



The Influence of Creativity and Innovation on Competitive Advantage and Price as a Mediating Variable

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Abstract: The rapid growth of the creative economy has garnered significant attention from the government. The Kelom Geulis industry evolved its designs, incorporating airbrush and batik elements. Despite achieving recognition nationally and internationally, artisans struggled to diversify their designs, sustain innovation, adapt to changing consumer preferences, and standardize pricing. This research investigates the influence of creativity and innovation on competitive advantage through price within the Kelom Geulis Creative Industry in Gobras Village, Tasikmalaya City. An explanatory research approach was employed to elucidate causal relationships among variables through hypothesis testing. The study used Structural Equation Modeling (SEM) and Partial Least Squares (PLS) analysis to analyze the data. Data was collected from a purposive sample of 200 customers who purchased Kelom Geulis products. The findings demonstrate that creativity ($t = 3.071$, $p = 0.002$) significantly influences competitive advantage. Similarly, innovation ($t = 8.177$, $p = 0.000$) significantly affects competitive advantage. Additionally, price ($t = 4.268$, $p = 0.000$) plays a substantial role in shaping competitive advantage. Indirectly, creativity significantly influences competitive advantage through price ($t = 2.299$, $p = 0.022$), while innovation also significantly influences competitive advantage and Price as a mediating variable ($t = 3.403$, $p = 0.000$).

Keywords: Competitive Advantage; Creativity; Innovation; Price

INTRODUCTION

Tasikmalaya is synonymous with the creative industry, which is famous for its abundance of down-to-earth creativity; apart from embroidery, batik, woven, and various other culinary delights, kelim geulis is a favorite among domestic tourists. Kelom Geulis is one of the typical craft products of Tasikmalaya City, and it is known for several other creative industries. It is made of footwear made from wood. The name kelom comes from Dutch, namely kelom, meaning wooden sandals, while geulis comes from Sundanese, meaning beautiful. If translated into Indonesian, kelom geulis means beautiful wooden sandals. The footwear looks beautiful, with colorful paint and attractive motifs carved so that the kelom geulis look elegant and charming.

Types of crafts that are classified as creative industries and are developed in Tasikmalaya City include batik, embroidery, kelom geulis, umbrellas, wickerwork, and various other culinary delights. As the spearhead of the creative industry, which will help increase local income, the City of Tasikmalaya is trying to develop the creative industry to become one of the excellent products produced. Even though the growth of the business climate and the performance of MSMEs (micro, small, and medium enterprises) is running quite slowly, they lack the advantages to compete, especially in the kelom geulis business sector. Kelom Geulis Tasikmalaya is famous not only nationally but also internationally. Kelom Geulis has also been exported to Southeast Asia, Korea, Japan, Africa, Panama, the Middle East, and parts of Europe.



However, along the way, the Kelom Geulis artisans have not been able to create their creativity, especially the design of more varied image patterns, with interesting images, not only with various flower motifs but also various animal motifs, not just lion dance motifs. Apart from that, innovation should be sustainable by developments in people's tastes, which are always changing. However, in reality, innovation is not yet visible in terms of human resource capabilities, raw materials to be used, and tools that complement them. The set is always changing, so it is difficult to determine the profit that can sustain the company. The impact on interest in buying kelom geulis produced from Tasikmalaya as a whole has decreased drastically even though sales reach domestic and foreign countries, especially with the COVID-19 situation, which has destroyed almost all businesses.

This research aims to find solutions to the root of the problems that occur in the kelom geulis industry, where kelom geulis artisans are required to be able to survive and preserve regional culture. The method used by researchers is to provide information related to effective and targeted marketing strategies, then design content that is right on target, namely how to manage SMEs, especially in the technology sector, which can help increase Kelom Geulis' competitive advantage.

According to Sonata et al. (2022), creativity is the ability to create new combinations or see relationships between elements and variable data that already exist. Meanwhile, according to Nasution (2022), creativity is the ability to develop new ideas and new ways of solving problems and finding opportunities. Product creativity can develop and combine new ideas from existing ideas sourced from customers to form product creativity that can influence competitive advantage. The results of research from Riany & Dahmiri (2020) show creativity is an independent variable studied and tested, and the results of the regression analysis show that the creativity variable has a positive and significant effect on competitive advantage and partially shows that creativity has a positive and significant effect on competitive advantage.

Creativity is also an independent variable that is researched and tested. The results of the regression analysis show that the creativity variable has a positive and significant effect on competitive advantage and partially shows that creativity has a positive and significant effect on competitive advantage, meaning that if the creativity variable increases, then competitive advantage will increase. Other research put forward by (Hendrawan et al., 2019) stated that creativity is the ability to think about things in new, unusual ways and display unique ways of solving problems. The same thing is similar to the study from Maulidya (2021), which states that creativity and innovation have a positive and significant effect on competitive advantage.

H1: Creativity influences competitive advantage

Kasih et al. (2023), in their research entitled *The Influence of Innovation and Creativity on Competitive Advantage in Achieving Business Success in MSMEs in Buleleng Regency*, said that superior creativity supported by sustainable innovation supported by sustainable innovation could compete in the market. The same thing is confirmed by previous research (Suma & Siregar, 2022) entitled *The Effect of Creativity and Innovation on Competitive Advantage*. In addition, Budianto and Setiawan (2020) stated the same thing in their research, which states that innovation positively and significantly affects the competitive advantage at Payung Geulis Mandiri Tasikmalaya.

Kotler et al. (2019) stated that innovation is the ability to do something new and different. Innovation is an independent variable that is researched and tested. The results of the regression analysis show that the innovation variable has a positive and significant effect on competitive advantage.

H2: Innovation influences competitive advantage



Research put forward by Ani (2020) shows that the individual product innovation variable had a positive and significant effect on competitive advantage, and the individual product creativity variable had a positive and significant effect on competitive advantage.

Alifa (2021) conducted the research entitled *The Influence of Creativity, innovation and Price on Consumer Satisfaction*. This is similar to research by Riany and Dahmiri (2020) on the impact of creativity and innovation on competitive advantage. The research results hypothesize that the variables of creativity and innovation simultaneously influence competitive advantage. Likewise, about price as a mediating variable, according to Pradana & Wisnu (2021), price is the amount of money paid for services or the amount of value that consumers exchange to get benefits from owning or using goods or services. (Pangesti, 2022) with the title *building competitive advantage through product quality, price perception, and distribution*,

H3: Creativity and innovation influence competitive advantage and price as mediating variables

Companies have a competitive advantage in always having the ability to understand changes in market structure and being able to choose effective marketing strategies. Meanwhile, (Kotler et al., 2019) define product innovation as a breakthrough related to new products. However, innovation is not only limited to the development of new products but also includes new business thinking and new processes. (Akob et al., 2022) said that competitive advantage is the ability of business activities to provide more value to their products than competitors, where this value is beneficial to consumers

In research conducted by (Riany and Dahmiri, 2020) regarding the impact of creativity and innovation on competitive advantage, the research results hypothesize that the variables of creativity and innovation simultaneously influence competitive advantage. The role of price is also very much needed in creating an idea that is complemented by sustainable innovation to reach its impact on competitive advantage, as stated (Ani, 2020), showing that the individual product innovation variable has a positive and significant effect on competitive advantage and the product creativity variable. Individuals have a positive and significant effect on competitive advantage (water hyacinth). Craft Case Study "Roots").

H4: Price influences competitive advantage

METHODS

This research is an explanatory survey research because it aims to explain the causal relationship between variables by testing hypotheses. Based on its objectives, this research is descriptive and verifies in nature, whereas descriptive research aims to obtain an overview or description of creativity, innovation, price, and competitive advantage. Meanwhile, verification research is carried out to determine the relationship between variables through hypothesis testing based on field data. The observations use a cross-sectional/one-shot time horizon, where the data obtained is the result of research carried out at a certain time. This research aims to measure the magnitude of the influence of the independent variables (creativity, innovation) on the dependent variable (competitive advantage), while this modeling involves an intervening variable (price).

The population of this research is the customers of Kelom Geulis Kampung Gobras, Tasikmalaya City, a city located in West Java Province, Indonesia. The sampling technique in this research is purposive sampling, where the number of samples is determined based on needs. Samples were taken according to the provisions specified in the Structural Equation Modeling (SEM) analysis tool. In determining the SEM sample size, the recommended sample size is between 100–200 samples, so the sample size

for this research is 200 respondents. The primary data collection technique was carried out by giving questionnaires to Payung Geulis consumers. The analysis used in this research is a quantitative approach, namely Structural Equation Modeling (SEM) using the Partial Least Squares (PLS) method, also known as the SmartPLS method. SmartPLS was chosen to predict the relationship between variables in the theoretical model, either directly or through intervening variables (Ramdhan, 2021). The questionnaire is tested for validity and reliability through outer model evaluation, while the hypothesis test is carried out through structural model evaluation.

Creativity (X1) is measured through four indicators, namely four special dimensions namely person, press, process, and product. Innovation (X2) is measured through eight indicators, namely variations in product types, variations in product shapes, variations in product packaging, variations in product prices, improvements to existing production equipment, use of new tools or technology, addition of new stores, and expansion of market segments; Competitive Advantage (Z) is measured by three indicators, namely: retaining customers, improving technology quality. Price (Y) uses four indicators, namely, price affordability, price suitability to product quality, price competitiveness, and price suitability to benefits. Respondents' responses to each indicator were measured using a Likert scale, which is classified as interval data. The hypothesis of this research is as follows: Creativity (X1) has a positive effect on Competitive Advantage (Y), Innovation (X2) has a positive effect on Competitive Advantage (Y), Price (Y) has a positive effect on Competitive Advantage (Z), Creativity (X1) and Innovation (X2) has a positive effect on Competitive Advantage (Z) through Price (Y).

RESULTS AND DISCUSSION

In the outer model, validity and reliability tests are conducted. Validity is assessed through Convergent Validity and Average Variance Extracted (AVE) values, while reliability is assessed using Cronbach's Alpha and Composite Reliability values. Convergent Validity is determined by examining the Outer Loadings of statement items on indicators, as shown in Figure 1.

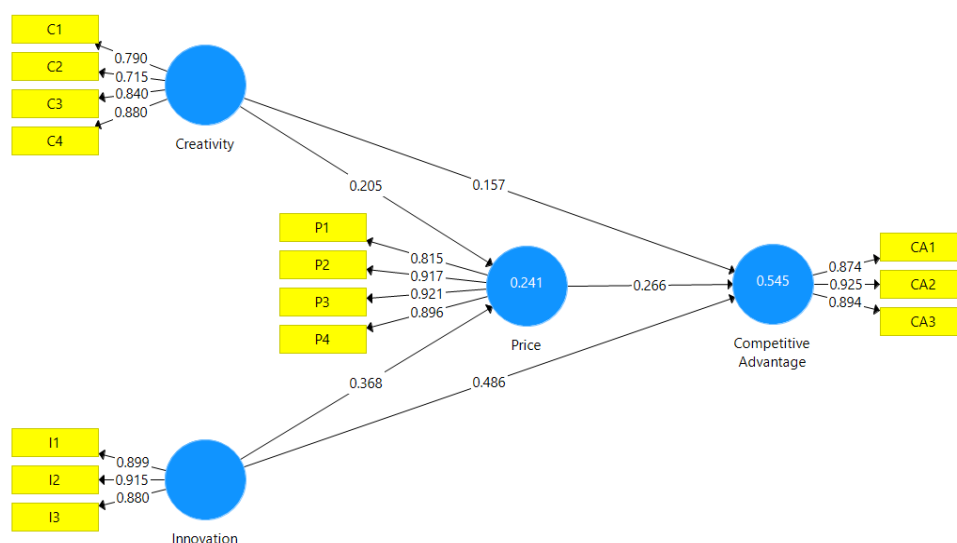


Figure 1. Outer Loadings
 Source: Processed Data (2023)



The validity criteria are considered valid if the Outer Loadings value is >0.7 (Valentika, 2020). The Outer Loading values have been summarized in Table 1 below:

Table 1. Validity Results

Variable	Indicators	Outer Loadings	Criteria
Creativity (X1)	C1	0,790	Valid
	C2	0,715	Valid
	C3	0,840	Valid
	C4	0,880	Valid
Innovation (X2)	I1	0,899	Valid
	I2	0,915	Valid
	I3	0,880	Valid
Competitive Advantage (Y)	CA1	0,874	Valid
	CA2	0,925	Valid
	CA3	0,894	Valid
Price (Z)	P1	0,815	Valid
	P2	0,917	Valid
	P3	0,921	Valid
	P4	0,896	Valid

Source: Processed Data (2023)

Table 1 shows that all statement items in each indicator have Outer Loadings >0.7 , indicating their suitability and validity for research analysis. Additionally, construct validity can also be assessed through the Average Variance Extracted (AVE) value, which should exceed 0.5 for a good model based on Ghozali (Valentika, 2020). AVE measures the latent variable's ability to represent the original data scores, with higher AVE values indicating better representation. The AVE values are summarized in Table 2 below.

Table 2. Construct Validity Results

Variable	AVE Value
Creativity	0,654
Innovation	0,807
Competitive Advantage	0,807
Price	0,789

Source: Processed Data (2023)

Table 2 reveals that all research variables possess Average Variance Extracted (AVE) values exceeding 0.5, meeting the necessary criteria. Moving forward, the instrument's consistency is evaluated through reliability testing. In SEM research, Composite Reliability values >0.6 are used to assess the reliability of indicators within a variable. Additionally, Cronbach's Alpha values >0.7 are employed to confirm reliability. The outcomes of Composite Reliability and Cronbach's Alpha for each variable are displayed in Table 3 below:



Table 3. Reliability Results

Variable	Composite Reliability	Cronbach's Alpha
Creativity	0,882	0,833
Innovation	0,926	0,880
Competitive Advantage	0,926	0,880
Price	0,937	0,911

Source: Processed Data (2023)

Based on Table 3, it is evident that the Composite Reliability values for each variable are >0.6, and the Cronbach's Alpha values for each research variable are >0.7. Therefore, it can be concluded that all variables have met the criteria and have a high level of reliability.

The Inner Model predicts relationships between latent variables through tests such as Latent Variable Correlations, R-squared results, and Hypothesis Testing. Latent Variable Correlations measure the strength of relationships among creativity, innovation, competitive advantage, and price. These correlation results are presented in Table 4 below.

Table 4. Correlation Results

Variable	Creativity	Innovation	Competitive Advantage	Price
Creativity	1,000	0,423	0,459	0,361
Innovation	0,423	1,000	0,674	0,455
Competitive Advantage	0,459	0,674	1,000	0,544
Price	0,361	0,455	0,544	1,000

Source: Processed Data (2023)

Table 4 shows that the correlation between creativity and competitive advantage is moderately strong (0.459), while the correlation between innovation and competitive advantage is strong (0.674). Additionally, the correlation between price and competitive advantage is moderately strong (0.544). Moving on, R-Square analysis measures the proportion of variation in the dependent variable explained by the influencing variables. The results of R-Square are presented in Table 5.

Table 5. Determination Results

Variable	R-Square	Category
Competitive Advantage	0,545	Moderate
Price	0,241	Weak

Source: Processed Data (2023)

Table 5 reveals that the R-Square value for the competitive advantage variable is 54.5%, indicating a moderate contribution from creativity, innovation, and price to competitive advantage. On the other hand, the R-squared value for the price variable is 24.1%, signifying a weaker influence of creativity and innovation on price. Hypothesis testing follows, elucidating the direct and indirect effects of each variable. The summarized results of the hypothesis testing are presented in Table 6.



Table 6. Hypothesis Results

Effect	T Statistic	P Value	Conclusion
Creativity -> Competitive Advantage	3,071	0,002	Significant
Innovation -> Competitive Advantage	8,177	0,000	Significant
Creativity -> Price -> Competitive Advantage	2,299	0,022	Significant
Innovation -> Price -> Competitive Advantage	3,403	0,001	Significant
Price -> Competitive Advantage	4,268	0,000	Significant

Source: Processed Data (2023)

Based on Table 6, it can be observed that creativity has a significant influence on competitive advantage. Furthermore, innovation significantly affects competitive advantage. Additionally, price significantly affects competitive advantage. Indirectly, creativity has a significant influence on competitive advantage through price. Similarly, innovation significantly influences competitive advantage through price.

The research findings indicated that creativity has a significant influence on competitive advantage. This means that being creative or generating novel and unique ideas or solutions plays a substantial role in gaining a competitive advantage. Kelom Geulis's Creative Industry thrives on the ability to produce unique and aesthetically appealing traditional crafts and artworks. (Nursanty et al., 2022) Said creativity is the foundation upon which these distinctive products are built. Creative ideas give birth to new designs, materials, and techniques that set Kelom Geulis products apart from generic alternatives. The artistry and innovation behind each creation attract customers who appreciate the value of authenticity and creativity. In the Kelom Geulis Creative Industry, every product tells a story and reflects the cultural heritage of the Tasikmalaya. Creativity allows the Kelom Geulis Creative Industry to adapt to changing market trends and consumer preferences.

Another finding indicates that innovation has a significant influence on competitive advantage. In the Kelom Geulis Creative Industry, where tradition meets artistry, innovation is a driving force for maintaining and enhancing competitive advantage. Innovation allows artisans and businesses to explore new techniques, materials, and technologies while preserving the core cultural and artistic values of their products. Innovation enables the development of entirely new products or the enhancement of existing ones within the Kelom Geulis Creative Industry. These new offerings not only meet the evolving demands of consumers but also provide a fresh perspective on traditional crafts. Through innovation, Kelom Geulis businesses can introduce unique product lines that stand out in the market, giving them a competitive edge. Customers are drawn to these novel creations, contributing to market differentiation.

The research also found that price significantly affects competitive advantage. Pricing strategies can be a critical factor in achieving a competitive advantage. (Kotler et al., 2019) States that offering the right price for products or services can make a company more attractive to customers and help it stand out in the market. In the Kelom Geulis Creative Industry, pricing strategies are a pivotal element of the competitive landscape. Effective pricing strategies can provide businesses with a powerful lever to gain a competitive advantage. By strategically setting prices, Kelom Geulis artisans and businesses can influence consumer perceptions, market positioning, and overall profitability. Pricing also shapes the perceived value of Kelom Geulis products. Setting prices that align with the perceived value of the product enhances competitive positioning. Flexibility in pricing strategies allows Kelom Geulis businesses to respond to market dynamics. For instance, they can adapt to seasonal demand, market trends, or



economic fluctuations by adjusting their pricing strategies. This adaptability ensures that Kelom Geulis products remain competitive and relevant in a constantly evolving market.

Indirectly, creativity has a significant influence on competitive advantage through price. One way in which creativity indirectly impacts competitive advantage is through innovative product development. Kelom Geulis businesses can leverage creative ideas to design and craft unique, premium-quality products. These distinctive products can command premium prices in the market. Consumers are often willing to pay more for items that are creatively designed, culturally authentic, and showcase exceptional craftsmanship. This differentiation allows Kelom Geulis businesses to position themselves as premium, niche providers and justify higher prices based on their distinctiveness. (Blakeman, 2023) said creative thinking extends beyond the product itself to packaging and presentation. Innovative packaging can enhance the overall product experience and further justify premium pricing. A creatively designed package can convey the story, cultural significance, and craftsmanship of Kelom Geulis products, elevating their perceived value.

Similarly, innovation significantly influences competitive advantage through price. Innovative products often offer unique features, improved performance, or novel solutions that set them apart in the market. These distinctive innovations can justify higher price points because customers recognize and value the benefits they provide, thereby contributing to a competitive advantage. Innovations in product design and development can lead to enhanced quality and performance. (Effendy et al., 2020) Said product innovation will be a source of excellence and also a determinant of company success. Customers are often willing to pay more for products that deliver superior quality. Innovation extends beyond product features to encompass process innovations that enhance operational efficiency. Streamlined production processes, improved supply chain management, and reduced wastage all contribute to cost savings. Efficiency gains from innovation can enable Kelom Geulis businesses to maintain profitability while offering competitive prices, further strengthening their competitive advantage.

CONCLUSION

Based on the results and discussion, the research findings indicate that both creativity and innovation play a substantial role in influencing competitive advantage within the Kelom Geulis Creative Industry. These results affirm that the ability to generate novel and unique ideas, as well as the practical implementation of these ideas, are key drivers of success in this industry. Furthermore, the study reveals that creativity indirectly influences competitive advantage through pricing strategies, and innovation also exerts an indirect influence on competitive advantage through pricing. Lastly, the research emphasizes the critical role of pricing strategies, highlighting that they significantly affect competitive advantage. In conclusion, all hypotheses in this research are statistically accepted, underscoring the importance of creativity, innovation, and effective pricing in achieving and sustaining a competitive edge within the Kelom Geulis Creative Industry.



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