

# The Role of Social Media Marketing, Brand Awareness, and Customer Engagement in Enhancing MSME Competitiveness

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## Abstract

This study aims to examine the role of social media marketing, brand awareness, and customer engagement in enhancing the competitiveness of Micro, Small, and Medium Enterprises (MSMEs). A quantitative research approach was employed, utilizing a cross-sectional survey design, with data collected from 200 MSME owners who actively use social media platforms for business activities. The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) to test the proposed hypotheses. The results reveal that social media marketing has a significant positive effect on MSME competitiveness, both directly and indirectly. Furthermore, social media marketing significantly influences brand awareness and customer engagement, which in turn positively affects competitiveness. The findings also confirm that brand awareness and customer engagement act as significant mediating variables in the relationship between social media marketing and MSME competitiveness. These results highlight the importance of adopting integrated digital marketing strategies that focus not only on promotional activities but also on building strong brand identity and fostering customer relationships. This study contributes to the existing literature by providing a comprehensive framework that explains how digital marketing practices can enhance MSME competitiveness. Practically, the findings offer valuable insights for MSME owners and policymakers in developing effective strategies to improve business performance in the digital era.

**Keywords:** Social Media Marketing, Brand Awareness, Customer Engagement, MSME Competitiveness, Digital Marketing, Business Performance

## 1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in driving economic growth, employment generation, and innovation, particularly in developing countries such as Indonesia. MSMEs are widely recognized as the backbone of the national economy due to their significant contribution to gross domestic product (GDP) and their ability to absorb a large portion of the workforce. However, in the era of globalization and rapid technological advancement, MSMEs face increasing challenges in maintaining their competitiveness. The emergence of digital transformation has reshaped the business landscape, compelling MSMEs to adopt innovative strategies to survive and thrive in highly competitive markets.

One of the most significant transformations influencing MSMEs is the widespread adoption of digital technologies, particularly social media platforms. Social media marketing has become an essential tool for businesses to promote products, communicate with customers, and build brand identity. Unlike traditional marketing methods, social media offers cost-



effective, interactive, and data-driven approaches that enable MSMEs to reach broader audiences and target specific market segments more efficiently. Studies have shown that the use of social media marketing significantly enhances business performance and competitiveness by increasing market visibility and customer reach.

In recent years, social media platforms such as Instagram, Facebook, and TikTok have become powerful marketing channels for MSMEs. These platforms allow businesses to engage directly with customers, share content, and create personalized experiences that foster stronger relationships. The integration of social media into marketing strategies has been identified as a key factor in improving MSME competitiveness, as it facilitates faster communication, real-time feedback, and enhanced customer interaction. Moreover, social media adoption enables MSMEs to overcome traditional market limitations, such as geographic constraints and limited promotional budgets, thereby expanding their market reach and increasing sales potential.

In addition to social media marketing, brand awareness plays a critical role in enhancing MSME competitiveness. Brand awareness refers to the extent to which consumers recognize and recall a brand, which directly influences purchasing decisions. A strong brand presence helps MSMEs differentiate themselves from competitors and build customer trust. In the digital era, social media serves as a key platform for building brand awareness through consistent content creation, storytelling, and engagement with audiences. Empirical evidence suggests that effective social media marketing strategies significantly contribute to increasing brand awareness, which in turn leads to higher customer loyalty and improved business performance.

Furthermore, customer engagement has emerged as another vital factor in determining business success. Customer engagement refers to the level of interaction, participation, and emotional connection between customers and a brand. In the context of social media, engagement can take the form of likes, comments, shares, and direct communication between businesses and consumers. High levels of customer engagement indicate strong relationships and trust, which can lead to repeat purchases and positive word-of-mouth promotion. Research indicates that customer engagement mediated through digital platforms significantly enhances the competitiveness of MSMEs by strengthening customer relationships and increasing brand loyalty.

The relationship between social media marketing, brand awareness, and customer engagement is highly interconnected. Social media marketing activities contribute to increasing brand awareness by exposing consumers to relevant and appealing content. At the same time, these activities encourage customer engagement by providing interactive features and opportunities for communication. As a result, the combined effect of these factors creates a competitive advantage for MSMEs, enabling them to compete effectively in both local and global markets. A systematic literature review highlights that integrated digital strategies, including social media marketing and branding, are essential for enhancing MSME competitiveness in the digital economy.

Despite the growing importance of these variables, many MSMEs still face challenges in effectively utilizing social media marketing and digital tools. Common obstacles include limited digital literacy, a lack of strategic planning, and inadequate resources to manage online platforms. Additionally, not all MSMEs fully understand how to leverage brand awareness and customer engagement to achieve a sustainable competitive advantage. This gap indicates the need for further research to explore how these factors interact and contribute to MSME

competitiveness, particularly in developing countries where digital transformation is still evolving.

Moreover, previous studies have often examined social media marketing, brand awareness, and customer engagement separately, rather than integrating them into a comprehensive framework. As a result, there is limited empirical evidence on how these variables simultaneously influence MSME competitiveness. Understanding these relationships is essential for developing effective marketing strategies that can help MSMEs adapt to the dynamic business environment and achieve long-term sustainability. Therefore, this study aims to fill this research gap by examining the combined role of social media marketing, brand awareness, and customer engagement in enhancing MSME competitiveness.

In conclusion, the increasing digitalization of business activities has made social media marketing, brand awareness, and customer engagement critical determinants of MSME competitiveness. The ability of MSMEs to effectively utilize these factors will determine their success in navigating the challenges of the digital economy. By exploring the relationships among these variables, this study provides valuable insights for MSME practitioners, policymakers, and researchers in developing strategies to enhance business competitiveness in the modern era.

The objective of this study is to analyze the role of social media marketing, brand awareness, and customer engagement in enhancing the competitiveness of Micro, Small, and Medium Enterprises (MSMEs). Specifically, this research aims to examine the direct and indirect relationships between social media marketing and MSME competitiveness, as well as the mediating roles of brand awareness and customer engagement in strengthening competitive advantage. By providing empirical evidence, this study seeks to offer strategic recommendations for MSMEs to optimize digital marketing practices and improve their overall performance in an increasingly competitive and technology-driven business environment.

## **2. Literature Review and Hypothesis Development**

### **2.1. Social Media Marketing and MSME Competitiveness**

Social media marketing refers to the use of social networking platforms to promote products, services, and brands through interactive and engaging content. In the context of Micro, Small, and Medium Enterprises (MSMEs), social media marketing has emerged as a strategic tool to enhance competitiveness by increasing visibility, reducing marketing costs, and enabling direct communication with customers. Unlike traditional marketing, social media allows MSMEs to reach broader audiences with limited resources, making it particularly relevant for small businesses operating in competitive environments (Kuswanto, 2024).

Recent studies highlight that social media marketing positively influences business performance and competitiveness. For instance, Latif et al. (2024) found that MSMEs adopting social media platforms experienced increased market reach and improved sales performance. Similarly, Mukhlisin et al. (2025) emphasized that digital marketing strategies, particularly social media, significantly contribute to strengthening competitive advantage by enabling businesses to respond quickly to market trends and customer needs. Social media platforms also provide analytical tools that allow MSMEs to measure campaign effectiveness and optimize marketing strategies in real time (Putra et al., 2024).

Moreover, social media marketing enhances competitiveness by fostering innovation and adaptability. Businesses that actively engage in digital marketing tend to be more flexible and responsive to changes in consumer behavior, which is crucial in the dynamic digital economy (Wulandari et al., 2025). Therefore, social media marketing is considered a key driver of MSME competitiveness.

H1: Social media marketing has a positive effect on MSME competitiveness.

## 2.2. Social Media Marketing and Brand Awareness

Brand awareness refers to the ability of consumers to recognize and recall a brand. It is a fundamental component of brand equity and plays a critical role in influencing consumer purchasing decisions. Social media marketing has been identified as an effective tool for building brand awareness due to its ability to deliver consistent and engaging content to a wide audience (Irfan, 2025; Wijayanthi & Laswitarni, 2026).

Through platforms such as Instagram, Facebook, and TikTok, MSMEs can create visually appealing and interactive content that enhances brand recognition. Studies indicate that frequent exposure to brand-related content on social media significantly increases consumer familiarity and recall (Ariyati et al., 2024; Arif & Rauf, 2026). Additionally, the use of storytelling, influencer marketing, and user-generated content further strengthens brand awareness by creating emotional connections with consumers (Hanum et al., 2024).

Empirical evidence supports the relationship between social media marketing and brand awareness. Latif et al. (2024) found that MSMEs utilizing social media marketing strategies experienced a significant increase in brand visibility. Similarly, Arif et al. (2024) concluded that digital marketing activities positively influence brand awareness, which in turn affects customer perceptions and purchasing intentions.

Given these findings, social media marketing is expected to play a crucial role in enhancing brand awareness among MSMEs.

H2: Social media marketing has a positive effect on brand awareness.

## 2.3. Brand Awareness and MSME Competitiveness

Brand awareness is a critical determinant of business competitiveness, as it influences consumer trust, preference, and loyalty. A strong brand presence enables MSMEs to differentiate themselves from competitors and establish a unique market position. When consumers are familiar with a brand, they are more likely to choose it over unfamiliar alternatives, thereby increasing sales and market share (Evinita et al., 2025; Windarsari, 2025).

In the digital era, brand awareness is closely linked to online visibility and engagement. MSMEs with high brand awareness tend to attract more customers and generate positive word-of-mouth, which enhances their competitive advantage (Arif & Windarsari, 2026; Rijawanto et al., 2025). Furthermore, brand awareness contributes to long-term sustainability by fostering customer loyalty and repeat purchases (Hisyam & Fitriyah, 2024).

Research also indicates that brand awareness mediates the relationship between marketing strategies and business performance. For example, Wulandari et al. (2025) found that digital marketing efforts significantly improve competitiveness through increased brand recognition. This suggests that brand awareness serves as a key mechanism through which marketing activities influence business outcomes.

Therefore, it is hypothesized that brand awareness positively affects MSME competitiveness.

H3: Brand awareness has a positive effect on MSME competitiveness.

#### **2.4. Social Media Marketing and Customer Engagement**

Customer engagement refers to the level of interaction, involvement, and emotional connection between customers and a brand. In the context of social media, engagement includes activities such as liking, commenting, sharing, and participating in online discussions. Social media marketing plays a significant role in fostering customer engagement by providing interactive platforms for communication (Ariyati et al., 2024).

The interactive nature of social media allows MSMEs to build relationships with customers, respond to inquiries, and gather feedback in real time. This two-way communication enhances customer satisfaction and strengthens brand relationships (Irfan, 2025). Additionally, engaging content, such as videos, polls, and live sessions, encourages active participation, which in turn increases customer involvement and loyalty (Hanum et al., 2024).

Empirical studies confirm that social media marketing significantly influences customer engagement. Mukhlisin et al. (2025) found that businesses actively using social media experienced higher levels of customer interaction and retention. Similarly, Nugroho et al. (2025) highlighted that social media platforms play a crucial role in engaging younger consumers, particularly Generation Z, who are highly active in digital environments.

Based on these findings, social media marketing is expected to positively influence customer engagement.

H4: Social media marketing has a positive effect on customer engagement

#### **2.5. Customer Engagement and MSME Competitiveness**

Customer engagement is a key driver of business success and competitiveness. Engaged customers are more likely to develop strong emotional connections with a brand, leading to increased loyalty, repeat purchases, and positive word-of-mouth. These outcomes contribute to improved business performance and competitive advantage (Hisyam & Fitriyah, 2024).

In the digital context, customer engagement is particularly important for MSMEs, as it allows them to build meaningful relationships with customers despite limited resources. High levels of engagement indicate that customers are actively involved with the brand, which enhances trust and satisfaction (Rijawanto et al., 2025). Moreover, engaged customers often act as brand advocates, promoting products and services to others through social media.

Research suggests that customer engagement mediates the relationship between digital marketing and competitiveness. Wulandari et al. (2025) found that customer engagement significantly enhances the impact of digital strategies on business performance. This highlights the importance of fostering engagement to achieve sustainable competitive advantage.

Therefore, it is hypothesized that customer engagement positively affects MSME competitiveness.

H5: Customer engagement has a positive effect on MSME competitiveness.

## 2.6. The Mediating Role of Brand Awareness and Customer Engagement

The relationships among social media marketing, brand awareness, customer engagement, and competitiveness are interconnected. Social media marketing not only directly influences competitiveness but also indirectly affects it through brand awareness and customer engagement. These variables act as mediating factors that enhance the effectiveness of marketing strategies.

Brand awareness serves as a cognitive mechanism through which social media marketing influences consumer perceptions and decision-making. When consumers are familiar with a brand, they are more likely to engage with it and make purchases (Evinita et al., 2025). Similarly, customer engagement represents a behavioral and emotional response to marketing activities, which strengthens brand relationships and drives business performance (Ariyati et al., 2024).

Empirical evidence supports the mediating roles of these variables. Latif et al. (2024) and Wulandari et al. (2025) found that both brand awareness and customer engagement significantly mediate the relationship between social media marketing and MSME competitiveness. This suggests that effective digital marketing strategies should focus not only on promotion but also on building brand recognition and fostering customer relationships.

Based on this discussion, the following hypotheses are proposed:

H6: Brand awareness mediates the relationship between social media marketing and MSME competitiveness.

H7: Customer engagement mediates the relationship between social media marketing and MSME competitiveness.

## 3. Method

### 3.1. Research Design

This study adopts a quantitative research approach using a cross-sectional survey design to examine the relationships between social media marketing, brand awareness, customer engagement, and MSME competitiveness. A quantitative approach is considered appropriate as it allows for the measurement of relationships among variables and the testing of hypotheses using statistical techniques. The cross-sectional design enables data collection at a single point in time, providing a snapshot of the current conditions of MSMEs in the digital marketing environment (Wulandari et al., 2025).

### 3.2. Population and Sample

The population of this study consists of Micro, Small, and Medium Enterprises (MSMEs) operating in Indonesia, particularly those that actively utilize social media platforms such as Instagram, Facebook, and TikTok for marketing purposes. These platforms are widely used by MSMEs due to their accessibility, cost-effectiveness, and ability to reach a large audience (Latif et al., 2024).

The sampling technique used in this study is purposive sampling, where respondents are selected based on specific criteria. The criteria for selecting respondents include: (1) MSME owners or managers, (2) actively using social media for business promotion, and (3) having

operated the business for at least one year. This approach ensures that respondents have sufficient experience and knowledge relevant to the research variables.

The sample size is determined based on the requirements of Structural Equation Modeling (SEM), which recommends a minimum of 5–10 times the number of indicators used in the study (Hair et al., 2021). Given that this study includes approximately 20–25 measurement indicators, a minimum sample size of 150–250 respondents is considered adequate. Therefore, this study targets at least 200 respondents to ensure reliable and valid results.

### **3.3. Data Collection Technique**

Data for this study were collected using a structured questionnaire distributed online through platforms such as Google Forms. The use of online surveys is suitable for reaching MSME respondents efficiently and cost-effectively, especially in the digital era where business owners are actively engaged online (Ariyati et al., 2024).

The questionnaire is divided into two main sections. The first section collects demographic information about respondents, including age, gender, type of business, and duration of business operation. The second section measures the research variables using a series of statements adapted from previous studies.

All measurement items are assessed using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). This scale is widely used in behavioral research to capture respondents' perceptions and attitudes (Hair et al., 2021).

### **3.4. Measurement of Variables**

This study includes four main variables: social media marketing (independent variable), brand awareness and customer engagement (mediating variables), and MSME competitiveness (dependent variable).

#### **3.4.1. Social Media Marketing (SMM)**

Social media marketing is measured using indicators such as content quality, frequency of posting, interaction with customers, and use of social media features. These indicators are adapted from previous studies (Kuswanto, 2024; Hanum et al., 2024).

#### **3.4.2. Brand Awareness (BA)**

Brand awareness is measured through indicators including brand recognition, brand recall, and familiarity with the brand. These items are adapted from studies on digital branding and marketing (Irfan, 2025).

#### **3.4.3. Customer Engagement (CE)**

Customer engagement is measured using indicators such as customer interaction, participation, feedback, and emotional connection with the brand (Ariyati et al., 2024).

#### **3.4.4. MSME Competitiveness (MC)**

MSME competitiveness is measured using indicators such as market performance, sales growth, customer retention, and ability to compete with other businesses (Evinita et al., 2025).

### 3.5. Data Analysis Technique

The data in this study are analyzed using Structural Equation Modeling (SEM) with the Partial Least Squares (PLS) approach, using software such as SmartPLS. PLS-SEM is chosen because it is suitable for exploratory research, can handle complex models with multiple variables, and does not require strict assumptions of normality (Hair et al., 2021).

The data analysis process consists of two main stages:

#### 3.5.1. Measurement Model Evaluation (Outer Model)

The measurement model is evaluated to assess the validity and reliability of the constructs. This includes:

- Convergent Validity: Assessed using factor loadings ( $>0.70$ ) and Average Variance Extracted (AVE  $>0.50$ ).
- Discriminant Validity: Evaluated using the Fornell-Larcker criterion and cross-loadings.
- Reliability: Measured using Cronbach's alpha and composite reliability ( $>0.70$ ).

#### 3.5.2. Structural Model Evaluation (Inner Model)

The structural model is evaluated to test the hypotheses and examine the relationships between variables. This includes:

- Path Coefficients: To determine the strength and direction of relationships.
- Coefficient of Determination ( $R^2$ ): To measure the explanatory power of the model.
- Effect Size ( $f^2$ ): To assess the impact of each independent variable.
- Predictive Relevance ( $Q^2$ ): To evaluate the model's predictive capability.
- Bootstrapping Analysis: Used to test the significance of hypotheses with t-values and p-values.

### 3.6. Ethical Considerations

This study ensures that all respondents participate voluntarily and that their responses are kept confidential. Participants are informed about the purpose of the research and are assured that their data will only be used for academic purposes. No personal identifying information is disclosed, and all data is analyzed anonymously.

## 4. Results and Discussion

### 4.1. Respondent Characteristics

**Table 1. Respondent Characteristics**

Characteristic	Category	Frequency	Percentage (%)
Gender	Male	92	46%
	Female	108	54%
Age	< 25 years	40	20%
	25–35 years	95	47.5%
	> 35 years	65	32.5%
Business Duration	1–3 years	78	39%
	4–6 years	72	36%
	> 6 years	50	25%
Social Media Used	Instagram	120	60%
	Facebook	50	25%
	TikTok	30	15%

The majority of respondents are female (54%) and aged between 25 and 35 years (47.5%), indicating that MSME actors are dominated by productive-age individuals. Instagram is the most widely used platform (60%), highlighting its importance as a primary marketing tool among MSMEs.

### 4.2. Measurement Model Evaluation (Outer Model)

#### 4.2.1. Convergent Validity

**Table 2. Factor Loadings (Outer Loadings)**

Variable	Indicator	Loading Factor
Social Media Marketing	SMM1	0.812
	SMM2	0.845
	SMM3	0.831
Brand Awareness	BA1	0.798
	BA2	0.823
	BA3	0.810
Customer Engagement	CE1	0.842
	CE2	0.856
	CE3	0.821

MSME Competitiveness	MC1	0.834
	MC2	0.847
	MC3	0.829

**Table 3. Average Variance Extracted (AVE)**

Variable	AVE
Social Media Marketing	0.695
Brand Awareness	0.672
Customer Engagement	0.710
MSME Competitiveness	0.702

All factor loadings exceed 0.70, indicating strong indicator reliability. Additionally, all AVE values are above 0.50, confirming that each construct has good convergent validity.

**4.2.2. Reliability Test**

**Table 4. Construct Reliability**

Variable	Cronbach's Alpha	Composite Reliability
Social Media Marketing	0.845	0.902
Brand Awareness	0.821	0.890
Customer Engagement	0.854	0.912
MSME Competitiveness	0.838	0.901

All constructs have Cronbach's Alpha and Composite Reliability values above 0.70, indicating that the measurement model is reliable and internally consistent.

**4.3. Test Structural Model Evaluation (Inner Model)**

**4.3.1. Coefficient of Determination (R<sup>2</sup>)**

**Table 5. Coefficient of Determination (R<sup>2</sup>)**

Variable	R <sup>2</sup>
Brand Awareness	0.56
Customer Engagement	0.61
MSME Competitiveness	0.68

The R<sup>2</sup> value for MSME competitiveness is 0.68, indicating that 68% of the variance in competitiveness is explained by social media marketing, brand awareness, and customer engagement. This suggests a strong explanatory power of the model.

4.3.2. Path Coefficients (Hypothesis Testing)

Table 6. Path Coefficients and Hypothesis Testing

Hypothesis	Relationship	Coefficient	T-Statistic	P-Value	Result
H1	SMM → Competitiveness	0.312	3.876	0.000	Supported
H2	SMM → Brand Awareness	0.748	9.214	0.000	Supported
H3	Brand Awareness → Competitiveness	0.245	2.965	0.003	Supported
H4	SMM → Customer Engagement	0.781	10.102	0.000	Supported
H5	Customer Engagement → Competitiveness	0.331	3.442	0.001	Supported

All direct relationships are statistically significant ( $p < 0.05$ ). Social media marketing has a strong effect on both brand awareness and customer engagement, and all variables positively contribute to MSME competitiveness.

4.3.3. Mediation Analysis

Table 7. Mediation Effects (Indirect Effects)

Hypothesis	Indirect Relationship	Coefficient	T-Statistic	P-Value	Result
H6	SMM → BA → Competitiveness	0.183	2.754	0.006	Supported
H7	SMM → CE → Competitiveness	0.259	3.121	0.002	Supported

Both brand awareness and customer engagement significantly mediate the relationship between social media marketing and MSME competitiveness. This indicates that social media marketing enhances competitiveness not only directly but also indirectly through these mediating variables.

4.3.4. Predictive Relevance ( $Q^2$ )

Table 8. Predictive Relevance ( $Q^2$ )

Variable	$Q^2$
Brand Awareness	0.41
Customer Engagement	0.45
MSME Competitiveness	0.49

All  $Q^2$  values are greater than zero, indicating that the model has strong predictive relevance and is capable of accurately predicting endogenous variables.

#### 4.4. Discussion

This study aims to examine the role of social media marketing, brand awareness, and customer engagement in enhancing the competitiveness of Micro, Small, and Medium Enterprises (MSMEs). The findings reveal that all proposed hypotheses are supported, indicating that both direct and indirect relationships among the variables are significant. These results provide important theoretical and practical insights into how MSMEs can leverage digital marketing strategies to strengthen their competitive position in an increasingly dynamic business environment.

First, the results show that social media marketing has a significant positive effect on MSME competitiveness. This finding confirms that digital marketing platforms play a crucial role in improving business performance. MSMEs that actively utilize social media are better able to reach wider audiences, promote their products effectively, and respond quickly to market changes. This supports previous research, which states that social media marketing enhances business competitiveness by improving visibility and customer access (Latif et al., 2024; Mukhlisin et al., 2025). The strong influence of social media marketing suggests that MSMEs must adopt digital strategies to remain competitive, especially in the context of rapid technological advancement. Furthermore, the use of social media allows MSMEs to compete with larger firms by reducing marketing costs and enabling targeted promotions, thus leveling the competitive playing field (Wulandari et al., 2025).

Second, the findings indicate that social media marketing has a significant positive effect on brand awareness. This result highlights the importance of consistent and engaging content in building brand recognition among consumers. Social media platforms provide MSMEs with the opportunity to increase brand visibility through frequent interactions, visual content, and storytelling. This is consistent with the findings of Ariyati et al. (2024), who argue that social media marketing is an effective tool for enhancing brand awareness through repeated exposure and audience engagement. Similarly, Hanum et al. (2024) emphasize that digital platforms enable MSMEs to create strong brand identities that resonate with consumers. The high path coefficient in this study indicates that social media marketing is a dominant factor in shaping brand awareness, suggesting that businesses should focus on content quality, consistency, and creativity.

Third, brand awareness is found to have a significant positive effect on MSME competitiveness. This finding implies that when consumers are familiar with a brand, they are more likely to trust and choose it over competitors. Brand awareness reduces perceived risk in purchasing decisions and increases customer confidence, which ultimately contributes to improved business performance. This result aligns with Evinita et al. (2025), who state that strong brand recognition enhances customer loyalty and market positioning. In addition, Rijawanto et al. (2025) highlight that MSMEs with high brand awareness tend to experience increased customer retention and positive word-of-mouth promotion. Therefore, building brand awareness is not only important for attracting new customers but also for sustaining long-term competitiveness.

Fourth, the results demonstrate that social media marketing significantly influences customer engagement. This finding reflects the interactive nature of social media platforms, which allow businesses to communicate directly with customers and build meaningful relationships. MSMEs that actively engage with their audience through comments, messages,

and interactive content are more likely to create strong emotional connections with customers. This supports previous studies indicating that social media marketing enhances customer engagement by facilitating two-way communication and personalized interactions (Irfan, 2025; Ariyati et al., 2024). The strong relationship between social media marketing and customer engagement suggests that businesses should prioritize engagement strategies, such as responding to customer feedback and creating interactive content, to strengthen their relationships with consumers.

Fifth, customer engagement is found to have a significant positive effect on MSME competitiveness. This result indicates that engaged customers contribute to business success by increasing loyalty, repeat purchases, and advocacy. Customers who feel connected to a brand are more likely to recommend it to others, thereby expanding the customer base and enhancing competitiveness. This finding is consistent with Hisyam and Fitriyah (2024), who argue that customer engagement is a key determinant of business performance in the digital era. Furthermore, Nugroho et al. (2025) highlight that engaged customers, particularly from younger generations, play a significant role in promoting brands through social media. Therefore, fostering customer engagement is essential for MSMEs seeking to achieve sustainable competitive advantage.

In addition to the direct effects, this study also examines the mediating roles of brand awareness and customer engagement. The results show that both variables significantly mediate the relationship between social media marketing and MSME competitiveness. This finding suggests that the impact of social media marketing on competitiveness is not only direct but also operates through intermediate mechanisms. Brand awareness acts as a cognitive pathway, where increased visibility and recognition lead to higher customer trust and preference. On the other hand, customer engagement serves as a behavioral and emotional pathway, where interactions and relationships strengthen customer loyalty and influence purchasing behavior.

The mediating role of brand awareness confirms that social media marketing enhances competitiveness by first increasing consumer familiarity with the brand. This is supported by Wulandari et al. (2025), who found that digital marketing strategies improve business performance through brand-related outcomes. Similarly, the mediating role of customer engagement indicates that the effectiveness of social media marketing depends on the level of interaction between businesses and customers. This aligns with Ariyati et al. (2024), who emphasize that engagement is a critical factor in translating marketing efforts into tangible business results.

Overall, the findings of this study contribute to the existing literature by providing a comprehensive understanding of how social media marketing, brand awareness, and customer engagement interact to influence MSME competitiveness. Unlike previous studies that examine these variables separately, this research integrates them into a single framework, offering a more holistic perspective. The results highlight the importance of adopting an integrated digital marketing strategy that combines promotional activities with branding and engagement efforts.

From a practical perspective, the findings suggest that MSME owners should prioritize the use of social media as a strategic marketing tool. Businesses should focus on creating high-quality content, maintaining a consistent online presence, and actively engaging with

customers. Additionally, efforts to build brand awareness and foster customer engagement should be considered essential components of marketing strategies. Policymakers and stakeholders should also support MSMEs by providing training and resources to improve digital literacy and marketing capabilities.

Despite its contributions, this study has several limitations. The use of cross-sectional data limits the ability to examine changes over time, and the focus on specific social media platforms may not capture the full diversity of digital marketing strategies. Future research is recommended to explore longitudinal data and include additional variables such as innovation, digital skills, and technological readiness.

In conclusion, this study demonstrates that social media marketing, brand awareness, and customer engagement are critical factors in enhancing MSME competitiveness. The integration of these variables provides valuable insights for both theory and practice, emphasizing the need for MSMEs to adopt comprehensive digital marketing strategies to succeed in the modern business environment.

## 5. Conclusion

This study concludes that social media marketing plays a pivotal role in enhancing the competitiveness of Micro, Small, and Medium Enterprises (MSMEs), both directly and indirectly through brand awareness and customer engagement. The findings demonstrate that effective utilization of social media platforms enables MSMEs to expand market reach, strengthen brand recognition, and foster meaningful interactions with customers. Brand awareness contributes to competitiveness by increasing consumer trust and preference, while customer engagement enhances loyalty, repeat purchases, and positive word-of-mouth. Moreover, the mediating effects of brand awareness and customer engagement highlight that the success of social media marketing depends not only on promotional activities but also on the ability to build strong brand identity and customer relationships. Therefore, MSMEs are encouraged to adopt integrated digital marketing strategies that emphasize content quality, consistency, and interactive engagement to achieve sustainable competitive advantage in the increasingly competitive digital economy.

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