

## Competitive Advantage Model Based on Innovation in Animal Cremation Services (A Case Study at Kedonganan Veterinary)

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### ARTICLE INFO

*Keywords:* Market Orientation, Marketing Strategy, Competitive Advantage,

*Received :* 16, August

*Revised :* 30, August

*Accepted:* 28, September

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### ABSTRACT

This study analyzes the influence of Market Orientation and Marketing Strategy on Competitive Advantage, with Service Innovation in animal cremation as a mediating variable at Kedonganan Veterinary, Bali. Using PLS-SEM and a sample of 100 respondents chosen purposively, the results show that: Market Orientation and Marketing Strategy positively affect Service Innovation; both directly influence Competitive Advantage; and Service Innovation mediates these relationships. The findings support marketing management and innovation theories, emphasizing that strong market focus and strategic marketing boost service innovation, which enhances competitive edge. Practically, the study guides Kedonganan Veterinary to strengthen market orientation, optimize marketing strategies, and develop relevant service innovations for pet owners' end-of-life needs. It also highlights that animal cremation innovation not only improves competitiveness but builds a positive reputation, customer loyalty, and differentiation. Limitations include a single company scope, homogeneous respondents, and cross-sectional design; future research is suggested to expand objects, use longitudinal methods, and include variables like service quality, customer loyalty, and brand image.

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## **INTRODUCTION**

Animal cremation services at Kedonganan Veterinary in 2023 involved a total of 49 animals that died at the clinic and were cremated, along with 20 other animals (who did not pass away at the clinic). The average number of cremation clients per month ranged from 5 to 6. Since late 2023, the demand for cremation services from outside clients has increased, and in 2024, Kedonganan Veterinary also received requests from 9 community members and expatriates who frequently inquire about the cremation place. Because Kedonganan Veterinary is located in a tourism area in South Badung, this presents an opportunity for the clinic to initiate the creation of open-to-public animal cremation services. Previously, these services were provided in a basic manner, but in 2024, they began to be improved to become more professional. This development reflects that expanding animal crematorium services as a form of empathy and respect for pet owners is an innovation that can increase emotional value and customer satisfaction, while also strengthening the competitive position of the animal cremation service provider in the market. Currently, Kedonganan Veterinary is the only clinic equipped with cremation services, which is expected to improve its competitiveness among animal clinics in Bali.

Tight competition in the veterinary industry requires Kedonganan Veterinary to adopt a strong market orientation to understand changing consumer behaviors and preferences. According to Narver & Slater (1990), market orientation involves focusing on customer needs, monitoring competitors, and coordinating across functions to create value. Understanding the emotional and spiritual needs of customers during pet loss is crucial in designing relevant and meaningful services. Effective marketing strategies are also vital in communicating the value of animal cremation services to the public. According to Kotler and Keller (2016), successful marketing strategies should manage market segmentation, target markets, and positioning clearly. For emotional service contexts like pet cremation, empathetic marketing, education, and storytelling through digital channels are instrumental in building trust and customer loyalty.

However, relying solely on market orientation and marketing strategies isn't enough to compete successfully. Innovation is needed to connect market understanding with strategy implementation into unique and valuable services. Based on the Dynamic Capabilities theory (Teece et al., 1997), innovations such as developing digital memorial services, online reservation systems, or integrating with Bali's spiritual care services can serve as strategic differentiators. Such innovations not only enhance customer experience but also strengthen Kedonganan Veterinary's position in the market.

Furthermore, sustainable competitive advantage depends heavily on the organization's ability to manage resources strategically. According to the Resource-Based View (RBV) approach by Barney (1991), competitive advantage is achieved when the organization has resources that are valuable, rare, difficult to imitate, and well-organized. In this context, innovation based on local culture and technology is a key resource capable of creating a competitive edge. In service businesses like veterinary health, service innovation is a crucial

differentiator. Kedonganan Veterinary, as an active clinic in Denpasar, continually strives to improve service quality and expand its market reach. The ability to understand market needs (market orientation) and develop effective marketing strategies is essential for building a sustainable competitive advantage.

Various studies indicate that market orientation and marketing strategy significantly influence competitive advantage. However, some research shows inconsistent or non-significant results—especially when innovation is not included in the model. This highlights a research gap that warrants further investigation. Most previous studies examine the relationship between market orientation, marketing strategy, innovation, and competitive advantage mainly in small and medium enterprises. Yet, there has been little focus on veterinary services, particularly innovative services like animal cremation, which are increasingly growing as pet owners become more aware of end-of-life services. Furthermore, most studies don't position innovation as a mediating variable between marketing strategy, market orientation, and competitive advantage. Even some that do tend to focus on manufacturing or creative industries, not services that are based on empathy like veterinary clinics.

Most hypothesis tests in prior research only reveal significant relationships among variables, while exploring non-significant results is still rare. This opens opportunities to delve deeper into how relationships among variables may differ in highly specific contexts, such as animal crematorium services at Kedonganan Veterinary. Some previous studies revealed that market orientation positively affects business performance and competitive advantage (Juminawati et al., 2024; Harini et al., 2022). Similarly, marketing strategies have been proven to increase value-added and strengthen positioning (Farida & Setiawan, 2022). However, some findings are contradictory—for instance, Ardani (2024) found that market orientation doesn't always significantly influence competitive advantage if not supported by innovation. Mahendra Pratama (2021) also noted that marketing strategies without creative and innovative approaches tend to fail to create strong differentiation.

Juminawati et al. (2024) found that market orientation, product innovation, and marketing strategy significantly influence the competitiveness of SMEs in Bandung's creative industry. Likewise, Tumonglo (2020) demonstrated that innovation and market orientation influence competitive advantage and performance in large companies like PT Telkomsat. Merta et al. (2022) emphasized the importance of creativity and product innovation in supporting MSME marketing performance. Yet, these studies did not examine innovation as a mediator between marketing strategy and market orientation toward competitive advantage. Mahendra Pratama (2021) tested innovation as a mediator but only within the context of guitar craft industries, which are not reflective of empathetic services like veterinary care.

On the international level, studies such as Quaye and Mensah (2019) emphasize marketing innovation's role in creating sustainable competitive advantage in manufacturing sectors. Vaničková and Szczepańska Woszczyńska (2020) discussed growth strategies and competitive advantages within the

exhibition industry, which are less relevant for animal service sectors. Sucandrawati et al. (2020) highlighted the importance of innovation in generating competitive advantage but did not specifically examine high-emotion sectors such as animal cremation services. Saunila (2016) in the *Journal of Innovation & Knowledge* highlighted that service innovation not only improves internal efficiency but also directly influences customer perception and loyalty long-term. This aligns with the emotional aspects of veterinary services like pet cremation. Hanaysha (2016) from Malaysia stressed that combining marketing strategies with innovation can create superior customer experiences and reinforce competitive advantage.

In Indonesia, Sari et al. (2022) studied digital marketing strategies to improve customer satisfaction but did not directly link them to a comprehensive competitive advantage. Yusuf and Ramdani (2023) are among the few exploring emotional service innovations, such as pet funerals and crematoriums, which they regard as effective in building loyalty and a unique clinic image.

Some prior research indicates inconsistent results in hypothesis testing. For example, Sudiksa et al. (2022) found that the direct influence of market orientation on competitive advantage was not significant. This suggests that market-oriented strategies alone may not be enough unless supported by innovation. The lack of significance can be explained by the need for innovation as a mediating mechanism between market orientation and competitive advantage particularly in services that involve empathy and emotional engagement like veterinary clinics offering crematorium services.

Overall, these insights underscore the importance of integrating innovation as a mediating variable in exploring the relationship between market orientation, marketing strategy, and competitive advantage—especially in service sectors that rely heavily on emotional bonds. Further research is necessary to examine these relationships more deeply within specific contexts, such as crematorium services at Kedonganan Veterinary, given their emotional depth and market dynamics.

## **LITERATURE REVIEW**

Although various studies have shown that market orientation is one of the key factors in driving competitive advantage, the research conducted by Wiryawan and Seminari (2022) indicates that the direct influence of market orientation on competitive advantage is not significant. This finding suggests that a market-oriented strategy alone may not be sufficiently strong to create a competitive edge if it is not supported by other factors, such as innovation. The lack of significance in this effect can be explained by the need for innovation as a mediating mechanism between market orientation and competitive advantage.

In the context of service businesses especially those related to empathetic services like veterinary care and animal cremation market-based approaches should be followed by the development of innovative products or services that meet the emotional needs and expectations of customers. In other words, innovation is not just an add-on but a crucial prerequisite to transforming market orientation into a tangible competitive advantage. Without relevant and

contextual innovation, the market information collected will not be able to generate significant added value for consumers or the organization.

This finding reinforces the urgency of positioning innovation as a mediating variable that plays an important role in bridging marketing strategy and strategic performance outcomes, such as competitive advantage. Therefore, further research is needed to specifically examine the mediating role of innovation in services, such as the animal cremation service at Kedonganan Veterinary, within the relationship between market orientation and competitive advantage.

## **METHODOLOGY**

Hypothesis testing in this study was conducted using the Bootstrapping method in SmartPLS software. This test aims to determine both direct and indirect effects among variables in the model by examining Path Coefficients, T-Statistics, and P-Values. The criteria for hypothesis testing are: (1) if the T-Statistic value is greater than 1.96 and the P-Value is less than 0.05, the hypothesis is accepted; (2) if the T-Statistic value is less than or equal to 1.96 and the P-Value is equal to or greater than 0.05, the hypothesis is rejected. Therefore, the model proposed in this study is considered valid to explain the relationships among the variables examined.

## **RESEARCH RESULTS AND DISCUSSION**

The discussion of data processing and research results will be explained in this sub-section, which interprets the analysis outcomes from previous sub-sections. This interpretation considers aspects such as the relationships among latent variables, the testing of loadings, the outer model, the inner model, and comparisons with previous studies. The path analysis shows that market orientation has a significant positive effect on competitive advantage, with a path coefficient of 0.342, t-statistic = 3.975, and p-value = 0.000 (< 0.05). This indicates that the stronger Kedonganan Veterinary's market orientation, the greater its capacity to compete.

Market orientation here includes understanding customer needs, observing competitor trends, and integrating market information into service strategies. These factors help the company make better decisions to create sustainable competitive advantage. The path analysis also demonstrates that marketing strategy positively and significantly influences competitive advantage, with a path coefficient of 0.303, t-statistic = 3.765, and p-value = 0.000 (< 0.05). It indicates that effective marketing strategies—such as targeted promotions, competitive pricing, appropriate distribution channels, and strong marketing communication—can enhance Kedonganan Veterinary's competitive edge in animal cremation services.

For the Marketing Strategy variable (X2): all indicators have loading factors > 0.7, indicating construct validity. The strongest indicators include the ability to create unique value for customers and the effective use of promotional media. For the Competitive Advantage variable (Y): all indicators are valid with AVE = 0.685 (> 0.5), meaning over 68% of the variation in indicators is explained by the construct.

Outer Model: The Cronbach's Alpha for Marketing Strategy is 0.872 and Composite Reliability = 0.909; for Competitive Advantage, Cronbach's Alpha = 0.861 and CR = 0.900—both exceeding 0.7, indicating high reliability. Inner Model: R<sup>2</sup> for Competitive Advantage is 0.688, meaning that Market Orientation, Marketing Strategy, and Service Innovation together explain 68.8% of the variation in competitive advantage (a strong category according to Hair et al., 2019).

The results support several studies: Hanaysha (2016) combining marketing strategy with innovation strengthens competitive advantage; Putra et al. (2019) differentiation strategies positively influence competitiveness; Wijaya (2020) marketing strategies improve SME performance via innovation; Sudiksa et al. (2025) effective business strategies directly impact competitive advantage; and Sari et al. (2022) digital marketing strategies increase customer satisfaction, which in turn sustains competitive advantage.

However, some studies show different findings, such as Yusuf & Ramdani (2023)—marketing strategies have no significant effect on competitiveness if not supported by service quality and innovation; and Mahendra Pratama (2021)—conventional marketing strategies tend to fail without innovative approaches. These findings imply that effective marketing strategies, especially when supported by relevant innovation, are crucial for building sustained competitive advantage, especially for veterinary services like cremation.

The findings are consistent with studies by Hanaysha (2016), who found that combining marketing strategies and innovation creates superior customer experiences and strengthens competitiveness; Wijaya (2020), who demonstrated that marketing strategies improve business performance through innovation as a mediator; and Farida & Setiawan (2022), who confirmed that effective marketing strategies drive innovation, ultimately enhancing competitive advantage. Additionally, Putra et al. (2019) noted that differentiation strategies impact competitiveness in the tourism industry, which is relevant to veterinary services sector.

However, contrasting perspectives exist: Yusuf & Ramdani (2023) argued that marketing strategies do not significantly influence competitive advantage if service innovation is inadequate; and Mahendra Pratama (2021) pointed out that conventional marketing strategies are ineffective without an innovative approach.

## CONCLUSIONS AND RECOMMENDATIONS

Based on the data analysis using the Partial Least Squares (PLS) method and the discussion, the following conclusions were drawn: (1) Market Orientation has a positive and significant effect on Service Innovation; the higher the market orientation at Kedonganan Veterinary, the greater the drive to develop relevant service innovations tailored to customer needs. (2) Marketing Strategy also has a positive and significant influence on Service Innovation; targeted marketing strategies encourage the development of value-added service innovations for customers. (3) Market Orientation positively and significantly affects Competitive Advantage; effective understanding of the market,

customers, and competitors enhances Kedonganan Veterinary's competitive ability. (4) Marketing Strategy positively and significantly impacts Competitive Advantage; implementing effective marketing strategies strengthens Kedonganan Veterinary's competitive position in the veterinary service industry.

Service Innovation has a positive and significant effect on Competitive Advantage; it is a key pillar in maintaining and enhancing competitiveness. Market Orientation influences Competitive Advantage positively and significantly through Service Innovation, acting as a mediating factor, which indicates that market focus is more effective when accompanied by innovation. Similarly, Marketing Strategy impacts Competitive Advantage positively and significantly through Service Innovation, serving as an important link between marketing efforts and success in sustaining competitiveness. This research confirms that Market Orientation, Marketing Strategy, and Service Innovation are key factors in building competitive advantage in Kedonganan Veterinary's animal cremation services. The findings reinforce marketing management and innovation theories and provide empirical evidence for the veterinary service sector, which has received limited research previously.

#### **ADVANCED RESEARCH**

Expanding the scope of future research objects can be conducted on more animal clinics or pet cremation services across different regions to obtain more representative results and enhance the generalizability of the findings. Additionally, using a longitudinal design is recommended to monitor changes in the relationships among variables over time, allowing for the observation of trends and the long-term effects of marketing strategies and innovations.

#### **ACKNOWLEDGMENT**

We would like to thank all the parties involved in this research.

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