

## IMPACT OF SERVICE INNOVATION ON BEAUTY SERVICE PERFORMANCE: PERSPECTIVE OF RESOURCE ADVANTAGE THEORY OF COMPETITION

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**Abstrak:** Inovasi dalam layanan kecantikan merupakan aspek penting yang sangat rentan terhadap perubahan selera konsumen. Perusahaan jasa kecantikan dituntut untuk terus beradaptasi dan berinovasi agar dapat memenuhi kebutuhan dan ekspektasi konsumen. Oleh karena itu, penelitian ini bermaksud untuk mencari solusi inovatif dari pusat penelitian-penelitian terdahulu yang berkaitan dengan inovasi dalam kinerja layanan jasa kecantikan. Penelitian ini berfokus pada pandangan Resource Advantage Theory of Competition sebagai dasar untuk membangun konsep inovasi dalam jasa layanan kecantikan melalui peningkatan kapabilitas pemasaran dinamis. Sampel penelitian ini melibatkan 127 karyawan yang bekerja di industri jasa kecantikan. Pengumpulan data dilakukan dengan menyebarkan survei melalui Google Formulir dengan menggunakan skala likert 1 sampai dengan 5. Penelitian ini terdiri dari empat variabel yang meliputi variabel bebas yaitu inovasi dan kapabilitas pemasaran dinamis, mediasi keunggulan bersaing dan variabel terikat yaitu kinerja. Data yang dikumpulkan kemudian diolah menggunakan metode analisis SmartPLS 3. Studi ini membahas beberapa kesenjangan. Pertama, kami mengembangkan posisi teoretis baru dan menyarankan hubungan antara inovasi layanan dan kinerja yang mempertimbangkan keunggulan kompetitif yang belum dibahas dengan baik dalam penelitian sebelumnya. Kedua, berbeda dengan penelitian sebelumnya yang hanya mempertimbangkan hubungan langsung antar variabel, penelitian ini mempertimbangkan untuk memperluas model dengan mempelajari determinan dari masing-masing kapabilitas atau menjelajahi kemampuan lain. Ketiga, pasar negara berkembang bersifat dinamis dan sifat evolusioner dari pasar ini harus dipertimbangkan. Tujuan dari penelitian ini adalah untuk mencari solusi dari pusat penelitian sebelumnya mengenai inovasi dan kapabilitas pemasaran dinamis pada kinerja layanan kecantikan dengan keunggulan kompetitif sebagai variabel media. Hasil penelitian mengkonfirmasi temuan dari penelitian sebelumnya yang menyatakan bahwa keunggulan bersaing mampu memediasi hubungan antara inovasi dengan kinerja layanan kecantikan. Dalam penelitian ini, kemampuan pemasaran dinamis menjadi faktor utama yang menonjolkan pentingnya komunikasi dan teknologi informasi terhadap menciptakan keunggulan bersaing dalam jasa layanan kecantikan. Temuan dari penelitian ini menunjukkan bahwa terdapat hubungan positif yang signifikan antara inovasi dan kemampuan pemasaran dinamis terhadap keunggulan bersaing dalam jasa layanan kecantikan. Dengan mengintegrasikan inovasi dan kemampuan pemasaran dinamis, perusahaan jasa kecantikan dapat menciptakan layanan-layanan baru yang relevan dengan kebutuhan konsumen dan dapat secara efektif mempromosikan produk-produk dan layanan-layanan tersebut. Penelitian ini memberikan kontribusi penting pada perkembangan inovasi dalam layanan-layanan kecantikan, yang menjadi sumber daya pengungkit kinerja perusahaan.

Dengan memahami pentingnya inovasi dan kemampuan pemasaran dinamis, perusahaan jasa kecantikan dapat mengembangkan strategi yang efektif untuk memenangkan persaingan di pasar yang terus berubah dan kompetitif. Sebagai rekomendasi, manajer perusahaan jasa kecantikan diharapkan untuk lebih berfokus pada upaya inovatif dan penggunaan teknologi informasi dalam memperkuat kemampuan pemasaran dinamis mereka. Dengan demikian, mereka dapat lebih responsif terhadap perubahan selera konsumen dan dapat meningkatkan keunggulan bersaing yang menjadi kunci keberhasilan dalam industri jasa kecantikan. anggapan dari beberapa responden juga mengindikasikan bahwa inovasi dalam layanan harus sesuai dengan kebutuhan pelanggan, dan penggunaan teknologi baru dapat mendukung perkembangan pemasaran yang dinamis. Sebagai saran untuk penelitian selanjutnya, diharapkan agar peneliti dapat mempertimbangkan aspek-aspek tambahan yang tidak diungkapkan dalam penelitian ini, karena hal tersebut dapat menjadi faktor penjelas yang berpotensi mempengaruhi kinerja perusahaan. Selain itu, dianjurkan untuk melakukan penelitian yang lebih luas dan melibatkan lebih banyak responden dengan atribut yang berbeda untuk meningkatkan generalisasi dan keragaman hasil penelitian. Penelitian yang lebih mendalam tentang inovasi, kemampuan pemasaran dinamis, dan keunggulan kompetitif sebagai variabel mediasi juga dapat memberikan wawasan yang lebih komprehensif mengenai interaksi antara variabel-variabel tersebut dalam konteks industri jasa kecantikan. Dengan melakukan penelitian lebih lanjut dan mendalam, diharapkan perusahaan jasa kecantikan dapat mengembangkan strategi inovatif yang lebih efektif dan berfokus pada penerapan teknologi informasi yang dinamis untuk mencapai keunggulan kompetitif, yang pada gilirannya akan meningkatkan kinerja dan keberhasilan mereka di pasar yang kompetitif.

**Kata kunci:** *inovasi, layanan kecantikan, keunggulan bersaing, kinerja*

**Abstract:** *Innovation in beauty services is an important aspect that is very vulnerable to changes in consumer tastes. Beauty service companies are required to continuously adapt and innovate in order to meet consumer needs and expectations. Therefore, this research intends to find innovative solutions from the center of previous studies related to innovation in beauty service performance. This research focuses on the view of the Resource Advantage Theory of Competition as a basis for building the concept of innovation in beauty services through improving dynamic marketing capabilities. The sample of this study involved 127 employees working in the beauty service industry. Data collection was carried out by distributing surveys via Google Forms using a Likert scale of 1 to 5. This study consists of four variables which include independent variables, namely innovation and dynamic marketing capabilities, mediating competitive advantage and dependent variables, namely performance. The data collected was then processed using the SmartPLS 3 analysis method. This study addresses several gaps. First, we develop a new theoretical position and suggest a relationship between service innovation and performance that considers competitive advantage that has not been well addressed in previous research. Second, in contrast to previous studies that only consider direct relationships between variables, this study considers extending the model by studying the determinants of each capability or exploring other capabilities. Third, emerging markets are dynamic and the evolutionary nature of these markets must be considered. The purpose of this study is to seek solutions from the center of previous research on innovation and dynamic marketing capabilities on beauty service performance with competitive advantage as a medium variable. The results of the study confirm the findings of previous studies which state that competitive advantage is able to*

mediate the relationship between innovation and beauty service performance. In this study, dynamic marketing capabilities are the main factor that highlights the importance of communication and information technology towards creating a competitive advantage in beauty services. The findings of this study indicate that there is a significant positive relationship between innovation and dynamic marketing capabilities on competitive advantage in beauty services. By integrating innovation and dynamic marketing capabilities, beauty service companies can create new services that are relevant to consumers' needs and can effectively promote these products and services. This research makes an important contribution to the development of innovation in beauty services, which is a leveraging resource for firm performance. By understanding the importance of innovation and dynamic marketing capabilities, beauty service companies can develop effective strategies to win the competition in a changing and competitive market. As a recommendation, managers of beauty service companies are expected to focus more on innovative efforts and the use of information technology in strengthening their dynamic marketing capabilities. Thus, they can be more responsive to changes in consumer tastes and can increase the competitive advantage that is the key to success in the beauty services industry. The assumptions of some respondents also indicated that innovation in services must match customer needs, and the use of new technology can support the development of dynamic marketing. As a suggestion for future research, it is hoped that researchers can consider additional aspects that are not disclosed in this study, because they can be explanatory factors that have the potential to affect company performance. In addition, it is recommended to conduct broader research and involve more respondents with different attributes to increase the generalizability and diversity of research results. More in-depth research on innovation, dynamic marketing capabilities, and competitive advantage as mediating variables can also provide more comprehensive insights into the interactions between these variables in the context of the beauty services industry. By conducting further and in-depth research, it is expected that beauty service companies can develop more effective innovative strategies and focus on the dynamic application of information technology to achieve competitive advantage, which in turn will improve their performance and success in a competitive market.

**Keywords:** *innovation, beauty services, competitive advantage, performance*

## INTRODUCTION

Competition in business is inevitable and every effort needs to be made to always be aware and understand what is going on in the market and what customers want. Efforts to understand what and how to manage various resources owned to win the competition and create a competitive advantage must always be created (Kuncoro & Suriani, 2018). The application of the right marketing strategy is expected to increase sales volume so that it can win the competition. Beauty services always need to know and understand what is happening in the market and what consumers want, such as changes in a business sector, to compete with other care services.

Exploitative innovation and explorative innovation lead to stronger performance outcomes (Buccieri et al., 2023). Moreover, innovation is a catalyst for economic development as emerging markets face challenges of resource scarcity and population growth (Anand et al., 2021). The essence of emerging economies is that they are dynamic, so it is necessary to take into account market changes (Buccieri et al., 2020). In order to be accepted by all, it is necessary to develop technology that is able to support existing resources, especially to provide services that consumers like. Service quality that is better than others, for example, using more advanced technology, being able to adapt to trends related to e-commerce, having good profitability, and offering attractive benefits to other customers. Service innovation in the beauty sector involves the introduction, development and implementation of new ideas that generate added value for customers. Service innovation can be process, product, technology or business model innovation.

Research conducted by (Falahat et al., 2020) revealed that competitive advantage is unable to mediate the relationship between innovation and performance. Meanwhile, research conducted by (Awaliyah, 2022) confirmed that competitive advantage is able to mediate the relationship between innovation and performance. The findings show that when a company is able to produce significant innovation, this can provide a strong competitive advantage. Successful innovation can differentiate a company from its competitors, provide unique or better products or services, and create added value for customers. There are differences in the results of research conducted by previous studies, so in this study we will reveal that competitive advantage is able to mediate the relationship between innovation and performance. Then, as we know that beauty services there is always a need to know and understand what is happening in the market and what consumers want, such as changes in a business sector, to compete with other care services. This results in that every company must also be able to have dynamic marketing such as with the use of more up-to-date technology and telecommunications. The utilization of technology in dynamic marketing allows companies to collect and analyze customer data in real-time, identify market trends, and adjust their marketing strategies quickly and responsively.

This study addresses the research gaps discussed above. First, we develop a new theoretical position and suggest a relationship between service innovation and performance that considers competitive advantage that has not been well addressed in previous research. Second, unlike previous research that only considers direct relationships between variables,

this research considers extending the model by studying the determinants of each capability or exploring other capabilities. Third, emerging markets are dynamic by nature, and the evolutionary nature of these markets should be considered. The purpose of this study is to find solutions from the center of previous research on innovation and dynamic marketing capabilities on the performance of beauty services with competitive advantage as a mediating variable.

## LITERATURE REVIEW

### Resource Advantage Theory of Competition

This research uses the Resource Advantage Theory of Competition to discuss research on the theme of service innovation. According to (Hunt & Morgan, 1996) which explains if this theory proves to be more provocative than we previously thought. This theory explains that it is not only a superior description of the inherent dynamic process, but also explicitly explains how organizations learn as a direct result of competition.

The RATOC developed by D. Hunt and R. Morgan explains that firms with differentiated and scarce resources can create competitive advantage in a competitive market. According to this theory, competitive advantage arises when companies are able production has higher added value for consumers compared to their competitors. This can be achieved through the use of resources that are rare and different from competitors, such as more advanced technology, stronger brands, and wider distribution networks. (Hunt & Morgan, 1996) Competitive advantage can be increased through innovation and development of existing resources. Companies can achieve competitive advantage by improving product or service quality, reducing production costs, or expanding market reach.

However, this theory also recognizes that competitive advantage is not eternal. Resources considered rare and different can easily be copied or competed by competitors developing the same resources. Therefore, companies must continue to innovate and develop new resources to maintain their competitive advantage long run.

This research is based on the RATOC. The following are views according to several previous authors who discussed the theory:

Authors	Theory	Object	Variable Description
(Hunt & Arnett, 2004)	RATOC	Financial Performance	R-A theory notes that market segmentation has the potential to contribute to better financial performance for companies.
(Hunt & Hunt, 2012)	RATOC	Competition	RATOC is a theory that generally examines business competition and provides guidance to

			managers on how business and marketing strategies can be adapted to broader competitive issues. In this case, R-A theory provides benefits to managerial decision-making by assisting managers in formulating appropriate business and marketing strategies.
(Topaloglu et al., 2018)	RATOC	Competition	Increased competition in recent decades has encouraged non-profit organizations (NPOs) to become more like conventional businesses, and this can be considered a positive change.
(Hunt & Davis, 2012)	RATOC	Supply Chain Management	Researchers in supply chain management (SCM) have the belief that applying supply chain management concepts in R-A theory does not lead to tautology.

**Table 1.** Theoretical Perspectives on Resource Advantage Theory of Competition

From the table above, it can be concluded that this theory has been used in previous studies that discuss various variables. So we use the RATOC as a reference theory in our research.

### **Innovation**

Innovation is essential for developing economies in developing countries. However, the problem that entrepreneurs must overcome is the ability to create opportunities and redesign processes to improve research and markets in developing countries (Buccieri et al., 2023). Developing countries face problems such as high population growth and limited resources, so innovation is indispensable for advancing their economies (Anand et al., 2021). Product innovation is also very important in healing company's marketing performance. To achieve

good product innovation, companies must invest in research and development and improve their brand reputation (Sharma et al., 2016). This study reinforces previous research which states that innovation is very important to advance the economies of developing countries. Entrepreneurs in developing countries need to address the issue of ability to create opportunities and redesign processes to improve research and markets.

### **Performance**

Innovation ability contribute to improving IEC and INV performance in international e-commerce SMEs (Buccieri et al., 2023). According to the research results, it is not enough to only use OMC as a predictor of performance of SMEs engaged in international electronic commerce. That is, OMC cannot be relied upon alone in predicting performance of SMEs engaged in international electronic commerce (Tolstoy et al., 2022). These findings are consistent with the results of recent research showing that competitive abilities mediate the relationship international knowledge and international performance in SMEs (Falahat et al., 2020). This study reinforces previous research company performance affects profitability, growth, competitive advantage, and reputation. Good performance increases the trust of investors, customers, and business partners, providing long-term benefits for the company.

### **Competitive Advantage**

To achieve competitive advantage, it is important to invest resources in technology and process innovation, and pay attention to both factors in a balanced manner (Fawad et al., 2021). We also suggest a set of sustainable practices that can help companies meet stakeholder expectations and improve sustainability outcomes, thereby helping to achieve competitive advantage (Ahmadi-gh & Bello-pintado, 2022). Another study found that innovation can Competitive advantage refers to the superior position a company has (Awaliyah, 2022). For example, the development of environmentally friendly products can help companies make better R&D capabilities and maintain a competitive advantage compared to competitors (Papadas et al., 2018). This study reinforces previous research that investment in technology and process innovation, as well as sustainable practices, are equally important in achieving competitive advantage. Innovation including the development of environmentally friendly products to make better R&D capabilities and maintain a competitive advantage compared to competitors.

### **Dynamic Marketing Capability**

Assessing IEC as an important basis for INV innovation and developing marketing skills (Buccieri et al., 2023). High-level DMC strategy as a concept consisting of several dimensions (Tayeenul et al., 2022). Tourism organizations infusing agility into your marketing efforts enables you to respond dynamically, timely and effectively to your customers' needs and expectations.. This can be achieved by continuous adoption and using the latest technology or tools to provide the required customer response (Moi & Cabiddu, 2021). Managers of emerging market companies exporting to the AE market need to pay attention to the logical

relationship between dynamic capabilities, marketing program adjustments, and company performance under different market complexities. This is a key area of concern to ensure business success in these markets (Khan, 2020). Under different market dynamic conditions, DMC can affect the competitive advantage of a company.

How DMC impacts competitive advantage depends on factors such as market changes, technological changes, and changes in the business environment. Therefore, it is important for companies to consider these factors and develop appropriate DMC strategies to ensure business success and competitive advantage in dynamic markets (Elsharnouby & Elbanna, 2021). This research reinforces previous research that Dynamic Marketing Capability (DMC) is the ability of a company to develop and manage marketing strategies that are adaptive and responsive to market dynamics, technology, and business.

### **RESEARCH METHODOLOGY**

The research method business environment there is a way or way to solve all problems posed. Quantitative techniques are used in this study. Quantitative methods are systematic detailed study, premeditated, and clearly structured, from start to manufacture of the study design. In line with to Sinambela (2020), quantitative research is a type of research that uses numbers in data processing to produce structured information.. Meanwhile, according to Sugiyono (2015) in his book "Educational Research Methods: Quantitative, Qualitative, and R&D Approaches", quantitative research is research that aims to test hypotheses or theories using data that can be measured quantitatively. This research focuses more on collecting and analyzing numerical data using statistical techniques. The research population is described as the whole of the research object, namely all survey units as the object of research.

Population is the total number of a group of people, events, or certain objects related to research within a considerable scope. The population in this study were employees in beauty services. The sample is part of the population examined in the study, and the results are considered to describe the original population, not the population itself. The sampling technique in this study is to use purposive sampling. where this technique is used determine the study sample based on certain considerations or criteria that have the aim that the data obtained is representative data Sugiyono (2010). The main feature of this sampling is that sample members are specifically selected based on research objectives (Hardani, 2020). The sample is a portion of the population whose characteristics are to be studied and is considered to represent the entire population. Since the population size is unknown, the calculation needed to determine the minimum sample size is Malhotra's calculation. According to Malhotra (2006: 291), the volume size must at least form four to five times the number of questions. There are 22 question indicators in this study. Then multiply the number of indicators by 5 to get the minimum sample required. Through Maholtra's calculations, the sample that can become respondents is 110 beauty service employees, both male and female.

Data collection methods used in this study is to visit beauty services door-to-door and provide questions in the form of questionnaires to beauty service employees. The questionnaire was made with an interval scale, namely the Likert scale. The Likert scale allows

respondents to rate items on a five to seven point scale depending on the amount of their agreement or disagreement on the item. The Likert scale consists of two parts, the item part and the rating part. The part of the article is a particular product, event, or attitude. The evaluation part is a list of responses such as "strongly disagree" to "strongly agree". The Likert scale is used here. Then numbers such as 1, 2, 3, 4, 5 are used. The advantage of using partial least squares is that relatively small sample sizes are required for the analysis. The SmartPLS method is considered more powerful because it is not based on assumptions. SmartPLS is capable of testing SEM patterns with different scale shapes, such as Ratio, Likert, etc. The PLS-SEM analysis consists of the two outer models and inner models.

## Research Hypothesis

### H1. The Effect of Innovation on Dynamic Marketing Capability of Beauty Services

Innovation is defined as a concept or process where a person or group creates something new or introduces a new idea or product that can provide added value to society or the company. Innovation can help companies to create new products or services that appeal to consumers and increase the competitive advantage of the organization in the market. Dynamic marketing capability refers to the ability of companies to adjust their marketing strategies quickly and flexibly to changes in a constantly changing business environment. Innovation is about new technologies that are necessary for long-term success, and enables the pooling and sharing of resources when needed to develop new market offerings (Paul-Rodrigue Fomi, 2021). Innovation is an important determinant of an organization (Arsawan et al., 2022). This study builds on research (Bucciari et al., 2023) that found that whereas innovation is the key to success, managers must develop marketing developments to communicate INV's value concept and lure customers. Innovation has a big impact on dynamic marketing skills. Therefore, we present the hypothesis below.

**Hypothesis 1. Innovation has a positive and significant effect on dynamic marketing capability on the beauty services**

### H2. The Effect of Innovation on Competitive Advantage of Beauty Services

In fierce business competition, innovation can help companies to create new products or services that appeal to consumers and provide a significant competitive advantage. Innovation can help companies to differentiate themselves from their competitors by creating unique added value that is difficult to imitate. (Kuncoro & Suriani, 2018) argue that the better the innovation offered by a business, the better its competitive advantage in facing competitors. In fierce business competition, innovation can help companies to create new products or services that are attractive to consumers and provide a significant competitive advantage. This research is formed on the basis of research (Awaliyah, 2022) that The more innovation companies perform, the more competitive advantage they achieve. As users of industrial products, consumers naturally want the products they buy to be of high quality. Therefore, to increase their competitive advantage, SMEs must produce innovative products from high-quality

materials (Herman et al., 2018). Therefore, we present the hypothesis below..

**Hypothesis 2. Innovation has a positive and significant effect on competitive advantage on the beauty services**

**H3. The Effect of Dynamic Marketing Capability on Competitive Advantage of Beauty Services**

In the marketing sphere, DMC enables companies adjust marketing strategy quickly and effectively to market and competitive changes. DMC enables companies to better respond to market opportunities and overcome challenges, thus enabling them to maintain their competitive advantage. Market dynamism refers to the constantly changing conditions in the market and involves factors such as competition, trends, consumer preferences, technology, and so on. In this context, the market mediates between capital and the competitive advantage of a business (Elsharnouby & Elbanna, 2021). With strategic agility, companies can adjust their strategies quickly and flexibly in response to market and competitive changes, thereby strengthening their position to reach competitive advantage (Clauss et al., 2021). Firms operating in dynamic marketing environments, can achieve a competitive advantage by utilizing their resources to develop better capabilities than those firms operating in less dynamic markets (Paul-Rodrigue Fomi, 2021). Therefore, we present the hypothesis below.

**Hypothesis 3. Dynamic marketing capability has a positive and significant effect on competitive advantage on the beauty services**

**H4. The Effect of Competitive Advantage Mediates Innovation on Performance of Beauty Services**

Innovation can help firms develop new technologies, new production processes, and new management systems that improve their Operational efficiency and effectiveness. will encourage consumer purchases. The ability to develop innovations (exploratively and exploitatively) and dynamic marketing features support The interrelationship between IEC performance can be explained as an interlocking relationship between them. (Buccieri et al., 2020). Innovation can support company performance because it can help companies to improve business processes (Awaliyah, 2022). Innovations undertaken by a company provide value as a differentiator from the competition, leading to increased demand for the product, which can improve marketing performance (Harjadi, 2020). competitive advantage is not able to mediate the relationship between innovation and the performance of a company (Falahat et al., 2020). Companies that continue to develop innovative products will attract consumers to buy these products, this will lead to improved business performance for SMEs themselves. (Herman et al., 2018). Therefore, we present the hypothesis below.

**Hypothesis 4. Competitive advantage mediates innovation has a positive and significant effect on performance on the beauty services**

**H5. The Effect of Competitive Advantage Mediates Dynamic Marketing Capability on Performance of Beauty Services**

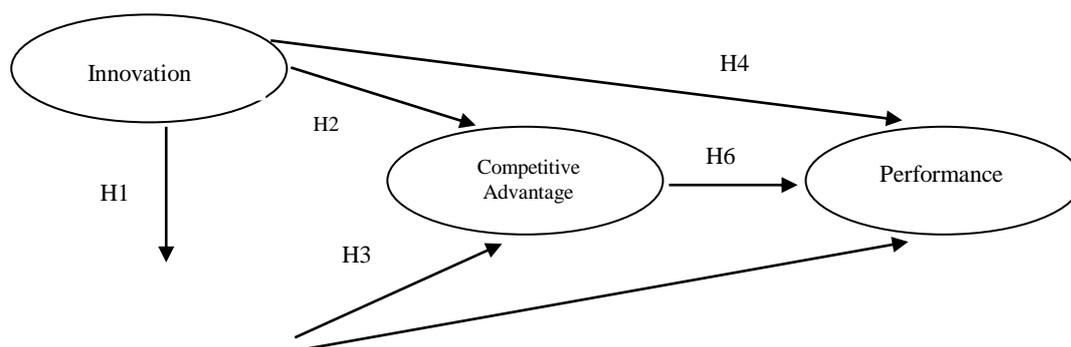
Dynamic marketing capabilities can affect firm performance in the long run by enabling firms to face and capitalize on new market opportunities more effectively. Research has shown that firms with strong DMC tend to perform better than firms without strong DMC. DMC capabilities can support the relationship between IEC (Information, Education, and Communication) performance and Innovation (Buccieri et al., 2020). By applying the new dynamic marketing capability strategy to the company structure, it can help the company's performance to achieve their goals more effectively and efficiently (Tayeenul et al., 2022). The existence of marketing agility can be a company's performance if used cleverly and faster than competitors and become a key in the company's business success (Khan, 2020). Therefore, we present the hypothesis below.

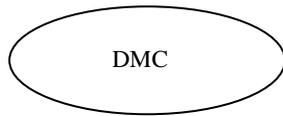
**Hypothesis 5. Competitive advantage mediates dynamic marketing capability has a positive and significant effect on performance on the beauty services**

### H6. The Effect of Competitive Advantage on Performance of Beauy Services

In a highly competitive business world, having a competitive advantage is a must to survive and evolve in the market. Companies that have a competitive advantage in their business activities will perform better, i.e. this competitive advantage will be able to improve marketing performance (Harjadi, 2020). Competitive advantage does not affect a company's performance. If firms are unable to communicate effectively or leverage their competitive advantage, the impact on firm performance may not be fully realized (Buccieri et al., 2023). It is bound to increase that SMEs with a competitive advantage control market share and influence the performance of SMEs (Herman et al., 2018). Competitive advantage has a significant impact on a company's performance, because the greater the organization's competitive advantage, the better the firm's performance (Laksana et al., 2022). Therefore, we present the hypothesis below.

**Hypothesis 6. Competitive Advantage has a positif and significant effect on performance on the beauty services**





H5

Figure 1. Conceptual Model

RESULT AND DISCUSSION

Result

In this test, hypothesis testing using the Partial Least Square (PLS) data analysis techniques using the SmartPLS 3 software program outer model testing is used and carried out to test the validity of constructs or latent variables in the model determine the measurement or SEM model built with this software. This test includes validity and reliability. Then there is a scheme of the PLS program model tested:

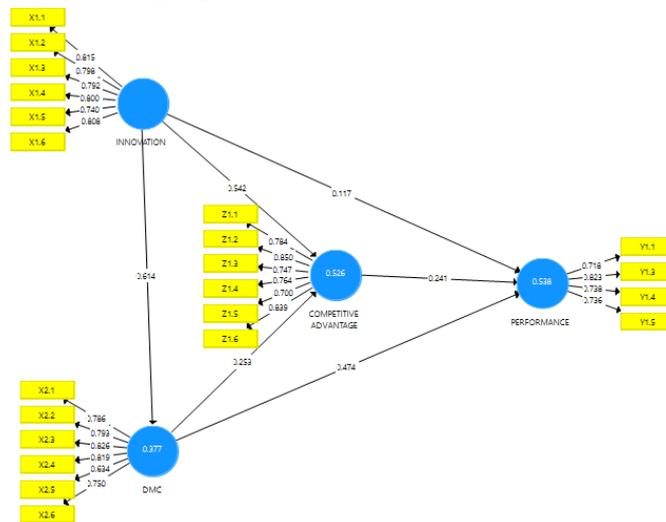


Figure 2. Outer Model

1. Convergen Validity

If the external load value is greater than 0.7, the indicator meets convergence validity for the good category. Below are the external loadings for each part of the indicator survey variables.

Table 2. Outer Loading Value

Variable	Indicator	Modified	Outer Loading
Inovation	X1. We introduced many new services for our customers	(Buccieri et al., 2020), (Paul-	0.815
	X1. We expanded our marketing area	Rodrigue Fomi,	0.798
	X1. We have used the latest technological innovations	2021)	0.792
	X1. We are always improving our service quality every day		0.800

	X1. We have products and services that are more innovative than our competitors.		0.740
	X1. We launch innovations with more features compared to competitors		0.808
Dynamic Marketing Capability	X2. We are able to identify business opportunities related to e-commerce	(Tolstoy et al., 2022), (Buccieri et al., 2020)	0.786
	X2. We are able to adapt to trends related to e-commerce		0.793
	X2. We are able to develop our colleagues' competencies in e-commerce		0.826
	X2. We invest in developing services that have global appeal using appropriate marketing technologies.		0.819
	X2. We use promotional activities to gain market share grow quickly		0.634
	X2. We effectively utilize marketing resources and capabilities to meet customer expectations		0.750
Performance	Y1. We have achieved the planned sales target	(Laksana et al., 2022), (Mostaghel et al., 2019)	0.718
	Y1. We are able to increase the number of company customers every certain period		0.823
	Y1. We always provide explanations regarding the services we provide to new customers.		0.738
	Y1. We offer customers compelling advantages over competing products		0.736
Competitive Advantage	Z1. We have services offered that are better than those of competing companies.	(Papadas et al., 2018)	0.784
	Z1. We are better able to do research and development than competing companies		0.850
	Z1. We have better managerial capabilities than our competitors.		0.747
	Z1. We have better profitability than competing companies		0.764
	Z1. We have a better corporate image than our competitors		0.700
	Z1. We have advantages that are difficult to replace by competing companies.		0.839

Source: primary data processed, 2023

**Table 3.** Average Variance Extracted Value

Variable	AVE (Average Variance Extracted)	Description
Innovation	0.612	Valid
Dynamic Marketing Capability	0.594	Valid
Performance	0.628	Valid
Competitive Advantage	0.570	Valid

Source: primary data processed, 2023

## 2. Discriminant Validity

Discriminant validity tests use cross loading values. A metric is considered discriminatively valid when its crossloading the value of a correlation is greatest compared to other correlations. Below are the crossload values for each metric.

**Table 4.** Cross Loading

Indicator	Innovation (X1)	Dynamic Marketing Capability (X2)	Performance (Y1)	Competitive Advantage (Z)

X1.1	<b>0.815</b>	0.505	0.551	0.580
X1.2	<b>0.798</b>	0.511	0.476	0.479
X1.3	<b>0.792</b>	0.469	0.350	0.523
X1.4	<b>0.800</b>	0.551	0.482	0.524
X1.5	<b>0.740</b>	0.396	0.371	0.567
X1.6	<b>0.808</b>	0.480	0.486	0.635
X2.1	0.496	<b>0.786</b>	0.540	0.471
X2.2	0.429	<b>0.793</b>	0.532	0.472
X2.3	0.482	<b>0.826</b>	0.588	0.492
X2.4	0.488	<b>0.819</b>	0.583	0.434
X2.5	0.429	<b>0.634</b>	0.398	0.360
X2.6	0.513	<b>0.750</b>	0.514	0.468
Y1.1	0.372	0.498	<b>0.718</b>	0.391
Y1.3	0.475	0.601	<b>0.823</b>	0.518
Y1.4	0.374	0.484	<b>0.738</b>	0.352
Y1.5	0.506	0.481	<b>0.736</b>	0.530
Z1.1	0.637	0.419	0.606	<b>0.784</b>
Z1.2	0.616	0.486	0.472	<b>0.850</b>
Z1.3	0.483	0.399	0.299	<b>0.747</b>
Z1.4	0.556	0.431	0.405	<b>0.764</b>
Z1.5	0.390	0.390	0.394	<b>0.700</b>
Z1.6	0.600	0.600	0.566	<b>0.839</b>

Source: primary data processed, 2023

### 3. Reliability Test and Cronbach Alpha

Reliability testing indicates the degree measurement consistency and stability device or research tool in measuring concepts or structures. Combined Reliability and Cronbach Alpha are used for reliability testing in this study.

**Table 5.** Composite Reliability & Cronbach Alpha

Variabel	Composite Reliability	Cronbach Alpha
Innovation	0.904	0.873
Dynamic Marketing Capability	0.897	0.861
Performance		
Competitive Advantage	0.910	0.881
	0.841	0.748

Source: primary data processed, 2023

This study will explain inner model by tested influence between one latent variable and another latent variable there is an interconnected relationship and impact on each other. Inner

model testing can be done with three analyses, namely measuring the R2 (R-square) value, Godness of Fit (GOF), and path coefficient. Listed here is a scheme of the PLS program model tested:

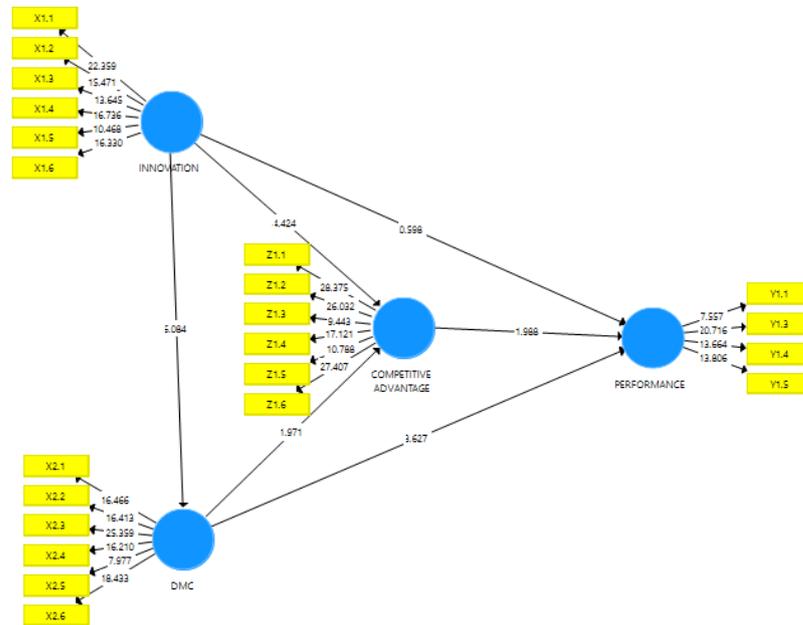


Figure 3. Inner Model

#### 4. Coefficient Determination (R<sup>2</sup>)

Coefficient determination (R-squared) measures how well the dependent variable is satisfied by other variables. Results of 0.67 and greater for the dependent latent variables in the structural model identify Impact of independent variable on the dependent variable in the good category. On the other hand, if the result is 0.33-0.67, it belongs to the middle class, and if the result is 0.29-0.33, it belongs to the weak class. Below are the results for the R-squared values in the table.

Table 6. R-Square Value

	R-Square	R-Square Adjusted
Competitive Advantage	0.526	0.518
Dynamic Marketing Capability	0.377	0.372
Performance	0.538	0.527

Source: primary data processed, 2023

#### 5. Goodnes of Fit Model

The estimated fit is known from the Q-squared value. The meaning of the Q-square value is the same as the meaning of the coefficient of determination (R-square) in regression analysis., if the higher the Q-square then the model is better or fits the data. Q squared calculation results:

$$G = \sqrt{Ct \times R^2}$$

$$= \sqrt{0,794 \times 0,472}$$

$$G = 0,612$$

### 6. Hypothesis Testing and Discussion

For hypothesis testing in this study, you can use the path coefficient value table for direct effects and specific indirect effects for indirect effects (mediation).

#### Direct Effect

Table 7. Path Coefisien (Direct effect)

	Hipotesis	Original Sample	t-Statistics	P values	Description
Innovation → DMC	H1	0.241	2.147	0.032	<b>Positive Significant</b>
Innovation → Competitive Advantage	H2	0.253	1.989	0.047	<b>Positive Significant</b>
DMC → Competitive Advantage	H3	0.474	3.716	0.000	<b>Positive Significant</b>
Competitive Advantage → Performance	H6	0.117	0.605	0.545	<b>Positive Significant</b>

Source: primary data processed, 2023

#### Indirect Effect

Table 8. Indirect Effect

	Hipotesis	Original Sample	t-Statistics	P-Value	Description
Innovation → Competitive Advantage → Performance	H4	0.131	2.275	0.023	<b>Positive Significant</b>
Dynamic Marketing Capability → Competitive Advantage → Performance	H5	0.061	1.305	0.194	<b>Positive Significant</b>

Source: primary data processed, 2023

## Discussion

This research is included in the quantitative study where the data generated is in the form of numbers and then analyzed using involvement of one software. The meaning of the study is to explain Impact of Service Innovation on Beauty Service Performance: Perspective of Resource Advantage Theory of Competition. The population used in this study was white-collar in beauty services. This study obtained 127 respondents. Data was collected through distribute surveys via Google Forms using a Likert scale of 1 to 5. This study consists of 4 variables including independent variables, namely innovation and dynamic marketing capabilities, intervening or mediating competitive advantage and the dependent variable, namely performance. Based on the data obtained, the number of female respondents is more than male respondents. Women respondents were 81% or 102 people while male respondents were 19% or 25 people. There were 127 respondents in total. Among the respondents who completed this questionnaire survey, 107 respondents were aged 21-30, accounting for 84.2%, followed by respondents aged 31-40, accounting for 15%, accounting for 19 people, 41-50 Year-olds accounted for 0.8%. % or 1 person.

According to Table 2, there are many external exposure values  $>0.7$  for each indicator of known study variables. Load values on a measurement scale from 0.5 to 0.6 deemed adequate for eligibility needs covered. Table 2. All indicators found to be feasible or effective for research and can be used for further analyses, as we have shown that no variable indicator has an external exposure value of less than 0.5. Based on the above calculations, the Q-squared value is 0.612 or 61.2%. This means that 61.2% of the variability in the data of this study as suggested by the research model is 61.2%, and the remaining 38.8% is influenced by external factors that are beyond our control in this study. The GoF value is 0.612, indicating that the research model is better and the GoF is also larger.

Table 3. Shows the AVE (Average Variance Extracted) value which is  $> 0.5$ . each variable component in this study has a respective value for Innovation of 0.612, Dynamic Marketing Capability of 0.593, Performance of 0.628 and Competitive Advantage of 0.570. so this section indicates whether each variable in this study is always considered valid in terms of its discriminant validity. According to the data presented in Table 4, it is known that the cross-loading the value of each research variable reflects the level or measure measured or observed for each variable in the context of this study. The index and its constituent variables are the largest when compared to other variables. Based on the obtained results, it can be said the indicators used in this study refer to the variables used to measure or describe the concepts under study. Good discriminant validity states that different constructs or variables can be clearly distinguished from each other compilation of various variables. As can be seen from table 5, the combined reliability score of all studied variables was  $>0.7$ . Innovation scores 0.904, Dynamic Marketing Capabilities 0.897, Performance 0.910, and Competitive Advantage 0.841. This shows that all variable structures satisfy combined reliability, based on the results of the analysis, it can be concluded that all variables in this study show a high level of accuracy.

Table 5. Cronbach's alphas for all variables in this study were shown to be greater than  $> 0.6$ , indicating that Cronbach's alphas met the requirements for all constructs to be considered reliable. Based on Table 6. R squared to see the size of the effect innovation variables and dynamic marketing capabilities In the context of competitive advantage, value plays an important role as a significant factor. 0.526 or 52.6%, it can be said that this relationship is a moderate or moderate relationship. Then R- Squares are also used to indicate the size of the impact of the innovation variable on dynamic marketing capabilities with a value of 0.377 or 37.7%, it is said that this relationship is a moderate or moderate relationship. R-squared is then also used to determine the size of the effect of innovation variables and dynamic marketing capabilities on performance with a value of 0.538 or 53.8%, it is said that this relationship is a moderate or moderate relationship.

The first hypothesis tests whether innovation has a positive and significant effect on dynamic marketing capabilities. From table 7. Shows a t-statistic value of 2.147 with a magnitude of influence of 0.241 and a p-value of 0.032. t-statistic value  $> 1.96$  and p-value  $< 0.05$ , it can be concluded that the first hypothesis is accepted. Innovation can stimulate the development of new marketing strategies that are more adaptive and responsive to market changes. Innovative organizations tend to have the ability to identify new market trends, analyze customer behavior, and change their marketing strategies quickly to deal with these changes. The results of this study are consistent with previous research by (Paul-Rodrigue Fomi, 2021) which found that innovation is needed to develop new market offerings. (Buccieri et al., 2023) in their research say that innovation affects dynamic marketing capabilities. This study is also supported by research (Arsawan et al., 2022) which states that innovation has a significant impact on dynamic organizations and is therefore encouraged

The second hypothesis tests whether innovation has a positive effect on competitive advantage. Table 7 shows the t-statistic value of 1.989 with an effect of 0.253 and a p-value of 0.047. The t-statistic value  $> 1.96$  and the p-value  $< 0.05$ , it can be concluded that the hypothesis is accepted. Through successful innovation, organizations can achieve a strong competitive advantage, differentiate themselves from competitors, better meet customer needs, and position themselves as relevant and successful players in a competitive market. This study is consistent with the study (Kuncoro & Suriani, 2018) which found that good innovation will also be a competitive advantage in facing competitors. (Awaliyah, 2022) found that the higher the innovation, the higher the competitive advantage obtained. (Herman et al., 2018) in his research also found that quality innovation will affect competitive advantage, so it is supported.

The third hypothesis tests whether dynamic marketing capabilities affect competitive advantage. Table 7 shows a t-statistic of 3.176 with an effect size of 0.474 and a p-value of 0.000. a t-statistic  $> 1.96$  and a p-value  $< 0.05$  indicates that the hypothesis is accepted. Through strong dynamic marketing capabilities, organizations can achieve sustainable competitive advantage by being more adaptive, responsive to market changes, innovative in marketing strategies, and effective in building customer relationships. This study is consistent

with the study by (Clauss et al., 2021) which found that dynamic marketing capabilities can affect competitive advantage. (Elsharnouby & Elbanna, 2021) in his research found that dynamic marketing capabilities and having good technology will affect competitive advantage, (Paul-Rodrigue Fomi, 2021) in research also found that companies operating in dynamic marketing will achieve competitive advantage, so it is supported.

The fourth hypothesis tests whether competitive advantage acts as an intermediary between innovation and performance, explaining how innovation affects performance through the creation and utilization of competitive advantage. Based on table 8. The t-statistic showing innovation is 2.275, which is  $>1.96$ , and the p-value is 0.023, which is  $<0.05$ . From this it can be concluded that performance innovation can be mediated by competitive advantage. Innovation does not directly affect performance, but through the competitive advantage generated by innovation. Successful innovation can help create a competitive advantage for the organization, which in turn will have a positive impact on organizational performance. This competitive advantage can give organizations an edge in a competitive market, resulting in increased market share, higher profitability, and achievement of overall organizational goals. This research is consistent with the study by (Buccieri et al., 2023) which found that competitive advantage is the ability to communicate influence relationship between innovation and performance. (Awaliyah, 2022) found that in the presence of competitive advantage, innovation can affect innovation on company service performance. (Herman et al., 2018) also found a similar thing where competitive advantage can act as a bridge between two variables and connect their related innovation and performance, so it is supported.

The fifth hypothesis tests whether competitive advantage acts as a mediator in the relationship dynamic marketing capabilities and performance. Based on table 8. shows a t-statistic of 1.305, which is  $<1.96$ , and a p-value of 0.194, which is  $>0.05$ . From this it can be concluded that competitive advantage cannot partially affect the relationship between dynamic marketing capabilities and performance. This study found different results from other studies where in this study competitive advantage could not mediate the relationship between dynamic marketing capabilities can be explained as a relationship involving the primary role of dynamic marketing capabilities in influencing overall marketing outcomes or performance. on performance. There are rapid consumer preferences so that the competitive advantage of a company may not be sufficient to compensate for these changes. The differences in the characteristics of the products offered can also making changes so that competitive advantage cannot mediate between dynamic marketing capabilities on performance, so it is not supported.

The sixth hypothesis tests whether competitive advantage affects performance. According to Table 7, the t-statistic is 0.605, the effect size is 0.117, and the p-value is 0.545. Since the t-statistic is  $<1.96$  and the p-value is  $>0.05$ , it can be concluded that the fourth hypothesis is accepted. When the market is dominated by very strong or highly competitive competitors, an organization's competitive advantage may not be enough to significantly affect performance. This study is consistent with (Buccieri et al., 2023) which found that competitive advantage negatively affects performance. So it is supported.

## CONCLUSION

It we can conclude that innovation has a positive and significant impact on dynamic marketing skills, innovation has a positive and significant impact on competitive advantage, dynamic marketing skills have a significant positive impact on competitive advantage, and competitive advantage can mediate the impact. The innovation relationship between performance and competitive advantage cannot convey the impact of dynamic marketing capabilities on performance, competitive advantage has a positive and significant impact on performance.

Based on the assessment of research results in the field, there are responses from several respondents who say that when providing service innovation, it must be in accordance with the needs of customers. The use of new technology also includes a dynamic marketing development. As for the suggestions that need to be conveyed in this study for future researchers, Hopefully, they can use additional aspects not disclosed in this study as explanatory elements otherwise possible aspects affect performance. In addition, it is also expected to further expand research on innovation, dynamic marketing capabilities and competitive advantage as mediating variables. Research should be conducted on a large number of respondents different attribute increase generalizability and the diversity of research output.

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