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Sustainable Marketing Innovation and Competitive Advantage in SMEs: A Conceptual Review from the Resource Capability-Based Perspective

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Abstract

This study examines how sustainable marketing innovation supports competitive advantage in small and medium-sized enterprises (SMEs) through a Resource Capability-Based Perspective. Using an integrative literature review approach, this article synthesizes literature on sustainable marketing, innovation capability, dynamic marketing capability, resource-based advantage, and SME competitiveness. The review shows that sustainable marketing innovation is not limited to environmentally responsible promotion, but represents a strategic capability embedded in product development, pricing, distribution, customer relationship management, and market responsiveness. This article argues that SMEs can achieve sustainable competitive advantage when they are able to transform internal resources, market knowledge, and sustainability-oriented practices into differentiated value for customers. Conceptually, this study contributes by integrating sustainable marketing innovation and resource-capability logic to explain how SMEs respond to social, economic, and environmental shifts while maintaining competitiveness. Practically, the findings suggest that SMEs need to develop sustainability-oriented marketing capabilities to strengthen differentiation, customer value creation, and long-term market resilience.

Keywords: Sustainable marketing innovation; competitive advantage; SMEs; resource capability-based perspective

Introduction

The contemporary business environment is marked by intense competition, shifting consumer expectations, economic uncertainty, and growing pressure for social and environmental responsibility. These changes have altered the role of marketing. Marketing is no longer viewed merely as a tool for increasing sales or expanding market share, but as a strategic function that helps firms create value, respond to stakeholder expectations, and adapt to sustainability demands. Businesses are increasingly expected to design marketing practices that are commercially effective while remaining sensitive to social and environmental concerns.

Small and medium-sized enterprises (SMEs) occupy an important position in this discussion because of their contribution to local economic development, employment creation, and market dynamism. In Indonesia, SMEs have long been recognized as key actors in supporting economic growth and resilience, particularly during periods of crisis (Wijanarka & Sari, 2022; Asfiah et al., 2018). At the same time, SMEs often operate with limited access to finance, advanced technology, managerial expertise, and market information. These limitations can weaken their ability to compete with larger firms, especially when markets increasingly demand innovation and sustainability-oriented business practices (Quaye & Mensah, 2018).

Although SMEs face various structural constraints, they also have characteristics that can support competitiveness. Their smaller scale often allows greater flexibility, faster decision-making, and closer interaction with customers. These characteristics help SMEs adjust more quickly to changing market needs and develop innovative responses. Previous studies indicate that innovation is essential for SMEs to maintain competitiveness and improve performance in dynamic markets (Aun et

al., 2023; Rubio-Andrés et al., 2024). Innovation becomes an important pathway for SMEs to overcome resource limitations and strengthen their market position.

One form of innovation that is particularly relevant for SMEs is marketing innovation. Marketing innovation includes changes or improvements in product packaging, pricing strategies, promotional methods, distribution networks, customer communication, and market positioning. Talegeta (2014) and Onwumere & Ozioma-Eleodinmuo (2015) identify marketing innovation as an important element that enables SMEs to respond to market demands and improve competitiveness. Compared with technological innovation, marketing innovation is often more accessible for SMEs because it does not always require large-scale investment in research and development. Through creative packaging, strategic promotion, adaptive pricing, and efficient distribution, SMEs can increase visibility, strengthen customer value, and build differentiation.

The sustainability agenda has broadened the meaning of marketing innovation. Marketing innovation is no longer limited to sales performance, market reach, or product differentiation. It also needs to reflect social, economic, and environmental considerations. Sustainable marketing innovation refers to marketing practices that support customer value creation while incorporating sustainability concerns into business activities. This may involve environmentally responsible packaging, ethical promotion, efficient distribution, community-oriented branding, and customer engagement that encourages responsible consumption. Dicuonzo et al. (2022) emphasize that innovation should be examined not only from an economic perspective, but also from its social and environmental consequences.

Previous studies have discussed the relationship between marketing innovation and sustainable competitive advantage. Quaye and Mensah (2018), and Na et al. (2019) highlight the role of innovative marketing strategies in supporting sustainable competitive advantage. However, empirical and conceptual discussions also show that not all SMEs are able to develop innovation consistently or sustain market performance. Dzisi and Ofosu (2014), for instance, found that some SMEs still struggle to maintain innovation and competitiveness, although they may adopt creative marketing practices in packaging, design, pricing, and distribution. This indicates that marketing innovation by itself is not sufficient. SMEs need capabilities that allow them to connect innovation, resources, market knowledge, and sustainability practices into a coherent competitive strategy.

Competitive advantage can be achieved through cost leadership, differentiation, superior customer service, and value creation. Surono et al. (2020) explain that cost leadership and differentiation are important strategies for achieving competitiveness, while Islami et al. (2020) emphasize differentiation through product uniqueness, brand image, technology, features, delivery, networks, and customer service. Sustainability has added another dimension to this discussion. Firms are increasingly expected to reduce environmental impact, create social value, improve customer satisfaction, and respond to stakeholder expectations. Ozkan et al. (2022) and Mensah (2019) suggest that sustainability-oriented practices can support competitive advantage when firms are able to align environmental responsibility with business performance.

Despite the growing attention to SME innovation, sustainable marketing, and competitive advantage, the theoretical connection among these themes remains fragmented. Many studies discuss SME innovation, sustainability practices, consumer behavior, and competitive advantage as separate domains. As a result, limited conceptual explanation is available on how sustainability-oriented marketing practices become strategic capabilities that help SMEs build long-term competitive advantage. This gap is important because sustainability practices do not automatically lead to competitiveness. They need to be supported by internal resources, market knowledge, managerial capabilities, and the ability to adapt marketing strategies to changing market conditions.

More specifically, three research gaps can be identified. First, previous studies have discussed sustainable marketing innovation and competitive advantage, but the relationship between these two concepts in the SME context has not been sufficiently integrated. This article responds to this gap by positioning sustainable marketing innovation as a strategic capability that supports sustainable competitive advantage in SMEs. Second, prior research has not fully explained how SMEs transform limited resources and market knowledge into sustainability-oriented marketing capabilities. This article addresses this gap by applying a Resource Capability-Based Perspective to explain the mechanism through which SME resources are configured into marketing capabilities. Third, the literature still lacks an integrative conceptual output that links SME resources, sustainable marketing innovation, marketing capabilities, and sustainable competitive advantage. This article contributes by developing a conceptual model and propositions that clarify the relationships among these constructs.

The Resource Capability-Based Perspective offers a useful lens for explaining these gaps. This perspective argues that competitive advantage does not depend only on the resources owned by firms, but also on their ability to configure, deploy, and renew those resources into valuable capabilities. For SMEs, this perspective is highly relevant because they often lack abundant resources but can still compete through flexibility, customer closeness, innovation, and adaptive marketing capabilities. Sustainable marketing innovation can be understood as a strategic capability that enables SMEs to transform limited resources, market knowledge, and sustainability-oriented practices into differentiated customer value and long-term market resilience.

Based on the above discussion, this article addresses three research questions. First, how does sustainable marketing innovation contribute to sustainable competitive advantage in SMEs? Second, how can the Resource Capability-Based Perspective explain the transformation of SME resources into sustainability-oriented marketing capabilities? Third, what conceptual model and propositions can be developed to explain the relationship among SME resources, sustainable marketing innovation, marketing capabilities, and sustainable competitive advantage?

This article is positioned as a conceptual review. It does not conduct empirical testing or present a multi-case study. Instead, it synthesizes relevant literature on sustainable marketing innovation, SME innovation, marketing capability, resource-based advantage, and competitive advantage to develop an integrative conceptual explanation. The contribution of this article is threefold. First, it clarifies the theoretical relationship between sustainable marketing innovation and sustainable competitive advantage in SMEs. Second, it extends the Resource Capability-Based Perspective by explaining how SME resources and market knowledge can be transformed into sustainability-oriented marketing capabilities. Third, it offers a conceptual model and propositions that can guide future empirical research on sustainable marketing innovation and SME competitiveness.

Literature Review

Sustainable Development and Sustainability Dimensions in Marketing

Sustainable development refers to the effort to balance economic growth, social well-being, and environmental responsibility in business activities. For firms, sustainability is no longer limited to compliance or environmental protection, but has become part of strategic value creation. Vavoura and Vavouras (2021) emphasize that sustainable development requires collaboration among stakeholders because economic, social, and environmental priorities often involve diverse interests. This perspective is relevant to marketing because firms need to align business objectives, customer expectations, and stakeholder concerns within a broader sustainability agenda.

The relationship among economic, environmental, and social sustainability shows that sustainable marketing should not focus only on environmental claims. It needs to balance business performance, social responsibility, and environmental protection. For SMEs, this balance is important

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because sustainable marketing innovation must remain economically viable while also supporting customer trust, stakeholder legitimacy, and responsible business practices.

Figure 1. Relationships among economic, environmental, and social sustainability

The economic dimension of sustainable marketing emphasizes how sustainability-oriented practices can support competitiveness and long-term performance (Rahimah et al., 2020). Prior studies suggest that sustainability can improve firm performance, enhance reputation, reduce risk, and strengthen market positioning when it is integrated into business strategy rather than treated as a separate social or environmental program (Tiep et al., 2021; Bansal & DesJardine, 2014; Andreoni & Miola, 2016; Hermundsdottir & Aspelund, 2022). For SMEs, this dimension is especially important because sustainability initiatives must remain financially feasible. Sustainable marketing innovation can create economic value through cost efficiency, waste reduction, customer loyalty, brand trust, and market differentiation (Seroka-Stolka, 2014; Çakmakçı et al., 2023).

The environmental dimension emphasizes the need for firms to reduce negative environmental impacts through responsible production, consumption, distribution, and waste management practices. Growing public awareness, regulatory pressure, and climate-related concerns have encouraged firms to integrate environmental considerations into marketing strategy (Bansal & DesJardine, 2014; Zheng & Jin, 2023). For SMEs, environmental responsibility can be reflected in eco-friendly packaging, efficient distribution, waste reduction, responsible product design, and transparent communication about environmental benefits. Chen et al. (2019) suggest that firms that align environmental concerns with stakeholder expectations are better able to build reputation, reduce risks, and support long-term sustainability.

The social dimension highlights stakeholder expectations, community interests, ethical responsibility, and trust. Sustainable development strategies are not only concerned with economic growth and environmental protection, but also with how firms respond to social needs and stakeholder pressures (Vavoura & Vavouras, 2021; Filho & Brandli, 2016). For SMEs, this dimension is closely related to customer relationships, local community engagement, fair communication, and responsible business conduct. Stakeholder pressure may also shape sustainability initiatives through both voluntary commitment and external expectations (Bussani, 2024). From a PESTEL perspective, social norms, regulations, and external pressures can influence organizational decisions and encourage more responsible product communication, ethical promotion, and community-oriented branding (Yudha et al., 2018).

Overall, sustainable development provides the normative and strategic foundation for sustainable marketing innovation. The economic, environmental, and social dimensions become meaningful for SMEs when they are translated into concrete marketing capabilities. This supports the proposed conceptual model by positioning sustainability as a value orientation that shapes sustainable marketing innovation, while SME resources and marketing capabilities determine whether this orientation can be converted into differentiation, customer trust, and sustainable competitive advantage.

Sustainable Marketing Innovation and Innovation Diffusion

Sustainable marketing innovation refers to marketing practices that integrate economic, social, and environmental considerations into customer value creation. It is increasingly relevant as firms face stronger expectations to reduce environmental impacts, manage resources responsibly, and respond to stakeholder concerns. Yang et al. (2022) argue that environmental sustainability can reduce risks, lower disposal costs, improve product quality, and create new business opportunities. Munawaroh et al. (2019) also emphasize that sustainability affects the business life cycle because firms must consider not only economic outcomes, but also social and environmental consequences.

Sustainable marketing innovation should not be reduced to environmental claims or green promotion. Barkemeyer (2014) explains that sustainability connects socioeconomic and environmental perspectives, although its interpretation varies across academic and business discussions. For SMEs, sustainable marketing innovation may appear in packaging, distribution, customer communication, product positioning, and value propositions aligned with sustainability concerns.

Innovation diffusion theory helps explain how sustainable marketing practices are introduced, evaluated, and adopted. Yuen et al. (2020) state that innovation diffusion focuses on how new ideas, technologies, or practices spread across social systems. Prihadyanti et al. (2023), referring to Rogers' diffusion process, describe adoption through knowledge, persuasion, decision, implementation, and confirmation. Sustainable marketing practices are more likely to be accepted when they are perceived as useful, compatible, understandable, observable, and worth trying.

Perceived value also shapes acceptance. Yuen et al. (2019) identify economic, functional, emotional, and social utility as key dimensions of perceived value. Stål and Jansson (2017) show that consumers may express concern for sustainability but still struggle to translate it into sustainable consumption behavior. Innovation characteristics such as trialability, relative advantage, compatibility, and complexity further affect customer willingness to engage with sustainability-oriented practices (Su et al., 2022; Chouk & Mani, 2019; Chen et al., 2019). However, high complexity, additional costs, or inconvenience may weaken adoption (Zhao et al., 2021; Jiang & Zhang, 2023).

Taken together, sustainable marketing innovation is shaped by both sustainability principles and innovation diffusion mechanisms. This article positions sustainable marketing innovation at the SME firm level as a capability that enables firms to transform sustainability concerns into customer value and competitive differentiation.

Customer Value, Satisfaction, and Social Responsibility

Customer response is central to the effectiveness of sustainable marketing innovation. Sustainable marketing practices will have limited strategic value if customers do not perceive them as useful, meaningful, or relevant. Perceived value refers to customers' evaluation of the benefits received from a product, service, or marketing practice (Su et al., 2021). Yuen et al. (2020) argue that higher perceived value can encourage continued use and influence consumption behavior. Sustainable marketing innovation therefore needs to offer not only environmental or social benefits, but also functional, emotional, and practical value.

Perceived value is closely related to customer satisfaction. Chang et al. (2023) and Hu et al. (2016) emphasize that satisfaction shapes post-purchase behavior. Satisfaction also supports long-term business success because it can strengthen loyalty, positive evaluation, and competitive advantage (Sukesi, 2023). Yuen et al. (2020) and Yoo and Park (2016) further suggest that satisfaction is influenced by the value customers perceive from the products or services they consume. Ajzen's Theory of Planned Behavior also explains that behavioral intention is shaped by attitude, subjective norms, and perceived behavioral control (Su et al., 2021). These factors help explain how customers respond to sustainability-related practices (Hao et al., 2019; Wang et al., 2021).

Social responsibility strengthens the credibility of sustainable marketing innovation. Firms are increasingly expected to integrate social and environmental concerns into their strategies and stakeholder relationships (Amin, 2016; Tiep et al., 2021). CSR and socially responsible practices can support both commercial and social objectives when integrated into organizational strategy (Tiep et al., 2021). Non-commercial indicators such as certification, social reputation, and sustainability-related signals may also shape stakeholder evaluations (Clark & Hussey, 2015; Yang et al., 2023).

For SMEs, social responsibility does not need to appear as formal CSR programs. It can be reflected in responsible sourcing, ethical promotion, fair communication, community engagement, waste reduction, and environmentally sensitive packaging. These practices help SMEs build trust and legitimacy, especially when sustainability claims are supported by consistent behavior. Lestari and Suryatimur (2023) also note that globalization, technology, and communication channels increasingly connect economic and social objectives.

Overall, customer value, satisfaction, and social responsibility explain how sustainable marketing innovation gains market relevance. They function as mechanisms through which SMEs translate responsible marketing practices into customer trust, stakeholder legitimacy, and competitive differentiation.

SME Innovation and Marketing Capability

Innovation refers to the creation or implementation of a new or significantly improved product, process, marketing method, or organizational practice. In SMEs, innovation does not always mean radical technological change. It may appear in modified product characteristics, improved delivery methods, new packaging, adaptive pricing, promotional strategies, or changes in customer service and workplace organization (Klewitz & Hansen, 2014). This is important because SMEs often operate with limited resources, making incremental and market-oriented innovation more realistic.

Schumpeter's view of innovation as "a new way of doing something" provides a broader basis for understanding innovation beyond product development (Talegeta, 2014). Medrano and Olarte-Pascual (2016) also note that innovation is shaped by industry, market, and organizational contexts. Previous studies suggest that SMEs that innovate in products, processes, or organizational practices often also innovate in marketing (Soltani et al., 2015; Medrano & Olarte-Pascual, 2016). Forés and Camisó (2016) further argue that SMEs placing innovation at the center of strategy tend to achieve better outcomes.

The competitive strength of SMEs is linked to agility and adaptability. Schaltegger and Wagner, as cited in Klewitz and Hansen (2014), emphasize that small firms can build competitive advantage in specialized markets through agility and innovation capability. Schilirò (2015) argues that SMEs and large firms both contribute to innovation, although through different mechanisms. Empirical studies by Dwivedi and Pawsey (2023) and Panjaitan et al. (2021) also show that SMEs increasingly recognize innovation as part of growth, competitiveness, and sustainability.

Overall, innovation is essential for SMEs, but innovation alone does not automatically create competitive advantage. The critical issue is whether SMEs can transform innovation into marketing capability. This article positions marketing capability as the mechanism connecting SME resources, innovation practices, customer value, and sustainable competitive advantage.

Sustainable Competitive Advantage

Competitive advantage refers to a firm's ability to create superior value compared with competitors. Traditionally, it is associated with cost leadership, differentiation, service quality, and market positioning. Cost leadership enables firms to compete through efficiency and lower operating costs, while differentiation allows firms to offer unique value through product design, brand image, technology, delivery, networks, or customer service (Surono et al., 2020; Islami et al., 2020). These strategies remain relevant for SMEs because they provide practical routes for strengthening market position despite limited resources.

The sustainability agenda has expanded the meaning of competitive advantage. Firms are now expected to compete not only through price and product quality, but also through the ability to reduce environmental impact, create social value, and respond to stakeholder expectations. Ozkan et al. (2022) argue that sustainable development practices can help firms improve competitiveness while reducing negative environmental effects. Mensah (2019) further explains that firms often face trade-offs between business objectives and social responsibility, but responsible practices can support economic goals when properly integrated.

For SMEs, sustainability can become a source of differentiation when they communicate responsible practices, build trust, and deliver value perceived as meaningful by customers. Customer service and value delivery are also central, because SMEs often compete through customer closeness, flexibility, and personalized service. Sustainable marketing innovation can strengthen this advantage by aligning product value, responsible practices, and customer experience.

Overall, sustainable competitive advantage emerges when firms integrate efficiency, differentiation, customer value, and responsible business practices into a coherent strategy. Sustainability becomes strategically valuable only when firms can transform sustainability-oriented practices into market-relevant value. In the proposed conceptual model, SMEs achieve sustainable competitive advantage when they use resources, market knowledge, and sustainable marketing innovation to build differentiation, customer trust, and long-term market resilience.

Research Method

This study employs an integrative literature review to develop a conceptual model of sustainable marketing innovation and competitive advantage in SMEs from a Resource Capability-Based Perspective. This design is appropriate because the article does not aim to test empirical hypotheses or conduct a case study, but to synthesize prior studies and formulate conceptual relationships among key constructs.

The unit of analysis is the conceptual relationship among SME resources, sustainable marketing innovation, marketing capability, customer value, social responsibility, and sustainable competitive advantage. The reviewed literature was drawn from peer-reviewed journal articles, academic books, and relevant scholarly publications on sustainable marketing, SME innovation, resource-based view, dynamic capability, marketing capability, and competitive advantage.

The literature was selected based on three criteria: (1) relevance to sustainable marketing innovation, SME innovation, or marketing capability; (2) contribution to resource-capability logic or competitive advantage; and (3) availability as scholarly publications. Studies focusing mainly on unrelated sectors, large corporations, oil and gas cases, or general policy debates without direct relevance to SMEs and marketing capability were not prioritized.

The analysis was conducted through thematic synthesis. The selected literature was grouped into key themes, compared to identify consistent findings and conceptual gaps, and then integrated using the Resource Capability-Based Perspective. To strengthen trustworthiness, the synthesis emphasized conceptual relevance, theoretical consistency, and alignment between the reviewed literature, research questions, proposed model, and propositions.

Results and Discussion

This section presents the thematic results of the integrative literature review and discusses how the findings answer the research questions formulated in the introduction. The analysis focuses on the relationship among SME resources, sustainable marketing innovation, marketing capability, customer value, social responsibility, and sustainable competitive advantage. The integrative review identifies five thematic findings. These themes were developed by comparing and synthesizing the literature on sustainable development, sustainable marketing innovation, customer response, social responsibility, SME innovation, marketing capability, and competitive advantage.

Table 1. Thematic Synthesis of Sustainable Marketing Innovation and SME Competitive Advantage

Theme	Key Finding	Supporting Literature	Theory
Sustainability as a strategic orientation	Sustainable development provides the economic, environmental, and social foundation for sustainable marketing innovation.	Vavoura & Vavouras (2021); Bansal & DesJardine (2014); Andreoni & Miola (2016); Hermundsdottir & Aspelund (2022)	Sustainability logic / RCBV
Sustainable marketing innovation as a firm-level capability	Sustainable marketing innovation is not limited to green promotion, but includes packaging, distribution, communication, product positioning, and value propositions.	Yang et al. (2022); Munawaroh et al. (2019); Barkemeyer (2014); Yuen et al. (2020)	RCBV / Innovation Diffusion
Customer value and satisfaction as market validation	Sustainable marketing innovation becomes meaningful when customers perceive functional, emotional, economic, and social value.	Su et al. (2021); Yuen et al. (2019, 2020); Chang et al. (2023); Hu et al. (2016); Sukesi (2023)	Innovation Diffusion / TPB
Social responsibility as trust and legitimacy mechanism	Responsible marketing strengthens credibility, stakeholder trust, customer relationships, and stakeholder legitimacy.	Amin (2016); Tiep et al. (2021); Clark & Hussey (2015); Yang et al. (2023); Lestari & Suryatimur (2023)	Stakeholder logic / RCBV
Marketing capability as the link to sustainable competitive advantage	SMEs need marketing capability to transform innovation and sustainability practices into differentiation, customer trust, and market resilience.	Klewitz & Hansen (2014); Soltani et al. (2015); Medrano & Olarte-Pascual (2016); Forés & Camisó (2016); Surono et al. (2020); Islami et al. (2020)	RCBV / DCT

Resource: Authors' conceptualization (2026)

The thematic results show that sustainable competitive advantage in SMEs is not produced by sustainability orientation alone. It depends on the ability of SMEs to transform sustainability principles into marketing capabilities that are valuable, credible, and relevant to customers. This finding supports the Resource Capability-Based Perspective because competitive advantage emerges not merely from the resources owned by SMEs, but from the way those resources are configured into market-relevant capabilities.

Discussion

The thematic findings indicate that sustainable marketing innovation should be understood as a strategic capability rather than a set of isolated marketing activities. Sustainable marketing is often discussed through environmental claims, consumer response, or general sustainability practices. The synthesis in this study shows that, in the SME context, sustainable marketing innovation becomes valuable when firms are able to transform sustainability principles into market-relevant capabilities. This is consistent with the view that sustainability should be integrated into business strategy to create long-term value, reduce risks, and strengthen competitiveness (Bansal & DesJardine, 2014; Andreoni & Miola, 2016; Hermundsdottir & Aspelund, 2022).

RQ1. How does sustainable marketing innovation contribute to sustainable competitive advantage in SMEs?

The findings suggest that sustainable marketing innovation contributes to sustainable competitive advantage through differentiation, customer value creation, trust, and market resilience. Sustainable marketing innovation allows SMEs to integrate sustainability into product design, packaging, distribution, promotion, and customer communication. Yang et al. (2022) and Munawaroh et al. (2019) support this argument by showing that sustainability-oriented practices can reduce risk, improve product quality, create new opportunities, and influence the business life cycle. For SMEs, these practices become strategically relevant when they are converted into value propositions that customers can recognize and appreciate.

The contribution of sustainable marketing innovation is not automatic. Sustainability-oriented practices will not produce competitive advantage if they are perceived as costly, inconvenient, symbolic, or irrelevant. Customer value and satisfaction therefore become important. Yuen et al. (2019) explain that perceived value includes economic, functional, emotional, and social utility, while Su et al. (2021) emphasize perceived value as customers' evaluation of the benefits received from a product, service, or marketing practice. Chang et al. (2023), Hu et al. (2016), and Sukesi (2023) also show that satisfaction shapes post-purchase behavior and long-term business success. Thus, sustainable marketing innovation contributes to competitive advantage when it creates value that customers perceive as useful, credible, and satisfying.

RQ2. How can the Resource Capability-Based Perspective explain the transformation of SME resources into sustainability-oriented marketing capabilities?

SMEs often face limitations in finance, technology, managerial expertise, and market access. However, limited resources do not necessarily prevent SMEs from innovating. Klewitz and Hansen (2014) explain that innovation in SMEs may appear in product, process, marketing, and organizational improvements. Soltani et al. (2015) and Medrano and Olarte-Pascual (2016) further suggest that SMEs that innovate in products, processes, or organizational practices often also innovate in marketing. This supports the argument that SME innovation is not isolated, but connected to the firm's ability to adapt marketing practices to market needs.

From a resource-capability perspective, SMEs can build advantage not simply by owning resources, but by configuring available resources into valuable capabilities. This is especially relevant because SMEs often rely on flexibility, local knowledge, customer closeness, and adaptive decision-making. Schaltegger and Wagner, as cited in Klewitz and Hansen (2014), indicate that small firms can build competitive advantage in specialized markets through agility and innovation capability. Dwivedi and Pawsey (2023) and Panjaitan et al. (2021) also show that SMEs increasingly recognize innovation as part of growth, competitiveness, and sustainability. These studies support the view that sustainable marketing innovation should be positioned as part of SME capability development.

Innovation diffusion theory helps explain why sustainable marketing innovation must also be acceptable and understandable to customers. Yuen et al. (2020) argue that innovation diffusion concerns how new ideas, technologies, or practices spread across social systems. Prihadyanti et al. (2023), referring to Rogers' diffusion process, describe adoption through knowledge, persuasion, decision, implementation, and confirmation. In this study, this logic explains that sustainable marketing practices gain market relevance when customers perceive them as useful, compatible, observable, and worth trying. Conversely, Zhao et al. (2021) and Jiang and Zhang (2023) suggest that high complexity, additional costs, or inconvenience may weaken customer adoption. This means that SMEs need to design sustainability-oriented marketing practices that are responsible, simple, practical, and valuable for customers.

The Theory of Planned Behavior also strengthens the discussion of customer response. Ajzen's framework explains that behavioral intention is shaped by attitude, subjective norms, and perceived behavioral control, as discussed in Su et al. (2021). In sustainable marketing, customers may respond positively when responsible products or marketing practices are perceived as beneficial, socially supported, and easy to adopt. Hao et al. (2019) and Wang et al. (2021) further indicate that perceived value and satisfaction influence sustainability-related decision-making. This supports the model's position that customer value and satisfaction operate as market validation mechanisms rather than as the main theoretical focus of the article.

RQ3. What conceptual model and propositions can be developed?

The proposed relationship follows a capability-based logic. SME resources and market knowledge provide the foundation for sustainable marketing innovation. Sustainable marketing innovation then strengthens marketing capability by shaping how SMEs design value propositions, communicate sustainability benefits, manage customer relationships, and build differentiation. Customer value and satisfaction validate the relevance of these practices in the market, while social responsibility enhances trust and stakeholder legitimacy.

Social responsibility plays an important role in strengthening the credibility of sustainable marketing innovation. Amin (2016) and Tiep et al. (2021) show that social responsibility has become an important issue in business strategy and stakeholder relationships. Clark and Hussey (2015) and Yang et al. (2023) further suggest that non-commercial indicators, including certification, social reputation, and sustainability-related signals, may influence stakeholder evaluation. For SMEs, responsible marketing does not need to appear as formal CSR programs; it can be reflected in ethical promotion, transparent communication, responsible sourcing, fair customer treatment, local community engagement, waste reduction, and environmentally sensitive packaging.

Sustainable competitive advantage emerges when SMEs integrate these elements into a coherent strategy. Surono et al. (2020) and Islami et al. (2020) explain that competitive advantage is commonly built through cost leadership, differentiation, service quality, and market positioning. The sustainability agenda expands this logic by adding environmental responsibility, social value, customer trust, and long-term resilience. Ozkan et al. (2022) argue that sustainable development practices can improve competitiveness while reducing negative environmental effects, while Mensah (2019) emphasizes the importance of managing the trade-off between business objectives and social responsibility. These arguments support the proposition that sustainability becomes competitively valuable only when SMEs convert it into market-relevant value.

Then, based on the thematic synthesis and discussion, the conceptual logic of the article is presented as follows:

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Figure 2. Conceptual Model of Sustainable Marketing Innovation and Sustainable Competitive Advantage in SMEs
Resource: Authors' conceptualization (2026)

Social responsibility functions as a value orientation that strengthens sustainable marketing innovation and enhances customer trust and stakeholder legitimacy. The model suggests that SMEs achieve sustainable competitive advantage when they are able to transform limited resources, market knowledge, and sustainability-oriented practices into marketing capabilities that support differentiation, customer trust, and long-term resilience.

P1: SME resources and market knowledge support the development of sustainable marketing innovation.

P2: Sustainable marketing innovation strengthens SMEs' marketing capability by integrating sustainability-oriented practices into product, pricing, promotion, distribution, and customer relationship activities.

P3: Marketing capability serves as a linking mechanism between sustainable marketing innovation and sustainable competitive advantage.

P4: Customer value and satisfaction strengthen the market relevance of sustainable marketing innovation.

P5: Social responsibility enhances the credibility of sustainable marketing innovation by strengthening customer trust and stakeholder legitimacy.

P6: SMEs achieve sustainable competitive advantage when sustainable marketing innovation is integrated with marketing capability, customer value creation, and responsible business practices.

Theoretically, this study contributes by integrating sustainability logic, innovation diffusion, customer value, social responsibility, and resource-capability reasoning into one conceptual explanation. The main contribution lies in positioning sustainable marketing innovation as a strategic capability for SMEs. This differs from studies that treat sustainable marketing primarily as environmental communication or consumer-oriented behavior. The proposed model explains that sustainability becomes a source of competitive advantage only when it is converted into marketing capabilities that are meaningful for customers, credible to stakeholders, and difficult for competitors to imitate.

Practically, the discussion implies that SMEs should not adopt sustainability merely as symbolic branding. Sustainability needs to be connected with concrete marketing decisions, including product design, packaging, pricing, distribution, promotion, customer relationship management, and community engagement. Without customer value, sustainability may remain a cost burden. With strong marketing capability, however, sustainability can become a basis for differentiation, customer trust, and long-term market resilience.

Overall, the discussion confirms that sustainable competitive advantage in SMEs is not produced by sustainability orientation alone. It is produced through the interaction between SME resources, sustainable marketing innovation, marketing capability, customer value, social responsibility, and adaptive strategic behavior. This reinforces the central argument of the article:

sustainable marketing innovation contributes to competitive advantage when SMEs are able to transform sustainability principles into market-relevant capabilities.

Conclusions

This study concludes that sustainable marketing innovation can become an important source of sustainable competitive advantage for SMEs when it is treated as part of the firm's strategic capability. In this sense, sustainability is not limited to green promotion or environmental claims, but is reflected in how SMEs design products, choose packaging, set prices, communicate value, manage distribution, and build relationships with customers.

From the Resource Capability-Based Perspective, the strength of SMEs does not depend only on the amount of resources they own, but on how they use available resources, market knowledge, customer closeness, and flexibility to develop relevant marketing capabilities. When sustainability-oriented practices are translated into customer value, trust, differentiation, and responsible business conduct, they can strengthen SMEs' market position and long-term resilience.

The proposed conceptual model shows that SME resources and market knowledge support sustainable marketing innovation, which then contributes to marketing capability and sustainable competitive advantage. Customer value and satisfaction help determine whether these practices are meaningful in the market, while social responsibility strengthens credibility and stakeholder trust.

Theoretically, this article offers an integrated explanation of sustainable marketing innovation, SME capability development, customer value, social responsibility, and competitive advantage through a resource-capability lens. Practically, SMEs need to embed sustainability into concrete marketing decisions, not use it merely as symbolic branding. Future studies can test the proposed model empirically across different SME sectors, regions, and market conditions.

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