). In addition, contemporary scholarship emphasizes that innovation entails relatively higher risks for SMEs compared to larger firms. Thin profit margins and heavy dependence on daily cash flows mean that innovation failures can have immediate and severe consequences for business continuity. Consequently, recent studies recommend incremental, learning-oriented, and market-driven innovation approaches as more viable strategies for SMEs than radical and resource-intensive innovation initiatives (Saunila et al., 2021; García-Sánchez et al., 2020).

Furthermore, limited external networks constitute a significant challenge to the commercialization of innovation. SMEs that lack connections with suppliers, distributors, digital platforms, or supporting institutions often struggle to scale and sustain the impact of their innovations. Recent studies underscore the critical role of collaboration and external partnerships in strengthening SME innovation capability by providing access to complementary resources, market channels, and organizational legitimacy (Herhausen et al., 2023). Collectively, these findings suggest that innovation barriers faced by SMEs are systemic in nature, necessitating integrated policy interventions and ecosystem-level support to enable SMEs to fully leverage their innovation capabilities.

5. Relevance for Culinary SMEs in Pekanbaru

In the context of Pekanbaru City, culinary SMEs constitute a dominant sector that contributes significantly to the local economy and the growth of the creative economy. The increasing number of SMEs in recent years reflects a high level of entrepreneurial interest in this sector. However, this quantitative growth has not been consistently accompanied by sustainable improvements in marketing performance. Recent reports and local media coverage indicate that culinary SMEs in Pekanbaru continue to face substantial pressures arising from fluctuations in raw material prices, declining revenues following seasonal peak periods, and limited access to business financing and adequate marketing support. These conditions have increasingly compressed profit margins and weakened business resilience in the medium term.

Contemporary literature emphasizes that innovation capability functions as a strategic instrument enabling SMEs to respond to unstable market dynamics through product adaptation, process efficiency, and more flexible marketing strategies. Empirical studies over the past five years at both global and national levels demonstrate that SMEs with stronger innovation capabilities are better positioned to sustain marketing performance amid cost pressures and shifting consumer preferences. Innovation thus serves not only as a differentiation mechanism but also as an adaptive response to increasingly volatile and digitalized market conditions (Bresciani et al., 2021; Ngo & O'Cass, 2022).

Recent data from local government sources indicate that the number of SMEs in Pekanbaru has exceeded twenty-six thousand enterprises, with the culinary and creative economy sectors acting as the primary contributors. The municipal government has initiated various development programs, including digital marketing training and business facilitation initiatives. Nevertheless, budgetary constraints, uneven levels of digital literacy, and limited access to market networks continue to hinder the broad and effective implementation of innovation. Moreover, local market characteristics such as consumer taste preferences, consumption patterns, and competitive structures necessitate context-sensitive innovation approaches that cannot be directly replicated from larger metropolitan areas. Therefore, an in-depth exploration of how culinary SMEs in Pekanbaru build, manage, and implement innovation capability is both highly relevant and timely. An exploratory approach allows for the identification of concrete innovation practices, the mechanisms underlying innovation success and failure, and the specific policy and ecosystem support required at the local level. Context-based findings from this study are expected to inform the formulation of more adaptive, effective, and sustainable strategies for the development of culinary SMEs in Pekanbaru.

3. Method

This study adopts a qualitative approach using an exploratory case study method to gain an in-depth understanding of how innovation capability is developed and implemented by culinary SMEs in Pekanbaru City to enhance marketing performance. This approach is particularly appropriate as it enables the exploration of entrepreneurs' experiences, perceptions, and innovation practices within real-life contexts, where the boundaries between the phenomenon and its context are not clearly delineated. An exploratory case study provides a suitable framework for capturing the complexity of SME innovation processes in a holistic manner. The research was conducted in Pekanbaru City, Riau Province, with culinary SME owners selected through purposive sampling based on the following criteria: (1) operating for a minimum of three years, (2) having experience in implementing product, process, or marketing innovations, and (3) actively marketing products through both digital and conventional channels. The primary informants consisted of 12–15 culinary SME owners, representing micro, small, and medium-sized enterprises to ensure diverse perspectives. Additional informants including representatives from the Office of Cooperatives and SMEs, entrepreneurial communities, and customers were involved to support data triangulation.

Data were collected through in-depth interviews, participant observation, and document analysis. Participant observation was conducted for approximately two to three weeks at each selected business unit, with the researcher adopting an observer-as-participant role, engaging in limited involvement without disrupting core operational activities. Observations focused on production processes, customer interactions, technology usage, and daily marketing practices to capture innovation dynamics that may not be fully revealed through interviews alone. Data analysis followed the interactive model proposed by Miles, Huberman, and Saldaña, comprising data reduction, data display, and conclusion drawing and verification. During the data reduction stage, thematic coding was applied iteratively, beginning with open coding to identify initial concepts from interview transcripts and observation notes, followed by axial coding to organize codes into key themes representing dimensions of innovation capability and marketing performance. These themes were then synthesized to identify patterns and relationships among concepts. Data trustworthiness was ensured through source and method triangulation, as well as member checking, whereby preliminary interpretations were validated with the informants. Ethical considerations were strictly upheld by providing clear information regarding the research objectives, ensuring the confidentiality of informants' identities, and obtaining voluntary informed consent. All data were used exclusively for academic purposes.

4. Findings and discussion

Culinary SMEs in Pekanbaru represent one of the dominant sectors supporting the city's economy. According to data from the Pekanbaru City Office of Cooperatives and SMEs (2024), there are 26,684 active SMEs, with the culinary sector accounting for nearly 45% of the total (ppid.riau.go.id, 2024). This growth has been driven by the increasingly consumptive lifestyle of urban communities, the rapid penetration of app-based food delivery services, and rising consumer preferences for ready-to-eat food products.

However, field interviews with business owners reveal that despite the increasing number of culinary SMEs, most enterprises continue to operate at a micro scale, facing significant limitations in terms of innovation capacity and resource availability.

Table 1. Distribution of Culinary SMEs in Pekanbaru by Business Scale (2024)

Business Scale	Number of SMEs	Percentage	Key Characteristics
<i>Micro</i>	9.856	82%	Limited capital, traditional marketing, reliance on local consumers
<i>Small</i>	1.675	14%	Initial adoption of digital marketing, limited product diversification
<i>Medium</i>	319	4%	Basic management systems, active in online marketplaces, strong branding presence

Source: Pekanbaru City Office of Cooperatives & SMEs (2024).

These data underscore that the overwhelming majority of culinary SMEs operate at the micro-enterprise level, where simple, locally embedded innovation practices play a critical role in business survival. Consequently, innovation efforts among these enterprises tend to be incremental and resource-efficient, relying heavily on local networks, customer relationships, and adaptive marketing strategies rather than capital-intensive technological investments.

1. Product Innovation

Product innovation emerged as the most prominent and readily observable dimension of innovation capability among culinary SMEs in Pekanbaru. Increasingly critical consumer preferences regarding product quality, uniqueness, and value added have encouraged business owners to compete not merely on price, but to establish strong differentiation through menu innovation and product presentation. Consistent with the arguments of Calantone et al. (2002) and Terziovski (2010), product innovation is widely recognized as a key driver of competitive advantage, market expansion, and customer loyalty. This indicates that the competitiveness of culinary SMEs is largely determined by their ability to adapt to dynamic market trends through product creativity.

Findings from in-depth field interviews strongly support this conclusion. For example, RM Bundo Sari, a traditional culinary SME in Pekanbaru, has pursued a product innovation strategy by combining Minangkabau cuisine with modern culinary elements. An informant from the business explained that the creation of mozzarella cheese rendang chicken became one of its most successful innovative menu items, receiving a positive response from younger consumers. As stated by the informant:

“We have to follow the taste trends of young consumers. Otherwise, customers get bored quickly. Traditional menus must remain, but they need to be combined with modern flavors.” (Informant 1, Interview, July 22, 2025).

This statement reflects a strategic awareness that maintaining the originality of local cuisine alone is insufficient to sustain business relevance. Instead, it must be complemented by continuous exploration of new flavors that align with the preferences of younger market segments in Pekanbaru.

A similar pattern was observed at Kedai Kopi X, which reported a 35% increase in sales volume within one year after introducing a signature coffee blend that integrates local Riau flavors with modern roasting techniques. This success demonstrates that product innovation functions not merely as diversification, but also as a positioning strategy to differentiate the business from competitors. Moreover, the resulting product variants contribute to the development of a compelling brand story rooted in local cultural identity, while simultaneously creating emotional value for consumers. From a theoretical perspective, prior studies consistently emphasize that product innovation in SMEs serves as a primary catalyst for value creation. Calantone et al. (2002) argue that firms with strong product innovation capabilities tend to be more adaptive to market changes and more successful in retaining their customer base. Similarly, Terziovski (2010) highlights that product innovation directly enhances customer satisfaction and expands market reach, particularly in industries characterized by rapidly changing consumer tastes, such as the culinary sector.

Overall, the findings of this study indicate that product innovation is a critical factor in improving the marketing performance of culinary SMEs in Pekanbaru. Competitive advantage is most effectively achieved when entrepreneurs are able to preserve traditional flavors familiar to local consumers, while simultaneously packaging and marketing these products through modern approaches aligned with current market trends. This combination

enables SMEs to clearly differentiate their offerings without losing their local identity. Consequently, the marketing success of culinary SMEs in Pekanbaru depends heavily on the ability of business owners to integrate product innovation consistently into their business and marketing strategies not as a temporary initiative, but as a core element of long-term enterprise development.

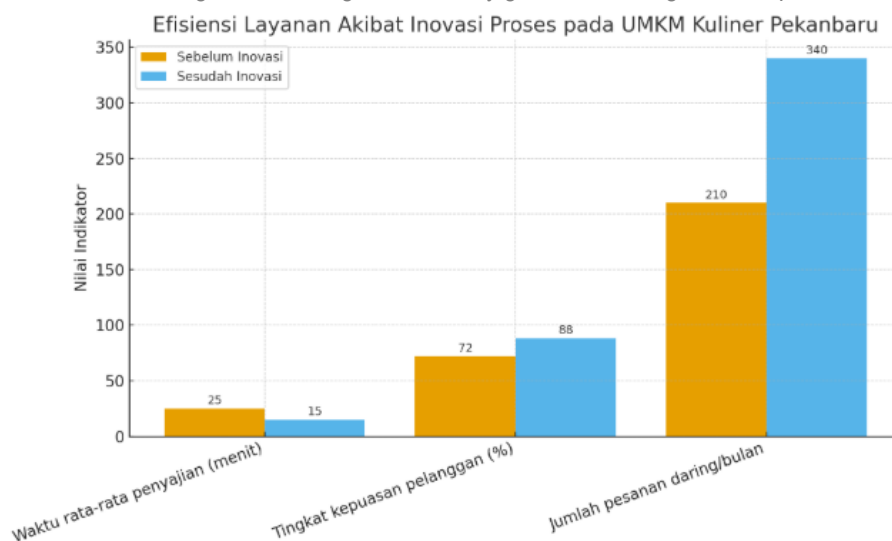
2. Process Innovation

Process innovation constitutes a critical pillar of innovation capability that supports business sustainability. For culinary SMEs in Pekanbaru, process innovation extends beyond efficiency in food production to encompass raw material management, distribution systems, and customer service practices. In a market characterized by high dynamism, limited capital, and volatile input prices, process innovation plays a particularly vital role. Unlike product innovation, which primarily focuses on differentiation, process innovation emphasizes internal efficiency, directly affecting profitability, service speed, and quality consistency. Many culinary SMEs face persistent challenges such as limited labor, high production costs, and uncertainty in raw material supply. Consequently, efficiency-oriented process innovation has emerged as a realistic and pragmatic strategy. Common innovative practices adopted by entrepreneurs include the implementation of pre-order systems to minimize material waste, the use of WhatsApp Business for order recording and management, and the adoption of simple point-of-sale (POS) applications to document transactions, control inventory, and identify best-selling menu items.

A clear illustration of process innovation is provided by Warung Sate Madani, which adopted a pre-cooking and vacuum-packaging strategy to maintain quality and accelerate distribution. Through this approach, the business has been able to fulfill large-scale orders via online platforms without compromising product standards. As explained by the owner: “We learned from handling large orders. If we cook everything on demand, the results are inconsistent. With a pre-cooking system, the process becomes faster and quality standards are better maintained.” (Informant 4, Interview, July 30, 2025). This implementation not only enhanced consistency but also expanded the firm’s capacity to serve the rapidly growing online market segment.

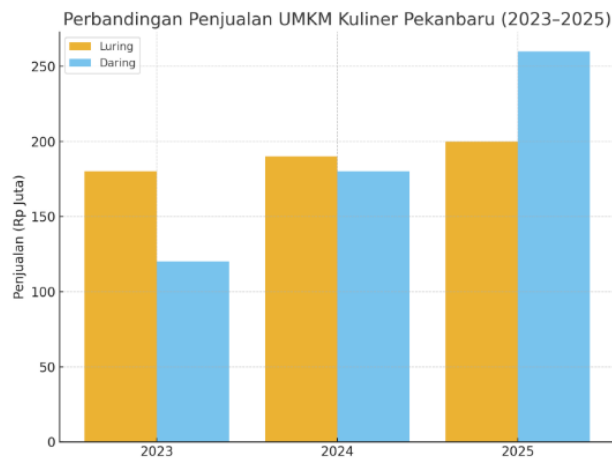
Figure 1. Service Efficiency Resulting from Process Innovation

The data illustrate a substantial reduction in average service time, from 25 minutes to 15 minutes (a 40% efficiency gain). This improvement indicates that pre-cooking methods combined with digital order-recording systems significantly accelerated service delivery. Customer satisfaction levels increased from 72% to 88%, demonstrating that consistency in quality and service speed has a direct impact on customer experience. Furthermore, the number of monthly online orders rose sharply from 210 to 340 orders (an increase of 61%), suggesting that process efficiency directly contributes to higher demand and sales volume. Overall, these findings indicate that process innovation generates tangible efficiency gains enhancing service speed, increasing customer



satisfaction, and significantly boosting online orders. Such internal efficiencies ultimately strengthen external

marketing performance, as customers experience faster service, more consistent products, and easier access to



ordering.

Beyond production optimization, many culinary SMEs in Pekanbaru have increasingly relied on the digitalization of distribution through partnerships with food delivery platforms such as GoFood, GrabFood, and ShopeeFood. Data from the Pekanbaru Office of Cooperatives and SMEs (2024) indicate that approximately 55% of culinary SMEs have adopted these platforms. This strategy allows businesses to expand their customer reach without incurring additional costs associated with establishing physical branches, thereby improving cost efficiency in market expansion. These findings are consistent with the theoretical perspectives of Lawson and Samson (2001), who argue that process innovation enhances efficiency and quality consistency, leading to improved marketing performance. Similarly, Hult, Hurley, and Knight (2004) emphasize that process innovation creates sustainable competitive advantage through cost reduction and increased responsiveness to market demand. In the context of Pekanbaru, these insights remain highly relevant, as culinary SMEs are able to maintain business sustainability despite capital constraints and volatility in raw material markets.

3. Marketing Innovation

In addition to product and process innovation, marketing innovation has become a crucial factor in enhancing the competitiveness of culinary SMEs. Digital transformation has fundamentally changed how businesses market their products, with social media, marketplaces, and food delivery applications now serving as the primary channels for reaching consumers. In the digital era, marketing innovation represents the most strategic capability for culinary SMEs. Nearly all culinary entrepreneurs in Pekanbaru utilize social media platforms such as Instagram, TikTok, and Facebook as their main promotional channels. Creative content such as behind-the-scenes videos, customer reviews, and TikTok-based culinary challenges has proven effective in increasing engagement and sales conversion.

Most culinary SMEs in Pekanbaru have begun to leverage social media and e-commerce platforms as part of their marketing strategies. According to secondary data from an internal survey conducted by the Office of SMEs (2024), approximately 68% of culinary SMEs maintain active social media accounts, while 42% are registered on online marketplaces such as GoFood, GrabFood, and ShopeeFood. As the owner of Bakso Kenyal 88 explained:

“We only became active on Instagram during the pandemic. Now customers know about new menu items through our posts. Online sales have increased by up to 40%.” (Informant 7, Interview, August 4, 2025). Empirical evidence from interviews with culinary SME owners indicates a clear transformation in marketing behavior. For instance, the owner of Bakso Kenyal 88 reported that after actively using Instagram since the pandemic period, customers became more aware of newly introduced menu items, leading to a 40% increase in online sales. This finding demonstrates that social media usage is not merely an additional communication channel, but also a powerful driver of actual sales conversion. This result aligns with Chaffey and Ellis-Chadwick (2019), who emphasize that digital marketing enhances customer engagement, improves cost efficiency in promotion, and expands market access.

Figure 2. Comparison of Online and Offline Sales of Culinary SMEs in Pekanbaru (2024–2025)

Source: Office of Cooperatives and SMEs of Pekanbaru (2025), sales in million Rupiah.

The figure illustrates a comparison between offline and online sales of culinary SMEs in Pekanbaru over the 2023–2025 period. Offline sales remained relatively stable, increasing modestly from IDR 180 million in 2023

to IDR 200 million in 2025, indicating that offline channels continue to contribute significantly but offer increasingly limited growth potential. In contrast, online sales experienced a substantial increase, rising from IDR 120 million in 2023 to IDR 260 million in 2025 more than doubling within three years. This growth was primarily driven by the increasing use of social media, online marketplaces, and food delivery services that have become deeply embedded in urban consumption behavior. However, the findings also reveal that the impact of innovation capability on marketing performance is not uniform across all SMEs, but is moderated by capital constraints and levels of digital literacy. SMEs with adequate innovation capability but limited access to capital often struggle to fully optimize marketing innovation, particularly in financing paid digital advertisements, improving content quality, or managing multiple platforms simultaneously. As a result, the potential increase in online sales derived from marketing innovation is not fully realized.

Furthermore, disparities in digital literacy intensify this moderating effect. SMEs with low digital literacy, even when offering innovative products, are often unable to exploit algorithmic features, performance analytics, and effective content strategies available on digital platforms. Consequently, innovation capability exerts only a limited influence on brand visibility and sales conversion. Conversely, SMEs with higher levels of digital literacy exhibit a stronger relationship between innovation capability and marketing performance, as product and process innovations can be effectively communicated through digital channels. Thus, the findings confirm that capital limitations and digital literacy function as moderating factors that either weaken or strengthen the relationship between innovation capability and marketing performance. These results also indicate the presence of a digital divide among culinary SMEs in Pekanbaru, whereby only businesses capable of combining innovation with sufficient financial resources and digital competencies are able to fully capture marketing benefits.

Content creativity emerges as a key success factor in digital marketing strategies. Many culinary SMEs in Pekanbaru have begun to utilize behind-the-scenes videos, customer testimonials, food challenges, and influencer marketing to expand audience reach. These forms of creative content have proven effective in increasing social media engagement while strengthening brand image. A study by Febriyanto et al. (2023) in Batam similarly found that culinary SMEs leveraging creative social media content increased customer retention rates by up to 30%, a finding that closely mirrors the empirical reality observed in Pekanbaru. In addition to social media, the use of online culinary marketplaces such as GoFood, GrabFood, and ShopeeFood has had a significant impact on market access expansion. With relatively low investment costs, SMEs can reach a broader consumer base without establishing physical branches. This phenomenon is consistent with Dynamic Capabilities Theory (Teece, Pisano, & Shuen, 1997), where adaptation to digital technological change represents a form of dynamic capability that supports long-term business sustainability.

Overall, digital marketing innovation has proven to be a critical instrument for improving the marketing performance of culinary SMEs in Pekanbaru. The integration of social media, creative content, and e-commerce platforms not only expands market access but also enhances competitiveness and strengthens business sustainability. Nevertheless, challenges remain in the form of limited resources, uneven digital literacy, and the rising cost of online advertising, which must be addressed to ensure more inclusive digital marketing transformation among culinary SMEs. This trend underscores that digital marketing innovation is a key growth driver for culinary SMEs in Pekanbaru. If current patterns persist, online sales are likely to surpass offline sales in the near future, making digitalization strategies imperative for SME development. This conclusion aligns with Chaffey and Ellis-Chadwick (2019) and Iqbal and Indarwati (2023), who emphasize the importance of digital marketing capability in expanding market reach and strengthening brand awareness.

4. Barriers to Developing Innovation Capability

Barriers to the development of innovation capability among culinary SMEs in Pekanbaru represent a critical issue that cannot be overlooked, even though innovation has been shown to positively influence marketing performance. Field findings indicate that limited financial capital, volatility in raw material prices, and restricted access to digital marketing training constitute the main constraints faced by business owners. This condition reflects the structural reality of SMEs, the majority of which operate at the micro-enterprise level with limited resources. According to data from the Office of Cooperatives and SMEs of Pekanbaru (2024), more than 80% of culinary SMEs remain classified as micro enterprises. An interview with the owner of Nasi Uduk Riau illustrates this challenge:

“I want to follow digital marketing trends, but advertising costs are quite high. Without paid ads, very few people see our posts.” (Informant 9, Interview, August 10, 2025).

This statement highlights both financial and technical barriers, where capital constraints prevent SMEs from fully utilizing paid advertising features or more aggressive digital marketing strategies. As a result, although social media and digital platforms are widely accessible, the effectiveness of marketing innovation remains limited due to insufficient exposure. In addition to capital constraints, rising raw material prices further restrict SMEs' capacity to innovate. Increases in the cost of essential inputs such as rice, cooking oil, and meat reduce SMEs' financial flexibility to diversify products or allocate resources for digital promotion. This situation creates a trade-off between production costs and innovation-related expenditures, leading many SMEs to prioritize operational stability over the risks associated with additional investment in innovative strategies. Another significant barrier is the lack of practical digital marketing training that equips SMEs with applicable skills. Most culinary entrepreneurs rely on trial-and-error approaches when using social media and marketplace platforms. This condition aligns with the findings of Madrid-Guijarro, Garcia, and Van Auken (2009), who identified limited human capital particularly in terms of digital knowledge and skills as a major obstacle to innovation implementation in SMEs. Similarly, Rosenbusch, Brinckmann, and Bausch (2011) emphasized that although innovation is positively associated with small business performance, constraints in financial resources and managerial competencies make SMEs more vulnerable to innovation failure.

In the context of Pekanbaru, these barriers reveal a clear gap between the potential and the actual realization of innovation capability. On one hand, market opportunities in the culinary sector continue to expand due to digital technologies and evolving consumer lifestyles. On the other hand, limited capital, rising operational costs, and insufficient access to practical training hinder many SMEs from competing through innovation. Therefore, examining these constraints is essential to developing a more comprehensive understanding of the factors that limit the optimization of innovation capability. Such understanding also provides a foundation for policy recommendations emphasizing the need for government intervention, private sector support, and the strengthening of a technology-based SME ecosystem. Addressing these barriers in a systematic manner is crucial to ensuring that innovation can truly function as a driving force for improving the marketing performance and long-term sustainability of culinary SMEs in Pekanbaru.

5. Discussion

The findings of this study clearly confirm that innovation capability is a fundamental factor in driving improvements in the marketing performance of culinary SMEs in Pekanbaru. Conceptually, these results reinforce the consensus in the literature that innovation should not be viewed merely as an additional activity, but rather as a core organizational capability that determines competitiveness and business sustainability for small enterprises operating in increasingly dynamic and competitive markets. From an empirical perspective, this study demonstrates that the three main dimensions of innovation product innovation, process innovation, and digital marketing innovation make distinct yet complementary contributions to enhancing the performance of culinary SMEs in Pekanbaru. Product innovation plays a crucial role in expanding market share by enabling business owners to adapt menus to local consumer preferences. SMEs that successfully develop new menu variations or creatively utilize local raw materials tend to attract more diverse customer segments. These findings indicate that the ability to adapt products to evolving consumer needs and preferences constitutes a primary source of competitive advantage.

In addition, process innovation has been shown to significantly improve operational efficiency and customer satisfaction. The adoption of simple technologies, the implementation of pre-production systems, and the digitalization of sales records enable SMEs to reduce service time, maintain consistent quality, and respond more effectively to demand fluctuations. Consequently, process innovation not only enhances productivity but also creates added value through cost control and improved service reliability. Meanwhile, digital marketing innovation functions as a key leverage mechanism for expanding market reach and accessing new consumer segments. The use of social media platforms such as Instagram, TikTok, and Facebook, combined with active participation in online food delivery platforms, has been proven to increase customer interaction and drive sales conversion. This increased visibility and engagement demonstrate that digital marketing innovation plays a strategic role in extending the geographical reach of SMEs while simultaneously strengthening customer loyalty. Overall, these findings suggest that the marketing performance of culinary SMEs can be optimized when all three innovation dimensions are developed in an integrated and sustainable manner.

The results of this study also affirm the relevance of the Resource-Based View (RBV) and Dynamic Capabilities frameworks in explaining the role of innovation capability within culinary SMEs. From a contemporary RBV perspective, innovation capability can be positioned as a strategic internal resource that is valuable, rare, and difficult to imitate, thereby serving as a foundational source of sustainable competitive advantage for small and

medium-sized enterprises. Recent literature emphasizes that for SMEs, such advantages are not derived from scale, but rather from the ability to creatively combine local knowledge, flexibility, and operational agility. Furthermore, through the lens of Dynamic Capabilities, the findings reveal that culinary SMEs in Pekanbaru possess adaptive capacities to respond to rapid and uncertain changes in the business environment. The ability to shift marketing strategies from offline to online channels, leverage digital platforms, and adjust business processes to new consumption patterns reflects the processes of sensing, seizing, and transforming that lie at the core of dynamic capabilities in contemporary scholarship. In this context, innovation should not be understood merely as an output of creativity, but as an evolving organizational capacity that enables SMEs to maintain relevance and marketing performance in increasingly digitalized and competitive markets (Teece et al., 2022).

Nevertheless, the optimization of innovation remains constrained by several structural factors. Limited financial capital reduces SMEs' flexibility to explore new products or invest in digital technologies. Uneven levels of digital literacy cause some business owners to use social media only passively, without effective content strategies. In addition, fluctuations in raw material prices increase operational costs and reduce the financial space available for innovation. These constraints indicate a gap between innovation potential and its realization in practice. Therefore, collaborative strategies are essential to bridging this gap. Government institutions can strengthen their role by providing access to microfinance, subsidized digital marketing training, and policies aimed at stabilizing raw material prices. The private sector particularly digital platforms and logistics service providers can contribute by offering SME-friendly technological support and promotional schemes. Meanwhile, business communities and SME associations can serve as platforms for knowledge sharing, dissemination of best practices, and the strengthening of inter-firm networks. By reinforcing the innovation ecosystem, culinary SMEs in Pekanbaru can not only overcome internal constraints but also develop sustainable innovation capabilities. Ultimately, the integration of product, process, and digital marketing innovation supported by multi-stakeholder collaboration will serve as a key driver of SME competitiveness and a tangible contributor to local economic growth.

5. Conclusion and recommendation

Research on the exploration of innovation capability in enhancing the marketing performance of culinary SMEs in Pekanbaru has generated important findings that reinforce the role of innovation as a key driver of sustainable competitiveness. First, product innovation has been proven to create valuable differentiation for consumers, whether through the combination of local flavors with global trends, modern packaging designs, or the development of new product variants aligned with market preferences. Such innovation not only fosters customer loyalty but also expands access to broader market segments, particularly younger generations and digitally oriented consumers. Second, process innovation makes a significant contribution to improving operational efficiency. The implementation of pre-order-based management practices, the use of digital technologies for sales recording, and integration with food delivery services have enabled SMEs to reduce production costs, minimize raw material waste, and extend distribution reach. These findings demonstrate that innovation in internal processes is no less important than product innovation, as it directly affects managerial effectiveness and business resilience.

Marketing innovation has emerged as a central strategic pillar for culinary SMEs in navigating the dynamics of the digital era. The utilization of social media platforms, the development of creative content, cross-SME collaborations, and the consistent application of digital promotional strategies have significantly enhanced business visibility and driven sales conversion. This evidence underscores that digital marketing is no longer optional, but rather a fundamental necessity for the sustainability of culinary SMEs. Furthermore, the integration of product, process, and marketing innovation forms a comprehensive innovation capability that exerts a tangible impact on marketing performance, as reflected in revenue growth, expanded market reach, and increased brand awareness.

Based on these findings, SME owners are encouraged to continuously improve their innovation and digital literacy, strengthen collaboration among business actors, and sustainably develop product variations aligned with emerging trends and consumer preferences. Local governments also play a strategic role by providing continuous training programs, expanding access to financial capital, and strengthening the digital SME ecosystem to accelerate and equalize innovation adoption. Meanwhile, from an academic perspective, future research may be developed more extensively by exploring the long-term sustainability of innovation practices adopted by SMEs, including how such innovations endure and adapt to market changes. In addition, studies examining the impact of emerging technologies such as artificial intelligence on SME marketing represent a relevant research agenda for

understanding the potential transformation of marketing performance in the future. Accordingly, innovation capability should be understood not merely as a driver of short-term growth, but as a strategic foundation for the long-term sustainability of culinary SMEs and local economic transformation in Pekanbaru.

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