

MARKET EXPANSION STRATEGY FOR MUSLIM FASHION MSME: INTEGRATING VALUE INNOVATION, MARKET POSITIONING, AND DIGITAL MARKETING CAPABILITY

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Abstract: Rapid expansion of the Muslim fashion industry has led to fierce competition and created a red ocean market for MSMEs across Java Island. This study investigates how Value Innovation and Market Positioning drive Market Expansion while evaluating the mediating role of Digital Marketing Capability. In this intense digital landscape, small businesses must adopt efficient, innovation-driven marketing approaches to survive. By using quantitative explanatory method, data were gathered through a cross sectional survey of 220 respondents selected via purposive sampling. The conceptual model tested using Partial Least Squares Structural Equation Modeling (PLS-SEM) in SmartPLS. The empirical results demonstrate that both Value Innovation and Market Positioning exert a direct, positive, and significant influence on Digital Marketing Capability as well as Market Expansion. Also, the analysis indicates that Digital Marketing Capability serves as a partial mediator in this relationship. These insights emphasize that digital capability is far more than an operational tool, it acts as a strategic catalyst that successfully translates product innovation and brand image into actual business growth. To sustain a competitive advantage, MSMEs are highly encouraged to continuously upgrade their digital services, standardize promotional efforts, and invest in data analytics literacy.

Keywords: *Value Innovation, Market Positioning, Digital Marketing Capability, Market Expansion, Muslim Fashion.*

Submitted: 2026-08-01; Revised: 2026-09-01; Accepted: 2026-09-25

1. Introduction

Global modest apparel sector has undergone substantial structural evolution, emerging as a prominent driver within the international fashion market. Market data highlights this trajectory, showing that global consumer spending reached USD 318 billion in 2022 and will expand to USD 428 billion by 2027 (DinarStandard, 2023). This rapid growth primarily sustained by demographic tailwinds, driven by demographic projections indicating the global Muslim population will reach 2.8 billion by 2025. This demographic expansion is accompanied by evolving market behaviors as halal principles become embedded in daily consumer routines. Today's consumers looking for more than just clothing that meets religious requirement because they are expecting stylish design, a comfortable fabric, and high quality craftsmanship

(Battour & Ismail, 2016; Rahman, 2020). Because of the massive Muslim population in Indonesia, it holds immense potential for this domestic market. This reality are reflected in the national creative economy, where the fashion sector contributes a significant 17.6% of total revenues (Kemenparekraf, 2023). MSMEs are driving this momentum, serving as a critical economic pillar that employs around 97% of the national workforce.

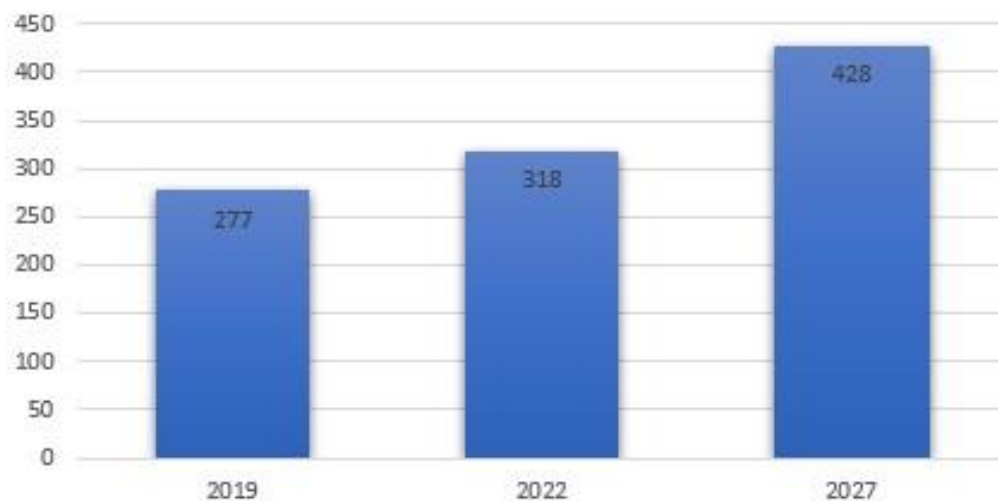


Figure 1. Growth of the Global Modest Fashion Industry from 2019 to 2027
 (Source: DinarStandard, 2023, processed)

The surge in Indonesia's modest fashion industry is tied directly to the widespread adoption of e-commerce and online shopping storefronts. However, the economic rewards of this digital transition are far from uniform across the board. As the nation's primary economic engine, Java alone serves as the base for roughly 14.4 million MSMEs. This dense concentration accounts for a massive 75.04 percent of all enterprises operating across Indonesia (Seftiandri, 2025). Such structural overcrowding makes the digital marketplace on the island incredibly cutthroat. With thousands of online stores marketing nearly identical clothing designs, the commercial landscape has intensified into a saturated red ocean market. This density obscures individual brand distinctiveness, restricting the strategic options available to merchants looking to differentiate. To protect their transaction volumes, many sellers fall back on aggressive price wars and deep discounts. This online friction is compounded by the steady expansion of Indonesia's gross merchandise value, which forces businesses to compete even harder for digital visibility.



Figure 2. Growth of Indonesia's Digital Economy Value (GMV) from 2021 to 2025
 (Source: Data processed from Google, Temasek, and Bain, 2023)

Local business has to shift toward fresh strategies rooted in the Value Innovation principles of the blue ocean strategy to escape this destructive pricing spiral (Kim & Mauborgne, 2005). Rather than competing directly within saturated spaces, entrepreneurs should focus on carving out entirely new, uncontested market territories. Value Innovation directly disrupts the conventional tradeoff between differentiation and low cost. Instead, firms are urged to deliver novel buyer value while keeping operational overhead minimal. For capital constrained small firms, Latifi et al. (2021) suggest three practical approaches. The first is value capturing, which pairs original product designs with highly responsive digital customer support. Second is value delivery, a step where brands collaborate with distribution channels to target overlooked online segments. Lastly, value creation focuses on building affiliate networks that offer flexible, profitable pricing models. By supplying apparel that is both distinctive and budget friendly, merchants can seamlessly attract new demographics. Once a standout product is developed, anchoring the brand identity through a solid Market Positioning strategy becomes the next essential phase (Kotler & Keller, 2021). This deliberate effort aims to embed the product's core image and value deeply within the consumer's mind. Based on the insights of Tolstoy et al. (2021) and Makarim et al. (2026), positioning breaks down into three distinct elements. Brand differentiation stands as the first, emphasizing unique visual aesthetics, stitching quality, attractive packaging, and compelling brand storytelling. Next comes positioning consistency, which demands strict alignment of marketing campaigns across every digital storefront. The third element involves a niche market focus, allowing small businesses to bypass generalized price competition by directing marketing streams toward specialized audience segments. Consequently, aligning product differentiation with structured positioning facilitates scalable customer acquisition.

Possessing a superior product and a recognized brand yields minimal results for MSMEs without a proactive promotional strategy. Drawing from digital marketing theory (Chaffey & Ellis-Chadwick, 2022) and dynamic capability theory (Teece, 2007), Digital Marketing Capability refers to a firm's agility in adapting to fast-moving technological shifts for online commercial outreach. This operational capability functions across two core dimensions, as outlined by Hazzam et al. (2021). The first dimension encompasses Integrated Channels, which

involves structuring digital advertising budgets, designing virtual storefronts, producing creative media content, and cultivating interactive communication via social platforms. Second dimension focuses on Data Analytics and Automation, underscoring a team's proficiency in interpreting web traffic metrics to retain loyal customers. Leveraging these digital instruments places MSMEs in a much stronger position to drive Market Expansion and targets the distribution of existing merchandise to customer segments outside their immediate local markets. Modern e-commerce integration enables small enterprises to connect with buyers on different cities, islands, or foreign markets, bypassing the overhead costs of physical storefronts. Given that these businesses operate on a smaller scale, this study evaluates expansion milestones through the subjective perceptions of the entrepreneurs themselves. Traditional financial ledgers can be highly misleading during early setup phases, prompting our choice of this qualitative approach. In Bae and Choi (2021), formal financial statements rarely capture actual profitability immediately after an MSME invests heavily in innovation programs. To account for this lag in digital ecosystem returns, we assess expansion through three specific operational pillars derived from the frameworks of Bae and Choi (2021) and Purwanti et al. (2022). These dimensions include Geographical Reach to measure the broadening of delivery zones, and Customer Securing to tracking new buyer acquisition alongside repeat sales. The final indicator is Channel Diversity, which evaluates how actively an enterprise manages multi-platform storefronts across various digital marketplaces.

The interplay among these four distinct strategies is grounded in the Resource-Based View (RBV) framework (Barney, 1991). From this perspective, operational sustainability depends on cultivating internal, non-substitutable organizational capabilities. Within the context of this research, innovation capability and brand distinctiveness serve as these valuable strategic assets. They represent unique competencies forged through years of customer interaction, making them incredibly difficult for market competitors to duplicate overnight. Meanwhile, digital marketing expertise functions as an indispensable dynamic capability, stepping in where traditional selling methods no longer suffice in today's landscape. Although prior literature has widely explored technological innovation and online marketing, empirical efforts that integrate all three constructs to evaluate Muslim fashion MSMEs with a focus on Java Island remain scarce. Past investigations, including studies by Latifi et al. (2021) and Hazzam et al. (2026), emphasize that standalone product novelty rarely triggers significant sales growth without a solid marketing backbone. Addressing this empirical gap, our study directly tests how the combination of innovation and brand identity dictates the trajectory of Market Expansion. This research provides a concrete survival manual for small businesses operating in saturated e-commerce environments by framing Digital Marketing Capability as the vital bridge linking abstract organizational strategy to tangible commercial growth.

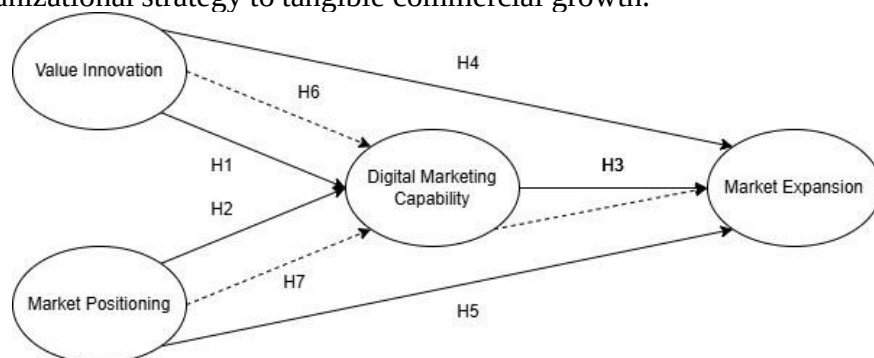


Figure 3. Research Model

A structured conceptual model was developed to map out the research objectives and test the directional relationships among the four core variables. This framework positions Value Innovation and Market Positioning as the primary independent drivers, Digital Marketing Capability as the central mediating bridge, and Market Expansion as the definitive strategic outcome. Guided by this structural configuration, the study proposes seven core hypotheses for statistical evaluation:

H1: Value Innovation has a positive effect on Digital Marketing Capability. When fashion firms introduce original apparel designs, they are compelled to elevate their promotional creativity. The operational drive push marketing teams to craft richer, visual media content such as short video, and enabling target audiences to grasp the products unique value proposition instantly.

H2: Market Positioning has a positive effect on Digital Marketing Capability. Operational confusion within the digital team can be prevented by having a clear understanding of the target demographic and brand identity from the outset. This strategic clarity functions as a blueprint for maintaining visual consistency, executing precise audience targeting, also optimizing advertising budgets without wasteful expenditure.

H3: Digital Marketing Capability has a positive effect on Market Expansion. Proficiency in interpreting traffic analytics, executing paid advertising campaigns, and maintaining active social media engagement allows small businesses to bypass geographical constraints. Consequently, firms can secure an active customer base across distant cities or provinces without the overhead costs of physical retail branches.

H4: Value Innovation has a direct positive effect on Market Expansion. Modest apparel that balances fresh, distinctive features with competitive pricing carries strong market appeal. By the unique combination, organic word of mouth recommendations within consumer communities can be triggered, driving systematic order growth without relying solely on aggressive corporate push marketing.

H5: Market Positioning has a direct positive effect on Market Expansion. Maintaining a consistent brand aesthetic and message over time builds consumer confidence. This established trust mitigates the typical anxieties felt by distant online shoppers regarding remote digital transactions and advanced payments.

H6: Digital Marketing Capability mediates the effect of Value Innovation on Market Expansion. Standalone product novelty tends to stall if it lacks the support of rapid commercial promotion. This Digital marketing bridge the gap by actively injecting the clothing's unique features directly into the digital feeds of entirely new, unreached consumer segments.

H7: Digital Marketing Capability mediates the effect of Market Positioning on Market Expansion. Sustaining a specific, high value brand image requires a mature digital infrastructure to reach fruition. Advanced digital algorithms ensure that the brand's distinct positioning message is displayed on the correct consumer screens, turning Market Expansion into a highly measurable and scalable process.

2. Research Method

This study adopts a quantitative explanatory approach to test the relationships between variables (Sugiyono, 2023). To gather data, we deployed across sectional survey via an online Google Form, reaching out to Muslim fashion MSME entrepreneurs across Java during a single timeframe.

2.1 Population, Sample, and Sampling Technique

This study centers on Java-based Muslim fashion entrepreneurs who actively leverage digital marketing. Given the lack of official registries tracking these specific businesses, we treated the study group as an infinite population. Participants were selected via purposive sampling, filtering for individuals who run a Java-based enterprise, have used digital platforms for a minimum of six months, and serve as either the owner or marketing manager. Screening questions at the start of the online questionnaire filtered out ineligible respondents on the spot. To determine sample size, we applied the PLS-SEM rule of thumb from Hair et al. (2019), which suggests multiplying the number of research indicators by a factor of five to ten. With 22 distinct indicators in this model, the baseline target was set at 220 participants, a figure successfully met during data collection with exactly 220 valid responses.

2.2 Data Type, Measurement Scale, and Operational Definitions

Primary data for this study was sourced directly from the selected participants using a questionnaire measured on a standard five point Likert scale (ranging from 1 for strongly disagree to 5 for strongly agree). To evaluate the underlying business dynamics, the research models four core variables: Value Innovation (X1), Market Positioning (X2), and Digital Marketing Capability (M) as predictors, with Market Expansion (Y) serving as the primary outcome. These variables are further operationalized into specific dimensions and indicators, as detailed in the table below. To maintain measurement integrity, the instrument items were carefully adapted from established literature.

Table 1. Summary of Variable Operationalization

Variable	Dimension	Indicator	Number of Items
Value Innovation (X1)	Value Capturing	Introduction of new product designs and introduction of new services.	2
	Value Delivery	Expansion of business partners and focus on specific segmentation	2
	Value Creation	New revenue streams and economical pricing mechanisms.	2
Market Positioning (X2)	Brand Differentiation	Clarity of brand character and unique product attributes.	2
	Positioning Consistency	Alignment of promotional messaging and consistency of digital service.	2
	Niche Market Focus	Sharpness of consumer targeting.	1
Digital Marketing Capability (M)	Integrated Channels	Optimization of social media, creative content marketing, mobile display, and search-engine advertising optimization.	4
	Data Analytics and Automation	Use of platform analytics and automated systems.	2
Market Expansion	Geographical Reach	Growth in delivery coverage area and ability to penetrate new markets.	2
	Customer Securing	Growth of new consumer communities and strengthening of active customers.	2
	Channel Diversity	Management of multiple online stores.	1

2.3 Data Analysis Technique

Data analysis in this research employs Partial Least Squares Structural Equation Modeling (PLS-SEM), executed through SmartPLS software. This technique is highly suited for complex structural frameworks with mediating effects, as it accommodates non-normal data and emphasizes predictive capability (Hair et al., 2019; Sarstedt et al., 2020). The evaluation follows a two-tier process. The analysis begins with assessing the outer model to ensure measurement validity and reliability and this requires outer loadings exceeding 0.70, an AVE above 0.50, an HTMT ratio under 0.90 for discriminant validity, alongside Cronbach's Alpha and Composite Reliability scores above 0.70. Subsequently, the inner model is evaluated using the coefficient of determination (R^2), predictive relevance (Q^2) via blindfolding, and effect size (f^2). To test the hypotheses, a bootstrapping routine was implemented, applying a critical threshold of a T-statistic over 1.96 and a P-value under 0.05. Lastly, the mediating function of Digital Marketing Capability was quantified through the Variance Accounted For (VAF) approach (Hair et al., 2019), classifying mediation as non-existent (under 20%), partial (between 20% and 80%), or full (exceeding 80%).

3. Results and Discussion

3.1 Results

Respondent Characteristics

The final dataset comprises 220 valid responses gathered from Muslim fashion MSME practitioners across Java. A detailed demographic profile of the participants is categorized by their specific roles, operating locations, and business scales determined by annual gross revenue, that outlined in the table below.

Table 2. Respondent Characteristics

Characteristics	Category	Frequency	Percentage (%)
Role in the business	Owner of a Muslim Fashion MSME	31	14.1
	Marketing or digital marketing team	189	85.9
Operating region	West Java	108	49.1
	East Java	89	40.5
	Central Java	10	4.5
	DKI Jakarta	8	3.6
	DI Yogyakarta	4	1.8
	Banten	1	0.5
Business scale (annual gross revenue)	< IDR 2 billion (micro enterprise)	191	86.8
	IDR 2 – 15 billion (small enterprise)	27	12.3
	> IDR 15 – 50 billion (medium enterprise)	2	0.9

The fact that most participants are active members of digital marketing teams significantly bolsters the external validity of our data, ensuring that responses regarding digital operational tactics come directly from hands on professionals. data location shows that the sample concentrates predominantly in West and East Java, positioning these regions as the primary commercial epicenters for the island's Muslim fashion sector. Furthermore, the overall business profiles indicate a major dominance of micro scale enterprises. This reality underscores the critical need for smaller firms to cultivate a highly efficient Digital Marketing Capability, as mastering these digital tools serves as a vital equalizer to overcome limited financial capital and a lack of physical retail spaces.

Measurement Model Evaluation (Outer Model)

Assessment of convergent validity indicates that all indicators across the four variables satisfy the established research requirements. The outer loading coefficients, spanning from 0.913 to 0.950, comfortably exceed the conventional 0.70 benchmark. Similarly, the AVE metrics for every construct surpass the 0.50 threshold, with values ranging from a low of 0.867 for Market Positioning to a peak of 0.882 for Market Expansion, with comprehensive details provided in the following table.

Table 3. Convergent Validity Test Results

Variable	Outer Loading Range	AVE	Decision
Value Innovation (VI)	0.919 – 0.950	0.874	Valid
Market Positioning (MP)	0.913 – 0.948	0.867	Valid
Digital Marketing Capability (DMC)	0.927 – 0.941	0.871	Valid
Market Expansion (ME)	0.930 – 0.947	0.882	Valid

Table 4. Discriminant Validity Test Results (Heterotrait Monotrait Ratio)

Variable	DMC	ME	MP	VI
Digital Marketing Capability (DMC)	-			
Market Expansion (ME)	0.614	-		
Market Positioning (MP)	0.491	0.481	-	
Value Innovation (VI)	0.566	0.485	0.285	-

Table 5. Construct Reliability Test Results

Variable	Cronbach's Alpha	Composite Reliability (rho_a)	Composite Reliability (rho_c)	Decision
Digital Marketing Capability (DMC)	0.970	0.971	0.976	Reliable
Market Expansion (ME)	0.966	0.967	0.974	Reliable
Market Positioning (MP)	0.961	0.962	0.970	Reliable
Value Innovation (VI)	0.971	0.974	0.977	Reliable

The upcoming hypothesis testing underscores the structured analytical framework applied throughout this research. Evaluating these mediation pathways helps uncover the specific indirect mechanisms through which Digital Marketing Capability influences overall market performance. While relying on self-reported survey data presents inherent risks of response bias, the underlying structural model remains robust. Consequently, this structural design serves as a reliable empirical reference for subsequent studies evaluating the digitalization of emerging modest apparel markets.

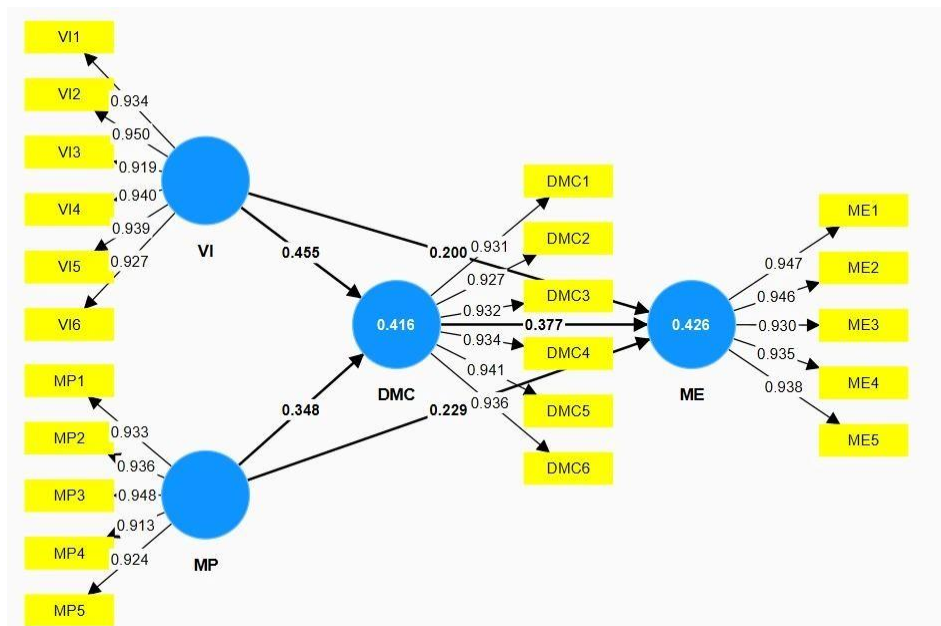


Figure 4. PLS SEM Outer Model Algorithm Results

Discriminant validity assessment via the HTMT method confirms that all construct pairs remain safely below the strict 0.90 ceiling. The highest ratio stands at 0.614, tracking the connection between Digital Marketing Capability and Market Expansion, which confirms that the two constructs do not overlap. Similarly, the reliability metrics in Table 5 underscore the strong consistency of our research instrument; both Cronbach's Alpha and Composite Reliability scores span from 0.961 to 0.977, positioning them well clear of the baseline 0.70 requirement.

Structural Model Evaluation (Inner Model)

The structural model evaluation in Table 6 reveals that Value Innovation and Market Positioning simultaneously capture 41.6% of the variance in Digital Marketing Capability. Furthermore, integrating these antecedents with the mediating variable explains 42.6% of the fluctuations in Market Expansion. Adhering to the interpretive thresholds defined by Hair et al. (2019), these coefficients of determination fall squarely into the moderate tier, indicating a substantial yet stable predictive capability.

Table 6. Coefficient of Determination Results

Dependent Variable	<i>R-square (R²)</i>	<i>R-Square Adjusted</i>
Digital Marketing Capability	0.416	0.411
Market Expansion	0.426	0.418

As detailed in Table 7, the effect size (f^2) diagnostics reveal that Value Innovation acts as the primary driver for Digital Marketing Capability, yielding a substantial score of 0.327. In contrast, the direct paths from Value Innovation and Market Positioning to Market Expansion register weak effects at 0.049 and 0.071, respectively. These distinct variations highlight the indispensable mediating role that Digital Marketing Capability plays within the overall research framework.

Table 7. Effect Size Results

Relationship Path	f ² Value	Effect Category
Digital Marketing Capability → Market Expansion	0.144	Medium
Market Positioning → Digital Marketing Capability	0.192	Medium
Market Positioning → Market Expansion	0.071	Small
Value Innovation → Digital Marketing Capability	0.327	Large
Value Innovation → Market Expansion	0.049	Small

Furthermore, the blindfolding derived predictive relevance (Q²) reached 0.357 for the mediating variable and 0.370 for the ultimate outcome. Because both figures comfortably clear the zero threshold, the structural model demonstrates a strong predictive capacity. This empirical evidence confirms that the established model is highly reliable and suitable to serve as a baseline for future operational forecasts.

Table 8. Predictive Relevance Test Results

Endogenous Variable	SSO	SSE	Q ² = 1 –	Remarks
Digital Marketing Capability	1320.0000	848.555	0.357	Relevant
Market Expansion	1100.000	693.282	0.370	Relevant

Hypothesis Testing

To evaluate the proposed hypotheses, we ran a bootstrapping routine applying the standard critical thresholds of a T-statistic above 1.96 and a P-value below 0.05. The empirical output summarized in Table 9 confirms that every direct and indirect path within the structural model receives full statistical support.

Table 9. Direct and Indirect Effect Hypothesis Testing Results

Hypothesis	Relationship Path	Original Sample (O)	T-Statistic	P-Values	Decision
H1	Value Innovation → Digital Marketing Capability	0.455	9.038	0.000	Accepted
H2	Market Positioning → Digital Marketing Capability	0.348	7.493	0.000	Accepted
H3	Digital Marketing Capability → Market Expansion	0.377	5.548	0.000	Accepted
H4	Value Innovation → Market Expansion	0.200	3.004	0.003	Accepted
H5	Market Positioning → Market Expansion	0.229	4.567	0.000	Accepted
H6	Value Innovation → Digital Marketing Capability → Market Expansion	0.171	4.660	0.000	Accepted
H7	Market Positioning → Digital Marketing Capability → Market Expansion	0.131	4.306	0.000	Accepted

Based on the Variance Accounted For (VAF) analysis presented in Table 10, Digital Marketing Capability serves as a partial mediator across the model's core pathways. It accounts for exactly 45.9% of the indirect effect between Value Innovation and Market Expansion. The construct similarly bridges Market Positioning and Market Expansion, registering a VAF score of 36.2%. since both calculated parameters fall squarely within the conventional 20% - 80% threshold, the statistical presence of partial mediation is fully validated for both structural paths.

Table 10. The Mediation Test Results Based on Variance Accounted For (VAF)

Hypothesis	Mediation Path	Direct Effect	Indirect Effect	Total Effect	VAF (%)	Remarks
H6	Value Innovation → Digital Marketing Capability → Market Expansion	0.200	0.171	0.372	45.9%	Partial Mediation
H7	Market Positioning → Digital Marketing Capability → Market Expansion	0.229	0.131	0.361	36.2%	Partial Mediation

3.2 Discussion

Statistical evaluation of the first hypothesis confirms that Value Innovation exerts a positive and significant effect on Digital Marketing Capability. This outcome supports the premise that firm-level value creation requires the optimal integration of digital technologies to effectively communicate competitive advantages to the public (Hajar et al., 2022; Khin & Ho, 2019). From the Resource-Based View (RBV) perspective, Value Innovation can be regarded as a strategic intangible resource because it enables MSMEs to create distinctive customer value through new products, services, and cost-efficient value configurations. However, the possession of such resources alone does not automatically generate competitive advantages. Their value depends on the firm's ability to effectively deploy and organize them through relevant organizational capabilities. In this context, Digital Marketing Capability represents an organizational capability that enables Muslim fashion MSMEs to translate the value created through innovation into effective digital content, customer engagement, and targeted online promotion. Therefore, the positive and significant effect of Value Innovation on Digital Marketing Capability indicates that MSMEs with stronger innovation-oriented resources are more likely to develop and utilize digital marketing capabilities to communicate and commercialize their distinctive value. This finding reinforces the RBV argument that competitive advantage depends not only on possessing valuable resources but also on the firm's ability to effectively leverage those resources through organizational capabilities. Furthermore, these findings align with the dynamic capability's theory (Latifi et al., 2021), which suggests that business model adaptations directly drive technology adoption. In this study, because many micro-enterprise respondents are actively involved in digital marketing, highly innovative products offer them tangible leverage for online content creation, optimizing promotional efficiency despite severe capital constraints. Similarly, our analysis validates the second hypothesis, demonstrating that Market Positioning significantly drives Digital Marketing Capability. This link underscores how precise market targeting relies heavily on digital competencies (Tolstoy et al., 2021). From the theoretical standpoint, distinct Market Positioning serves as a strategic framework that sharpens the configuration of digital

channels, allowing resource constrained small businesses to efficiently allocate marketing assets across social media and digital marketplaces.

Regarding the third hypothesis, the findings indicate that digital capability significantly enhances Market Expansion, demonstrating that digital proficiency effectively broadens the geographical reach of small enterprises. From a theoretical perspective, this empirical finding strongly reinforces Teece's (2007) Dynamic Capabilities Theory (DCT) and Barney's (1991) Resource-Based View (RBV). Under the RBV framework, digital marketing capabilities function as valuable, rare, and inimitable strategic resources that allow resource-constrained MSMEs to optimize operational processes. Furthermore, through the lens of DCT, digital proficiency serves as a dynamic asset that enables small firms to continuously sense market shifts, seize online opportunities, and reconfigure their commercial networks. Consequently, rather than relying on heavy capital investments in physical storefronts, MSMEs deploy these internal digital capabilities to transcend traditional territorial boundaries, optimize customer acquisition, and scale their geographical footprint in a cost-effective manner. This outcome aligns with Teece's (2007) Dynamic Capabilities Theory, as digital execution enables micro scale firms to transcend traditional territorial boundaries without requiring heavy capital investments in physical storefronts. Consumer data analytics tools play a particularly vital role in facilitating this expansion. Furthermore, statistical analysis for the fourth and fifth hypotheses reveals that both value innovation and Market Positioning exert a direct positive influence on Market Expansion. While innovative products stimulate organic word of mouth marketing and attract new customer segments, a well-defined brand identity lowers customer hesitation when entering unfamiliar markets. Together, these elements accelerate market entry. However, it is worth noting that the effect sizes (f^2) for both direct paths remain marginal, falling well below the impact of value innovation on digital capability. This divergence confirms that superior products and sharp positioning are insufficient on their own; these traditional strategic assets fail to generate meaningful Market Expansion unless supported by mature digital execution strategies.

Results from H6 and H7 represent the primary contribution by demonstrating a partial mediation effect, where digital capability links value innovation and Market Positioning to Market Expansion. Intervening mechanism underscores how digital competency functions within the business ecosystem and not merely as a baseline operational prerequisite, but as a strategic catalyst that amplifies the efficacy of core business strategies. Although continuous value innovation and robust brand positioning maintain a direct influence on Market Expansion, their effects accelerate significantly when channeled through proficient digital marketing setups. Significantly, consumer data analytics registered the highest outer loading within the digital dimension, highlighting that data interpretation is the single most critical asset for optimizing the broader Market Expansion framework.

Managerial Implication

This research offers three strategic recommendations for MSE owners, such as business leaders should prioritize continuous value innovation, with a sharp focus on modernizing digital customer service systems. Our empirical data highlights this indicator as the primary driver of Value Innovation, a construct proven to play a pivotal role in expanding Digital Marketing Capability. Second, entrepreneurs need to establish structured brand communication guidelines that integrate visual styles, brand tone, and service standards. Maintaining such consistency across digital promotional channels is vital, given that this element heavily drives Market Positioning formulation. And then, since digital marketing proficiency has become

critical for long-term survival, firms are encouraged to actively invest in data literacy training for their marketing personnel. Building these analytical skills ensures that foundational product superiority and brand positioning effectively translate into tangible, measurable Market Expansion.

Research Novelty

While prior literature often evaluates Value Innovation, Market Positioning, and Digital Marketing Capability as isolated constructs (Purwanti et al., 2022; Jung & Shegai, 2023), this study establishes its novelty through three distinct contributions. First, by consolidating these variable into an integrated mediation framework, the analysis demonstrates that digital capability exerts a more dominant influence on Market Expansion than isolated product or brand strategies. Second, focusing on Muslim fashion micro and small enterprises (MSEs) provides a unique research context characterized by interwoven religious values, rapid trend cycles, and hyper competitive market dynamics. This sectoral focus offers a fresh empirical application of the Resource-Based View (RBV) theory within Indonesia's creative economy. The study concludes by demonstrating that a subjective, reflective approach to operationalize Market Expansion offers a reliable alternative for measuring MSE performance. This approach effectively mitigates the analytical biases associated with traditional financial indicators, which are often distorted due to the widespread absence of standardized accounting practices among small-scale operators.

4. Conclusion

In conclusion, the empirical findings confirm that Value Innovation and Market Positioning significantly strengthen Digital Marketing Capability, ultimately driving successful Market Expansion for Java-based Muslim fashion enterprises. While both independent variables exert a direct impact on expansion, their contributions are marginal compared to the indirect mediation pathways. The findings demonstrate that digital capability functions as a critical strategic catalyst and a partial mediator, transforming foundational product innovation and brand positioning into tangible market growth amid intense competition. From a theoretical standpoint, these insights enrich the Resource-Based View (RBV) literature by validating digital capability as an essential strategic asset for small-scale operators. From a practical standpoint, entrepreneurs should balance unique product development with competitive pricing, maintain brand consistency, and upgrade data analytical skills to survive saturated domestic markets and avoid destructive price wars. In addition to this point, policymakers and mentoring institutions can leverage these findings to design targeted digital literacy and marketing training initiatives tailored for micro-enterprises.

Despite these insights, several limitations warrant consideration for future research. The cross-sectional design constrains the ability to observe strategic shifts over time, and relying on self-reported survey data introduces potential subjectivity bias. In the terms of geographic scope, the sample is restricted to participants within Java. Furthermore, the structural model leaves approximately 57.4% of the variance in Market Expansion unexplained, given that the combination of predictors accounts for 42.6% of the shifts. Future studies should adopt a longitudinal approach to capture temporal dynamics and combine perceptual metrics with objective digital performance data. Expanding the demographic scope beyond Java would also enhance generalizability. Concludingly, incorporating alternative predictors, such as capital availability and formalized Customer Relationship Management (CRM) practices, could significantly improve the framework's overall explanatory power.

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