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Research Paper

Market Performance Optimization of Cosmetic Companies in Surabaya

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ABSTRACT : *Every company definitely wants good market performance to be able to increase sales profits. Then the Price Advantage and Product Advantage are increased based on the products or services offered. This study aims to analyze the relationship between Price Advantage and Product Advantage on Market Performance. This research is a quantitative research which analyzes data in the form of numbers. The research population is users of facial care cosmetics in Surabaya. The research sample was determined by the Accidental Sampling method so as to get a total of 140 respondents. The data analysis technique and hypothesis testing in this study is the Structural Equation Model (SEM). To answer the hypothesis used Partial Least Square (PLS). The results of the study show that the relationship between Price Advantage and Product Advantage to Market Performance is significantly positive. The strategy that can be carried out is through price comparisons between the capital of making products and the quality of existing products and evaluating products to be able to take corrective actions that increase the selling value of products.*

Keywords: *Price Advantage, Product Advantage , Market Performance*

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I. INTRODUCTION

Along with the times, cosmetics is one a very important need for a woman. Realized or not, In daily life, women cannot be separated from cosmetics. Product This beauty and body care is used by most women starting from the morning until the evening, so that the requirements are needed which is safe to use.

Growth the global cosmetics market experienced a fairly deep contraction in 2020. The following is the growth data for the global cosmetics market from 2014 to 2020, namely:

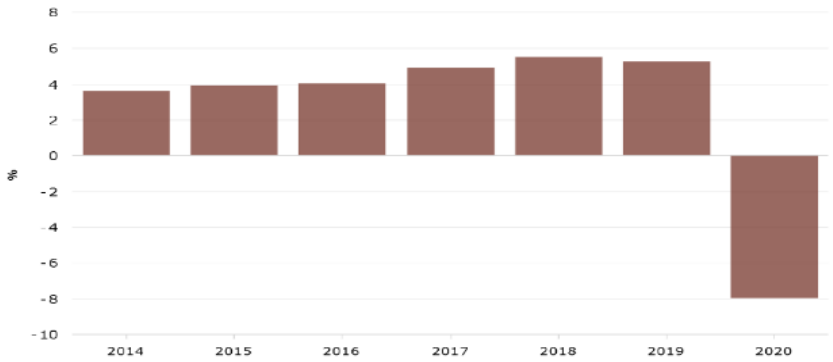

Figure 1 Global Cosmetics Market Growth (2014-2020)
Source: Statista (2021)

Growth the global cosmetics market experienced a fairly deep contraction in 2020. According to Statista, the growth of the cosmetics market global down 8% on last year. This percentage is 13.25% lower than its growth in 2019 which rose 5.25%. Matter This is in line with the sluggish condition of the world economy due to the Covid-19 corona virus pandemic. Although, Statista's research projecting that the global beauty and self-care market will grow again by around 6.46% in 2021. This condition strongly driven by online sales which will reach 25.2% this year. Indonesia is expected to become the fifth largest cosmetic market in the world in the next 10-15 years. Ministry of Industry noted, the import value of Indonesian cosmetics was US$ 803.58 million in 2019, while the export value was US$ 506.65.

This can be considered as an indication of the possibility of customers buying offers from the company, thus directly contributing to the improvement of the company's market performance. In terms of value, competitive advantage is likened to using value creation by sellers and expected use value in customer perceptions, whereas market performance corresponds to the value captured by sellers and the realized exchange rate received by customers when exchanges occur [1].

Achieving a positional advantage in international markets demonstrates a strong potential to generate customer demand for the company's offerings. However, that does not guarantee that the request will come or that if so, the company will subsequently be able to fulfill it. Thus, it is possible that a favorable market position cannot improve market performance. On the potential demand side to be realized, the purchase of the product is not guaranteed for various reasons. Environmental factors can influence this transformation through their impact on customer value perceptions and actions. These may be factors that trigger unexpected changes in demand (for example, announcements of technological breakthroughs by competitors) and factors that affect purchasing power (for example, the economic situation of the target country).

Competitive advantage is the ability gained through the characteristics and resources of a company to have a higher performance than other companies in the same industry or market [2]. The issue of competitive advantage became very popular after Porter developed the concept. Competitive advantage comes from a company's ability to leverage its internal strengths to respond to external environmental opportunities while avoiding external threats and internal weaknesses [3]. Competitive advantage is a dynamic process, not just seen as an end result. This is because competitive advantage comes from the many different activities carried out by a company in designing, producing, marketing, delivering and supporting its products. From some of the definitions above, it can be concluded that competitive advantage is a condition owned by a company which exceeds its competitors.

Competitive advantage has components related to cost and differentiation, and expectations for the companies it operates in competitive environment is excelling in one dimension of competitive advantage while achieving industry average levels in another dimension [4]. Cost advantage consists of efficiency-driven systems and activities, it is uncertain that the resulting savings will be reflected in the price perceived by the customer. From a customer perspective, it is price to consider when comparing competitive firm offerings to estimate potential value. "Pricing profit" indicates a lower price relative to competition and signals customers an opportunity to capture greater value.

Regarding differentiation, in the case of industrial manufactured goods and durable goods, the two main different (although often complementary) components of differentiation are products and services. " *Product advantage " indicates* the relative advantage of the offering in terms of the main features that the company can observe. It is conceptually aligned with the perceived product quality construct, which has been studied extensively in the marketing, strategic management, and product development literature, with mixed results [5]. One source of that inconsistency sustainability is the multifaceted nature of constructs and relative lack of research on suitability in a different viewpoint adopted for product quality specifications. For example, product quality perceived by the customer drives the purchase decision customers but can be very different from the "objective" quality that is internally defined [6]. Therefore, the combination of price and product advantages represents a core component of the value proposition for customers, and achieving all three tends to be preferred, albeit rare, in every country [7]. However, each type of competitive advantage is perceived simultaneously, and a comparison of implicit value by customers is possible. Therefore, this study considers possible effects of achieving symmetrical and asymmetrical dimensions price and product competitive advantage on perceived customer value and performance market. The goal to be achieved in this research is to know and analyze the effect *price advantage* and *product advantage* against *market performance* of users of facial care cosmetics in Surabaya .

II. LITERATURE REVIEWS

Price Advantage

Research Walker and Ruekert (1987) say that cost advantage is the most influential on the effectiveness of the company, affect market growth and company profitability [8]. But in small companies, the choice of strategy is more limited compared to small companies big. Small companies are limited by their limited

financial resources and capabilities limited to gain a cost advantage strategy. Day and Nedungadi (1994) say that the cost advantage by small companies will be adequate if the company is market oriented, balance the two strategies and optimize customer value [8]**.**

Product Advantage

According to Day and Wensley (1988) and opinions previous experts states that product attributes others from others such as product quality, reliability, newness, and uniqueness, provides a more concrete picture of the company's capabilities to meet consumer needs, and various alternatives on important attributes provide direct evidence of product superiority [8]. Product quality adds to the company's ability to be more attractive and reach customers. Buzzell and Wiersema (1981) show relationship positive relationship between relative quality and market share. New product success will be increase the company's revenue by selling more than existing customers or also new customers and finally get increase market share [8].

Market Performance

Business performance is intended as the company's ability to manage their business ventures. The company's business performance is a factor commonly used to measure the effect of a strategy implemented by a company. The company's strategy has always been directed to produce performance, both in the form of marketing performance and financial performance [9]. Higher sales, company growth, and market a high share will create profitability through *economies of scale/scope* , learning effects and market power [8].

Conceptual framework

The following is the conceptual framework in this study, namely:

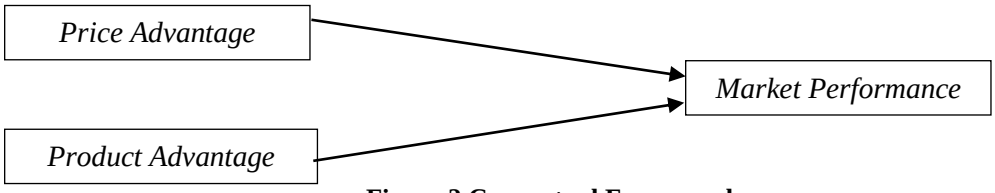

Figure 2 Conceptual Framework
Source: Researcher Data (2023)

Hypothesis

The research hypothesis is:

H_1 : *Price advantage has a* significant effect on *market performance* of users of facial care cosmetics in Surabaya

H_2 : *Product advantage has a* significant effect on *market performance* of users of facial care cosmetics in Surabaya

III. RESEARCH METHODS

Types of research

Type This research is using causal research. Causal research is a study conducted to test whether one or several variables cause changes in other variables [10]. In this type, researchers try to identify several causal factors so that in the end it can be determined that one variable causes changes in other variables. The three variables will be analyzed for their relationship pattern either jointly or partially .

Variable Identification

In accordance with the background of the problem raised in the previous chapter, the observed variable is the *independent variable* . and the dependent variable (*dependent variable*). Independent variables are variables that affect the dependent variable, either positively or negatively [11]. The independent variables in this study are *price advantage* and *product advantage* . Meanwhile , intervening variables are variables in the study that are included as a means of control, is it true that the independent variables affect the dependent variable [12].

Variable Operational Definitions

There are several variables used in this study. The following is the operational definition of each variable, including:

Cost/price advantage is where respondents are asked to provide a rating of how their offering compares to their main competitors in foreign markets in terms of “cost of goods sold” and “selling price” to end

customers. The variable indicators of cost advantage are: (1) Low costs, (2) Low prices (3) Cheaper prices than competitors [8].

Where is the superiority of the product respondents were asked to rate how their offering compares to competitors in foreign markets in terms of "product quality", "product design" and "packaging". Indicators of product superiority variables are (1) product quality, (2) product uniqueness, and (3) product reliability [8].

Market Performance is where respondents were asked to rate their performance on "sales volume", "market share", and "revenue from products introduced over three years last" compared to their main competitors in a given market. Indicators of market or business performance variables are: 1) customer growth, 2) *return on investment* and 3) company growth [8].

The instrument in this study used a questionnaire containing questions related to the variables used in this study. This study uses a Likert scale in answering the questions on the research questionnaire. The assessment criteria using a Likert scale consist of 5 points, namely: Strongly Disagree (STS), Disagree (TS), Simply Agree (CS), Agree (S) and Strongly Agree (SS)

Population and Sampling Procedure

The population is the whole groups of people, events or things of interest that the researcher wants to investigate [13]. The population used in this study were users of facial care cosmetics in Surabaya . While the sample is part of the population [13]. In this study the sampling technique taken was *accidential sampling* technique, namely the technique of determining samples based on chance. Convenience sampling or accidental sampling is taking respondents as a sample based on coincidence, that is, anyone who met by chance, can be used as a sample with the main factor being users of facial care cosmetics in Surabaya [14]. With a total of 14 research indicators, the sample measurement is multivariate type *which* refers to the sample measurement guidelines according to Hair, *et al.* which uses 5-10 times variable indicators. So this study used a sample of 10 x 14 = 140 respondents using facial care cosmetics in Surabaya [15].

Analysis Techniques

Data analysis is the process of simplifying data into a form that is easier to read and implement. The analytical technique chosen to analyze the data and test the hypotheses in this study is *The Structural Equation Model* (SEM). To answer the hypothesis used *Partial Least Square* (PLS). Calculations are carried out using the Smart *Partial Least Square* (PLS) tool, because it is multi-lane and the model used is reflective [16]. The calculation model is carried out using the Smart PLS tool because in this study it has a multi-path relationship and is formative and reflective. The formative model is a model that shows the direction of the relationship from indicators to latent variables. Reflective model is a model that shows the relationship from latent variables to indicators.

IV. RESEARCH RESULTS AND DISCUSSION

PLS SEM Analysis Results

PLS-SEM testing is divided into 2 types of measurement, namely the *Inner* and *Outer Models.* The following is a test for each model, namely:

***Outer* Model Evaluation**

The evaluation of the measurement model aims to determine the relationship between latent variables and their indicators or the outer model is also defined to find out how each indicator relates to its latent variables [17]. *The Outer Model* test is divided into 2 stages, namely the Validity Test and the Reliability Test.

Convergent Validity Testing

Measuring the value of *convergent validity* can be seen from the correlation between the indicator score and the construct score (*loading factor*) with the criterion of a p-value if <0.05 is considered significant [18]. The following are the results of convergent validity testing for each research indicator, namely:

Table 1 Outer Loading

Variable	*Indicator*	*Original Sample (O)*		*P Values*		*Information*
		Results	**Parameter**	**Results**	**Parameter**	
Price advantage (X 1)	X1 .1	0.859	>0.6	0.000	<0.05	Valid
	X1.2	0.847				
	X1.3	0.716				
Product advantage (X 2)	X 2.1	0.836	>0.6	0.000	<0.05	Valid
	X2.2	0.819				
	X2.3	0.916				

Market performance (Y)	Y. 1	0.810	>0.6	0.000	<0.05	Valid
	Y.2	0.8 79				
	Y.3	0.845				

Source: PLS Output (2023)

Loading model indicators have an Original Sample (O) value greater than 0.60 and a p value smaller than 0.5, meaning that the construct is acceptable . Then do the *Average Variance Extracted* (AVE) test. AVE is said to be valid if the value is more than 0.50.

Table 2 AVE value

Variable	*AVE*	*Parameter*	*Results*
Price advantage (X1)	0.656	0.5	Valid
Product advantage (X2)	0.736		
Market performance (Y)	0.714		

Source : PLS Output (2023)

In the table above it can be seen that the AVE (*Average Variance Extracted*) value of all variables has a value greater than 0.50, which means that the value is valid and meets the requirements for the AVE value.

Discriminant Validity Testing

Discriminant validity can be carried out in two stages, namely comparing the results of cross loading and looking at the results of AVE. In SmartPLS, cross loading is represented as a cross validation indicator which can be said to be valid if the results of the comparison of the variable loading values are the greatest compared to other variables.

Table 3 *Cross Loading*

Indicator	***Price A advantage* (X 1)**	***Product Advantages* (X 2)**	***Market Performance* (Y)**
X1.1	0.859	0.543	0.576
X1.2	0.847	0.353	0.464
X1.3	0.716	0.262	0.338
X2.1	0.453	0.836	0.657
X2. 2	0.328	0.819	0.569
X2.2	0.489	0.916	0.771
Y. 1	0.381	0.671	0.810
Y.2	0.484	0.684	0.879
Y.3	0.612	0.634	0.845

Source : PLS Output (2023)

Based on the table above, it can be concluded that the correlation of latent variables with indicators is greater than the size of the latent variables. This shows that the latent construct in a block is better than other block sizes. In addition, the cross loading value in one variable is more than 0.50. This shows that the cross loading analysis does not have discriminant validity problems.

Reliability Testing

There are several tests in the Reliability test, namely the *Composite* Reliability Test and *Cronbach Alpha* . A variable can be declared to meet composite reliability if it has a composite reliability value of > 0.6 [19] . In addition, a variable can be declared reliable or meets cronbach's alpha if it has a cronbach's alpha value > 0.7 [20]. The following are the results of the *Composite Reliability* and *Cronbach Alpha* tests, namely:

Table 4 Reliability Testing

Variable	*Composite Reliability*	*Parameter*	*Cronbach Alpha*	*Parameter*	*Ket.*
Price advantage (X1)	0.850	>0.6	0.743	>0.7	Valid

Product advantage (X₂)	0.893	0.821
Marketperformance (Y)	0.882	0.779

Source : PLS Output (2023)

Based on the table above, it can be seen that the calculation results on composite reliability and Cronbach Alpha for all constructs are worth the required parameters. This shows that respondents are consistent in answering questions, so it can be concluded that all constructs have a good level of reliability.

Evaluation of the Inner Model

structural model (inner model) describes the causal relationship between latent variables that has been built based on the substance of the theory *The Outer Model* testing is divided into several stages, including:

Model Equations

The PLS model below shows the Variable relationship *Market performance* which is influenced by *Price advantage* variable *e* And *Product advantage* . The following is a picture of the model, namely:

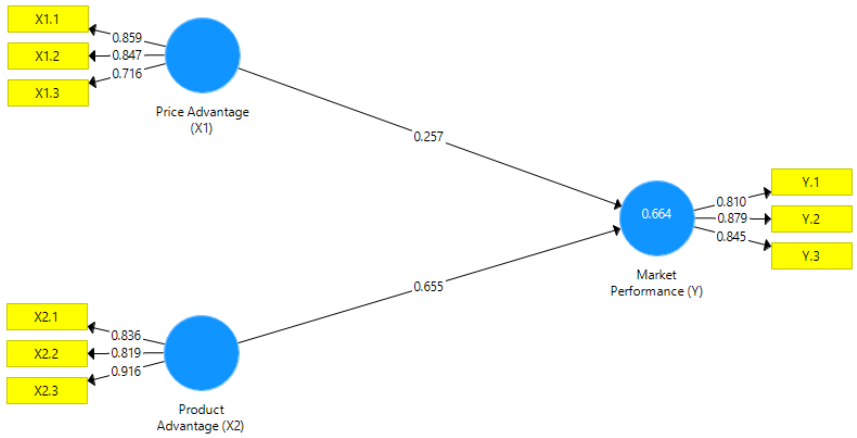

Figure 3 PLS models

Source : PLS Outputs (2023)

The relationship between the variables above can be written in the structural equation as follows:

$$\mathbf{Y = 0.257\ X_1 + 0.655\ X_2}$$

Hypothesis test

After testing convergent validity, discriminant validity, and reliability, the next test is testing the hypothesis. The value of the path coefficient or inner model shows the level of significance in hypothesis testing, the significance test is carried out by the *Bootstrapping method* [21]. Hypothesis testing is done by looking at the magnitude of the T-statistics value which uses a significance level of 95% ($\alpha = 0.05$) [19]. The T-table value with a significance level of 95% is 1.96 . The following are the results of Hypothesis Testing in the following table:

Table 5 Hypothesis Testing Results

Variable Relations	T Statistics (|O/STDEV|)	T Table	Information
Price advantage **(X 1)→** ***Market performance*** **(Y)**	4,4 20	1.96	Significant
Product advantage **(*X* 2)→** ***Market performance*** **(Y)**	12.605		Significant

Source: PLS Outputs (2023)

Based on the results of hypothesis testing, the following results are obtained:

a. *Price advantage* has a significant influence on *market performance* , because the statistical T value is 4.420 , which means it is greater than 1.96.

b. *Product advantage* has a significant influence on *market performance* , because the statistical T value is 12.605 , which means it is greater than 1.96.

R-Square Testing

Evaluation of *the Inner Model* is used to see the direct and indirect effects between variables. Evaluation of *the Inner Model* begins by looking at the R-Square value. For endogenous latent variables in *a structural model* that has an R^2 of 0.75 indicating that the model is " strong ", an R^2 of 0.50 indicates that the

model is "moderate", an R 2 of $^{0.25}$ indicates a "weak" model [19]. The following is the R-Square value of the test results:

Table 6 *R-Square* value

Variable	R Square
***Market performance* (Y)**	0.664

Source : PLS Output (2023)

The table above shows the R Square *Market performance* (Y) value of 0.664. So it means that the large percentage of the influence of the Price Advatage and Product Advantage variables on *Market performance* (Y) is 66.4%. While the percentage of 33.6% is influenced by other variables outside of this study.

Discussion

Effect *of Price Advantage* to *MarketPerformance*

The results of this study indicate that the value of the T-Statistics is related to the *price advantage variable* on *Market Performance* is 4.420 which means it is greater than 1.96, so it is a *price advantage* has a positive and significant effect on *market performance* of users of facial care cosmetics in Surabaya directly. Cost advantage consists of efficiency-driven systems and activities, it is uncertain that the savings that occur will be reflected in the price perceived by the customer. From a customer perspective, it is price to consider when comparing competitive firm offerings to estimate potential value. "Price advantage" denotes a lower price relative to competition and signals to customers an opportunity for greater value. The better the *price advantage* , the better the *market performance* on *price advantage* . the higher it is. The strategy that can be done is to do price comparisons between the capital of making products and the quality of existing products. Price comparison adjusts to the prices of competitors' products and the perceived benefits.

Effect of Product Advantage on Market Performance

The results of this study indicate that the value of the T-Statistics is related to the *product variable advantage* on *Market Performance* is of 12.605 which means greater than 1.96, so *product advantage* has a positive and significant effect on *market performance* of users of facial care cosmetics in Surabaya directly. Product excellence shows the relative superiority of the offerings in terms of key features that the competition firm can observe. It is conceptually aligned with the perceived product quality construct, which has been studied extensively in the marketing, strategic management, and product development literature, with mixed results [5]. The better *the product advantage*, then the *market performance* of the *product advantage* the higher it is. The strategy that can be taken to increase Product Advantage is to evaluate the product in order to be able to take corrective actions that increase the selling value of the product.

V. C ONCLUSION

The results of the analysis can be concluded that P rice advantage has a significant and positive effect on *market performance* for users of facial care cosmetics in Surabaya. In addition, Product advantage has a significant and positive effect on market performance for users of facial care cosmetics in Surabaya. The strategy that can be carried out is through price comparisons between the capital of making products and the quality of existing products and evaluating products to be able to take corrective actions that increase the selling value of products.

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