

The role of digital marketing in mediating the effect of the COVID-19 pandemic and the intensity of competition on business performance

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ABSTRACT

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This study aims to explain the role of digital marketing adoption in mediating the effect of the COVID-19 pandemic and the intensity of competition on business performance, which is seen from the perspective of financial performance and non-financial performance. This research was conducted on the culinary sector SMEs in Bali. The size of the sample used is 210 culinary sector SMEs with a purposive sampling approach, namely the culinary sector SMEs that have adopted digital marketing. The analytical tool used is SEM-PLS. The results of the study show that the effect of the COVID-19 pandemic and the intensity of competition has a negative and significant effect on business performance, both financial and non-financial performance. The adoption of digital marketing was unable to mediate the effect of the COVID-19 pandemic and the intensity of competition on financial performance, but the adoption of digital marketing was capable in mediating the effect of the COVID-19 pandemic and the intensity of competition on non-financial performance. Therefore, the adoption of digital marketing needs to be re-optimized to improve business performance, both financial and non-financial performance.

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1. Introduction

The existence of the COVID-19 pandemic has had a significant impact on the business performance achievements of Micro, Small and Medium Enterprises (MSMEs) in Bali. Businesses in general have problems in maintaining themselves, especially if they want to improve their performance. One of the businesses that is under threat because of the COVID-19 pandemic is the culinary business. The culinary business in general experienced a decline in performance. This is because the market's purchasing power has decreased, as many people have been affected by the COVID-19 pandemic. Many employees have been laid off, so that their income decreases and ultimately their purchasing power also decreases. The impact of these layoffs has caused them to also look for other job opportunities. One of the opportunities seen is the culinary business, although the culinary business is declining. This is what causes the intensity of competition to increase, as many people are now turning to culinary businessmen. The culinary business is still attractive because of their perception that everyone needs to meet their basic needs in the form of eating and drinking. Even though the intensity of competition is getting tougher, businesspeople must be able to prepare contingency strategies to deal with the crisis due to the COVID-19 pandemic (Ritter & Pedersen, 2020). MSMEs should be able to choose a suitable business strategy so that their performance can be maintained and improved. In general, the performance of the culinary business in Bali has decreased (based on the results of preliminary research on 10 MSMEs in the culinary sector). The decline in business performance has been widely studied by previous researchers, including: Teece (2014); Warner and Wager (2019); Sousa-Zomer et al. (2020). The achievement of the business performance

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of SMEs in the culinary sector is strongly influenced by increasingly fierce competition. The intensity of increasingly fierce industry competition can reduce business performance (Kankam-Kwarteng et al., 2019). Other research results that are in line with the results of this study have also been carried out by Amoah (2016), but there are other research results that show the opposite result, namely the intensity of competition does not cause a decrease in performance (Acquaah & Agyapong, 2015). Because there are still inconsistent research results about the effect of competition intensity on performance, this research was conducted by adding a mediating variable for digital marketing adoption. The reasons or considerations for including digital marketing variables are: 1) digital marketing is a new strategy that has emerged according to the development of the digital era (Vial, 2019); 2) there are already some businesses that have started implementing digital marketing as a solution to increase their performance; 3) the external environment, such as competition, of course also has an influence on the adoption of digital marketing because competing companies have started to use it; 4) from several studies showing that digital marketing is able to increase performance (Tortorella et al., 2020; Ritz et al., 2019; Hofacker et al., 2020). Digital marketing is used as a mediating variable in this study covering all types of digital marketing, ranging from websites, search engine marketing, social media marketing, online marketing, email marketing, and video marketing. The adoption of comprehensive digital marketing is indeed suitable for the culinary business with the consideration that all these digital marketing tools can be implemented in MSMEs in the culinary sector.

Based on the existing background, this study aims to examine and explain the role of digital marketing in mediating the influence of the intensity of competition on business performance. In addition, also developing a digital marketing model to be applied to MSMEs in the culinary sector in Bali.

2. Literature review

2.1 COVID-19 Pandemic

The COVID-19 pandemic is an event that spreads Coronavirus Disease 2019 (English: Coronavirus disease 2019, abbreviated as COVID-19) throughout the world to all countries. This disease is caused by a new type of coronavirus named SARS-CoV-2. The Covid-19 outbreak was first detected in Wuhan City, Hubei, China on December 1, 2019, and was designated a pandemic by the World Health Organization (WHO) from March 11, 2020 to November 14, 2020, more than 53,281,350 cases have been reported. more than 219 countries and territories worldwide, resulting in more than 1,301,021 people dying and more than 34,394,214 people recovering. Efforts to prevent the spread of the coronavirus include travel restrictions, quarantines, curfews, event delays and cancellations, and facility closures. These efforts include limiting the operating hours of the business world, including businesses engaged in the culinary sector. This pandemic has caused socioeconomic disruption. Buyers also experienced a decrease in purchasing power which had an impact on sales turnover from various business sectors. This condition encourages the business world to look for solutions in order to survive and if possible, continue to improve its performance. One strategy that can be considered is to do or adopt digital marketing which has not been used optimally so far.

2.2 Competition Intensity

The intensity of competition in an industry is determined by: (1) the threat of entry of new entrants, (2) the bargaining power of suppliers, (3) the bargaining power of buyers, (4) the threat of substitute products, and (5) competition in the industry. Five forces that determine the intensity of competition in an industry, including the existing competition in the MSME industry. In order to design a good strategy and achieve competitive advantage in the industry, the company must be able to minimize the impact of these five forces. The intensity of industrial competition is also faced by the MSME industry. This condition is revealed in the results of research from Sahi et al. (2019). According to Chen et al. (2015), the competitive environment is a factor outside the company that must be observed and analyzed continuously, because it always changes dynamically depending on the number of existing players, as well as changes in government regulations and technological changes.

2.3 Digital Marketing

Digital marketing is a marketing activity of a product using digital media or the internet. The purpose of digital marketing is to quickly attract consumers and potential customers (Park et al., 2018; Ritz et al., 2019). As we know, the acceptance of technology and the internet in society is very broad, so it is not surprising that digital marketing activities are the main choice for many companies. There are six types of digital marketing that are usually used by businesspeople. 1) Websites. The website plays a very important role in showing the company's professionalism, helping consumers to know the business, saving promotions and easy business media. 2) Search Engine Marketing. Efforts to make the company's website easy to find in search engine systems. Search Engine Marketing is divided into Search Engine Optimization (SEO) and Search Engine Marketing (SEM). SEO is done by yourself with a longer and cheaper time while SEM is paid but faster. 3) Social Media Marketing There are several social media platforms, namely Instagram, Facebook and Twitter because they can be done with minimal costs and even free. This of course can improve the company's image. 4) Online Advertising Promotional media via the internet for a fee. This method is done to get consumers more quickly and satisfactorily but is somewhat more expensive

than the previous type (Goldfarb and Tucker., 2011; Pagani et al., 2019). 5) Email Marketing. The company's way of conveying the latest information about ongoing promotions or the latest products or services via email. 6) Video Marketing. In this way, MSMEs can explain about their business, explain products and how to use them and display customer testimonials.

2.4 Company Performance

Business performance is a condition that the company wants to achieve because of the efforts made by all components of the company. One indicator that is usually used to measure the success of a company in achieving its goals is business performance. Performance is the result of a business that is used as a measuring tool for work performance using certain assessment methods (Cho and Lee, 2018). Performance can also be interpreted as an achievement that can be achieved by the organization in a certain period. Business performance is generally measured using indicators of financial performance and non-financial performance. Likewise, there are variations in indicators in measuring performance. For example, MSME business performance is measured using financial performance such as sales growth, sales transactions, profits achieved, and non-financial performance such as customer satisfaction, customer loyalty, and brand equity.

2.5 Financial Performance

Financial performance is a company's performance seen from a financial perspective, such as the performance of sales turnover, the performance of the number of sales transactions, and the performance of operating profits (Al Mamun and Fasal, 2018). According to Shin and Lee (2016); Galeazzo (2019); Agyabeng-Mensah and Tang (2021) financial performance can be measured by sales volume, profit level, profit growth, ROI, ROS, market share, and ROI growth. The measurement of financial performance used in this study refers to the measurements made by Negrao et al. (2019) and Galeazzo (2019), namely by looking at sales turnover, sales transactions, and operating profit obtained.

2.6 Non-Financial Performance

Non-financial performance is a performance which measurement is not calculated from the nominal money that can be achieved. There are several examples of non-financial performance measurement, such as: innovation performance (product performance, digital performance, and service performance), employee performance (employee commitment, employee satisfaction, and employee loyalty), operational performance, and marketing performance (customer satisfaction, customer loyalty), brand equity (Ayimey et al., 2020; Kyazze et al., 2020). In this study, the measurement of non-financial performance refers to the measurement of Bone (2017); Ghobakhloo and Azar (2018), consumer satisfaction, positive WOM, loyalty consumers, and brand equity.

3. Conceptual Framework

Every business must strive to improve its business performance, including the culinary sector SMEs in Bali. Improving business performance can be done with promotions that adopt digital developments, namely digital marketing. The adoption of digital marketing is of course very in line with the development of the environment, namely the digital era which is again massive. In the digital era, market behavior has changed drastically, which is very familiar with social media, and during this Covid-19 period, the government requires direct contact to be reduced so that the market also changes its behavior to shop online. This is where the adoption of digital marketing is very appropriate to be implemented to improve its performance. Through the adoption of digital marketing, such as marketing through websites, social media marketing, email marketing, search engine marketing, email marketing, and video marketing, it can increase its ability to strengthen its business relationships with other companies and consumers. Likewise, the adoption of digital marketing can have an impact on improving business performance (Ritz et al., 2019). Based on the concept of a framework that explains the relationship between each variable, a conceptual framework model is developed as shown in Fig. 1.

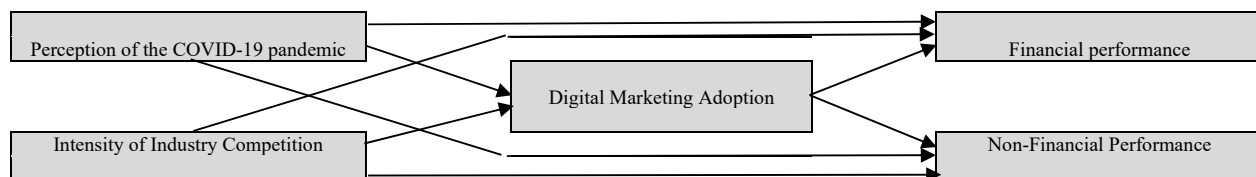


Fig. 1. Conceptual framework

Research Hypotheses

- H₁:** The COVID-19 pandemic has a negative and significant impact on financial performance.
- H₂:** The COVID-19 pandemic has a negative and significant impact on non-financial performance.
- H₃:** The COVID-19 pandemic has a positive and significant impact on digital marketing.
- H₄:** The intensity of business competition has a negative and significant effect on financial performance.

- H₅:** The intensity of business competition has a negative and significant effect on non-financial performance.
- H₆:** The intensity of business competition has a positive and significant effect on digital marketing.
- H₇:** Digital marketing has a positive and significant effect on financial performance.
- H₈:** Digital marketing has a positive and significant effect on non-financial performance.
- H₉:** Digital marketing adoption can mediate the impact of the COVID-19 pandemic on financial performance.
- H₁₀:** Digital marketing adoption can mediate the impact of the COVID-19 pandemic on non-financial financial performance.
- H₁₁:** The adoption of digital marketing can mediate the effect of the intensity of competition on financial performance.
- H₁₂:** The adoption of digital marketing can mediate the effect of the intensity of competition on non-financial performance.

4. Research methods

This research is a type of causality research, which is to examine the relationship between the perceived variables of the COVID-19 pandemic, the intensity of industry competition, digital marketing, and financial performance, as well as non-financial performance. This research was conducted in all districts in Bali. The population of this research is all SMEs in the culinary sector in the Bali region. The sample size of this study was 210 MSMEs engaged in the culinary sector. Determination of the sample size in this study using the formula $5 \times$ the number of variable indicators. In this way, it is hoped that all representative samples will represent the MSMEs in the culinary sector in each district/city and in the end be able to represent the Bali region. The variable indicators of the COVID-19 pandemic variable, the intensity of competition, digital marketing, and financial performance, and non-financial performance, are measured by the perceptions of the owners or managers of the culinary sector SMEs as the makers of their digital marketing strategies using a five-level Likert scale, namely from very disagree = 1, disagree = 2, quite agree = 3, agree = 4, and strongly agree = 5. The measurement of variables will be carried out in the period from the first week of June 2021 to the fourth week of June 2021. Data collection techniques were carried out by distributing questionnaires both offline and online via WhatsApp groups. The instruments used were tested for validity and reliability in order to measure what they wanted to measure and to know the consistency of the responses given by the respondents. Testing the validity of the instrument using the product moment correlation technique from Pearson with a minimum limit of $r = 0.3$. Testing the reliability of the instrument is done by calculating the reliability coefficient of Cronbach's Alpha with the minimum limit of Alpha coefficient > 0.6 . Both tests used the SEM - PLS approach. This analysis is used to describe the research variables, without drawing generalizations. The data that has been collected is then tabulated in a table and a descriptive discussion is carried out. The causal relationship formulated in this study uses a model that is not simple, the variables in the model are recursive. This form of causal relationship requires an analytical tool that can explain the relationship, so the inferential statistical method used in this research data analysis is Path Analysis with Structural Equation Modeling (SEM) – PLS 3.

5. Results and discussion

After doing the research, the results can be presented as follows. The characteristics of respondents according to demographic characteristics are presented in Fig. 2.



Fig. 2. Personal characteristics of the participants

Fig. 2 explains that there are more female respondents than male respondents where female respondents are 73.81 percent, while male respondents are 26.19 percent. When viewed by age, most respondents aged 31 – 43 years amounted to 45.24 percent; then the age of 18-30 years by 14.29 percent; age 44 – 56 years by 28.57 percent; and age 57 – 70 years by 11.90 percent. When viewed from the level of education, respondents who have a junior high school level education are 11.90 percent; SMA level is 41.91 percent; Diploma level of 16.67 percent; Bachelor level by 24.76 percent; and postgraduate by 4.76 percent. Based on their position in MSMEs, as many as 170 people with a percentage of 80.95 percent are business owners and as many as 40 people with a percentage of 19.05 percent are business managers. Testing the validity and reliability of the instrument was carried out with the Pearson Correlation and the Cronbach's Alpha Coefficient. The results of testing the validity and reliability of the instrument for each variable can be presented in Table 1. The results of testing the validity and reliability of the instrument in Table 1 show that all variables are valid because the correlation value is above 0.30 and reliable because the Cronbach's Alpha value is above 0.6.

Table 1
Instrument Validity and Reliability Test Results

Variables	Item	r Correlation	Cronbach's Alpha α
COVID-19 Pandemic (X1)	X1.1	0.827	0.821
	X1.2	0.680	
	X1.3	0.789	
	X1.4	0.758	
	X1.5	0.775	
Industry Competition (X2)	X2.1	0.888	0.896
	X2.2	0.800	
	X2.3	0.848	
	X2.4	0.836	
	X2.5	0.907	
Digital Marketing Adoption (Y1)	Y1.1	0.723	0.890
	Y1.2	0.871	
	Y1.3	0.904	
	Y1.4	0.803	
	Y1.5	0.871	
Financial Performance (Y2)	Y2.1	0.834	0.862
	Y2.2	0.951	
	Y2.3	0.877	
Non-Financial Performance (Y3)	Y3.1	0.851	0.796
	Y3.2	0.906	
	Y3.3	0.798	

Source: Primary Data Processed, 2021

Furthermore, the results of the descriptive analysis of variables explain respondents' perceptions of the COVID-19 pandemic perception variables, competition intensity, digital marketing adoption, financial performance, and non-financial performance obtained through distributing questionnaires, both offline and online. Quantitative assessment uses an interval scale by integrating the average score according to the assessment category. Based on the results of the data tabulation of respondents' answers to 5 statements regarding the perception of the COVID-19 pandemic now faced by culinary sector SMEs, 210 respondents answered, it is possible to tabulate the number of answers for all respondents for each category which is presented in Table 2.

Table 2
Description of Respondents' Answers Regarding Assessment of the Variable Perception of the COVID-19 pandemic

No.	Statement of perceptions of the COVID-19 pandemic (X1)	Respondent's Answer					Total Score	Average	Info.
		1	2	3	4	5			
1	The COVID-19 pandemic is has resulted in limited MSME businesses in the culinary sector in operating (X.1.1)	0	5	22	86	97	905	4.31	Very high
2	The COVID-19 pandemic causes business capacity to decline (X.1.2)	0	3	44	82	81	871	4.15	High
3	The COVID-19 pandemic has resulted in limited culinary businesses in serving customers (X.1.3)	0	8	51	86	65	838	3.99	High
4	The COVID-19 pandemic has caused the culinary business to experience difficulty in supplying or raw materials (X.1.4)	1	10	49	74	76	844	4.02	High
5	The COVID-19 pandemic causes the purchasing power of customers to decline (X.1.5)	1	3	34	87	85	882	4.20	High
Average								4.13	High

Source: Primary Data Processed, 2021

Based on the data, Table 2 shows that 5 statements regarding the perception of the COVID-19 pandemic received an average value of 4.13 and were included in the criteria with an assessment category of 3.41 – 4.20, which is high. This means that the

MSME managers in the culinary sector in Bali who are respondents in this study have the perception that the COVID-19 pandemic is high limiting their business space.

Table 3

Description of Respondents' Answers Regarding Assessment of the Variable Intensity of Industrial Competition

No.	Statement of Intensity of Industry Competition (X2)	Respondent's Answer					Total Score	Average	Info.
		1	2	3	4	5			
1	The intensity of competition in the culinary sector MSMEs is getting tighter (X2.1)	2	8	44	65	91	865	4.12	High
2	The bargaining power of buyers in the culinary sector MSMEs increases (X2.2)	3	19	55	63	70	808	3.85	High
3	Bargaining power of suppliers in the culinary sector MSMEs increases (X2.3)	3	13	51	55	88	842	4.01	High
4	The presence of new entrants in the culinary sector MSMEs is increasing (X2.4)	2	21	51	58	78	819	3.90	High
5	There is a substitute product for the culinary sector UMKM products	2	9	47	64	88	857	4.08	High
Average								3.99	High

Source: Primary Data Processed, 2021

Based on the data, Table 3 shows that 5 statements regarding the intensity of competition in the culinary sector MSMEs in Bali obtained an average score of 3.99 and were included in the criteria with an assessment category of 3.41 - 4.20, namely high. This means that the MSME managers in the culinary sector in Bali who are respondents in this study feel that the intensity of industrial competition in the culinary sector is high.

Table 4

Description of Respondents' Answers Regarding Assessment of Digital Marketing Adoption Variables

No.	Digital Marketing Adoption Statement (Y1)	Respondent's Answer					Total Score	Average	Info.
		1	2	3	4	5			
1	Our business uses digital marketing to communicate with customers (Y1.1)	1	5	67	64	73	833	3.97	High
2	Our business uses digital marketing to share information to the market (Y1.2)	0	10	72	67	61	809	3.85	High
3	Our business uses digital marketing to build relationships with customers (Y1.3)	2	10	62	76	60	812	3.87	High
4	Our business uses digital marketing to manage the community (Y1.4)	2	8	81	57	62	799	3.80	High
5	Our business uses digital marketing to feel close to customers (Y1.5)	1	8	62	72	67	826	3.93	High
Average								3.89	High

Source: Primary Data Processed, 2021

Based on the data, Table 4 shows that 5 statements regarding the adoption of digital marketing have an average value of 3.89 and fall into the criteria with an assessment category of 3.41 – 4.20, which is high. This means that the MSME managers in the culinary sector in Bali who are respondents in this study have adopted digital marketing with high levels.

Table 5

Description of Respondents' Answers Regarding the Assessment of Financial Performance Variables

No.	Statement of Financial Performance (Y2)	Respondent's Answer					Total Score	Average	Info.
		1	2	3	4	5			
1	Our business experienced an increase in sales (Y2.1)	13	55	60	54	28	659	3.14	High enough
2	Our business experienced an increase in business transactions (Y2.2)	15	53	60	57	25	654	3.11	High enough
3	Our business experienced an increase in profit (Y2.3)	19	44	68	51	28	655	3.12	High enough
Average								3.12	High Enough

Source: Primary Data Processed, 2021

Based on the data, Table 5 shows that the 3 statements regarding financial performance get an average value of 3.12 and fall into the criteria with an assessment category of 2.61 – 3.40, which is quite high. This means that the MSME managers in the culinary sector in Bali who are respondents in this study only have sufficient financial performance. Based on the data, Table 6 shows that 3 statements regarding non-financial performance obtained an average score of 3.21 and were included in the criteria with an assessment category of 2.61 – 3.40, which was quite high. This means that the MSME managers in the culinary sector in Bali who are respondents in this study only have a high non-financial business performance.

Table 6
Description of Respondents' Answers Regarding Assessment of Non-Financial Performance Variables

No.	Statement of Financial Performance (Y3)	Respondent's Answer					Total Score	Average	Info.
		1	2	3	4	5			
1	Increasing customer satisfaction (Y3.1)	12	49	68	45	36	674	3.21	High enough
2	Increasing customer loyalty (Y3.2)	11	47	66	51	35	682	3.25	High enough
3	Increasing brand equity (Y3.3)	17	47	65	41	40	670	3.19	High enough
Average								3.21	High Enough

Source: Primary Data Processed, 2021

6. SEM PLS Result

This study uses a two-stage approach to measure the model before it is used for hypothesis testing, aiming to verify the validity and reliability of a research model. First, by analyzing convergent validity, then by analyzing discriminant validity.

6.1 Outer Model test

Convergent Validity

The outer model test is carried out to ensure that research indicators are suitable for use as their role in measuring research variables, so to see if a model is valid to be the basis of research, there are three criteria that must be met, namely: (1) all loading indicators must be above 0.65 (2) composite reliability (CR) must be above 0.8, and (3) average variance extracted (AVE) for each construct must exceed 0.5.

Table 7
Model Size Results

Construct	Indicator	Outer Loading	Composite Reliability	Average Variance Extracted (AVE)
COVID-19 pandemic	X1.1	0.701	0.878	0.591
	X1.2	0.760		
	X1.3	0.823		
	X1.4	0.772		
	X1.5	0.784		
Competition Intensity	X2.1	0.865	0.926	0.716
	X2.2	0.786		
	X2.3	0.878		
	X2.4	0.837		
	X2.5	0.860		
Adopt Digital Marketing	Y1.1	0.856	0.927	0.717
	Y1.2	0.841		
	Y1.3	0.853		
	Y1.4	0.800		
	Y1.5	0.882		
Financial performance	Y2.1	0.905	0.929	0.814
	Y2.2	0.925		
	Y2.3	0.877		
Non-Financial Performance	Y3.1	0.909	0.878	0.710
	Y3.2	0.916		
	Y3.3	0.682		

Source: Data processed, 2021

Based on Table 7, it shows that all outer loading indicators have values above 0.65 with a range between 0.682 to 0.925, meaning that they are at the recommendation limit, then the composite reliability (CR) value is in the range between 0.878 to 0.929, all of which are above 0.8, meaning that all constructs used formed to have good consistency as a research model, the third is the average variance extracted (AVE) value where everything is worth above 0.5, with a range from 0.591 to 0.814 so it can be concluded that the research model in this study has good validity.

Discriminant Validity

To evaluate discriminant validity, a research model is recommended to ensure that the average variance extracted ($\sqrt{\text{AVE}}$) root value of a latent variable must be greater.

Table 8
Correlation Between Latent Variables

Construct	COVID-19 pandemic	Competition Intensity	Adopt Digital Marketing	Financial performance	Non-Financial Performance
COVID-19 pandemic	1.000	0.318	0.342	-0.229	-0.288
Competition Intensity	0.318	1.000	0.286	-0.262	-0.246
Adopt Digital Marketing	0.342	0.286	1.000	0.010	0.045
Financial performance	-0.229	-0.262	0.010	1.000	0.613
Non-Financial Performance	-0.288	-0.246	0.045	0.613	1.000

Source: Data processed, 2021

Table 9

AVE root values

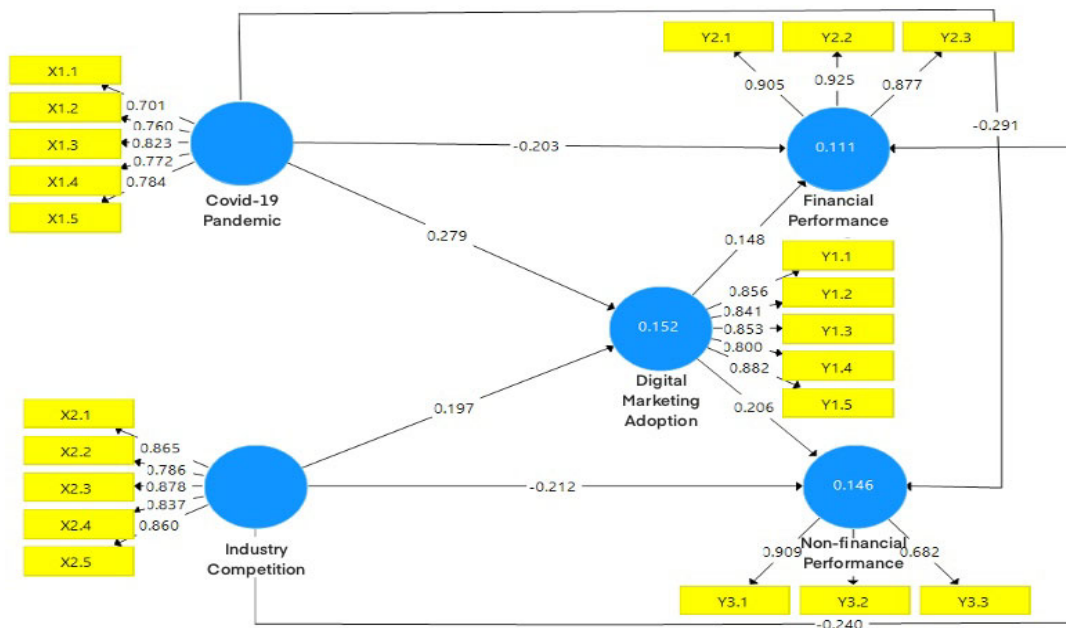
Construct	Average Variance Extracted (AVE)	Root AVE
COVID-19 pandemic	0.591	0.769
Competition Intensity	0.716	0.846
Adopt Digital Marketing	0.717	0.847
Financial performance	0.814	0.902
Non-Financial Performance	0.710	0.843

Source: Data processed, 2021

Discriminant validity is considered good if the smallest AVE (\sqrt{AVE}) root value in Table 9 is greater than the correlation value between the highest latent variables in Table 8. The research model proposed in this study can be considered good, where the smallest AVE value is 0.769 more greater than the correlation value between the highest latent variables, which is 0.613.

Inner Model test

Structural models focus on hypothesized relationships or paths between latent variables. The results of the inner model test can be seen in Fig. 2.

**Fig. 2.** Structural Model

The structural model was evaluated using Q-square for the dependent construct and t-test as well as the significance of the coefficients of the structural path parameters.

Testing Goodness of Fit Model

The inner model test is done by looking at the Q-square value which is the goodness of fit test of the model. If the Q-square value is greater than 0 (zero) it indicates that the model has predictive relevance, while the Q-square value is less than 0 (zero) indicating that the model lacks predictive relevance. However, if the calculation results show a Q-square value of more than 0 (zero), then the model deserves to be said to have a relevant predictive value. Q-square calculation can be seen as follows:

$$Q^2 = 1 - [(1-R_1^2)(1-R_2^2)(1-R_3^2)] = 1 - [(1-0.152)(1-0.111)(1-0.146)] = 0.365$$

Based on the above calculation, the Q-square value of 0.365 is more than 0, so it can be concluded that the model has predictive relevance or the model deserves to be said to have relevant predictive values. The results of this test prove that the structural model is classified as good.

Hypothesis testing

The significance of the estimated parameters provides very useful information about the relationship between the research variables. The basis used in testing the hypothesis is the value contained in the output path coefficients which is presented in Table 10.

Table 10

Path Coefficient

Correlation between variables	Path Coef.	t-statistics	p-value	Information
COVID-19 pandemic → Financial performance	-0.203	3.058	0.002	Accepted
COVID-19 pandemic → Non-financial performance	-0.291	4.338	0.000	Accepted
COVID-19 pandemic → Digital marketing adoption	0.279	4.181	0.000	Accepted
Intensity of competition → Financial performance	-0.240	3.248	0.001	Accepted
Intensity of competition → Non-financial performance	-0.212	2.932	0.004	Accepted
Intensity of competition → Adopt digital marketing	0.197	2.368	0.018	Accepted
Digital marketing adoption → Financial performance	0.148	1.771	0.077	Rejected
Digital marketing adoption → non-financial performance	0.206	2.690	0.007	Accepted

Source: Data processed, 2021

Hypothesis testing is done by using t-statistics and looking at the p-value. If the p-value < 0.05 then the hypothesis is accepted. Based on Table 11, it can be explained that the COVID-19 pandemic on financial performance has a t-statistic value of 3.058 with a p-value of $0.002 < 0.05$, so the hypothesis is accepted. This means that the higher the level of the COVID-19 pandemic, the lower the financial performance of MSMEs in the culinary sector in Bali. The COVID-19 pandemic on non-financial performance has a t-statistic value of 4.338 with a p-value of $0.000 < 0.05$, so the hypothesis is accepted. This means that the higher the level of the COVID-19 pandemic, the lower the non-financial performance of MSMEs in the culinary sector in Bali. Furthermore, the COVID-19 pandemic on digital marketing adoption has a t-statistic value of 4.181 with a p value of $0.000 < 0.05$, so the hypothesis is accepted. This means that the higher the COVID-19 pandemic, the higher the adoption of digital marketing for MSMEs in the culinary sector in Bali. In addition, the intensity of competition on financial performance has a t-statistic of 3.248 with a p-value of $0.001 < 0.05$, so the hypothesis is accepted. This means that as the intensity of competition increases, the financial performance of MSMEs in the culinary sector in Bali decreases. The intensity of competition on non-financial performance has a t-statistic of 2.932 with a p-value of $0.004 < 0.05$, so the hypothesis is accepted. This means that the increased intensity of competition results in decreased non-financial performance. The intensity of competition towards digital marketing adoption has a t-statistic of 2.368 with a p-value of $0.018 < 0.05$, so the hypothesis is accepted. This means that the intensity of competition in the culinary sector increases, the adoption of digital marketing also increases. Furthermore, the adoption of digital marketing on financial performance has a t-statistic of 1.771 with a p-value of $0.077 > 0.05$, so the hypothesis is rejected. This means that the adoption of digital marketing is not able to improve the financial performance of MSMEs in the culinary sector in Bali. The adoption of digital marketing on non-financial performance has a t-statistic of 2.690 with a p-value of $0.007 < 0.05$, so the hypothesis is accepted. This means that the adoption of digital marketing can improve the non-financial performance of MSMEs in the culinary sector in Bali.

Indirect Effect Test (Mediation Test)

Testing the mediating role of digital marketing adoption on the effect of the COVID-19 pandemic and the intensity of competition on financial performance and non-financial performance by examining the indirect effects which are Smart PLS outputs as presented in Table 11. Based on Table 11, it can be explained that the t-statistic value is higher the value of the t-table ($2.118 > 1.96$), only on the role of digital marketing adoption mediating the COVID-19 pandemic on non-financial performance, while the role of digital marketing adoption mediating the COVID-19 pandemic on financial performance, is not significant. Likewise, the role of digital marketing adoption in mediating the intensity of competition on financial performance and non-financial performance is also not significant, or the hypothesis is rejected.

Table 11

Indirect Effects

Correlation between Variables	Path Coef.	t-Statistic	p-Values	Information
COVID-19 pandemic → Digital marketing adoption → Financial performance	0.041	1.567	0,118	Rejected
COVID-19 pandemic → Digital marketing adoption → Non-financial performance	0.057	2.118	0.035	Accepted
Intensity of competition → Digital marketing adoption → Financial performance	0.029	1.372	0.171	Rejected
Intensity of competition → Digital marketing adoption → Non-financial performance	0.041	1.752	0.080	Rejected

Source: Data processed, 2021

7. Discussion

The Effect of the COVID-19 Pandemic on Financial Performance

Based on the results of the analysis of the effect of the COVID-19 pandemic on financial performance, the beta coefficient value is -0.203 with a significance level of $0.002 < 0.05$, which means H_0 is rejected and H_1 is accepted. These results mean that the COVID-19 pandemic variable has a negative and significant effect on financial performance. So, the higher the COVID-19 pandemic is indicated by restrictions in operation, decreased business capacity, restrictions in serving customers, difficulties in supplying raw materials, declining purchasing power of customers, the financial performance of the culinary sector MSMEs is decreasing. The results of this study at the same time strengthen the results of previous research conducted by Atayah et al. (2021), which stated that the COVID-19 pandemic had a negative and significant effect on the company's financial performance. This result is reinforced by research by Mohanty and Mishra (2021), which found that the COVID-19 pandemic variable had a negative and significant effect on financial performance as measured by cash inflows. In addition, research conducted by Al-Awadhi et al. (2020); Shen et al. (2020); and Zaid et al. (2020), also found that the COVID-19 pandemic had a negative and significant effect on financial performance, this means that, with the increasing and prolonged occurrence of the COVID-19 pandemic, it can reduce the financial performance that can be achieved by the culinary sector MSMEs in Indonesia. Bali.

The Effect of the COVID-19 Pandemic on Non-Financial Performance

The results of the analysis of the impact of the COVID-19 pandemic on non-financial performance obtained a beta coefficient value of -0.291 with a significance level of $0.000 < 0.05$, which means H_0 is rejected and H_1 is accepted. These results mean that the COVID-19 pandemic variable has a negative and significant effect on non-financial performance. This means that, the increasing COVID-19 pandemic as indicated by restrictions in operating, declining business capacity, restrictions in serving customers, difficulty in supplying raw materials, declining purchasing power of customers, can reduce the non-financial performance of the culinary sector MSMEs in Indonesia. Bali. The results of this study also strengthen the results of previous research conducted by Lai and Wong (2020), which stated that the COVID-19 pandemic condition played an important role in reducing the achievement of non-financial business performance, such as a declining number of customers. Similar results have also been obtained by Yacoub and ElHajjar (2021), stating that the COVID-19 pandemic variable has a significant effect on non-financial performance. The results of this study are also strengthened by the results of research from Heinonen and Strandvik (2020) and Alonso et al. (2020), and Nkengasong and Mankoula (2020), who found that the COVID-19 pandemic variable had a negative and significant effect on business performance variables including non-financial performance. It can be concluded that the COVID-19 pandemic has a negative and significant impact on the performance of non-financial businesses, this means that, with the higher and longer duration of the COVID-19 pandemic, the MSMEs in the culinary sector in Bali decline in their non-financial performance.

The Effect of the COVID-19 Pandemic on Digital Marketing Adoption

Based on the results of the analysis of the impact of the COVID-19 pandemic on digital marketing adoption, the Beta coefficient value is 0.279 with a significance level of $0.000 < 0.05$, which means H_0 is rejected and H_1 is accepted. These results mean that the COVID-19 pandemic has a positive and significant impact on digital marketing adoption. This means, the higher the COVID-19 pandemic is indicated by restrictions in operation, decreased business capacity, restrictions in serving customers, difficulties in supplying raw materials, declining purchasing power of customers, encouraging MSMEs in the culinary sector to further increase the level of digital marketing adoption. in his business.

The results of this study at the same time strengthen the results of previous research conducted by Salam et al. (2021) regarding the effect of the COVID-19 pandemic on the use of social media as one of digital marketing; Abed (2021) regarding the condition of the COVID-19 pandemic being able to increase the use of technology in product marketing, including the use of digital marketing in his business; and El Chaarani et al. (2021), found that during the COVID-19 pandemic the adoption of marketing innovations had a positive impact on business performance. These results are also strengthened by the results of research by Minai et al. (2021); Jiang and Wen (2021); Kimuli et al. (2021), found that the COVID-19 pandemic had a positive and significant impact on strategic digital entrepreneurship including digital marketing and encouraged the speed of adopting digital technology. It can be concluded that the COVID-19 pandemic has had a positive and significant impact on the adoption of digital marketing used by MSMEs in the culinary sector in Bali.

The Influence of Competition Intensity on Financial Performance

Based on the results of the analysis of the effect of competition intensity on financial performance, the beta coefficient value is -0.240 with a significance level of $0.001 < 0.05$, which means H_0 is rejected and H_1 is accepted. These results mean, the variable intensity of competition has a negative and significant effect on financial performance. So, the higher the intensity of competition in the MSME industry in the culinary sector in Bali which is indicated by the intensity of competition in the culinary sector is getting tighter, the bargaining power of buyers in the culinary sector is also increasing, the bargaining power

of suppliers is increasing, the existence of new businesses in the culinary sector, and the existence of new businesses in the culinary sector. substitute products, the financial business performance will decrease. The results of this study at the same time strengthen the results of previous research conducted by Keskin et al. (2021), which states that the intensity of competition has a negative and significant effect on financial business performance. These results are reinforced by research by Abata and Migiro (2016); Ahmed and Afsa (2019); Hou et al. (2019); Wang et al. (2021); and Mathur et al. (2021), found the results of the variable intensity of competition having a negative and significant effect on financial performance so it can be concluded that the intensity of competition has a negative and significant influence on financial performance, this means, with the increasing intensity of competition in the culinary sector SMEs in Bali, it can reduce the financial performance of SMEs themselves.

The Influence of Competition Intensity on Non-Financial Performance

Based on the results of the analysis of the effect of competition intensity on non-financial performance, the beta coefficient value is -0.212 with a significance level of $0.004 < 0.05$, which means H_0 is rejected and H_1 is accepted. These results mean that the variable intensity of competition has a negative and significant effect on non-financial performance. So, the higher the intensity of competition in the MSME industry in the culinary sector in Bali which is indicated by the intensity of competition in the culinary sector is getting tighter, the bargaining power of buyers in the culinary sector is also increasing, the bargaining power of suppliers is increasing, the existence of new businesses in the culinary sector, and the existence of new businesses in the culinary sector. substitute products, the non-financial performance also decreases. The results of this study simultaneously strengthen the results of previous research conducted by Martin and Javalgi (2016), which states that the intensity of competition has a negative and significant effect on non-financial business performance. This result is strengthened by research by Leonidou et al. (2015); Ralston et al. (2020); Wang et al. (2020); Markovich et al. (2021), found the results of the variable intensity of competition having a negative and significant effect on non-financial performance so that it can be concluded that the intensity of competition has a negative and significant influence on non-financial performance, this means, with the increasing intensity of competition in the culinary sector SMEs in Indonesia. Bali can then reduce the non-financial performance of MSMEs themselves, such as decreased customer satisfaction, decreased loyalty, and decreased brand equity.

Effect of Intensity of Competition on Digital Marketing Adoption

The results of the analysis of the influence of the intensity of competition on the adoption of digital marketing obtained a beta coefficient of 0.197 with a significance level of $0.018 < 0.05$, which means H_0 is rejected and H_1 is accepted. These results mean that the intensity of competition has a positive and significant effect on digital marketing adoption. This means, the higher the intensity of competition in the MSME industry in the culinary sector in Bali which is indicated by the intensity of competition in the culinary sector that is getting tighter, the bargaining power of buyers in the culinary sector is also increasing, the bargaining power of suppliers is increasing, the existence of new businesses in the culinary sector, and the existence of substitute products, the adoption of digital marketing increases. The results of this study at the same time strengthen the results of previous research conducted by Chen et al. (2015) regarding the intensity of competition that drives changes in the technology used, including the adoption of digital marketing implemented by a company; Leonido et al. (2013); Ansari et al. (2015); Anderson and Wladawsky (2016); about the intensity of competition encourages the adoption of social media as a digital marketing tool. These results are also strengthened by the results of research by Ojha et al. (2020), found that the intensity of competition has a positive and significant effect on digital marketing adoption. The influence of the intensity of competition is very influential for companies to adopt digital marketing. It can be concluded that, the intensity of competition has a positive and significant influence on the adoption of digital marketing, this means that the higher the intensity of competition, the more the adoption of digital marketing in the culinary sector MSMEs in Bali will increase.

The Effect of Digital Marketing Adoption on Financial Performance

The results of the analysis of the influence of digital marketing adoption on financial performance obtained a beta coefficient of 0.148 with a significance level of $0.077 > 0.05$, which means H_0 is accepted and H_1 is rejected. These results mean that the digital marketing adoption variable has a positive and insignificant effect on the financial performance of the culinary sector SMEs in Bali. So, the higher the adoption of digital marketing by businesspeople from SMEs in the culinary sector in Bali, which is indicated by using digital marketing to communicate with customers, share information to the market, establish relationships with customers, manage communities, and maintain closeness with customers, then it will not be able to improve performance. culinary sector SMEs finance in Bali. The results of this study contradict the results of previous studies conducted by Nguyen et al. (2021), which states that the adoption of digital technology including digital marketing has a positive and significant effect on financial performance. The results of this study are in line with the results of research conducted by Sousa-Zomer et al. (2020), which states that the adoption of digital marketing is not able to increase business performance. This is because during the COVID-19 pandemic, which was followed by a decline in market purchasing power, consumers saved more money for shopping, including buying food outside the home. Although the existing culinary businesses have tried their best to adopt digital marketing such as social media marketing, until video marketing it can only increase consumer memory for business brands but encourage them to shop has not been able to.

The Effect of Digital Marketing Adoption on Non-Financial Performance

Based on the results of the analysis of the influence of digital marketing adoption on non-financial performance, the beta coefficient value is 0.206 with a significance level of $0.007 < 0.05$, which means H_0 is rejected and H_1 is accepted. These results mean that the digital marketing adoption variable has a positive and significant effect on non-financial performance. This means that, the increasing adoption of digital marketing which is indicated by using digital marketing to communicate with customers, share information to the market, establish relationships with customers, manage communities, and maintain closeness with customers, will be able to increase the achievement of non-financial performance of MSMEs. culinary sector in Bali. The results of this study also strengthen the results of previous research conducted by Redjeki and Affandi (2021), which stated that digital marketing adoption plays an important role in improving non-financial performance. Similar results have also been obtained by Singh et al. (2021), stated that the digital marketing adoption variable has a positive and significant effect on business performance such as consumer satisfaction and consumer loyalty. The results of this study are also strengthened by the results of research from Taiminen and Karjaluoto (2015) finding that the digital marketing adoption variable has a positive and significant influence on the business performance variable. It can be concluded that the adoption of digital marketing has a positive and significant influence on the performance of non-financial businesses, this means that the higher the adoption of digital marketing by the culinary sector MSMEs in Bali, the higher their non-financial performance, such as increased consumer satisfaction, loyalty. customers, and its brand equity.

The role of digital marketing adoption in mediating the impact of the COVID-19 pandemic on financial performance

The results of the analysis show that the adoption of digital marketing is not able to mediate the effect of the COVID-19 pandemic on financial performance. Based on these results, it can be interpreted that the higher the COVID-19 pandemic has a negative and significant effect on financial performance, the adoption of digital marketing is not able to reduce this negative effect. This could be due to the COVID-19 pandemic, which is measured by the increasingly limited number of customers and the declining purchasing power of customers, which is more dominant in determining the performance achievement of the culinary sector MSMEs during the COVID-19 pandemic compared to the ability of digital marketing to boost sales turnover.

The role of digital marketing adoption in mediating the impact of the COVID-19 pandemic on non-financial performance

The adoption of digital marketing is able to mediate the impact of the COVID-19 pandemic on non-financial performance. The adoption of digital marketing in this research is as a full mediation (full mediation). Based on these results, it can be interpreted that the higher the perceived COVID-19 pandemic, the higher the adoption of digital marketing, so that in the end, non-financial performance will increase. The results of this study are supported by research by Liu and Yang (2021) which states that the perception of the COVID-19 pandemic has a positive and significant effect on the adoption of technology-based strategies that are ultimately able to improve competitive productivity performance. This condition is caused by the adoption of digital marketing which is able to increase customer satisfaction, customer loyalty, and brand equity due to the increasingly intensive adoption of digital marketing by MSMEs in the culinary sector in Bali. Through the adoption of digital marketing, consumers feel that they get value from the information that is always shared, feel close to the company, are always reminded of the company's brand through various digital marketing adoptions that are carried out so that they are able to increase non-financial performance despite the COVID-19 pandemic..

The role of digital marketing adoption in mediating the effect of competition intensity on financial performance

The adoption of digital marketing is not able to mediate the effect of the intensity of competition on financial performance. Based on these results, it can be interpreted that the more negative and significant influence of the intensity of competition on financial performance can be reduced by the culinary sector SMEs even though they have adopted digital marketing. This is because the intensity of industry competition in the culinary sector is getting tighter, of course, the market share that can be achieved is decreasing and financial performance is declining, and the adoption of digital marketing by marketing through social media, email marketing, search engine optimization, and video marketing. cannot increase sales volume, increase market share, and operating profit.

The role of digital marketing adoption in mediating the impact of the COVID-19 pandemic on non-financial performance

The results of the analysis show that the adoption of digital marketing is not able to mediate the effect of the intensity of competition on non-financial performance. Based on these results, it can be interpreted that the higher the negative and significant influence of the intensity of competition on non-financial performance, it cannot be reduced even though it has adopted digital marketing. This means that the adoption of digital marketing capabilities is still lower than the negative influence of the intensity of competition on the achievement of non-financial performance.

8. Conclusions and suggestions

Based on the results of the study, it can be concluded that the perception of the COVID-19 pandemic and the intensity of industry competition has a negative and significant effect on business performance, both financial performance and non-financial performance. This means that the higher the COVID-19 pandemic and the intensity of competition can cause the financial performance and non-financial performance of the culinary sector SMEs in Bali to decline. The perception of the COVID-19 pandemic and the intensity of industrial competition have a positive and significant impact on the adoption of digital marketing, this means that the COVID-19 pandemic and the increasing intensity of industrial competition have led to higher adoption of digital marketing in the culinary sector MSMEs in Bali. The adoption of digital marketing was not able to mediate the negative effects of the COVID-19 pandemic and the intensity of competition on financial performance, but the adoption of digital marketing was able to mediate the effects of the COVID-19 pandemic on the non-financial performance of MSMEs in the culinary sector in Bali, such as customer satisfaction, customer loyalty, and brand equity is increasing. The implications of this research are being able to develop a comprehensive model of the relationship between the COVID-19 pandemic, the intensity of competition with digital marketing adoption, financial performance, and non-financial performance. In addition, the results of this study indicate that digital marketing adoption needs to be intensified by using complete types of digital marketing so that product information can be conveyed to all target markets and ultimately able to increase market share and profits. The limitation of this research is because it was conducted in a certain period, of course, further research is needed for the future. In addition, this study only uses mediating variables for digital marketing adoption, and in the future it can use other mediating variables such as: innovation strategy, cooperation strategy, competition strategy; and this research was conducted from the point of view of the MSME business actor, in the future it can also be seen from the perspective of the consumer.

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