



Product Innovation, Digital Marketing, and Marketing Performance of Halal Culinary: The Moderating Role of Regulation

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ABSTRACT

Purpose – This research aims to formulate the factors that influence the marketing performance of halal culinary SMEs in North Sumatra

Methodology – This research adopts an explanatory research approach, which describes the cause-and-effect relationships between the research variables and the hypothesis testing. The research was conducted in North Sumatra. Data was collected by distributing questionnaires to respondents through Google Forms using the WhatsApp application to 385 MSME business actors. The data analysis method used SEM (Structural Equation Modeling) assisted by the smartpls4 (Partial Least Squares) program to determine the relationship between manifest variables as indicators and latent variables, thus providing meaning to those relationships

Findings – Findings in product innovation research provide a significant impact on marketing performance. Digital marketing has a significant impact on the marketing performance of halal food in SMEs. Regulations have a strong influence on marketing performance but have a weak influence on digital marketing.

Originality/Novelty – The performance of halal culinary marketing is influenced by product innovation and digital marketing. Regulations have a strong impact on the product innovation variable and a weak impact on the digital marketing variable.

Implications – SMEs must have the ability to develop product innovations in order to compete in the market and utilize social media more effectively and efficiently, as well as take advantage of government-established programs to develop their business.

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INTRODUCTION

Indonesia has a predominantly Muslim society. According to data from the Ministry of Home Affairs, the population of Indonesia reached 277.75 million by the end of 2022, with the number of Muslims in Indonesia amounting to 241.7 million or 87.02% of the total population (Ministry of Home Affairs, 2023). It's understandable that culinary businesses are dominated by Muslims spread across Indonesia, so halal food should be prioritized. However, the growth of halal food MSMEs has not been matched by the number of existing culinary businesses. According to the North Sumatra Institute of Food and Beverages (LPJH) in 2024, only 49% of 46,807 culinary businesses were halal-certified. Furthermore, many halal culinary businesses face limitations in digital marketing when faced with businesses with more advanced technological capabilities. This presents a challenge for halal culinary businesses, as well as an obligation to provide halal food to remain competitive. The government has established various regulations so that business operators can run their businesses in accordance with established rules. Thus, the halal food required by consumers must be fulfilled from the provision, processing to presentation, in accordance with Sharia regulations, so that the food and beverages are fit for consumption. The command to consume halal food is clearly mandated for Muslims. It is found in QS Al Baqarah (168) that not consuming halal food is like following the steps of the devil.

In the global era, halal food has become something important to be developed. Almost every country is competing to start providing and developing halal food. Even halal food suppliers are found in non-Muslim countries. The Global Economic Report data shows that Indonesia, as a producer and exporter of halal products in the world, is only able to provide 3.8% of the total halal market worldwide. Indonesia is striving to continuously improve the performance of halal product exports by establishing various export-oriented regulations and encouraging the business world (Anisa et al., 2025). Indonesia is a country that spends US\$214 billion on halal products, reaching 10% of the total global halal product value, and is the largest consumer compared to other Muslim-majority countries (Menkovid Ekonomi, 2020). However, Indonesia ranks second in the world for halal food products (SGIE, 2022). (Ministry of Religion, 2022). Next, the culinary business is the fastest-growing sector in Indonesia and occupies the largest share of MSMEs in ASEAN countries in 2021. However, looking at the percentage of MSMEs that currently provide only 3.8% of the global halal market, the export opportunities remain vast. This export volume should be continuously increased so that enhancing export value will increase the income of MSME actors. There is a need for policies to encourage the marketing performance of MSMEs to increase their output to meet domestic market demand and to increase the export volume, especially in the halal food sector. In fact, SMEs play a role in improving the economy of developing countries (Addy, 2024). MSMEs contribute to increased sales and job creation in developing countries (Cowling et al., 2020; AfPI, 2020). The halal food sector has now become a new opportunity to enhance economic growth and development not only for countries with a majority Muslim population but also for countries with a minority Muslim population (Fuadi et al., 2022). Mona et al., (2025) stated, the potential for halal products is substantial due to the 1.6 billion Muslims worldwide and is supported by the growing halal lifestyle among non-Muslims, creating opportunities for halal products.

Data from BPS (The Central Statistics Agency) shows that the number of culinary businesses in Indonesia in 2020 was 11,223, with a breakdown of 8,042 businesses (71.65%)



being restaurants or food stalls, 269 businesses (2.40%) catering, and 2,912 businesses (25.95%) other food and beverage providers. A survey by the Alvara Research Center found that the most sold type of food by culinary businesses in Indonesia was Indonesian food at 42.3%, followed by chicken noodles and meatballs at nearly 9.6%, then fusion (a combination of several types of food) at 5.8%, Asian food at 4.5%, Western food at 4.3%, Chinese food at 3.4%, Japanese food at 2.3%, Korean food at 1.4%, and others at 32.1% (Santika, 2022).

The type of food that is most favored by the public is Indonesian cuisine, which is already well-known for its types and flavors that are familiar to the general public. However, the problem is not only with the types of food that are already known, but consumers require that the processed ingredients served meet halal standards in accordance with Sharia law. It has been found that some culinary options do not have halal standards from MUI or the Ministry of Religious Affairs. Halal standards are important for culinary businesses to serve as a capital in running their business, especially for Muslim consumers who want to ensure that the food they consume is halal. Food should not only taste good but also bring peace of mind and a sense of safety when the food consumed is halal, so there is no doubt about consuming it. The data obtained indicates that there are 160,000 SMEs with halal certificates (2019), The Minister of Halal Tourism stated that based on records from BPS, out of 1.6 million SME actors, only 160,000 have halal certification. It was also found that some culinary businesses have engaged in actions that harm consumers by creating halal logos on their dining places and on product packaging, as well as businesses that display halal logos at their outlets. Meanwhile, the products from these businesses have not been registered for halal certification (BPJPH, 2023). There are packaged foods without halal logos in retail outlets, and halal-labeled foods that have been found to contain prohibited substances (Republika, 2025).

Research on halal food has been extensively conducted in various countries, but the discussion leans more towards how halal food has become a necessity that must be fulfilled for Muslim consumers, even in non-Islamic countries. Research by (Mir et al., (2025) discusses the rapid growth of ethnic food, in this case, halal food in Western society. Research on halal food is very rare in Indonesia, where the largest Muslim population in the world presents an opportunity for halal food producers, but researchers highlight that consumers are less diligent in understanding halal food (Vanany et al., 2020). Research (Aji et al., 2021) shows that many non-halal countries are implementing halal tourism strategies. Meanwhile, the research (Azwar et al., 2022) on halal food laws in religions (not only from the Islamic perspective) can provide answers to the current issue that both Judaism and Christianity also have certain food prohibitions in the Bible. Previous studies related to existing phenomena have shown that researchers only discuss the needs of the consumer side, who indeed require halal food. However, research on business actors as producers of halal products is still rarely found among researchers. How business actors produce halal products to meet market needs may face challenges in providing halal product needs that comply with Sharia regulations, and there have not been specific findings in the market.

Marketing is one of the activities in the economy that helps in creating economic value. The economic value itself determines the price of goods and services. Important factors in creating that value are production, marketing, and consumption. The marketing mix becomes essential for companies or businesses in conducting their operations as a tool to achieve their goals. The marketing mix is a crucial part of facing competitive competition. In a competitive



situation, companies must prioritize the elements of the marketing mix. To succeed, companies must be able to adjust their marketing mix to the market environment (Venaik & Midgley, 2019). Equifinality plays a significant role in a company's performance even if it does not conform to theory but adjusts to the business environment (Song, 2021). Companies that employ strategies compatible with the business environment are more successful than those that do not. The use of an effective marketing mix combination will produce optimal results for companies in terms of profits, reputation, and loyal customers. MSME products must have characteristics that differ from large companies. (Panno, 2020); (Pyper et al., 2020). The uniqueness of a product becomes the characteristic and appeal of the strength possessed by small businesses. (Daulay et al., 2024). MSMEs must be able to create value and sustainable competitive advantages (Khan et al., 2020), so that it can attract many customers (Nasution et al., 2025). This strategy contributes to marketing performance. MSMEs must have product innovation capabilities to improve performance (Syapsan, 2019). (van Hoek et al., 2020) emphasizes the role of entrepreneurs in adapting to technological changes. Product innovation is crucial for enhancing food competitiveness. Promotion is a strategy used to introduce products to the market and customers (Mansouri et al., 2022). The digital era brings changes in consumer behavior when purchasing, so SMEs must adapt. (Tirtayasa et al., 2024). Companies that employ strategies compatible with the business environment are more successful than those that do not. The use of an effective marketing mix combination will produce optimal results for companies in terms of profits, reputation, and loyal customers.

Miharja et al., (2024) reveals that regulation is generally assumed to be obtained by a specific industry and designed and operated mainly for its own benefit. Regulation is necessary to address issues occurring in society. Stiglitz, in his writing *Regulation and Failure*, explains that by its nature, regulation is a restriction on what individuals or companies should do. From an economic perspective, government intervention through the presence of regulation is very much needed to protect the market from potential failures and issues that could lead to an economic crisis. The Government plays a larger role in improving market functions to prevent disparities arising from *laissez-faire* capitalism (Giroux-arcella, 2026). When markets operate efficiently, the possibility of failure still looms. Furthermore, appropriate regulation can actually promote innovation and enhance welfare. The policy of empowering micro, small, and medium enterprises (MSMEs) has been able to increase the number and performance of MSMEs in East Java (Hermawati et al., 2019).

According to (Wen, 2024) there are two theories of regulation: public interest theory and interest group theory. Public interest theory explains that regulation must maximize social welfare, while interest group theory explains that regulation is the result of lobbying by certain individuals or groups who advocate for their own interests to the government. In this theory, the central authority, including regulatory oversight bodies, is assumed to have the best interests of the community at heart. The regulations created by the government are considered a trade-off between the costs of regulation and social benefits in the form of improved market operations. The indicators of regulation are adopted from Heba Mohamed Adel, consisting of three: 1) Stakeholder engagement; 2) Regulatory impact analysis (RIA); 3) Ex post evaluation (iREG, 2021).

Marketing performance is a benchmark or parameter to assess the success of marketing a product. Improvement in marketing performance is achieved by measuring the effectiveness of marketing in implementing the established strategies and minimizing any obstacles faced



by the Company (Ariesanti et al., 2023) . To advance the halal product industry in Indonesia in the global halal market, it is essential to use business partners and employ information technology and media as a means to expand marketing into the global market. (Munir & Masyhuri, 2021) . In addition, small business actors need to participate in activities organized by the government, be active in government programs, pay attention to and enhance branding, promotion, e-commerce, and distribution, which will lead to improved business performance (Nizar & Rakhmawati, 2022) .

Hypothesis Development

The Relationship between Digital Marketing, Product Innovation and Marketing Performance

Product innovation has the greatest impact on marketing performance, as innovation increases competitiveness in the market. The market will become more competitive with product innovations made by sellers. Good innovation creates products that will give a positive impression to consumers and the market will be more interested in continuing to buy, thus creating satisfaction and loyalty. Companies must innovate to support their marketing performance; without innovation, companies may sink in a competitive market. Product innovation is something that the market looks forward to; consumers wait to see what innovations companies will offer.

Digital marketing is a necessity that must be utilised by every businessperson or entrepreneur in today's digital era. Almost everyone uses social media to find the information they need. Therefore, sales must be able to provide information about the business being run effectively. Digital marketing provides information that is easy, fast and very cheap, so that the business being run can be widely known by the public just by looking online. The results of research by Valdez-ju et al., (2025), show that marketing innovation has a significant effect on marketing performance. Marketing innovation includes product innovation such as product design, marketing strategy, pricing, distribution and promotion. Research by Figueiredo et al., (2026) concludes that digital platforms can boost marketing performance.

Government regulations provide policies that assist business actors in developing MSMEs, but sometimes these policies do not have a significant impact on the overall development of culinary businesses. This means that not all business actors benefit from government policies to assist MSMEs. Business actors in supplying the raw materials for their businesses are not bound by regulations but rely on their ability to find raw materials independently. The results of Q. Wang et al., (2021) research show that regulations can reduce a company's revenue and profit if the company is unable to adjust its market strategy. Based on this relationship, the following hypotheses are formulated:

H1: Product innovation can improve the marketing performance of halal culinary businesses.

H2: Digital marketing can improve the marketing performance of halal culinary businesses.

H3: Regulations have not been able to improve the marketing performance of halal culinary businesses.

The Relationship Between Product Innovation and Marketing Performance is Strengthened by Regulation

Product innovation becomes a business success when it offers products that meet market demands through various innovations. With government encouragement, businesses will be



better able to develop new, high-quality, innovative products. The policies that are created will make the market more competitive with product innovations made by sellers. Regulations encourage better product innovation and higher quality products, which will increase market competitiveness and consumer confidence. Thus, product innovation will increase sales and marketing performance. Kim et al., (2023) research shows that government regulations can encourage businesses to be more competitive, which can improve marketing performance. Based on this relationship, the following hypothesis is formulated:

H4: Product innovation can improve marketing performance, reinforced by government regulations.

The Relationship Between Digital Marketing and Marketing Performance is Strengthened by Regulations

Digital marketing is essential in today's digital age to enable businesses to market their products to consumers widely, quickly and at very low prices. Digital marketing has a direct and significant impact on marketing performance. By leveraging social media, businesses will be able to increase sales quickly and significantly. Businesses can easily be recognised by consumers without having to visit them directly; consumers can simply view the digital platform used to become familiar with the business. Therefore, the use of digital marketing provides significant benefits and advantages for businesses, especially those in the culinary sector. However, in the use of digital marketing, regulations play a role in limiting the use of social media as a tool in digital marketing. Regulations play a role in regulating the content that can be published on digital marketing platforms, such as videos, photos, and writing, as well as the use of personal data, which is strictly limited for the sake of security from parties that could cause harm. Therefore, when consumers communicate online, restrictions and cautionary information often occur. The use of digital marketing is limited by regulations that set rules for advertising. Advertisements displayed on digital platforms incur costs, and the duration of advertisement display will add to the burden on MSME business actors. Although the costs incurred may be burdensome, they provide benefits for the businesses being run. (Muathe et al., (2023) research found that government regulations can strengthen marketing performance, but strict regulations can weaken company performance. Based on this relationship, the following hypothesis was formulated:

H5: Digital marketing in improving marketing performance is not influenced by regulations.

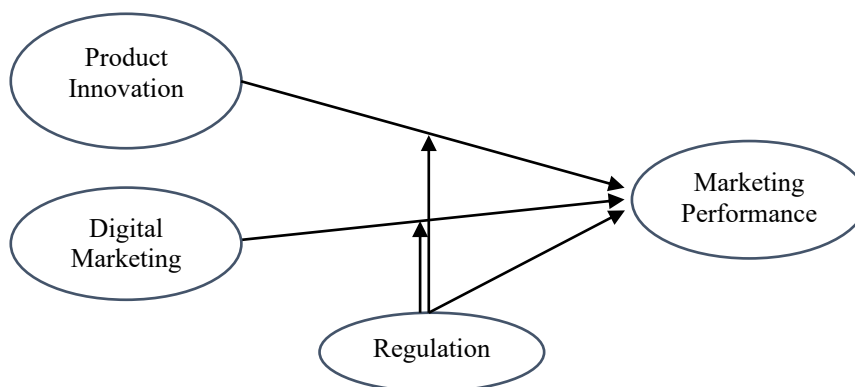


Figure 1. Conceptual Framework



METHOD

This research is a quantitative study that uses numerical data to test the structural model and estimate the relationship between latent variables and uses the deductive method used to test general theories to explain a particular problem (Ghozal, 2013). This research is included in the type of correlational research, which is based on the assumption that reality is best described as a system of relationships that influence each other and cause each other. The data used in this study are primary data sourced from respondents collected through questionnaires of 385 MSMEs in North Sumatra. Consisting of eight cities, namely; Medan, Binjai, Tebing Tinggi, Pematang Siantar, Kisaran, Sibolga, Padang Sidempuan and Gunung Sitoli and Deli Serdang. The number of samples collected is predominantly larger in areas with a larger number of halal culinary MSMEs. Sampling in this study is based on the Slovin formula and the Cochran formula with purposive sampling of 385 which is sufficient for use in SEM-PLS (Cheah et al., 2023). Sample criteria; are MSME business actors in North Sumatra, the business has been running for > 1 year; the business has a stall or business premises; the business being run has a manufacturing process from raw materials to finished goods ready for consumption that has a halal certificate. The research approach uses a quantitative approach with the help of the Structural Equation Model (SEM) PLS4 to facilitate explaining the research results in a structured, systematic manner, facilitate data measurement, validity testing by looking at (Convergent Validity / Average Variance Extracted / AVE), and (Discriminant Validity) > 0.6 and reliability by looking at the Cronbach alpha value and composite reliability > 0.7., . The hypothesis is made by looking at the direct and indirect influences, and F Square, so that it makes it easier to analyze to find correlations among latent and manifest variables in this research (Pereira et al., 2024).

In this study, there are four variables used, namely marketing performance measured using four criteria adopted from Morales (2019): return on assets, ROS, market share, and sales revenue. The product innovation variable is measured using the dimensions of business involvement in R&D, entrepreneurial capacity, and SME participation in innovation networks from (Dogbe et al., 2020) ; (Nagy et al., 2018) . Then, for the digital marketing variable, it is developed from the dimensions of Social Media Analytics (SMA) implementation which consists of technology, operational, managed, and strategy levels from (Wang et al., 2021) .). Furthermore, for the regulation variable, subjective regulation and objective regulation measures are used as proxies for RBE, as used by (Adel et al., 2020) ; (Vasilescu, 2014) , in the first study that considers the impact of RBE on SME funding choices in developing countries.

RESULTS AND DISCUSSION

The results of the research conducted show that the characteristics of the respondents who contributed to this research can be seen in Table 1, which outlines the characteristics of the respondents. The identity of the respondents, the majority of whom are under 30 years old, indicates that MSMEs in North Sumatra are capable of improving their abilities to enhance their business performance. The majority of respondents in this study are male, accounting for 51%. Most respondents in this study have a high school education, making up 67%. Knowledge and insight are crucial in running a business; MSME practitioners can enhance their knowledge and skills by participating in various training activities offered by



both the government and private sectors, enabling MSMEs to continuously improve their capabilities. Among these businesses, 48% have already obtained halal certification and 29% are in the process of acquiring it, indicating that a majority of MSMEs have complied with the regulations requiring business actors to register their enterprises with BPJPH (Halal Product Assurance Agency) and MUI. For business capital, the majority, around 72%, is less than 50 million, and for sales revenue obtained in a year, 59% is less than 25 million. The most popular types of cuisine are chicken dishes and meatball dishes, each accounting for 13%, and the respondents in the study were predominantly from Medan City, making up 70%.

Table 1. Characteristics of Respondents

Description		%	Types of Food	%
Gender	Male	0.51	CuisineFish /Seafood Dishes	0.09
	Female	0.49	Meat Dishes/Satay/Soup	0.06
Age	< 30 years	0.41	Chicken Dishes	0.13
	30-40 years	0.27	FriedRice / YellowRice / Compressed	0.03
	41-50 years	0.21	Meatballs/Noodles Soup	0.13
	>50 years	0.11	Breakfast Menu	0.04
Education	Junior High School	0.04	Packaged / Snacks	0.08
	Senior High School	0.67	Cake/Bread/Durian Pancake	0.06
	D1/D3	0.02	Fried Foods	0.06
	S1	0.17	Soup	0.02
	S2	0.03	Noodles Soup Dishes	0.07
Certificate	Others	0.05	Martabak / Kebab / Burger	0.05
	Certified	0.68	Beverages	0.13
	Certificate Processing	0.32	Dim Sum/Takoyaki	0.03
Business Duration	> 1 year	0.25	Coconut Sugar/Mushrooms	0.01
	> 3 years	0.36	Herbs	0.01
	> 6 years	0.39	Revenue/Year	
Capital	< 50 million	0.72	< 25 million	0.59
	50 million – 500 million	0.28	> 25 million < 300 million	0.09
	> 500 million	0.02	> 300 million – 2.5 billion	0.31
			> 2.5 billion	0.01

From Table 1, the characteristics of the respondents can be explained that the respondents in this study consisted of various culinary businesses, most of which were chicken dishes. This data shows that chicken culinary businesses are the most common culinary business in North Sumatra. Chicken dishes are generally the most popular culinary choice among the public. This menu has quite good nutritional value, is relatively inexpensive, and raw materials are easily obtained and can be processed with various creativity, resulting in a variety of culinary menus that are enjoyed by everyone. The business actors who became respondents in this study were 196 men (51%) and 188 women respondents (49%). This shows that MSMEs are mostly run by men with a ratio that is not very different. Culinary businesses can be run by anyone regardless of gender, what is needed is cooking skills that provide a taste that can whet the appetite, so that the resulting food is accepted and competitive in the market. The education of the respondents in this study mostly had a high school level of education, around 259 respondents (67%), meaning that with a sufficiently high level of education, culinary



entrepreneurs will have the ability to manage their businesses well. The majority of respondents to this study reside in Medan City, with 269 (70%). Medan is the center of halal culinary in North Sumatra, known as KHAS, or Safe and Healthy Halal Culinary, which has been a program of the Medan City MUI. Furthermore, regarding business capital, 275 culinary entrepreneurs, or 72%, have capital of less than IDR 50 million. Based on MSME Law Number 20 of 2008, the majority of respondents to this study are micro-entrepreneurs with assets of less than IDR 50 million. Meanwhile, according to Government Regulation Number 7 of 2021 concerning MSME criteria, as regulated in Articles 35-36 of the MSME PP, the criteria for MSME capital and assets are stated: micro-enterprises have a maximum business capital of IDR 1,000,000,000. Based on this government regulation, many MSMEs are classified as micro-enterprises.

Table 2. Outer Loading

Variable	Regulation	Product Innovation	Digital Marketing	Marketing Performance
R1	0.896	-	-	-
R2	0.908	-	-	-
R3	0.852	-	-	-
R4	0.911	-	-	-
R5	0.730	-	-	-
R6	0.695	-	-	-
PI1	-	0.855	-	-
PI2	-	0.803	-	-
PI3	-	0.852	-	-
PI4	-	0.863	-	-
PI5	-	0.879	-	-
PI6	-	0.861	-	-
PI7	-	0.785	-	-
PI8	-	0.726	-	-
PI9	-	0.894	-	-
PI10	-	0.882	-	-
DM1	-	-	0.817	-
DM2	-	-	0.808	-
DM3	-	-	0.758	-
DM4	-	-	0.802	-
DM5	-	-	0.837	-
DM6	-	-	0.796	-
DM7	-	-	0.794	-
DM8	-	-	0.811	-
DM9	-	-	0.801	-
MP1	-	-	-	0.770
MP2	-	-	-	0.710
MP3	-	-	-	0.691
MP4	-	-	-	0.799
MP5	-	-	-	0.812

The convergent validity test measures the magnitude of the correlation between constructs and latent variables by examining the loading factor value > 0.6 , indicating that the instrument is valid (Ghozali & Latan, 2015). Table 2 shows the results of the convergent validity test that has been conducted, where the outer loading values of all variables; product



innovation, digital marketing, regulation, and marketing performance are > 0.6 , thus all indicators are valid. The findings of this study show that all construct variables are valid as they have values greater than 0.6.

Table 3. Cronbach's Alpha, Composite Reliability and Average Variance Extraction (AVE)

	Cronbach's Alpha	Composite Reliability	Average Variance Extraction (AVE)
Marketing Performance	0.853	0.895	0.631
Regulation	0.913	0.933	0.699
Product Innovation	0.966	0.970	0.747
Digital Marketing	0.939	0.948	0.672

Table 3 shows the values of the Cronbach's alpha test and composite reliability which indicates values > 0.7 meaning all variables of marketing performance, regulation, product innovation, price differentiation, location, and digital marketing are declared reliable. For the Average Variance Extraction (AVE) value > 0.5 , the instrument is stated to be valid.

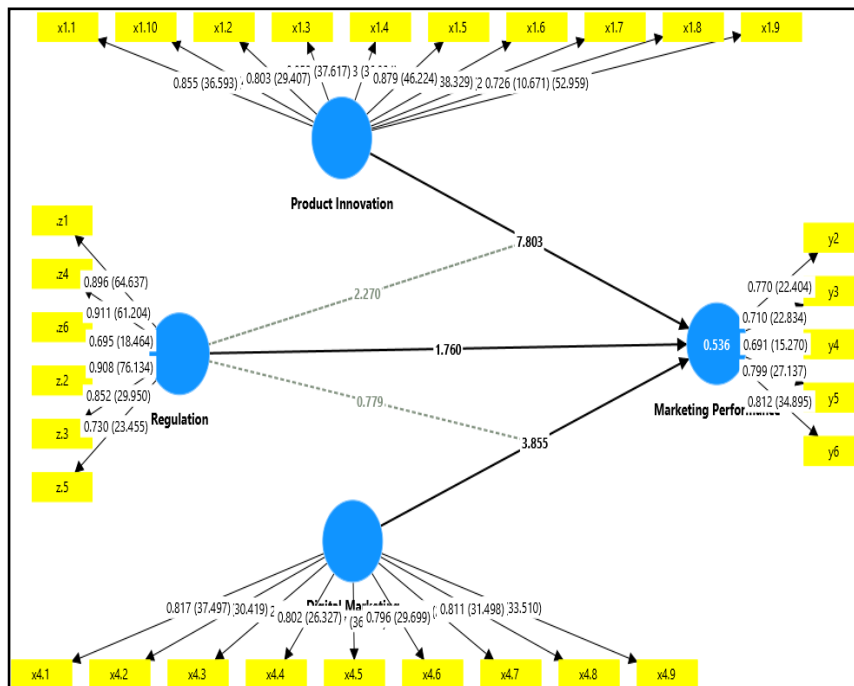


Figure 1. Halal Culinary Marketing Performance Path Analysis Model



Table 4. Direct Effects

Hypothesis	Path	T Statistic	P Value	Decision
Product innovation → Marketing performance	0.473	7,803	0.000	Accepted
Digital marketing → marketing performance	0.203	3.855	0.000	Accepted
Regulation → marketing performance	0.085	1,760	0.078	Rejected
Product innovation → regulation → marketing	0.078	2.270	0.023	Accepted
Regulation x Digital marketing → marketing performance	0.033	3.855	0.436	Rejected

From table 4 above, it is known that product innovation has a direct and significant positive effect on marketing performance. The t-statistic value is $7.803 > 1.96$ and the P-Value is $0.000 < 0.05$, which means it can be explained that the better the product innovation is implemented, the better the marketing performance will increase. Next, digital marketing has a direct and significant positive effect on marketing performance. With a t-statistic value of $3.855 > 1.96$ and a P-Value of $0.000 < 0.05$, it means that the more effective the digital marketing conducted, the better the marketing performance will increase. Regulations have a direct effect on marketing performance but are not significant. The t-statistic value is $1.760 < 1.96$ and the P-Value is $0.078 > 0.05$, thus it can be explained that the established regulations have a relatively small impact on marketing performance.

From table 6 above, it can be explained that product innovation has a positive and significant indirect effect on marketing performance moderated by regulation with a t-statistic value of $2.270 < 1.96$ or a p-value of $0.023 > 0.05$. Digital marketing has an insignificant indirect effect on marketing performance moderated by regulation with a t-statistic value of $0.779 < 1.96$ or a p-value of $0.436 > 0.05$.

Table 6. R Square

	R Square	R Square Adjusted
Marketing Performance	0.648	0.639
Regulation	0.506	0.501

Based on Table 4, the R Square value for the marketing performance variable is 0.648, which means 64.8% of the variation or change in marketing performance is influenced by product innovation, digital marketing, and regulations, while 35.2% is influenced by other variables. The R Square value of 0.648 for the marketing performance variable indicates that the model is good. The R Square value for the regulatory variable is 0.506, meaning 50.6% of the variation or change in marketing performance is influenced by product innovation and digital marketing, while the remaining 49.4% is explained by other causes. It can be said that the R Square for the regulation variable is good.

DISCUSSION

The Effect Product Innovation on Marketing Performance

Product innovation is one way that companies can utilize to support marketing performance. The more innovative the products produced, the more renowned they become in the market,



as they are able to provide competitive advantages, making them leading products in the market share. SMEs, in addition to being able to innovate, must also be able to register trademarks to avoid replication, possess secret recipes to prevent easy imitation, and have good packaging. Good packaging can make SMEs more competitive (Taneo et al., 2020) . The results of this study align with research (Ramírez et al., 2021; Maylista et al., 2022) , indicating that the ability for product innovation affects the performance of SMEs. The development of quality products influences the company's performance (Kitchot et al., 2021) .

The Effect Digital Marketing on Marketing Performance.

Digital marketing provides information that is easy, quick, and very inexpensive, allowing businesses to be widely recognized by the public simply by being seen online. Business actors can effectively utilize online marketing so that the information about their business yields optimal results, thereby improving marketing performance. This research aligns with studies by (Ebabu et al., 2026; Mansouri et al., 2022; Ali et al., 2025) which suggests that digital marketing supports improved marketing performance when conducted actively and engagingly. However, online promotion does not attract consumers to buy when not done actively and with less engaging content, as noted in the research by (Putri et al., 2023) regarding UMKM Teh Enjoyment Sidamanik . Marketing must be able to create promotional activities that lead to success for their business (Marc Lim, 2023) .

The Influence of Product Innovation on Marketing Performance moderated by Regulations.

Product innovation positively and significantly affects marketing performance, which, when moderated by regulations, can lead to various innovations in the culinary business. With government support, entrepreneurs will be better able to produce new, more innovative products of good quality. Existing policies create a more competitive market with product innovations. Regulations encourage better and higher-quality product innovations, thus increasing market competitiveness and consumer confidence, which can boost sales and marketing performance. This research differs from the study by (Ehigiamusoe & Samsurijan, 2021) where regulations affect company performance. Government policies can improve the performance of MSMEs (Hermawati et al., 2019) . The results of this study align with the findings (Farida, 2019) , that the government has a positive and significant influence on innovation capability. This research is not consistent with (Hutahayan & Yufra, 2019); (M Usmany, 2024) which states that the government does not play a role in product innovation and the competitiveness of food SMEs .

The Influence of Digital Marketing on Marketing Performance moderated by Regulations.

Digital marketing is essential in today's digital era, enabling business actors to market their products to a wide audience quickly and at very low costs. The use of digital marketing provides significant benefits and advantages for the business world, especially in the culinary sector. However, in the use of digital marketing, regulations play a role in limiting the use of social media. Regulations are intended to control the content that can be published on digital marketing platforms, such as videos, photos, and writings, as well as the use of personal data, which is heavily restricted for security reasons against parties that may cause harm. Thus,



when consumers communicate online, information restrictions and cautions often occur. The results of this study are in line with (Hutahayan & Yufra, 2019) , that the government has not helped with promotions to improve the performance and competitiveness of the food SMEs . However, the study (M Usmany, 2024) states that the government, as a policy maker, creates regulations that encourage the success of small businesses by providing a supportive environment. Business efforts over time have not only been offline but also online.

The findings of this research provide implications that the marketing performance of halal culinary is influenced by product innovation and digital marketing, thus SMEs must have the capability to develop new product innovations to remain competitive in the market and utilize social media and online shops as a means to market products more quickly and efficiently, reaching consumers to view and purchase. Taking advantage of government-established programs to actively develop MSMEs so that it can provide the ability for innovative product ideas to thrive.

CONCLUSION

Based on the results of the research conducted in this study, the following conclusions can be drawn: Product innovation carried out by SMEs can positively and significantly improve the marketing performance of halal culinary. This improvement must be maintained in order to survive in a competitive market; SMEs must be capable of making better innovations periodically to enhance competitiveness. The government's policy in assisting SMEs to improve halal culinary marketing performance should be part of a sustained innovation support program. Digital marketing is an important aspect in significantly enhancing marketing performance. Digital marketing represents a quick and attractive form of information for the market that can help increase consumer interest in culinary products, thus improving marketing performance even though government support has not yet had a significant impact on marketing performance. It can be seen that the T statistic value is not greater than the table t value.

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