

Digitalization, Platform Dependence, and the Restructuring of Marketing Power in Small Enterprises

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ABSTRACT

Objective: Marketing digitalization is increasingly viewed as a key strategy for strengthening the competitiveness of Micro, Small, and Medium Enterprises (MSMEs). However, empirical evidence on how digitalization affects the marketing power of MSMEs still shows mixed results and often assumes a direct impact. This study aims to explain how marketing digitalization shapes MSME marketing power through a gradual mechanism involving dependence on digital platforms and the loss of pricing autonomy.

Methodology: This study examines the impact of digitalization intensity on marketing power among MSMEs, with platform dependence as a mediating variable. Using a quantitative approach, data were collected from 210 MSMEs in Kupang. The analysis was conducted using Partial Least Squares Structural

Finding: The results show that digitalization intensity has a significant direct effect on marketing power ($\beta = 0.431$, $p < 0.001$). In addition, digitalization intensity significantly increases platform dependence, which in turn weakens pricing autonomy and affects marketing power. The mediation analysis indicates partial mediation, suggesting that digitalization influences marketing power both directly and indirectly through platform dependence.

Conclusion: These findings highlight the dual role of digitalization as both an empowering and constraining force for MSMEs. This study contributes to the integration of Platform Economy Theory and Value Capture Theory by explaining how platform dependence can limit MSMEs' ability to capture value. Practical implications are discussed for MSME actors and policymakers in managing digital platform engagement.

Keywords: Digitalization; Platform Dependence; Pricing Autonomy; Marketing Power; MSMEs.

Submitted: 08-02-2026

Revised: 04-07-2026

Accepted: 08-07-2026

Article Doi:

http://dx.doi.org/10.22441/jurnal_mix.2026.v16i2.012

INTRODUCTION

Digital transformation in the micro, small, and medium enterprise (MSME) sector has become a global strategic agenda closely linked to achieving the Sustainable Development Goals (SDGs), particularly SDG 8 (Decent Work and Economic Growth) and SDG 9 (Industry, Innovation, and Infrastructure). Digitalization is seen as an important means to encourage economic inclusion, expand market access, and reduce the structural gap between small businesses and large companies (Gawer & Bonina, 2024). In many developing countries, digital platforms are even promoted as a key policy instrument to accelerate MSME growth and strengthen local economic resilience (Da Rocha et al., 2024).

With the development of the platform economy and increasing penetration of digital technology, the adoption of digital marketing by MSMEs has shown significant growth. Marketplace and social commerce platforms enable MSMEs to reach consumers across regions with relatively low transaction costs, increase product visibility, and accelerate the commercialization process (Sabharwal et al., 2024). Several studies report that digitalization is positively associated with market expansion and small business growth (Singh et al., 2024). However, recent literature has begun to question the normative assumption that digitalization always strengthens the strategic position of MSMEs in a sustainable manner (Bostoen, 2023).

This phenomenon is becoming increasingly relevant in peripheral areas and emerging markets, such as Kupang City, Indonesia, where MSMEs serve as the backbone of the local economy, but at the same time face limitations in physical market access, infrastructure, and bargaining power. In this context, digital platforms often become the primary or even sole marketing channel for MSMEs to survive and thrive. However, high dependence on dominant platforms also places MSMEs in a vulnerable position to changes in algorithms, service cost structures, and pricing pressures that are beyond their control (Daniel & Van Bergen, 2023; Gawer & Bonina, 2024).

Platform Economy Theory assumes that digital platforms function not only as market intermediaries but also as actors controlling the value architecture, product visibility, and rules of competition within the business ecosystem (Gawer & Bonina, 2024). In line with this, Power Dependence Theory emphasizes that the power of economic actors is determined by the level of their dependence on other parties who control critical resources (Emerson, 1962). In the platform economy, these resources include market access, consumer data, and algorithm-based pricing mechanisms, which are largely under the control of the platform (Bostoen, 2023; Kölbel, 2023). Consequently, MSMEs have the potential to experience a loss of pricing autonomy and a weakening of their bargaining position in market relations.

Despite the extensive discussion of platform power and market dependency, there are still several important research gaps. First, most MSME digital marketing studies still use an outcome-based approach, focusing on performance or sales, without explaining the process mechanisms underlying changes in MSME strategic positions (Sharma et al., 2024; Singh et al., 2023). Second, research on the platform economy tends to focus on large firms or developed country contexts, thus limited empirical contributions from MSMEs in peripheral markets (Gawer & Bonina, 2024; Yu & Sekiguchi, 2024). Third, although platform dependency is recognized as an important issue, few studies have examined how such dependency is formed as a direct consequence of the intensity of marketing digitalization (Nzembayie et al., 2024). Fourth, the literature rarely links platform dependency to the loss of pricing autonomy as a structural mechanism that weakens MSME marketing power. Fifth, the relationship between digitalization and marketing power is still rarely studied explicitly because most studies use

performance indicators as a proxy for marketing success (Van Dijck et al., 2023; Yu & Sekiguchi, 2024).

Based on this gap, this study develops a dual sequential mediation model to explain how the intensity of marketing digitalization affects the marketing power of MSMEs through dependence on digital platforms and the loss of pricing autonomy. By taking the context of MSMEs in Kupang City, this study provides an empirical contribution from a peripheral market that has been underrepresented in global discourse on the platform economy (Da Rocha et al., 2024; Gawer & Bonina, 2024). Theoretically, this study expands the digital marketing literature by integrating Power Dependence Theory, Platform Economy Theory, and Value Capture Theory in explaining the restructuring of MSME marketing power. Practically, the findings of this study are relevant for the formulation of MSME digitalization strategies and regional economic development policies that are in line with the SDGs agenda, by emphasizing the importance of MSME independence and sustainability in the digital platform ecosystem.

LITERATURE REVIEW

Power Dependence Theory

Power Dependence Theory conceptualizes digital platforms not as neutral intermediaries, but as market architects that regulate interactions, value flows, and competitive rules (Cennamo & Santalo, J, 2019; Gawer & Bonina, 2024). While value creation is often collective, value capture is unevenly distributed, depending on actors' control over critical resources (Jacobides et al., 2006; John & Ross, 2022). According to the theory, actors that control access, rules, and resource distribution possess stronger bargaining power than dependent actors (Emerson, 1962).

Recent empirical studies provide strong evidence supporting Power Dependence Theory in digital platform ecosystems. Platform-Dependent Entrepreneurship: A Systematic Review shows that digital platforms simultaneously reduce market entry barriers while increasing entrepreneurs' dependence on platform-controlled resources, including algorithmic visibility, customer access, and transaction infrastructure. As dependence intensifies, entrepreneurs become increasingly vulnerable to unilateral platform policy changes, commission adjustments, and algorithm modifications that directly influence business performance. Similarly, Platform-Dependent Entrepreneurs: Power Asymmetries, Risks, and Strategies in the Platform Economy demonstrates that platform-dependent firms often experience structural power asymmetries because critical business resources remain under platform governance rather than entrepreneur control. These findings provide empirical support for Emerson's Power Dependence Theory, suggesting that dependence on resource-controlling actors fundamentally reshapes bargaining relationships between MSMEs and digital platforms.

This framework has been widely applied to explain power asymmetries in interorganizational relationships, including those between MSMEs and dominant platforms (Cutolo & Kenney, 2021; Nzembayie et al., 2024). Platforms control strategic resources such as market access, consumer data, product visibility, and algorithmic pricing, creating asymmetric dependence that can erode MSMEs' strategic autonomy (Gawer & Bonina, 2024; Yu & Sekiguchi, 2024). This dynamic is particularly pronounced for MSMEs in peripheral regions, such as Kupang City, where alternative marketing channels are limited.

Platform Economy and Value Capture Theory

Platform Economy Theory highlights that actors who control coordination mechanisms and the rules of the game tend to capture a larger share of value, even when value creation is distributed among multiple actors (Dai et al., 2024; Sjödin et al., 2020). In the context of MSMEs, digital platforms can expand value creation through broader market access, while simultaneously constraining value capture by limiting price control and exerting margin pressure (Christen et al., 2022; Uzunca et al., 2022). Consistent with Value Capture Theory, control over coordination mechanisms and pricing rules determines the extent to which business actors are able to appropriate the value they help create (Christen et al., 2022; Uzunca et al., 2022).

Although digital platforms create substantial opportunities for MSMEs by expanding market access and reducing transaction costs, the distribution of economic value within platform ecosystems is often unequal. Platform owners control the rules governing transactions, search visibility, recommendation algorithms, and commission structures, allowing them to capture a disproportionate share of the value generated by complementors. Recent studies emphasize that value creation and value capture frequently coexist in tension because the same mechanisms that facilitate business growth also reinforce platform governance over participating firms. Consequently, MSMEs may successfully create customer value through digitalization while simultaneously experiencing declining strategic control over pricing, customer relationships, and profit appropriation.

Integrating Platform Economy Theory with Value Capture Theory provides a stronger explanation of why pricing autonomy loss constitutes a critical mechanism within platform ecosystems. As MSMEs become increasingly dependent on digital platforms for customer access, market visibility, and transaction facilitation, platform owners gain greater power to shape pricing rules, promotional schemes, and the broader terms of exchange. Under these conditions, digitalization may still enable MSMEs to create value by expanding market reach and improving customer access, yet a growing share of the economic value generated is appropriated by the platform rather than retained by the firms themselves. This occurs because pricing is a central mechanism through which firms convert the value they create into revenue that they can capture.

When MSMEs lose the autonomy to determine prices independently due to platform commissions, algorithmically driven discounting, mandatory promotions, or platform-controlled visibility they face structural constraints in appropriating the value they generate, even when their products or services remain valuable to customers. In this sense, pricing autonomy loss serves as the key operational bridge between Platform Economy Theory and Value Capture Theory: Platform Economy Theory explains how platforms acquire coordinating and governing power over market interactions, while Value Capture Theory explains how such power enables platforms to appropriate a disproportionate share of the value created within the ecosystem. Thus, for platform-dependent MSMEs, digitalization does not merely create market opportunities; it can also weaken marketing power by separating value creation from value capture through the erosion of pricing autonomy. This study integrates Platform Economy Theory and Value Capture Theory by explaining how platform dependence leads to loss of pricing autonomy, which ultimately limits MSMEs' ability to capture the economic value they create.

METHOD

This study uses a quantitative approach with a survey design to test the causal relationships between variables in a sequential mediation model. A quantitative approach was chosen because the research aims to test the hypothesis and explain the mechanism of the influence of digitalization intensity on the marketing strength of MSMEs through platform dependence and the loss of pricing autonomy empirically (Creswell, 2018; Hair et al., 2021). Data analysis was conducted using variance-based Structural Equation Modeling (SEM), namely Partial Least Squares-SEM (PLS-SEM). This method is suitable for process-based research models, involves latent variables and chain mediation relationships, and does not require normal data distribution (Hair et al., 2021; Sarstedt et al., 2022). PLS-SEM is also widely used in marketing and MSME research, particularly in the context of the digital economy and platforms (Sharma et al., 2024; Yu & Sekiguchi, 2024).

The population of this study is Micro, Small, and Medium Enterprises (MSMEs) in Kupang City that have utilized digital platforms, such as marketplaces and social commerce, in marketing and sales activities. Kupang City was selected due to its characteristics as a peripheral area with limited physical market infrastructure, making digital platforms the primary marketing channel for MSMEs. Purposive sampling was used to choose the research sample, and MSMEs that actively use digital platforms were the criterion. A total of 210 MSMEs participated in this study. The sample size satisfies the minimum requirements for PLS-SEM analysis and provides sufficient statistical power for estimating the proposed structural model (Hair et al., 2021). Primary data was collected through structured questionnaires distributed directly and online to MSME actors.

The questionnaire instrument was developed by adapting measurement indicators from established prior studies for each construct, as presented in Table 1. To ensure conceptual and semantic equivalence, the instrument was translated into Bahasa Indonesia and then back-translated into English. Before the main survey was conducted, the questionnaire was reviewed to assess the clarity, relevance, and appropriateness of the items for the MSME context in Kupang. Based on this review, several wording adjustments were made to improve item comprehensibility and contextual fit. The final instrument was then used for full-scale data collection. Because all constructs were measured using self-reported perceptual data collected from a single respondent in each firm, the possibility of common method bias (CMB) was addressed through both procedural and statistical remedies. Procedurally, respondent anonymity was assured, the questionnaire items were arranged carefully to reduce response pattern bias, and the construct indicators were presented in separate sections to minimize consistency motifs. Statistically, Harman's single-factor test was conducted as an initial diagnostic, followed by the full collinearity variance inflation factor (VIF) approach proposed by Kock (2015). The results indicated that no single factor accounted for the majority of the variance, and all full collinearity VIF values were below the conservative threshold of 3.3, suggesting that common method bias was unlikely to pose a serious threat to the validity of the findings.

The measurement items used in this study were adapted from previously validated studies related to digitalization, platform dependence, pricing autonomy, and marketing power. All constructs were measured using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree) (Bougie & Sekaran, 2025). The analysis was carried out in two stages, namely evaluation of the measurement model and testing of the structural model. The measurement model was tested through convergent validity, discriminant validity, and construct reliability.

Next, the structural model was used to test direct and indirect effects, including partial mediation and sequential mediation according to hypotheses H1 to H6. The significance of the relationship between variables was tested using the bootstrapping technique, as recommended in SEM-based mediation analysis (Hair et al., 2021).

Prior to the main survey, a pilot test was conducted involving 30 MSME respondents to ensure the clarity and reliability of the questionnaire. The results indicated that all items were well understood and met acceptable reliability standards. To assess potential Common Method Bias (CMB), Harman's single-factor test was conducted. The results show that no single factor accounts for the majority of the variance, indicating that CMB is not a serious concern in this study.

Table 1. Operational definitions of research variables

Variables & Operational Definitions	Dimensions	Indicator
Marketing Digitalization Intensity The depth and breadth of digital platform utilization by MSMEs in product marketing and sales activities.	1. Depth of digital use 2. Breadth of digital channels	1. Dependence on marketplaces for primary sales 2. Intensity of social commerce use for promotions 3. Integration of digital payments into transactions 4. Use of algorithm-based promotional features (Sharma et al., 2024; Singh et al., 2023)
Platform Dependence The level of dependence of MSMEs on digital platforms as the main source of market access, customers, and income.	1. Dependence on market access 2. Operational dependency	1. Platform as the primary sales channel 2. Limited alternative non-platform channels 3. High switching costs between platforms 4. Perception of long-term dependency (Cutolo & Kenney, 2021; Nzembayie et al., 2024; Yu & Sekiguchi, 2024)
Loss of Pricing Autonomy The level of limitations of MSMEs in determining prices independently due to the mechanisms and regulations of digital platforms.	1. Algorithmic pressure 2. Limited price control	1. Price adjustments follow the platform's algorithm. 2. Discount/promotional pressure from the platform. 3. The influence of platform commissions on selling prices. 4. Lack of freedom to set margins (Christen et al., 2022; Uzunca et al., 2022)
Marketing Power The ability of MSMEs to influence market exchange conditions, including prices, customer relationships, and bargaining position in distribution channels.	1. Pricing power 2. Relational power 3. Market bargaining position	1. Ability to maintain product prices 2. Flexibility in price adjustments 3. Independence in marketing strategies 4. Bargaining position with consumers and platforms (Dai et al., 2024; Franck & Peitz, 2022; John & Ross, 2022)

RESULTS AND DISCUSSION

Respondent Characteristics

This study involved 210 MSMEs in Kupang City who actively use digital platforms in marketing activities. Respondents included micro and small business actors from various sectors, including trade, culinary, and services, with common characteristics of family business scale and high dependence on digital marketing channels. The majority of respondents have been using digital platforms for more than a year, thus being deemed to have sufficient experience to provide an assessment of digitalization practices, platform dependency, and pricing dynamics.

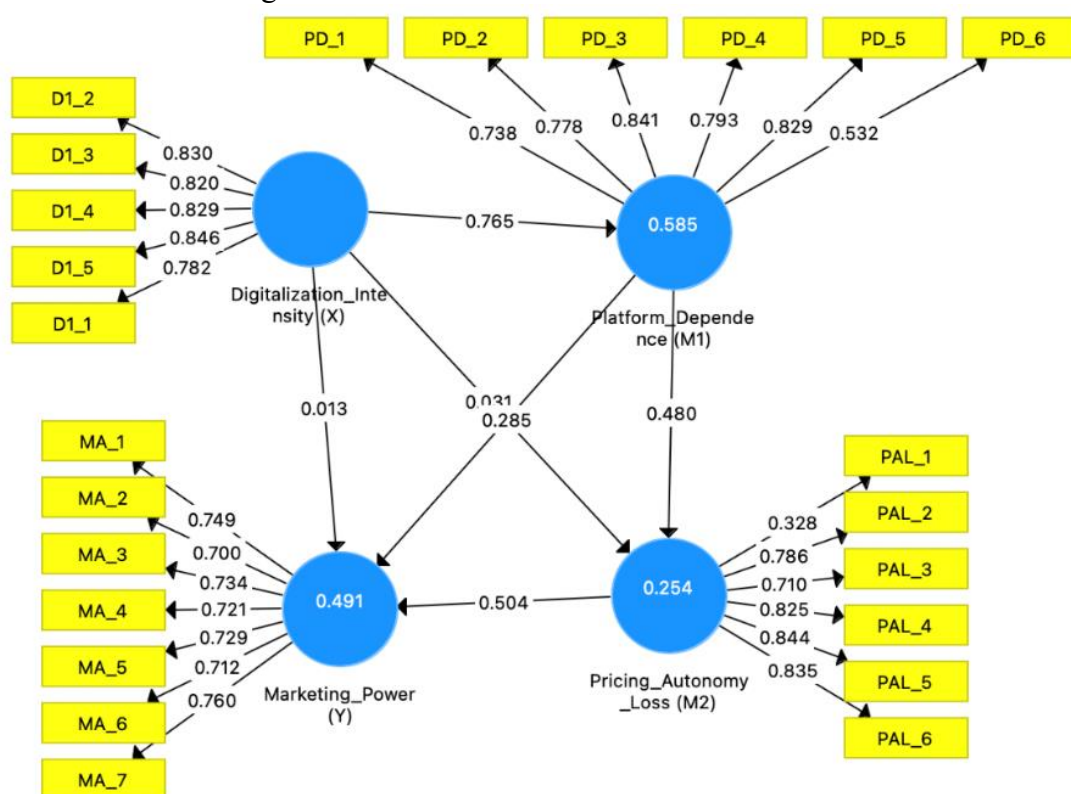
Table 2. Respondent Characteristics

Karakteristik	Kategori	Frekuensi	Persentase (%)
Type of Business	Micro enterprises	158	75.2
	Small enterprises	52	24.8
Business Sector	Trade	78	37.1
	Culinary	86	41.0
	Services	46	21.9
Business Scale	Family-owned business	210	100.0
Use of Digital Platforms	Less than 1 year	48	22.9
	1–3 years	112	53.3
	More than 3 years	50	23.8

Evaluation of Measurement Model

The measurement model was first assessed to examine indicator reliability.

Figure 1. Structural Model of PLS-SEM Results



Measurement model evaluation was conducted to ensure the reliability and validity of the latent constructs before testing the structural relationships. The analysis results showed that all constructs met the criteria for internal reliability and convergent validity. The Cronbach's Alpha and Composite Reliability values for all constructs were above the threshold of 0.70, while the Average Variance Extracted (AVE) value exceeded 0.50. This indicates that the indicators used consistently represent the constructs being measured. At this stage, the three indicators with the lowest contributions, namely MA_2, PAL_1, and PD_6, were eliminated to improve measurement quality and maintain model parsimony.

Table 3. Construct Reliability and Validity

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Digitalization Intensity	0.880	0.882	0.912	0.675
Marketing Power	0.848	0.853	0.885	0.563
Platform Dependence	0.862	0.865	0.901	0.646
Pricing Autonomy	0.874	0.875	0.909	0.667

Discriminant Validity

Discriminant validity was evaluated using the Fornell–Larcker criterion. The square root value of AVE for each construct is higher than the correlation between other constructs, which indicates that each construct has an adequate level of distinction and measures different concepts empirically.

Table 4. Fornell–Larcker Criterion

	Digitalization Intensity	Marketing Power	Platform Dependence	Pricing Autonomy
Digitalization Intensity	0.822			
Marketing Power	0.431	0.750		
Platform Dependence	0.774	0.529	0.804	
Pricing Autonomy	0.353	0.583	0.454	0.816

Additional Model Quality Assessment (HTMT, VIF, Effect Size, Predictive Relevance, and Model Fit)

To complement the Fornell–Larcker assessment, discriminant validity was further evaluated using the Heterotrait–Monotrait Ratio (HTMT). The results showed that all HTMT values were below the recommended threshold of 0.90, indicating satisfactory discriminant validity among the constructs (Henseler et al., 2015). Multicollinearity among predictor constructs was examined using the Variance Inflation Factor (VIF). All inner VIF values were below the threshold of 5 and also below the more conservative cut-off value of 3.3, suggesting that multicollinearity was not a concern in the structural model.

Effect size (f^2) was assessed to determine the substantive contribution of each exogenous construct to the endogenous constructs. The results showed that the effect sizes varied across structural relationships, indicating that the predictor constructs contributed to the endogenous variables with different levels of substantive influence. In particular, digitalization intensity demonstrated a meaningful contribution to platform dependence, while the effects of the other predictors ranged from small to moderate depending on the specific path examined. Predictive relevance was evaluated using the blindfolding procedure. The Q^2 values for platform dependence, pricing autonomy loss, and marketing power were all greater than zero, indicating that the structural model had adequate predictive relevance for all endogenous constructs.

To strengthen inferential precision, bias-corrected and accelerated (BCa) bootstrap confidence intervals with 5,000 resamples were estimated for all direct and indirect effects. The confidence intervals for the significant paths did not include zero, thereby confirming the significance of the relationships identified through the bootstrapping procedure. Finally, overall model fit was assessed using the Standardized Root Mean Square Residual (SRMR). The SRMR value was below the recommended threshold of 0.08, indicating an acceptable fit between the proposed model and the observed data (Henseler et al., 2016).

Structural Model Evaluation

After the measurement model was declared valid, testing continued on the structural model to assess the relationships between latent constructs. The R-square value indicated that the model had adequate explanatory power. With an R2 value of 0.599, the platform dependence variable has excellent explanatory power, whereas marketing power has a moderate R2 value of 0.429. In the context of behavioral and MSME research, the pricing autonomy loss variable's R2 value of 0.206 is still adequate.

Direct Connection Testing

The results of the path coefficient analysis indicate that all hypothesized relationships are positive and statistically significant ($p < 0.001$). Digitalization Intensity has a significant direct effect on Marketing Power ($\beta = 0.431$), confirming that digitalization enhances MSMEs' marketing capability. Furthermore, Digitalization Intensity significantly influences Platform Dependence ($\beta = 0.774$) and Pricing Autonomy Loss ($\beta = 0.353$). Platform Dependence also has a significant effect on Pricing Autonomy Loss ($\beta = 0.450$) and Marketing Power ($\beta = 0.486$). In addition, Pricing Autonomy Loss significantly affects Marketing Power ($\beta = 0.432$). These findings demonstrate that digitalization contributes to MSMEs' marketing power both directly and indirectly through platform dependence and pricing autonomy loss, indicating a complementary mediation mechanism.

Table 5. Direct Effects

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Digitalization Intensity (X) -> Marketing Power (Y)	0.431	0.432	0.037	11.532	0.000
Digitalization Intensity (X) -> Platform Dependence (M1)	0.774	0.776	0.029	27.064	0.000
Digitalization Intensity (X) -> Pricing Autonomy Loss (M2)	0.353	0.356	0.040	8.900	0.000
Platform Dependence (M1) -> Marketing Power (Y)	0.486	0.494	0.054	8.960	0.000
Platform Dependence (M1) -> Pricing Autonomy Loss (M2)	0.450	0.451	0.054	8.376	0.000
Pricing Autonomy Loss (M2)-> Marketing Power (Y)	0.432	0.429	0.040	10.678	0.000

Testing the Mediation Effect

The mediation analysis demonstrates that Platform Dependence significantly mediates the relationship between Digitalization Intensity and Marketing Power (H4 supported). Likewise, Pricing Autonomy Loss significantly mediates the relationship between Platform Dependence and Marketing Power (H5 supported). The sequential mediation analysis further confirms that Digitalization Intensity affects Marketing Power through the combined mechanism of Platform Dependence and Pricing Autonomy Loss (H6 supported). Since both the direct effect of Digitalization Intensity on Marketing Power and the indirect effects remain statistically significant, the results indicate a pattern of partial sequential mediation rather than full mediation. This finding suggests that digitalization enhances MSMEs' marketing power not only directly through broader market access and improved digital marketing capabilities, but also indirectly by reshaping platform dependence and pricing autonomy within the platform economy.

Table 6. Specific Indirect Effects

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Digitalization Intensity (X) -> Platform Dependence (M1) -> Marketing Power (Y)	0.226	0.233	0.049	4.584	0.000
Digitalization Intensity (X) -> Pricing Autonomy Loss (M2) -> Marketing Power (Y)	0.002	0.002	0.019	0.095	0.924
Platform Dependence (M1) -> Pricing Autonomy Loss (M2) -> Marketing Power (Y)	0.194	0.193	0.026	7.411	0.000
Digitalization Intensity (X) -> Platform Dependence (M1) -> Pricing Autonomy Loss (M2) -> Marketing Power (Y)	0.150	0.150	0.021	7.155	0.000
Digitalization Intensity (X) -> Platform Dependence (M1) -> Pricing Autonomy Loss (M2)	0.349	0.350	0.044	7.979	0.000

Discussion

The findings of this study demonstrate that digitalization plays a significant role in strengthening MSMEs' marketing power, both directly and indirectly through structural mechanisms. The significant direct effect indicates that digital technologies enhance market access, expand customer reach, improve promotional effectiveness, and ultimately increase MSMEs' competitiveness in digital markets. This result is consistent with prior studies showing that digitalization improves marketing capability and reduces transaction costs, enabling firms to operate more efficiently and reach broader markets (Kraus et al., 2022; Singh et al., 2023).

However, beyond its direct benefits, digitalization also generates structural consequences that reshape MSMEs' strategic position. The results show that higher levels of digitalization significantly increase platform dependence, which in turn contributes to pricing autonomy loss and affects marketing power. This indicates that digitalization is not purely empowering but simultaneously creates dependency on platform-controlled ecosystems. As MSMEs rely more heavily on digital platforms, bargaining power gradually shifts toward platform owners, making the relationship between digitalization and marketing power inherently multidimensional rather than linear.

This dynamic is particularly evident in the context of Kupang City, where digital platforms function as the primary channel for market access due to geographical limitations, underdeveloped offline distribution systems, and relatively high transaction costs. In such conditions, MSMEs gain substantial advantages from adopting digital marketing while simultaneously becoming structurally dependent on platform ecosystems. This finding aligns with Power Dependence Theory, which posits that actors controlling critical resources hold greater bargaining power, as well as Platform Economy Theory, which highlights how platform owners capture value through control over algorithms, visibility, and transaction rules (Emerson, 1962; Gawer & Bonina, 2024).

Furthermore, the results confirm that the relationship between digitalization and marketing power is best explained through a partial sequential mediation mechanism. Digitalization directly enhances marketing power while also influencing it indirectly through platform dependence and pricing autonomy loss. This indicates that technological empowerment and structural constraints operate simultaneously, shaping MSMEs' marketing outcomes within the platform economy.

Platform dependence emerges as a critical mechanism explaining how digitalization transforms MSMEs' strategic behavior. Consistent with platform-based entrepreneurship literature, increasing digitalization intensifies MSMEs' reliance on dominant platforms, limiting their strategic flexibility and autonomy (Cutolo & Kenney, 2021; Nzembayie et al., 2024). While platforms provide efficiency and market access, they also impose structural constraints on decision-making processes. In particular, platform dependence significantly contributes to pricing autonomy loss, supporting Platform Economy Theory and Value Capture Theory, which argue that value appropriation tends to concentrate among actors controlling coordination mechanisms (Gawer & Bonina, 2024; Jacobides et al., 2006). Platform-driven pricing algorithms, promotional systems, and commission structures restrict MSMEs' ability to independently determine pricing strategies (Christen et al., 2022; Gerpott, 2022), thereby reinforcing long-term margin pressure and reducing strategic autonomy (Uzunca et al., 2022).

The loss of pricing autonomy, in turn, has a significant impact on marketing power by limiting MSMEs' ability to differentiate their offerings, sustain value-based customer relationships, and strengthen their bargaining position within marketing channels. This finding supports previous studies emphasizing pricing control as a core dimension of marketing power (Franck & Peitz, 2022; John & Ross, 2022), particularly within highly competitive digital platform environments. Overall, this study contributes to the literature by demonstrating that digitalization enhances MSMEs' marketing power through both direct and indirect pathways. More importantly, it highlights that the benefits of digitalization coexist with structural constraints arising from platform dependence and reduced pricing autonomy. By adopting a process-based perspective, this study extends prior research by explaining not only whether digitalization influences MSMEs' performance, but also how and why its empowering effects are intertwined with structural limitations within platform ecosystems.

CONCLUSION

This study demonstrates that digitalization intensity has a positive and significant effect on MSMEs' marketing power, both directly and indirectly through platform dependence and pricing autonomy loss. The findings confirm that the underlying mechanism is best explained as partial sequential mediation, in which digitalization simultaneously strengthens marketing capability while also triggering structural dependencies within platform ecosystems. In the context of MSMEs in Kupang City, digitalization expands market reach and enhances marketing power directly. However, it also increases dependence on digital platforms and reduces pricing autonomy, indicating that digitalization is not purely empowering. Instead, it restructures marketing power by gradually shifting strategic control toward platform-based intermediaries. This dual effect highlights the complex nature of digital transformation, where opportunities for growth coexist with emerging structural constraints.

This study contributes to the literature by demonstrating that the impact of digitalization on MSMEs' marketing power is shaped not only by technology adoption but also by governance structures embedded in platform ecosystems. Platform dependence and pricing autonomy loss are identified as critical mechanisms through which digitalization produces both benefits and strategic vulnerabilities. These findings reinforce the relevance of platform economy and value capture perspectives in explaining how MSMEs can gain market access while simultaneously losing part of their bargaining power and control over value appropriation. From a managerial perspective, the findings suggest that MSMEs should adopt a more balanced digitalization strategy. Rather than relying exclusively on digital platforms, MSME owners particularly in

peripheral regions such as Kupang City should treat platforms as one of multiple marketing channels. Strengthening owned digital assets, such as WhatsApp Business catalogs, independent social media communities, and direct customer databases, can help reduce dependence, preserve pricing flexibility, and maintain strategic control. In addition, MSMEs need to reinforce their value propositions and customer relationships to avoid excessive reliance on platform-driven mechanisms.

From a policy perspective, the results indicate that MSME digitalization initiatives should go beyond promoting platform adoption. In regions with limited offline market infrastructure, such as Kupang City, policies should also aim to protect MSMEs' bargaining position within platform ecosystems. This may include supporting alternative logistics and payment systems, providing training in multi-channel digital strategies, and facilitating MSME collectives or associations to strengthen negotiating power in relation to platform rules, commissions, and algorithmic visibility. Such interventions are crucial to ensure that digitalization leads to sustainable and inclusive economic outcomes. This study has several limitations. First, the cross-sectional design does not capture the dynamic evolution of platform dependence and pricing autonomy loss over time. Second, the focus on MSMEs in Kupang City limits the generalizability of the findings to other contexts. Third, the use of purposive sampling may introduce selection bias by focusing on more digitally active MSMEs. Future research is therefore encouraged to adopt longitudinal approaches, expand to different regional settings, and incorporate additional variables such as digital capabilities, competitive strategies, and institutional support to better understand the long-term implications of MSME digitalization within platform-based markets.

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