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# Re-conceptualization of Business Model for Marketing Nowadays: Theory and Implications

Ahmad FIRMAN<sup>1</sup>, Aditya Halim Perdana Kusuma PUTRA<sup>2</sup>, Zainuddin MUSTAPA<sup>3</sup>,  
Gunawan Bata ILYAS<sup>4</sup>, Kasnaeny KARIM<sup>5</sup>

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## Abstract

This study aims to develop the concept of innovation models with the marketing channel construct approach, marketing innovation, product segmentation, and customer insight; as well as improvements to the theory of resource-based combined with the method of service-dominant logic. This study approach is based on quantitative descriptive conducted with three stages of testing scenarios. The first test is the mapping of the innovation model construct through testing the validity and reliability with the moderation of customer orientation variables. The second scenario examines the relationship of influence between the independent variables on the dependent variable of 29 hypothetical analysis equation modeling. The unit of analysis was conducted on 497 SMEs involved in the food and beverage sectors, with the criteria being SMEs must have a rating of 4-5 points on the Go-Food applications software. The results shown that: 1) the construct used to develop an innovative model both directly and via moderation is positive and significant; 2) Through a complicated relationship that involves all components of the variable, it outlines a positive and significant effect except for the path of analysis ( $\mu_5$ ). The theoretical and managerial implications state that the service-dominant logic approach and resource-based view theory have extreme reliability and interrelations.

**Keywords :** Innovation, Business Strategy, Service-Dominant Logic, Resource-Based View, Competitive Advantage

**JEL Classification Code:** M20, M31, O32, O36

## 1. Introduction

The business environment continues to experience very significant changes along with the development of technology, so that patterns and systems that are commonly

used are not enough to be a guarantee that the business will last forever. New approaches are needed to overcome every problem that immediately arises and is unique. In business, risks and opportunities come almost simultaneously; it is even tricky to guess whether it is risk inactivity or an opportunity, which can then be used as a stepping-stone in gaining profits and achieving goals in the industry. Innovative approaches are needed that are more measurable and clear. Indeed, the presence of the Internet and the development of marketing channels must be able to become a new vehicle for business people to be able to gain a broader market share.

Grover, Agrawal, and Khan (2004) argue that innovation is one way for companies to be able to survive. Innovation is the reason for differentiation between competitors, and innovation also makes a striking difference regarding product quality (Yusuf & Putra, 2019; Firman *et al.*, 2020). Felício, Caldeirinha, and Dutra, (2019) also affirm that innovation will increase the company's ability and competitive advantage, which in turn will have an impact on company performance. Innovation is a technological, managerial, and social process, in which new ideas or

<sup>1</sup>First Author and Corresponding Author. Associate Professor, Magister of Management, STIE Nobel Indonesia, Makassar, Indonesia [Postal Address: Jl. Sultan Alauddin Number-212, Makassar City, South-Sulawesi, 90231, Indonesia] Email: firman.nobel53@gmail.com

<sup>2</sup>Assistant Professor, Faculty of Economics and Business, Department of Management, Universitas Muslim Indonesia. Email: adityatrojhan@gmail.com

<sup>3</sup>Assistant Professor, Postgraduate Program, Department of Public Administration, Universitas Bosowa, Makassar, Indonesia.

<sup>4</sup>Assistant Professor, Department of Management, STIE AMKOP, Makassar. Indonesia

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concepts are first introduced to be put into practice in the culture, are determining factors in industrial competition, and are formidable weapons against the competition (Raja & Wei, 2014; Aujirpongpan & Hareebin, 2020).

Innovation contains two components of capability, namely, the ability to explore innovation, meaning that change is carried out through exploration or search to discover something new, and the ability to innovate through improving the quality of products in the form of goods or services that have been created (Alpkan, Şanal, & Ayden, 2012). The era of innovation is developing, along with the development of market competition strategies. Lusch *et al.* (2007) extend the concept of service-dominant logic (SD logic) as an effort to improve services to consumers. The idea developed by Lusch *et al.* (2007) is to prioritize the creation of values rather than size. The concept of SD logic implies some integration to create value-added for consumers, including the role of business people, integration of resources, services, cooperation between elements of institutions, and forms of environmental stewardship. Departing from this, the theory of service-dominant logic is the right choice to develop the concept of innovation in this study. They were also departing from the many criticisms about resource-based view to achieving competitive advantage. Porter (1985) considered this view less than optimal if it only presents the competitive advantage model approach without measuring the costs. Therefore, in this study, a change in the measurement of the concept of competitive advantage that was coined by Porter in 1985 was to propose a manifest cost-efficiency variable that must be in line with the improvement in the quality of production of a product.

This study addresses several research questions, including 1) whether the development of conceptual models using the construct of marketing channels, innovation capabilities, insights on product segmentation as well as business insights towards customers from a Service-Dominant Logic perspective can be a valid and reliable variable for future innovation concepts; 2) whether the idea that has been developed can improve the empirical relationship to competitive advantage.

## 2. Literature Review

Sustained competitive advantage has been a significant theme of research in strategic management since the 1960s (Agarwal & Goodstadt, 1997; Brouthers & Brouthers, 1997; Roberts, 1998; Annarelli, Battistella, & Nonino, 2020; Liu, Jiang, & Zhao, 2019). The framework used to achieve sustainable competitive advantage is to carry out strategies that maximize internal strength through the exploitation of opportunities in the external environment, neutralize threats from the external environment, and minimize internal weaknesses in the company. Most of the research

on management strategies focuses on opportunities, threats, strengths, and weaknesses, and the compatibility between the four (Dahliah *et al.*, 2020). However, most study places more emphasis on analyzing opportunities and risks of the external environment rather than internal company analysis (Leigh, 2010; Haming *et al.*, 2019). The popular concept used is the five-force model from Porter and Advantage (1985). Porter's theory emphasizes that the company's opportunities will be higher, and the threats will be reduced if the company operates in an attractive industry. There are two main assumptions used in this concept. Firstly, the resources owned or strategies carried out by the company in a trade or a strategic group are homogeneous. Secondly, the resources used to implement the strategy have high mobility. With the versatility of resources, heterogeneity of support will not last long because these resources will be readily obtained and owned by other companies in one industry or strategic group.

Discussion of the characteristics of resources that can be a source of sustainable competitive advantage for the company. Barney (1991) explicitly reviewed critically the assumption of homogeneity and mobility of support in one industry. This assumption is the foundation of the five-force model with an industrial organization perspective. Barney (1991) also stated that companies could not achieve sustainable competitive advantage if resources can be distributed to various companies and have high mobility in one industry or strategic group. Implementing strategies requires specific resources. Based on the homogeneity assumption, it means that all companies in one sector have the same resources. That is, companies can carry out the same strategy, so that under these conditions, the company will not achieve sustainable competitive advantage because all companies will achieve the same performance.

Other than that, Barney (1991) also criticized the concept of barriers to entry, which would not be possible if the company's resources in one industry were identical with high activity mobility. If the company has specific resources and competitors in one sector also have the same resources, these resources are likely to have other competitors, then the competition has no obstacles. Conversely, if companies have specific and unique resources and other companies have different resources, then these resources cannot be spread across various companies. Barriers to entry will be created with the assumption that heterogeneous resources and imperfect mobility will create obstacles. The primary substance of the resource-based view is resources that can produce sustainable competitive advantages, namely, resources that are valuable, rare, unique, difficult to imitate, and have no substitutes. Several studies have examined the relevance of RBV to the innovation aspect as part of competitive advantage (Distanont & Khongmalai, 2018), which states that innovation increases profits in the competition through external factors. These external factors

are divided into two groups: micro-oriented factors and macro-oriented factors (Ho *et al.*, 2017). The results of their research on aspects of the value chain in agriculture indicate that there is no significant relationship between market orientation and performance. However, customer orientation and coordination between functions are positively related to innovation, having a positive correlation between applying innovation to financial performance.

Findings from Ho *et al.* (2017) provide insight into the relationships between market orientation, innovation, and performance in agricultural value chains in developing countries. Abdolmaleki and Ahmadian (2016); Ruiz-Ortega *et al.* (2017); and Elrehail (2018) stated that the purpose of innovation through the development of new products is a tactical and systematic effort of the company to respond to customer needs, meeting aspects of the organization's consistency, the existence of market conditions, environmental changes, increasing profits, customer satisfaction, and overcoming competitor policies. Alpkhan, Şanal, and Ayden (2012); Giao, (2020); Le (2020); and Tran, Vo, and Dinh (2020) also justify the relevance of innovation associated with aspects of the RBV, defined as an expression of market orientation and innovation strategy as a form of developing ambitious organizations.

Innovation is a broader concept that addresses the application of new ideas, products, or processes. Innovation is a corporate mechanism to adapt in a dynamic environment (Vila, Bharadwaj, & Bahadir, 2015; Alam *et al.*, 2019; Halim *et al.*, 2019; Chiu & Lin, 2019). Therefore, companies are required to be able to generate new thoughts, new ideas, and offer innovative products and service improvements that satisfy customers. Innovation is defined as the process and results of developing the use or mobilization of knowledge, skills (including technology skills) as well as experience to create or improve products (goods or services). Innovation is also the result of a new process or system that provides significant value to economic and social aspects. Innovation has four main characteristics. First, it has a specificity, meaning that change has distinctive features such as ideas, programs, order, systems, including the possibility of expected results (Chung & Tan, 2017). Second, it has a characteristic or novelty (D'Este *et al.*, 2016). This means that innovation must have characteristics as work and thought that have a degree of originality and novelty. Third, the innovation program is implemented through a planned schedule (Rodríguez *et al.*, 2020; Abdelaal, 2019; Mappamiring *et al.*, 2020). It means that innovation is carried out through a process that is not rushed, but innovation activities are prepared carefully with a clear program that is planned. Fourth, the change that was rolled out had a purpose (De Silva, Al-Tabbaa, & Khan, 2019). It means that the innovation program carried out must have the direction to be achieved, including the leadership and strategy for achieving that goal.

Grover, Agrawal, and Khan (2004) state that innovation is one way for companies to be able to survive. Innovation is the reason for differentiation between competitors, and change also makes a striking difference regarding product quality. (Indahingwati *et al.*, 2019; Merdika *et al.*, 2019). Felício, Caldeirinha & Dutra, (2019) also affirm that innovation will increase the company's ability and competitive advantage, which in turn will have an impact on company's performance. Innovation is a technological, managerial, and social process, where new ideas or concepts are first introduced to be put into practice in a culture, are a determining factor in industrial competition, and are a formidable weapon against the competition (Raja & Wei, 2014). Ioanid, Deselnicu, & Militaru, (2018) in their research, use a model approach that has been developed by Schmoklers about innovation. He states that innovation can be supported through the use of technology. Furthermore, Ionaid *et al.* (2018) measure innovation on several important aspects such as the application of the latest marketing ideas in the modern business world, the development of new designs, knowledge of business, and integrated management governance, R&D capabilities to the effort of sharing and involving employees (Share of the employee) as a form of maximizing the application of innovative ideas.

Putra *et al.* (2019) and Mashur *et al.*, (2019) present several measurements of the dimensions of innovation: 1) Focusing attention and seeking overall improvement in aspects of marketing channels (marketing channels), where the business is to rely on in meeting aspects of customer needs, the ability of business providers to use technology tools to increase sales on digital e-commerce based sales, and the ability to repeat and focused advertising. 2) The strength of business providers to use social media as a medium for sales and promotion. 3) The use of endorsement strategies to be more convincing for the products being marketed. 4) Capability and reliability innovations from the marketing aspect through capacity building include the ability of entrepreneurs and internal business in mastering the products being marketed, and the ability to conduct periodic evaluations of the achievements of the products being sold. 5) The ability to educate customers. 6) Ability and clarity in product segmentation for consumer strata, which include age, gender, and income level. 7) In-depth capabilities regarding customer insight, which means ability oriented to development over times, protection and security of user data, selection of the best raw materials, good quality control before selling on the market, and excellent service and after-sales that do not confuse consumers.

Ionaid *et al.* (2018) found that the concept of marketing in the 4.0 era emphasized the production process, not only based on access to quantity and quality of products, but also interconnections involving internal and external parties of a business through optimizing the time and cooperation that

was developed between domestic and foreign companies, in this case, prospective customers as an end-user (Ioanid *et al.*, 2018; Mashur *et al.*, 2019; Mashur *et al.*, 2020). Limaj and Bernroider (2019) emphasize that innovation performance is measured in two main ways, namely, Explorative Innovation and Exploitative Innovation, where the indicators used include the ability of organizations to realize products and services that are in line with consumer expectations, new product innovations, and continuous improvement in service aspects, using their products within the internal company as an effort to build advocacy for other consumers, try all positive opportunities and try to enter a broader marketing channel (Marketing Channel) such as e-commerce, maximizing price emphasis oriented to quality and quantity (Limaj & Bernroider, 2019). Rajapathirana and Hui (2018) have a research entitled “Relationship between innovation capability, innovation type, and firm performance.”

Rajapathirana and Hui (2018) revealed that the success factor for business innovation is taken from several essential aspects, namely: Innovation capability, Innovation type, Innovation Performance, Market Performance, and Financial performance. Where the measurement of market innovation (market innovation) is based on the fulfillment of aspects of promotion and promotion techniques in technology-based media, as well as the placement of online salespeople to monitor sales movements (Rajapathirana & Hui, 2018). The next aspect suggested by Rajapathirana and Hui (2018) is the development of original products, increasing the value of authentic products by adding features to the original product.

A study by Distanont & Khongmalai (2018) entitled ‘The Role of Innovation in creating a competitive advantage’, put forward the concept of competitive advantage with three main dimensions, namely, superior efficiency, superior quality, and customer responsiveness. Where, from the aspect of superior efficiency, Distanont and Khongmalai (2018) state measurement indicators such as 1) the efficient use of the budget illustrated through the selection of appropriate technology to cut costs, and 2) the ability of business people to obtain products directly through a short distribution process. Distanont and Khongmalai, (2018b) also provide measurement through improvement in superior quality as a means of creating competitive advantage: 1) Business ability in presenting quality products at competitive prices, 2). And the ability of a business organization to provide access to fast and responsible shipping. As well as the responsibility to customers and the environment (CSR) also includes efforts to create competitive advantage (Murdifin *et al.*, 2018).

Business strategy is an essential point in wading through competition and even innovation itself, including procedures in increasing competition. Elrehail (2018), in his study with the competitive advantage theory approach and the RBV, shows that there is a positive and significant relationship between entrepreneurship, innovation, and business strategy.

Kubíčková, Votoupalová, and Toulová, (2014) state that there is a significant relationship between entrepreneurship on the application of innovation and performance. More complex in studies than Kubíčková, Votoupalová, and Toulová, (2014), it is emphasized that business strategy is the company’s efforts to take policies and guidelines that have integrated commitments and actions and are designed to build excellence in business competition to meet and achieve business goals. Lorenzo, Rubio, and Garcés (2018) stated that in business strategy, managerial capability is an essential aspect of the organization. Lorenzo *et al.*, (2018) also said indicators rather than managerial accessibility include the ability of a businessman to have a clear business vision, the ability of a businessman to establish excellent communication with his customers, and the ability of a businessman to achieve a predetermined target. Added by (Lorenzo *et al.*, 2018), this reveals that business strategy means prioritizing the quality of products and services through a balance and suitability between the products offered and the products provided to consumers.

Lorenzo *et al.* (2018) also stressed the importance of using technology to facilitate consumers’ ordering and payment process, which is the right step to start a competitive business strategy. Excellent service, fast, and responsive to every customer complaint is also the key to success in building an adequate business strategy. About the RBV, Lorenzo *et al.* (2018) say that the ability of business organizations represented by capable employees in using technology and understanding the rules of business is a valuable asset to increase competition.

### 3. Research Design and Method

#### 3.1. Samples Criteria

This study involved 497 samples from online food SME actors who used Go-Jek online transportation facilitation as their business media. Determination of sample criteria was based on the total number of online food SMEs with community assessment score criteria 4-5 (with star rating). We only make samples for online food SME products on GoFood, whose production activities are food products made from rice, vegetables, and side dishes such as meat and fish or SMEs in the category of Indonesian food products.

#### 3.2. Materials and Measurement

This study was conducted in Makassar City in the mid-2019 – early-2020 period. Some of the research material came from primary surveys. The survey contains 28 questions (see Appendix 5) each assessed using a 7-point Likert scale (1 = Strongly disagree, 2 = Disagree, 3 = Moderately disagree, 4 = Neutral, 5 = Moderate agree, 6 = Agree, and 7 = Strongly

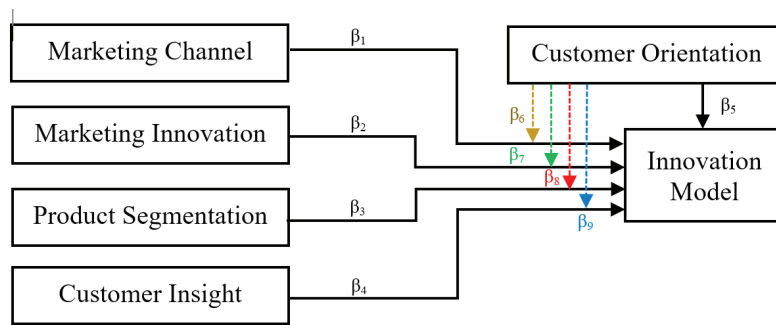


Figure 1: Step one, Re-Conceptualization of Innovation

agree). Considering this study model is a development model, the standard measurement of the feasibility of the variable model is based on the results of the study (Chin, 1998) where the standard measurement of AVE, Cronbach's Alpha and composite reliability (CR) is a minimum of 0.50, while in some literature, especially regarding the use of Partial Least Square (PLS), the value of AVE, Cronbach's Alpha and CR is a minimum of 0.60 (Hair *et al.*, 2017; Hair, Gabriel, & Patel, 2014). While other assessment standards, such as significance testing, still refer to the consensus of statistics with a 5% error margin, Normality > 0.50, and VIF < 10.

This study, through three analysis scenarios, namely, scenario I, is a re-conceptualization of innovation modeling that is moderated by customer satisfaction variables, as in Figure 1.

The scenario I in Figure 1 is to present a re-conceptualization model of the innovation model with moderating customer orientation variables. Then, in scenario II, the Innovation model becomes an independent variable to measure the effect and relationship of the business strategy variable (Intervening variable) to the competitive advantage variable (dependent variable), as shown in Figure 2.

The approach to solving the research formulation in this study uses explorative quantitative through several stages of testing, including the outlier test to determine biased sample criteria, the normality test using the Kolmogorov-Smirnov method with the Asymptotic approach obtained in the SPSS software. We are testing the validity of the Discriminant Validity approach and reliability testing with the Cronbach's Alpha approach and Average Variance Extract. Overall testing in this study involves Smart-PLS as an analysis test tool. By testing two stages, namely, the algorithm stage to measure the pre-test and the feasibility of the model, as well as the bootstrapping test with a constant bootstrapping mode to test and predict the model.

Scenario III is a comprehensive path analysis of a conceptual structure with an approach based on direct relations, intervening, and moderation. The direct relationship between

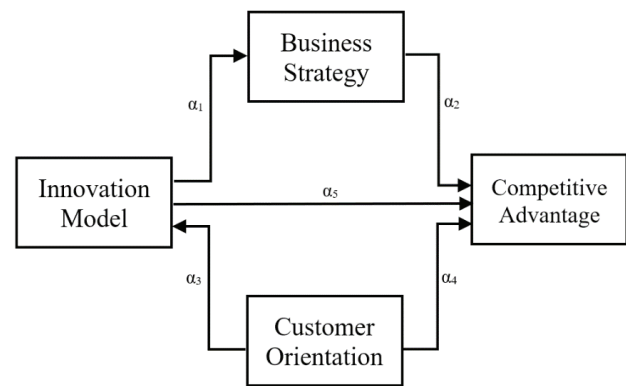


Figure 2: Step two, Direct and Intervening Variable Relationship

variables involves marketing channel variables (Independent var. 1), Marketing innovation variables (Independent var. 2), Product Segmentation (Independent var. 3), and Customer Insights (Independent var. 4) to Competitive advantage as dependent variables consisting of Superior Efficiency (construct dependent variable. 1), Superior quality (construct dependent variable. 2), and Responsibility to customers (construct dependent variable.3). It was then moderated by the Customer Orientation Variable (moderating variable). While the intervening variable is the business strategy. In detail, the conceptual framework of this study is explained in Appendix 1 in the form of a PLS statistical presentation.

## 4. Results and Discussion

### 4.1. Statistical Analysis

#### 4.1.1. Scenario I

The scenario I in the analysis of this study is in Figure 1. The analysis of the re-conceptualization model of the

innovation model shows that each outer loading value ( $> 0.60$ ), both in the construct manifest and in the moderation of the customer orientation. So, the external loading value states that all items and construct indicators in building innovation variables are suitable and feasible. Furthermore, testing the validity by looking at the value of discriminant validity and Average Variance Extracted (AVE) also show it is viable and suitable and met the assumptions of previous studies of PLS pre-requisite tests such as Chin (1998), which says that the development model for the lowest value for AVE is 0.50. Beside that, reliability testing or indicator reliability testing in compiling variable elements by looking at Cronbach's Alpha values and Composite Reliability values, vulnerable at 0.763-0.941, shows that indicators and construct items in manifesting a variable are very reliable. Then, the multicollinearity test using the VIF method in this study states that the entire construct is also feasible with a VIF value  $< 10$ . Illustration about the importance of each test in this first stage is presented as in Appendix 2.

#### 4.1.2. Scenario II

As illustrated in Figure 2 and or Appendix 3, it explains direct testing and intervening in a model to analyze the roles and relationships of the innovation model re-conceptualization of various dependent variables. Like testing scenario I, scenario II also passes the model feasibility test by analyzing the validity, reliability through the algorithm process in PLS and testing the effect through the constant bootstrapping process. The explanation of the second stage of testing is illustrated in Appendix 3. In the explanation of discriminant validity (see Appendix 3), it illustrates that each item is related to one another. The linkages are also in the close range to the very close relevance of validity. For example, the causality that explains the construct Marketing Innovation (MI) on customer insight (CI), which is 0.722 or 72.2%, (MI on Co = 0.682 or 68.2%), (MI on IM = 0.874 or 87.4%), (MI on MC = 0.780 or 78%) and so on as described in the discriminant validity column. In conclusion, statistically, with a significance rule  $< 0.05$ , it can be stated that all items are perfect for modifying the latest innovation model as outlined in this study. Apart from that, the role of items/constructs that are based on and controlled by customer orientation variables provide an essential part as the primary manifestation in developing innovation or in other words that Marketing Channel (MC), Marketing Innovation (MI), Product Segmentation (PS), Customer Insight (PS) CI must be based on the urgency of Customer Orientation (CO).

#### 4.1.3. Scenario III

The relationship between variables through direct effects (see Appendix 4) illustrates that all paths of analysis

(path  $\alpha$  and  $\beta$ ) are significant. Referring to Figure 2, which explains the relationship between variables, it demonstrates the relationship between the innovation model on Business Strategy (BS), which is reflected in the  $\alpha 1$  analysis path showing the most dominant relationship value and effect (t-stats = 41.038). Likewise, with all paths of analysis,  $\alpha 2$  to  $\alpha 5$  also showed a positive and significant relationship.

Item construction of the innovation model variable (e.g., marketing channel, marketing innovation, product segmentation, customer insight) as forming the innovation model (IM) variable as illustrated in Figure 1 with the  $\beta 1$  through  $\beta 4$  analysis path, it also represents a significant and positive situation, especially in the  $\beta 4$  analysis path that customer insight items have the most dominant influence (t-stats = 41.803).

Furthermore, it still refers to the results in Figure 2, namely, in the case of moderation relationships. The Customer Orientation (CO) variable in manifesting the innovation model depicted in Appendix 4 in the moderating effect column is only one path of analysis that is not significant, the  $\beta 7$  analysis path. While the path of study with the moderation relationship that is the path of analysis  $\beta 6$ ,  $\beta 8$ ,  $\beta 9$  has a positive and significant effect. Statistically, it can be concluded that the path of analysis, which is insignificant through the moderation relationship depicted through the  $\beta 7$  way of summary, namely, moderation of the customer orientation on the marketing innovation variable, is not mutually influential.

In connection with scenario III involving a specific indirect/intervening relationship, it was found that the  $\mu 5$  analysis pathway did not have a significant effect (sig level = 0.55  $> 0.05$ ). In contrast, the other fifteen analysis pathways had a substantial and positive impact. With the PLS modeling, there are sixteen lines of indirect analysis, which are broadly divided into six lines of investigation based on the dependent variable. Such as direct effect relationships that place Customer Insight items as the dependent variable (Analysis path  $\mu 1$  to  $\mu 3$ ), Customer orientation items (Analysis path  $\mu 4$  to  $\mu 6$ ), Marketing Channel items (Analysis path  $\mu 7$  to  $\mu 9$ ), Marketing innovation item (Analysis path  $\mu 10$  through  $\mu 12$ ), Product segmentation item (way of analysis  $\mu 13$  to  $\mu 15$ ), the path of analysis of the main variables, namely, innovation model (IM) to competitive advantage (CA) with the moderation of business strategy (BS) on the path of analysis  $\mu 16$  also shows significant and positive effects and causality.

## 4.2. Discussion

The innovation model developed in this study involving items (e.g., marketing channel, marketing innovation, product segmentation, and customer insight) turned out to provide concrete evidence that the combination of these

items can produce positive and significant results. Marketing channel means using all the potential marketing channels available, both conventional and digital. Today's business-related marketing-channel innovations require business people to no more extend focus on traditional channels (e.g., make old-time face-to-face sales, focus on beautifying store conditions as was common in the past).

However, business people must also be able to see the potential of marketing by making digital sales on e-commerce channels. Of course, the various advantages and disadvantages of selling conventionally versus selling digitally must be identified. The ease of marketing products digitally means removing absurd boundaries and market segmentation, and this is undoubtedly good news for the business world today, where everyone has the potential to become a marketer without having to possess substantial assets or tangible fixed assets in the form of land, stores, building like a conventional marketing model in the past. Of course, the use of digital channels as the necessary foundation of innovation today, must also take into account various factors (e.g., the ability of human resources to use technology, capital adequacy factors to provide technological devices, as well as core-business models, whether the business owned is time to use technology or not). Not all business characters are required to use digital marketing channels, and a business person must be clean and rational in measuring the growth potential of his business, especially the products to be sold and who are his main customers.

Re-conceptualization of marketing innovations developed in this study emphasizes the aspect of education to potential consumers. This means that in various situations and educational positions, the question is to provide clear and accurate information to consumers, help consumers to make choices that are considered appropriate, and provide ideal references and preferences to consumers. Given the size of a business, naturally a substantial profit is worthless without planning for future sustainability. Education and preferences conducted by a marketer to prospective customers will undoubtedly provide positive values, such as a good impression or positive personal branding. Therefore, giving ideal choices and education to potential consumers, a businessman/marketer must also have the mastery and insight of a product. They are reviewing business/sales/targeted sales issues, incomplete without discussing and understanding the desires of consumers and market trends.

The movement of consumer behavior that continues to experience dynamic changes gives a warning to business people and marketers to keep trying to be customer-oriented. The knowledge possessed by business people/marketers about consumer behavior, customer insights, and the psychology of customers and markets is undoubtedly a manifestation for creating a sustainable business in competition. The empirical model that combines moderating customer orientation

variables provides evidence that innovation must rely on customer orientation.

## 5. Conclusions

The service-dominant logic (SD Logic) theory approach is described by Lusch *et al.* (2007). This study provides an important affirmation that supporting business success, business continuity, industry orientation, and business people must be centered on the service needs of customers. This study also contributes to scientific management in the field of strategy about Resource-Based View (RBV) Theory, where aspects of surpassing competition do not only rely on the maximum utilization of resources. With the combination of service-dominant logic towards RBV, the form of service to consumers is a type of responsibility to customers, such as the accuracy and speed of business managers in providing services, as well as internal business expertise in providing explanations (preferences) to consumers. Therefore, the relationship between service-dominant logic (Lusch *et al.*, 2007) and RBV (Lewis, 1981; Porter & Advantage, 1985; Brouthers & Brouthers, 1997; Barney, 1991) is very close and interrelated so that the prediction of business innovation models in the future based on the needs of customers is that innovation is much needed. Apart from that, the development model on this innovation variable is proven to be able to be part of, or complete, the existing innovation model construct.

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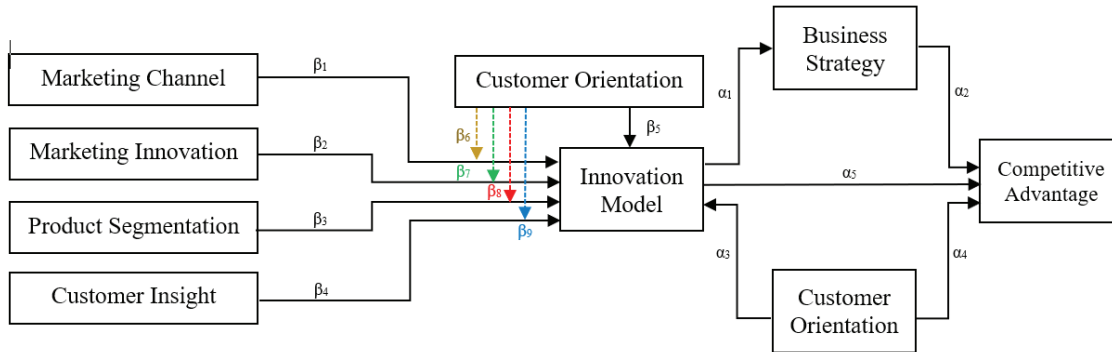
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### Appendix

#### Appendix 1: Step Three, Path Analysis & Conceptual Framework



#### Appendix 2: Testing Feasibility Model Scenario I

Variables	Item	Construct	Outer Loading	Cronbach's Alpha	rho_A	C.R	AVE
Conceptualization of Innovation	Marketing Channel	Mc1	0.845	0.846	0.846	0.896	0.684
		Mc2	0.843				
		Mc3	0.827				
		Mc4	0.793				
	Marketing Innovation	Im1	0.864	0.763	0.760	0.864	0.679
		Im2	0.840				
		Im3	0.765				
	Product Segmentation	Ps1	1.000	1.000	1.000	1.000	1.000
	Customer Insight	Ci1	0.864	0.931	0.930	0.947	0.781
		Ci2	0.922				
		Ci3	0.895				
	Ci4	0.902					
	Ci5	0.835					
Customer orientation (intervening variable)		Co1	0.902	0.787	0.819	0.877	0.708
		Co2	0.911				
		Co3	0.792				
		Mod-c1	1.000	1.000	1.000	1.000	1.000
		Mod-mc					
		Mod-ps					
	Mod-mi						
Discriminant Validity							
	C.I	C.O	I.M	M.C	M.I	P.S	
Customer Insight	0.884						
Customer Orientation	0.753	0.841					
Innovation Model	0.939	0.789	0.767				
Marketing Channel	0.689	0.689	0.873	0.827			
Marketing Innovation	0.722	0.682	0.874	0.780	0.824		
Product Segmentation	0.793	0.569	0.769	0.519	0.554	1.000	

**Appendix 3: Testing Feasibility Model Scenario II**

Variable	Item	Construct	Outer Loading	Cronbach's Alpha	rho_A	C.R	AVE	
Conceptualization of Innovation	Marketing Channel	Mc1	0,700	0,941	0,946	0,949	0,689	
		Mc2	0,821					
		Mc3	0,864					
		Mc4	0,854					
	Marketing Innovation	Im1	0,846					
		Im2	0,710					
		Im3	0,750					
	Product Segmentation	Ps1	0,706					
	Customer Insight	Ci1	0,692					
		Ci2	0,669					
Ci3		0,778						
Ci4		0,771						
Business Strategy	Managerial Capability	BS1	0,823	0,891	0,908	0,911	0,696	
		BS2	0,821					
		BS3	0,842					
	Product, Process, and Service	BS4	0,748					
		BS5	0,729					
		BS6	0,797					
	Resource Capability	BS7	0,734					
Customer orientation	Co1	Co1	0,905	0,787	0,827	0,877	0,707	
		Co2	0,914					
		Co3	0,884					
	Mod-c1	Mod-c1	1.000	1.000	1.000	1.000	1.000	
		Mod-mc						
		Mod-ps						
Competitive Advantage	Superior Efficiency	CA1	0,791	0,948	0,952	0,956	0,708	
		CA2	0,797					
		CA3	0,827					
	Superior Quality	CA4	0,772					
		CA5	0,854					
		CA6	0,879					
	Customer Responsibility	CA7	0,888					
		CA8	0,894					
		CA9	0,863					
<b>Saturated Model</b>			<b>Estimated Model</b>					
Standardized root mean square residual (SRMR)			0.0711		0.0711			
NFI			0.7		0.7			
Kolmogorov-Smirnov = 0.06								
<b>Discriminant Validity</b>								
	<b>B.S</b>	<b>C.A</b>	<b>C.O</b>	<b>IM</b>				
Business Strategy	0,772							
Competitive Advantage	0,704	0,841						
Customer Orientation	0,687	0,621	0,841					
Innovation Model	0.803	0.691	0.791	0.767				
<b>R-Square</b>								
	<i>R-Square</i>			<i>R-Square Adjusted</i>				
Business Strategy	0,644			0,643				
Competitive advantage	0,547			0,545				
Innovation Model	1,000			1,000				
<b>F-Square</b>								
	<i>BS</i>	<i>CA</i>	<i>CI</i>	<i>CO</i>	<i>IM</i>	<i>MC</i>	<i>MI</i>	<i>PS</i>
BS		0,122						
CA								
CI					1271,505			
CO		0,016			0,048			
IM	1,810	0,037						
MC					860,468			
MI					473,650			
PS					77,733			

## Appendix 4: Path Analysis

Direct Effect						
Path Analysis		Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values	Info
$\alpha_1$	Innovation Model → Business Strategy	0,804	0,020	41,038	0,000	Support
$\alpha_2$	Business Strategy → Competitive advantage	0,394	0,079	5,062	0,000	Support
$\alpha_3$	Customer Orientation → Innovation Model	0,002	0,001	2,589	0,010	Support
$\alpha_4$	Customer Orientation → Competitive advantage	0,140	0,061	2,346	0,019	Support
$\alpha_5$	Innovation Model → Competitive advantage	0,265	0,091	2,845	0,005	Support
$\beta_1$	Marketing Channel → Innovation Model	0,297	0,008	36,266	0,000	Support
$\beta_2$	Marketing Innovation → Innovation Model	0,226	0,007	31,979	0,000	Support
$\beta_3$	Product Segmentation → Innovation Model	0,097	0,004	24,854	0,000	Support
$\beta_4$	Customer Insight → Innovation Model	0,496	0,012	41,803	0,000	Support
Path Analysis		Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values	Info
$\beta_6$	mod-mc → Innovation Model	0,001	0,001	1,899	0,049	Support
$\beta_7$	mod_mi → Innovation Model	0,000	0,001	0,316	0,752	Not Support
$\beta_8$	mod-ps → Innovation Model	0,002	0,001	2,378	0,018	Support
$\beta_9$	mod-ci → Innovation Model	0,002	0,001	1,983	0,018	Support
Path Analysis		Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P Values	Info
$\mu_1$	Customer Insight → Innovation Model → Business Strategy	0,399	0,012	31,945	0,000	Support
$\mu_2$	Customer Insight → Innovation Model → Business Strategy → Competitive advantage	0,157	0,031	5,071	0,000	Support
$\mu_3$	Customer Insight → Innovation Model → Competitive advantage	0,132	0,045	2,845	0,005	Support
$\mu_4$	Customer Orientation → Innovation Model → Business Strategy	0,002	0,001	2,646	0,008	Support
$\mu_5$	Customer Orientation → Innovation Model → Competitive advantage	0,001	0,000	1,927	0,055	Not Support
$\mu_6$	Customer Orientation → Innovation Model → Business Strategy → Competitive advantage	0,001	0,000	2,279	0,023	Support
$\mu_7$	Marketing Channel → Innovation Model → Business Strategy	0,239	0,008	28,212	0,000	Support
$\mu_8$	Marketing Channel → Innovation Model → Competitive advantage	0,079	0,027	2,824	0,005	Support
$\mu_9$	Marketing Channel → Innovation Model → Business Strategy → Competitive advantage	0,094	0,018	5,128	0,000	Support
$\mu_{10}$	Marketing Innovation → Innovation Model → Business Strategy → Competitive advantage	0,072	0,014	5,041	0,000	Support
$\mu_{11}$	Marketing Innovation → Innovation Model → Business Strategy	0,182	0,007	27,388	0,000	Support
$\mu_{12}$	Marketing Innovation → Innovation Model → Competitive advantage	0,060	0,021	2,845	0,005	Support
$\mu_{13}$	Product Segmentation → Innovation Model → Business Strategy → Competitive advantage	0,031	0,006	5,010	0,000	Support
$\mu_{14}$	Product Segmentation → Innovation Model → Competitive advantage	0,026	0,009	2,793	0,005	Support
$\mu_{15}$	Product Segmentation → Innovation Model → Business Strategy	0,078	0,004	20,476	0,000	Support
$\mu_{16}$	Innovation Model → Business Strategy → Competitive advantage	0,317	0,062	5,115	0,000	Support

**Appendix 5: Measurement of Variable**

<b>Variables</b>	<b>Item</b>	<b>Construct</b>
Reconceptualization Model Innovation	Marketing channel	<ol style="list-style-type: none"> <li>1. Business capabilities using e-commerce sales access</li> <li>2. Repeat advertising</li> <li>3. The ability of businesses to use social media access as a marketing and promotional media</li> <li>4. The use of endorser figures to be more convincing of the products being marketed</li> </ol>
	Marketing Innovation	<ol style="list-style-type: none"> <li>5. The ability of entrepreneurs and internal business in mastering the marketed product</li> <li>6. Conduct periodic evaluations of marketed products</li> <li>7. Companies not only carry out marketing activities but also provide education to customers</li> </ol>
	Product Segmentation	<ol style="list-style-type: none"> <li>8. Products that are marketed clearly in specific segments that include age, gender and income level</li> </ol>
	Customer Insights	<ol style="list-style-type: none"> <li>9. Business-Oriented development by the times</li> <li>10. Business Oriented to the protection and security of user data</li> <li>11. Business Oriented to the selection of the best raw materials</li> <li>12. Business Oriented to reasonable quality control before selling on the market</li> <li>13. Business Oriented to excellent service and after-sales that do not complicate consumers</li> </ol>
Business Strategy	Managerial Capability	<ol style="list-style-type: none"> <li>14. Company Have a clear business mission vision</li> <li>15. The ability to establish excellent communication with customers</li> <li>16. Ability to reach the specified target</li> </ol>
	Products, Processes, and Services	<ol style="list-style-type: none"> <li>17. Conformity between the products offered and the products provided to consumers</li> <li>18. Utilization of technology to facilitate consumers in the process of ordering and payment of goods purchased</li> <li>19. Excellent service, friendly and responsive to every customer complaint</li> </ol>
	Resource Capability	<ol style="list-style-type: none"> <li>20. The ability of a business that has qualified employees to use the latest technology to facilitate marketing access</li> </ol>
Customer Orientation		<ol style="list-style-type: none"> <li>21. Meeting customer-based production needs</li> <li>22. A good relationship with the customer</li> <li>23. Excellent service pre-selling and after selling</li> </ol>
Competitive advantage	Superior efficiency	<ol style="list-style-type: none"> <li>24. The use of an efficient budget that is illustrated through the selection of appropriate technology to cut variable costs</li> <li>25. Business ability in acquiring products to be marketed directly from the source (industry)</li> </ol>
	Superior quality	<ol style="list-style-type: none"> <li>26. The ability of SME businesses in presenting quality products at competitive prices</li> <li>27. The strength of SME businesses to provide faster and responsible delivery access</li> <li>28. Products marketed have excellent durability</li> </ol>
	Customer Responsibility	<ol style="list-style-type: none"> <li>29. The accuracy and speed of SMEs in providing services through easy and up-to-date communication access</li> <li>30. SME's internal business expertise in providing detailed explanations of products marketed to consumers</li> <li>31. Ease of consumers in finding, paying and tracking every transaction that they have done</li> <li>32. Provision of more trusted e-commerce accounts for consumers in terms of transactions</li> </ol>