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THE INFLUENCE OF INNOVATION AND PRODUCT QUALITY TOWARDS SUSTAINABLE COMPETITIVE ADVANTAGE AT WAI-TIDDO NATURE TOURISM, LUWU REGENCY

Nasruddin
Faculty of Economics and Business, Hasanuddin University, Makassar, Indonesia
nhast.plp@unanda.ac.id

Haris Maupa
Faculty of Economics and Business, Hasanuddin University, Makassar, Indonesia
harismaupa1959@gmail.com

Muhammad Toaha
Faculty of Economics and Business, Hasanuddin University, Makassar, Indonesia
muhammadtoaha1960@gmail.com

Abdullah Sanusi
Faculty of Economics and Business, Hasanuddin University, Makassar, Indonesia
a.sanusi@unhas.ac.id

ABSTRACT

Introduction/Main Objectives: This study aims to determine the influence of innovation and product quality on sustainable competitive advantage at Wai-Tiddo Nature Tourism, Luwu Regency. The primary data is gathered from all business owners in the area through observation, interviews, and questionnaires, ensuring a comprehensive understanding of the local business environment. The total number of respondents is 90 people, carefully selected to represent a diverse cross-section of the tourism sector in the region. The questionnaires are conducted both directly and indirectly, allowing for a flexible approach that accommodates the varied availability of the respondents and maximizes participation. Furthermore, the secondary data, including relevant documents and supplementary interviews, are meticulously collected from authoritative sources such as the Central Bureau of Statistics and the Local Government Tourism Office. This combination of primary and secondary data provides a robust foundation for analysis, ensuring that the findings are accurate and reliable. The collected data is then rigorously analyzed using multiple regression analysis with the assistance of the SmartPLS program. This powerful tool enhances the precision and reliability of the statistical evaluation. This method allows for a detailed exploration of the relationships between innovation, product quality, and sustainable competitive advantage, revealing the nuanced dynamics. The results show that all the hypotheses in this study are accepted, indicating that innovation and product quality positively and significantly affect Sustainable Competitive Advantage at Wai-Tiddo Nature Tourism, Luwu Regency. These findings underscore the critical importance of continuous innovation and high product quality for businesses seeking to sustain a competitive edge in the increasingly competitive nature tourism market.

Keywords: Sustainable competitive advantage, Luwu regency, Product quality, Tourism market

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INTRODUCTION

Nature-based tourism has gained popularity, notably after the COVID-19 epidemic. The Tourism and Creative Economy Indonesia reports that travel trends are shifting toward Nature, Ecotourism, Wellness, and Adventure (NEWA) tourism due to the tourism sector's revival. Natural tourism focuses on observing nature in natural settings (Newsome et al., 2019). South Sulawesi followed suit and embraced its natural beauty. Luwu has 227 villages and 21 sub-districts in its 3,000.25 km^2 regency. Mountains, forests, rivers, and oceans surround it. Wai-Tiddo is one of numerous Luwu tourist spots known for its panoramic river view and natural beauty. Nature-based tourism involves natural activities. Nature-based tourism can also turn outdoor recreation into economic tourism (Tangeland, 2011). In 2017, local societies that own land in Wai-Tiddo began working together to add financial value, such as a spring whose water drips from the top of the cliff through tree roots and is surrounded by pitcher plants, ATV arena, flying fox, sky bike, offroad adventure track, camping ground, villa, etc. Therefore, visitors began to notice it. Locals without land started selling directly to visitors. Finally, the local economy grew. Additionally, it boosts the regional and national economies.

Nevertheless, this phenomenon creates more business owners or sellers offering the same products/services. Therefore, business owners at Wai-Tiddo need to develop more innovations and improve their product/service quality to achieve a sustainable competitive advantage. A business achieves sustainable competitive advantage by executing a strategy that generates value without being replicated by existing or potential competitors. Furthermore, other businesses cannot easily duplicate this strategy (Barney, 2000).

A realistic strategy for Chinese companies: internal marketing innovation and sustainable competitive advantage (SCA) (Ren et al., 2009). The results showed that several environmental factors and their interactions affect marketing creativity. Market, technological, regulatory, and customer behavior changes affect marketing campaign performance. The study emphasizes understanding and responding to these components to maintain a competitive edge in a changing market. Looking at the company's former competitive advantage can also yield SCA. Here, we analyze the company's prior successes to see how to improve them or adapt them to the market. Reevaluating and reusing competencies may lead to innovation and long-term success. This process analyzes competitive advantages and creates a market to boost corporate success. A comprehensive strategy ensures that the company's efforts, from product development to consumer engagement, support its strategic goals, resulting in more coherent and successful marketing campaigns. This study proposed a marketing innovation approach to assist managers in finding SCA for their firms. By providing a systematic framework for studying and adopting creative marketing techniques, the study helps managers navigate the complex competitive landscape. Besides identifying SCA sources, this strategy helps organizations improve their marketing to respond to changing consumer tastes and environmental conditions. Thus, firms can boost their market status, customer loyalty, and success in the Chinese market.

Innovation and long-term competitiveness can benefit Indonesian medium and small food processing companies through collaborative networks (Najib et al., 2014). These networks—which often include distributors, suppliers, research institutes, and competitors—provide SMEs with information, tools, and resources they couldn't get along. Working together helps these companies to combine their skills and build new techniques, products, and business models. It will improve their market position. The study shows collaborative networks drive innovation and solve difficulties in food processing. Collaboration allows SMEs to try new things, learn from one another, and respond rapidly to market developments. They can overcome their size and resource constraints by working together, making innovation more achievable. The study finds that cooperation networks boost innovation but cannot guarantee long-term competitiveness. Teamwork promotes invention, but other factors are needed to turn

ideas into long-term competitive advantages. Strong management, savvy marketing, efficient operations, and the ability to scale innovations are essential to maximize long-term competitiveness from collaboration.

Innovation has three main areas. Creating new ideas demands a mindset sensitive to current events, especially in fields like education that are always changing. This perspective change requires a deeper look at new trends, issues, and possibilities, not just ideas. This could mean using innovative methods to engage and assess students or rethinking teaching and learning. Education-changing ideas can range from general theories and frameworks to specific systems and techniques (Robbins, 2015). We also work hard to turn these innovative ideas into products and services. Invented ideas must be refined and tested. Developing a product from a concept requires study, experiments, and iterative development cycles. This may spur creative pedagogical methods, digital resources, curricula, and instructional technologies to boost student accomplishment. Going from idea to product or service is crucial to spreading innovation and making adoption easier.

Our third focus is continuous improvement initiatives aiming to improve innovative outputs. Innovation is an ongoing process that requires examination, criticism, and development (Kline & Rosenberg, 2010). Improvements ensure innovation's benefits last. Adjusting educational offerings in response to user feedback, changing demands, or expanding successful ideas may be necessary. Educational innovations must evolve to meet students', teachers', and society's requirements. Innovation requires fresh ideas, new products and services, and continuous improvement (Schuh et al., 2011). They work together to ensure that innovation isn't just about coming up with ideas but also about translating them into real results that may boost growth and bring long-term benefits, especially in education.

Products can be things, experiences, events, people, locations, property, data, organizations, and ideas (Kotler & Keller, 2009). This broad definition emphasizes that product quality includes intangibles that improve customer experience. Quality must exceed consumer expectations, and pricing must meet or exceed consumers' needs. Ultimately, product quality is about how well a thing does its job (Andreasen & Kotler, 2000). All the crucial features that influence a product's functionality and appeal are included. Durability is essential among these attributes. Value makes people willing to pay more for a long-lasting, affordable product. Product reliability matters too. This measure evaluates a product's reliability. Brand loyalty is higher for things customers can trust when they have troubles. Products that value customer satisfaction, performance, and safety should prioritize this (Yoon et al., 2020).

METHOD, DATA, AND ANALYSIS

The study was conducted in the Wai-Tiddo Tourism Area in Luwu Regency, South Sulawesi. This region is renowned for its stunning natural landscapes and rapidly growing tourism sector. The study was conducted over a three-month duration, spanning from May to August 2023, to facilitate the gathering of extensive data, including various stages of tourist engagement. The study was conducted at a crucial time to observe both the busiest and least busy periods, allowing for a comprehensive grasp of the dynamics in this region's tourism industry. The study used the Smart PLS tool to analyze the technical data using a qualitative analysis approach known as Structural Equation Modeling (SEM). Structural equation modeling (SEM) is a robust collection of statistical methods that allows for the simultaneous examination of intricate connections among various variables (Yudatama et al., 2019). This makes it especially suitable for studies aimed at comprehending diverse interactions within a system. This study employed Structural Equation Modeling (SEM) to investigate the complex interconnections among different elements that impact the business environment in the Wai-Tiddo Tourism Area.

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Structural equation modeling (SEM) enables the creation of models that incorporate both dependent (endogenous) and independent (exogenous) factors, which can be directly seen or assessed using different indicators (Mueller & Hancock, 2018). These variables are frequently intricate constructs that represent bigger notions. A single indication cannot quantify them but are instead derived from numerous observed factors. In the context of this study, constructs such as “business performance," “customer satisfaction,” or “marketing innovation” can be formed by combining several observable indicators such as sales growth, customer feedback ratings, or the number of new items released. The structural equation modeling (SEM) framework employed in this study combines factor analysis with route analysis, a statistical technique used to uncover the latent relationships among observable variables. This method elucidates both direct and indirect connections between constructs (Hair Jr et al., 2021). This combination of techniques offers a thorough framework for comprehending the structural interconnections among the various components of the Wai-Tiddo tourism industry. By utilizing Structural Equation Modeling (SEM), the research is capable of verifying the measurement model, ensuring that the constructs are appropriately depicted by their indicators, and examining the postulated structural model, assessing the cause-and-effect connections between the constructs.

One must be familiar with the study’s structural model before utilizing the PLS-based SEM (Partial Least Squares Structural Equation Modeling) technique (Sarstedt et al., 2020). All of the investigated constructs and variables are laid out in the structural model, which is also the theoretical framework. It outlines the hypothesized interplay between many components in a visual and intellectual map. The structural model used in this investigation is shown in Figure 1 of the following. This model was developed to represent the intricate interrelationships of the relevant constructs—including innovation, product quality, and sustained competitive advantage. One or more indicators measure the latent variable for each component. The indicators convey information about the hidden constructs through observable variables.

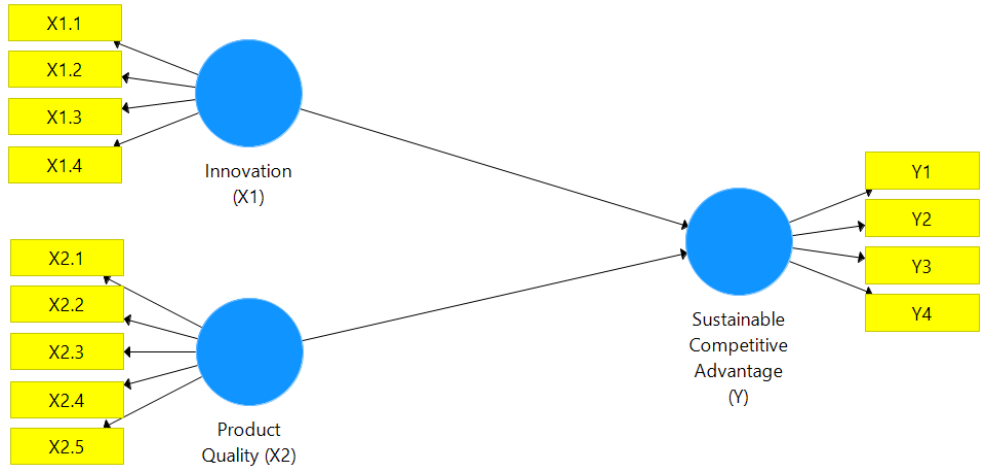

Figure 1. Structural equation model

The study population comprises entrepreneurs who engage in the sale of goods and provision of services within the Wai-Tiddo natural tourism region. These individuals have a vital impact on molding the tourist experience and, consequently, the overall success of the tourism business in this region. The choice to include these business owners in the study is deliberate, as they are directly affected by and play a role in the economic activities within the tourism region. The sampling procedure employed was incidental sampling, a non-probability strategy that selects samples based on convenience and accessibility. This technique was

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selected based on the study area's characteristics, which has a scattered population and limited accessibility to all eligible respondents within the study timeframe. Incidental sampling enables various business owners to incorporate a comprehensive range of viewpoints and experiences. Although this technique does not ensure the same level of representativeness as probability sampling, it is useful in exploratory research when the goal is to gather insights rather than make broad predictions.

This study's determination of representative samples is based on a well-established guideline in Structural Equation Modeling (SEM) research. It suggests that the sample size should be determined by multiplying the number of indicators by 5 to 10 (Koran, 2020). This approach guarantees that the sample size is sufficient to produce dependable and accurate results, especially when working with intricate models that incorporate numerous variables and constructs. Within the SEM model, 18 indicators were utilized to measure different constructs in this study. The observed variables in question are crucial for comprehending the underlying constructs within the Wai-Tiddo Tourism Area, such as business performance, customer satisfaction, or innovation effectiveness. Every indicator has a vital role in capturing the intricacies of these constructs, and accurately measuring them is crucial for the reliability of the SEM analysis. The calculation for determining the sample size is as Equation 1.

$$\text{Sample size} = \text{Number of indicators} \times 5 \quad (1)$$

According to this calculation, it is necessary to have a minimum sample size of 90 respondents for this study. The sample size adequately captures the range of responses and offers valuable insights into the relationships being studied in the SEM model. By ensuring that the sample size meets the minimum threshold, the study aims to achieve accurate estimates of the model parameters, minimize sampling error, and improve the generalizability of the findings. In addition, using a larger sample size would be advantageous as it can enhance the estimates' accuracy and the effectiveness of the statistical tests. Increasing the sample size would enable more in-depth subgroup analyses and improve the reliability of the SEM results. Considering the practical limitations of time and resources, selecting a sample size of 90 achieves a good balance between maintaining methodological rigor and ensuring feasibility.

This approach to sample size determination demonstrates a strong emphasis on methodological rigor in the research design. By following established guidelines and ensuring a sufficient sample size, the study is more likely to generate reliable and practical findings that enhance our understanding of the factors that impact business performance and competitiveness in the Wai-Tiddo Tourism Area. The sample of 90 respondents provides a strong basis for the subsequent analysis and interpretation of the data, aligning with the overall goals of the research.

RESULT AND DISCUSSION

In this study, technology, customer interaction, new service development, and service delivery system are the four indicators used to measure innovation, the first exogenous variable. These indicators help us understand how innovation affects the dependent variables in the study by capturing distinct aspects of innovation. New Service Development stands out among these indicators with a score of 3.98 (see Figure 2a), as shown in Table 1. This impressive number shows that creating new services is one of the main areas of innovation in the Wai-Tiddo natural tourist area. The region’s continuous endeavors to broaden and improve its tourist offers are mirrored in the emphasis on new service development. The desire to increase tourism, adapt to changing visitor expectations, and take advantage of new economic prospects propels this innovative push. Respondent answers include Strongly disagree (SD), Disagree (D), Somewhat agree (SA), Agree (A) and Strongly agree (SA).

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Table 1. Response to respondent's thoughts on innovation

No.	Indicator	Respondent's answer					Score	Average
		SD	D	SA	A	SA		
		1	2	3	4	5		
1	Use of technology	3	8	17	55	7	325	3.61
2	Customer interaction	2	1	20	53	14	346	3.84
3	New service development	2	0	15	53	20	359	3.98
4	Service delivery system	3	6	18	43	20	341	3.79

The significant growth and improvement of tourist services in the region is the reason for the high value of New Service Development. Adding novel features meant to provide visitors with one-of-a-kind and unforgettable experiences falls under this category (Henrique de Souza et al., 2020). By consistently innovating new services, the Wai-Tiddo area can set itself apart from competing attractions and maintain its competitive edge in the tourism industry.

The second exogenous variable in this study is product quality (X2). Emotion, empathy, responsiveness, warranties, and reliability are the five main indications to evaluate X2. Customers' happiness and pleasure in the Wai-Tiddo natural tourist area are boosted by these metrics, representing various aspects of product quality. The Empathy indication stands out with a score of 4.20 (see Figure 2b), firmly positioned in the "Agree" group, as seen in Table 2 above. With such a high score, it's clear that clients greatly appreciate the compassionate service in the Wai-Tiddo tourist region. A high level of empathy is essential for improving product quality since it directly affects the customer experience by making them feel cared for.

Table 2. Response to respondent's thoughts on product quality

No.	Indicator	Respondent's answer					Score	Average
		SD	D	SA	A	SA		
		1	2	3	4	5		
1	Physical evidence	4	0	12	41	33	369	4.10
2	Reliability	3	2	15	43	27	359	3.98
3	Responsiveness	4	5	16	46	19	341	3.78
4	Guarantee and assurance	2	2	13	44	29	366	4.06
5	Empathy	2	0	9	46	33	378	4.20

The high score on the empathy indication indicates that customers in the Wai-Tiddo area feel their issues are truly heard and handled by the staff. Managerial and staff interactions with guests majorly contribute to this high rating. In particular, managers must respond courteously and respectfully when guests inquire about anything or need help. Using this tack, you may win over skeptical consumers and make them feel appreciated. The tourist sector places a premium on human encounters, making empathy in customer service all the more crucial. Customers are more likely to be satisfied, return, and spread the word about a great experience when they feel that the staff is trying their best to make them feel special.

The first endogenous variable in this study is Sustainable Competitive Advantage (Y), which is measured using four key indicators: Price and Value, Consumer Delight, Consumer Experience, and Product Attributes that can be recorded. The indicators in question encompass various factors contributing to sustainable competitive advantage. They specifically target aspects that bolster businesses' long-term success and distinctiveness in the Wai-Tiddo natural tourism area. According to Table 3, the Consumer Delight indicator has a score of 4.05 (see Figure 2c), which falls into the "Strongly Agree" category. Based on the data, it is evident that Consumer Delight is the primary factor contributing to sustainable competitive advantage in

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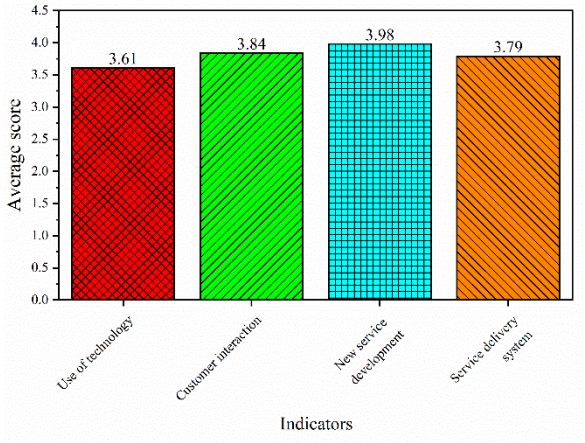
the Wai-Tiddo tourism area. The significant focus on Consumer Delight implies that tourists experience a profound feeling of joy and contentment when they receive particular services that surpass their expectations.

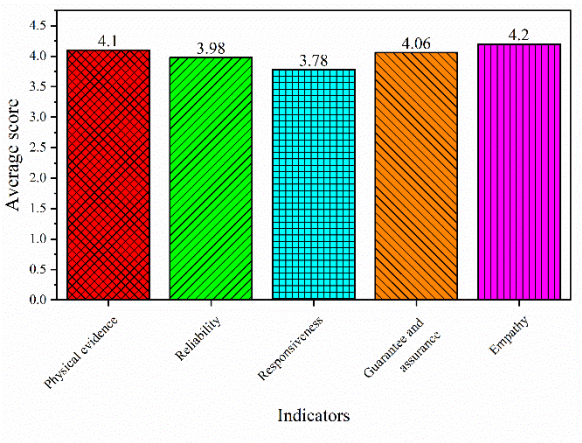
Table 3. Response to respondent's thoughts on sustainable competitive advantage

No.	Indicator	Respondent's answer					Score	Average
		SD	D	SA	A	SA		
		1	2	3	4	5		
1	Price and value	4	4	11	53	18	347	3.85
2	Pleasing to customer	3	1	16	38	32	365	4.05
3	Customer experience	1	4	14	45	26	358	3.97
4	Product attributes that can be logged	5	2	24	31	28	345	3.83

The high score achieved by Consumer Delight underscores the significance of crafting extraordinary and unforgettable experiences for visitors. Competition and choices abound in tourism, and consistently pleasing customers can set you apart. When tourists are pleased, they are more inclined to come back, suggest the destination to others, and positively impact the overall reputation of the area. This finding emphasizes the strategic emphasis on delivering customized and outstanding services that meet tourists' specific preferences and desires. Through this approach, businesses in the Wai-Tiddo natural tourism area can cultivate happiness and satisfaction among their customers, leading to increased loyalty and a sustainable competitive edge. For instance, providing unique experiences, customized services, or thoughtful gestures that make tourists feel appreciated can significantly improve their perception of the service. Whether it's a personalized tour, a surprise upgrade, or a warm and attentive interaction with staff, these small but meaningful actions contribute to the customer's overall satisfaction. The resulting emotional connection not only enhances the individual experience but also strengthens the overall brand image of the tourism area (Huang & Liu, 2018).



(a)



(b)

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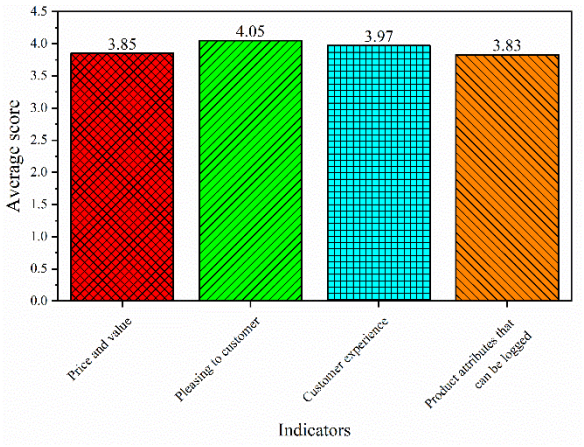

(c)

Figure 2. Summary of respondent results on a) innovation, b) product quality and c) sustainable competitive advantage

In Table 4, the outer loading values for Innovation (X1), Product Quality (X2), and Sustainable Competitive Advantage (Y) are larger than 0.5. This indicates strong individual item dependability because the study's indicators are well-aligned with their latent components. If each indicator has an outer loading value above 0.5, it contributes significantly to the construct it measures, validating the model's construct validity. Outside loadings and AVE values are used to evaluate convergent validity. Convergent validity is essential if indicators measuring a construct converge on a single idea. This can be assessed using the AVE value, which shows the construct's variation relative to measurement error. AVE scores for Innovation (X1), Product Quality (X2), and Sustainable Competitive Advantage (Y) are more than 0.5 in this study. The latent construct explains more than half of the variance in its indicators if its AVE value is larger than 0.5. The indicators' representation of Innovation, Product Quality, and Sustainable Competitive Advantage supports the assessment model's convergent validity.

Table 4. Convergent validity results

Variable	Items	λ	AVE
Innovation (X1)	X1.1	0.825	0.674
	X1.2	0.838	
	X1.3	0.844	
	X1.4	0.774	
Product quality (X2)	X2.1	0.675	0.572
	X2.2	0.760	
	X2.3	0.805	
	X2.4	0.828	
	X2.5	0.703	
Sustainable competitive advantage (Y)	Y1	0.660	0.550
	Y2	0.809	
	Y3	0.794	
	Y4	0.726	

Table 5 shows that all data are discriminant valid because the Heterotrait-Monotrait Ratio (HTMT) is less than 0.9 for every pair of constructs. In structural equation modeling (SEM), discriminant validity is essential to model validation. It makes sure that the constructs being measured are separate and not too correlated with each other. A more recent and rigorous criterion for evaluating discriminant validity than older approaches, such as the Fornell-Larcker

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criterion, is the HTMT ratio. Contrasting the correlations between markers of distinct constructs (heterotrait) with those of the same construct determines the extent to which a construct is unique. When the HTMT score is low, the constructs assess distinct ideas and do not overlap much, which is good news for discriminant validity. All of the construct pairings (X1, X2, and Y) in this study have HTMT values lower than the 0.9 threshold, which indicates innovation, product quality, and sustainable competitive advantage. This proves the measurement model's discriminant validity by showing that the constructs are sufficiently different.

Table 5. Discriminant validity results

Variable	X1	Y	X2
Innovation (X1)	0.821		
Sustainable competitive advantage (Y)	0.702	0.742	
Product quality (X2)	0.758	0.746	0.757

All the variables in Table 6 have Cronbach's Alpha values higher than 0.6. This finding is noteworthy because it shows that all of the study's variables pass the reliability test. This means that the responses from the respondents are consistent across all of the items used to evaluate the constructs. An important metric of internal consistency, Cronbach's Alpha shows the degree to which a scale or measurement instrument's elements are related to one another. The reliability and validity of a scale are enhanced when Cronbach's Alpha value is high since it shows that the items measure the same underlying concept. Each of the three constructs—Innovation (X1), Product Quality (X2), and Sustainable Competitive Advantage (Y)—has items that accurately measure it. This indicates that the items are cohesive and help validate the construct they claim to evaluate.

Table 6. Reliability test result

Variable	Cronbach's alpha	Criteria
Innovation (X1)	0.839	Highly reliable
Product quality (X2)	0.794	Reliable
Sustainable competitive advantage (Y)	0.707	Reliable

Sustainably Competitive Advantage (the dependent variable) is related to the independent variables of Innovation and Product Quality, as shown in Table 7, which summarizes the results of the hypothesis testing. The focus of the first hypothesis is the effect of Innovation (X1) on Long-Term Competitive Advantage (Y). A favorable correlation between innovation and sustainable competitive advantage is suggested by the coefficient value of 0.321. Businesses in the Wai-Tiddo natural tourist area can sustain a competitive edge due to the favorable correlation between innovation efforts and this indicator. Tourist business can strengthen their competitive standing through innovation, which leads to the development of new products and services, improvements in consumer interactions, and the application of modern technologies. The second theory examines how Product Quality (X2) affects Long-Term Competitive Advantage (Y). Product quality and sustainable competitive advantage have a stronger positive association, as the coefficient value 0.502 indicates. This points to the idea that producing high-quality goods is a more important component in gaining and keeping a competitive edge. Customer expectations, trust, and loyalty are greatly influenced by product quality, which is defined by qualities like responsiveness, empathy, and reliability (Sitorus & Yustisia, 2018). There will be noticeable improvements to the competitive edge of enterprises in the Wai-Tiddo natural tourism area as they keep improving the quality of their products and services.

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Table 7. Hypothesis test result

Hypothesis	Relationship	B	T-Value	P-Value	Criteria
H1	X1 → Y	0.321	2.493	0.013	Accepted
H2	X2 → Y	0.502	3.562	0.000	Accepted

As shown by both hypotheses, the positive direction of the correlations suggests that a rise in sustainable competitive advantage is linked to enhancements in innovation and product quality. Research in other fields, such as tourism, has shown that innovation and high-quality products are important factors in gaining a competitive edge (Borsekova et al., 2017). Our findings are in line with that research. According to the positive coefficient values, businesses in the Wai-Tiddo natural tourist area should expect positive results from strategies that focus on improving product quality and innovation. Companies may use these tactics to stand out from the crowd, win over clients, and keep them as customers for the long haul.

CONCLUSION

The study's findings show that all variables are descriptively sound, which bodes well for evaluating the important constructs examined. The study's findings shed light on what drives long-term success in the Wai-Tiddo Nature Tourism area in Luwu Regency's competitive landscape. The main conclusions are these:

1. Research in the Wai-Tiddo Nature Tourism area has shown that new ideas are crucial to maintaining a competitive edge over the long term. Businesses that actively participate in innovative practices, like introducing new services, leveraging technology, and improving customer interactions, can achieve and maintain a competitive advantage in the market. The positive and significant relationship between innovation and sustainable competitive advantage supports this. Businesses can achieve long-term success by embracing innovation. It helps them stand out, satisfy changing client demands, and adapt to changes in the tourism industry.
2. Furthermore, the results stress that high-quality products are essential for maintaining a competitive edge over the long term. Because product quality has a positive and statistically significant effect on sustained competitive advantage, companies in the Wai-Tiddo Nature Tourism area prioritizing providing customers with high-quality goods and services have a better chance of staying ahead of the competition. To maintain a strong position in the market, it is vital to have reliable, responsive, and empathetic products. This will lead to client pleasure and loyalty. In the long run, businesses can get a competitive edge by constantly providing excellent products and services. This will lead to a reputation for excellence, which will draw return visitors and create a loyal customer base.

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