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Marketing and Innovation Capabilities as Drivers of Brand Equity and Marketing Performance: Evidence from Indonesian Private Higher Education

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ABSTRACT

The marketization of higher education has intensified competition among private universities, particularly in emerging economies such as Indonesia. In this context, higher education institutions must strengthen internal capabilities to improve marketing performance. This study examines the effects of marketing capability and innovation capability on marketing performance in Indonesian private higher education institutions, with brand equity and competitive advantage considered as mediating mechanisms. Drawing on the Resource-Based View, a quantitative approach was employed using survey data collected from marketing-related personnel across private universities in Indonesia. The proposed model was tested using Partial Least Squares Structural Equation Modeling (PLS-SEM). The findings reveal that innovation capability significantly enhances brand equity and competitive advantage, while marketing capability positively influences only competitive advantage. Brand equity has a strong positive effect on marketing performance, whereas competitive advantage does not exert a direct effect. Overall, the results suggest that marketing performance in higher education is driven primarily by brand-related assets rather than competitive advantage alone. This study contributes to higher education marketing literature by clarifying how organizational capabilities are translated into market outcomes and offers practical insights for institutional leaders seeking to enhance competitiveness through integrated branding and capability-based strategies.

KEYWORDS

Marketing Capability
Innovation Capability
Brand Equity
Competitive Advantage
Marketing Performance

INTRODUCTION

Over the last two decades, higher education has increasingly shifted into a competitive and market-oriented environment. Universities are no longer positioned solely as academic institutions but have become complex service organizations that must actively compete for students, funding, and reputation. This transformation has been driven by globalization, digitalization, and the growing perception of students as informed decision makers who evaluate educational institutions in a manner similar to other high-involvement services (Hemsley-Brown & Oplatka, 2006; Wilkins & Huisman, 2015). As a result, higher education institutions are now required to pay greater attention

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to marketing-related outcomes, particularly marketing performance, which reflects their ability to attract and retain students and sustain institutional visibility.

The intensification of competition is especially evident among private higher education institutions in emerging economies. In Indonesia, the rapid expansion of private universities has created a crowded educational marketplace in which institutions compete for a limited pool of prospective students. At the same time, student expectations have evolved substantially. Beyond academic credentials, prospective students increasingly assess universities based on perceived quality, institutional reputation, learning experience, and brand image (Ivy, 2018; Rauschnabel et al., 2021). Consequently, marketing performance has become a strategic concern for private higher education institutions seeking long-term sustainability.

Marketing performance in higher education, however, cannot be achieved through promotional activities alone. Prior studies suggest that sustainable performance depends on the presence of organizational capabilities that enable institutions to understand market needs, adapt to environmental changes, and deliver consistent value over time (Day, 1994; Morgan et al., 2019). This perspective aligns with the Resource-Based View (RBV), which argues that differences in organizational performance are primarily driven by internal resources and capabilities that are valuable, rare, inimitable, and non-substitutable (Barney, 1991; Barney et al., 2021). In service-intensive sectors such as higher education, intangible capabilities play a particularly important role due to the experiential and reputation-based nature of educational services.

Marketing capability represents one of the most critical organizational capabilities in this context. It refers to an institution's ability to generate market intelligence, integrate stakeholder knowledge, and deploy marketing resources effectively to design and implement value-creating strategies (Day, 1994; Vorhies & Morgan, 2005). Empirical research across industries consistently demonstrates that marketing capability contributes positively to organizational performance by enhancing market responsiveness, positioning effectiveness, and customer value creation (Hooley et al., 2020; Morgan et al., 2019). In higher education, marketing capability supports institutions in articulating clear value propositions, managing institutional image, and engaging prospective students in meaningful ways.

Alongside marketing capability, innovation capability has gained increasing attention as a key driver of competitiveness and performance. Innovation capability reflects an organization's capacity to develop and implement new ideas, services, or processes that improve value creation and operational effectiveness (Hurley & Hult, 1998; Calantone et al., 2002). Within higher education institutions, innovation capability may be reflected in curriculum renewal, adoption of digital learning technologies, innovative pedagogical approaches, and enhanced student support services. Recent studies highlight that innovation capability is particularly important in education services, where rapid technological change and evolving learner expectations demand continuous adaptation (Pardo et al., 2019; Gupta et al., 2022).

Despite the acknowledged importance of marketing and innovation capabilities, much of the existing literature focuses primarily on their direct effects on organizational performance. Such an approach provides limited insight into the mechanisms through which these capabilities are translated into market outcomes. Marketing scholars increasingly emphasize the need to examine intermediate constructs that explain how capabilities generate value and influence performance (Kozlenkova et al., 2014; Morgan et al., 2019). In higher education, where reputation and perception strongly shape student decision making, understanding these mechanisms is particularly critical.

Brand equity offers an important explanatory mechanism in this regard. Brand equity represents the value added by a brand to an organization's offerings and is reflected in brand awareness, perceived quality, associations, and loyalty (Aaker, 1991; Keller, 2003). In higher education, strong brand equity reduces perceived risk for prospective students, signals institutional credibility, and

enhances trust. Prior research suggests that marketing capability contributes to brand equity by ensuring consistency in communication and stakeholder engagement, while innovation capability reinforces brand value by delivering distinctive and meaningful educational experiences (Foroudi et al., 2019).

Competitive advantage further clarifies how organizational capabilities shape market outcomes. Competitive advantage refers to an institution's ability to outperform competitors by delivering superior value that is difficult to replicate (Porter, 1985). In higher education, competitive advantage may arise from distinctive academic programs, innovative learning environments, or strong external partnerships. Marketing capability enables institutions to position these advantages effectively, while innovation capability supports continuous renewal and adaptation in response to changing market conditions (Teece, 2018). Nevertheless, empirical research rarely examines competitive advantage as a mediating mechanism linking organizational capabilities to marketing performance in the higher education context.

Existing empirical studies also tend to focus on manufacturing firms or commercial service sectors, leaving higher education relatively underexplored in capability-based research. Moreover, much of the available evidence originates from developed economies, where institutional structures and market dynamics differ from those in emerging economies. Consequently, the applicability of prior findings to private higher education institutions in emerging markets remains uncertain (Wilkins & Huisman, 2015; Rauschnabel et al., 2021).

Indonesia provides a particularly relevant empirical setting for addressing these gaps. The country's higher education sector is characterized by intense competition among private universities, increasing pressure to demonstrate relevance and quality, and growing reliance on marketing-driven strategies to attract students. Understanding how marketing capability and innovation capability contribute to brand equity, competitive advantage, and ultimately marketing performance is therefore of both theoretical and practical importance. Accordingly, this study examines the relationships among marketing capability, innovation capability, brand equity, competitive advantage, and marketing performance in Indonesian private higher education institutions, with the aim of advancing higher education marketing research and offering actionable insights for institutional leaders operating in increasingly competitive educational markets.

LITERATURE REVIEW

Marketing performance has long been regarded as a critical indicator of organizational success, particularly in competitive and market-driven environments. In service-oriented sectors such as higher education, marketing performance reflects an institution's ability to attract prospective students, maintain visibility, and sustain favorable perceptions in the marketplace. Unlike purely financial indicators, marketing performance captures how effectively an organization translates its strategic efforts into market outcomes, including awareness, preference, and enrollment growth. As competition intensifies among private higher education institutions, marketing performance increasingly becomes a strategic concern rather than an operational outcome.

Contemporary marketing literature emphasizes that superior marketing performance does not emerge automatically from market participation. Instead, it is largely driven by internal organizational capabilities that enable institutions to sense market changes, respond to stakeholder needs, and deliver value in a consistent manner. This perspective is rooted in the Resource-Based View (RBV), which posits that performance differences among organizations arise from their possession and deployment of valuable and difficult-to-imitate capabilities (Barney, 1991; Barney et

al., 2021). In higher education, where offerings are largely intangible and reputation-driven, such capabilities play a particularly decisive role.

Among these capabilities, marketing capability has been widely recognized as a central determinant of performance. Marketing capability refers to an organization's ability to integrate market knowledge, customer insights, and marketing resources into effective strategies and actions (Day, 1994; Vorhies & Morgan, 2005). Organizations with strong marketing capabilities are better equipped to understand stakeholder expectations, position their offerings effectively, and communicate value propositions clearly. Empirical studies consistently report a positive relationship between marketing capability and firm performance across various contexts (Liu et al., 2015; Morgan et al., 2019). However, much of this evidence originates from manufacturing or commercial service sectors, leaving the higher education context relatively underexplored.

Innovation capability represents another critical organizational capability that has gained prominence in recent years. Innovation capability reflects an organization's capacity to generate, adopt, and implement new ideas, products, or processes that enhance value creation (Hurley & Hult, 1998; Calantone et al., 2002). In higher education institutions, innovation may take the form of curriculum development, adoption of digital learning technologies, innovative pedagogical practices, or improved student service processes. Such innovations are increasingly necessary as students demand flexible, relevant, and technology-enabled learning experiences. Prior research suggests that innovation capability contributes positively to organizational competitiveness and performance, particularly in dynamic environments characterized by rapid change (Gupta et al., 2022; Pardo et al., 2019).

Despite the acknowledged importance of marketing and innovation capabilities, existing research often examines their effects on performance in a fragmented manner, focusing primarily on direct relationships. This approach offers limited insight into the mechanisms through which capabilities are transformed into market outcomes. Marketing scholars increasingly argue that intermediate constructs are essential to explain how organizational capabilities create value and influence performance (Kozlenkova et al., 2014; Morgan et al., 2019). In the context of higher education, brand equity and competitive advantage emerge as particularly relevant mechanisms.

Brand equity refers to the value embedded in a brand that enhances stakeholders' responses to marketing activities. It encompasses brand awareness, perceived quality, associations, and loyalty, all of which contribute to a brand's overall strength (Aaker, 1991; Keller, 2003). In higher education, brand equity plays a critical role in reducing perceived risk and shaping student decision making. Prospective students often rely on brand-related cues when evaluating universities, particularly when direct experience is limited. Empirical studies indicate that strong brand equity enhances marketing performance by increasing preference, loyalty, and word-of-mouth advocacy (Mulyadi et al., 2022; Yoga et al., 2021).

Marketing capability is widely considered a key antecedent of brand equity. Institutions with strong marketing capabilities are more effective in managing brand communication, ensuring message consistency, and aligning institutional identity with stakeholder expectations. Similarly, innovation capability contributes to brand equity by reinforcing perceptions of relevance, quality, and differentiation. Innovations in programs, delivery methods, or student services can strengthen brand associations and enhance perceived value. Prior studies suggest that organizations that consistently innovate are more likely to develop strong and resilient brands (Foroudi et al., 2019).

Innovation capability is also closely linked to competitive advantage. Competitive advantage refers to an organization's ability to deliver superior value relative to competitors in ways that are difficult to imitate (Porter, 1985). In dynamic and competitive markets, innovation enables organizations to differentiate their offerings and respond proactively to changing customer needs. Empirical evidence suggests that innovation capability contributes positively to competitive

advantage by enhancing uniqueness, quality, and adaptability (Hung et al., 2020; Adler & Shenbar, 2020). In higher education, innovative programs and learning experiences can serve as important sources of differentiation.

Marketing capability further reinforces competitive advantage by enabling organizations to position and communicate their unique strengths effectively. Through superior market sensing, segmentation, and positioning, organizations with strong marketing capabilities are better able to translate internal strengths into externally perceived advantages. Previous studies indicate that marketing capability positively influences competitive advantage, which in turn enhances performance outcomes (Kayabasi & Mtetwa, 2016; Elwisam et al., 2019).

Competitive advantage has been widely recognized as a key driver of marketing performance. Organizations that offer superior and distinctive value are more likely to attract and retain customers, achieve favorable market positions, and sustain performance over time. Empirical studies across various sectors show that competitive advantage positively affects marketing performance and often serves as a mediating mechanism between organizational capabilities and performance outcomes (Nuryakin, 2018; Agha et al., 2022). In higher education, competitive advantage may manifest in enrollment growth, stronger institutional reputation, and improved market visibility.

Taken together, the literature suggests that marketing capability and innovation capability influence marketing performance both directly and indirectly through brand equity and competitive advantage. However, empirical studies that examine these relationships simultaneously within a single integrative framework remain limited, particularly in the higher education context and in emerging economies. Addressing this gap is essential to deepen understanding of how organizational capabilities are converted into market outcomes in private higher education institutions.

Based on the foregoing discussion, this study proposes a conceptual framework in which marketing capability and innovation capability serve as key antecedents of brand equity and competitive advantage, which in turn influence marketing performance. Competitive advantage and brand equity are further expected to function as mediating mechanisms that explain the capability–performance relationship.

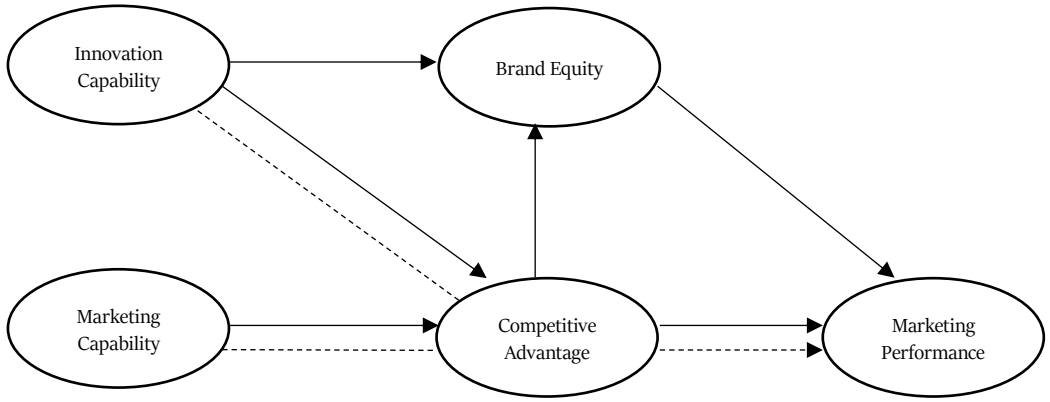

Figure 1. Conceptual framework & hypothesis

Drawing on the Resource-Based View and prior marketing literature, the conceptual framework of this study posits that marketing capability and innovation capability represent strategic organizational resources that shape marketing performance through their effects on brand equity and competitive advantage. The hypotheses proposed are:

H1: Innovation capability has a positive and significant effect on brand equity.

H2: Brand equity has a positive and significant effect on marketing performance.
H3: Innovation capability has a positive and significant effect on competitive advantage.
H4: Competitive advantage has a positive and significant effect on brand equity.
H5: Marketing capability has a positive and significant effect on competitive advantage.
H6: Competitive advantage has a positive and significant effect on marketing performance.
H7: Brand equity mediates the effect of competitive advantage on marketing performance.
H8: Competitive advantage mediates the effect of innovation capability on marketing performance.
H9: Competitive advantage mediates the effect of marketing capability on marketing performance.

RESEARCH METHOD

This study adopted a quantitative research design to examine the relationships among marketing capability, innovation capability, brand equity, competitive advantage, and marketing performance in the context of private higher education institutions in Indonesia. A survey-based approach was employed, as it is appropriate for capturing perceptual and capability-related constructs that cannot be directly observed. The study is explanatory in nature, aiming to test theoretically grounded hypotheses derived from the Resource-Based View and higher education marketing literature.

To analyze the proposed conceptual framework and the hypothesized relationships, this study employed Structural Equation Modeling using the Partial Least Squares (PLS-SEM) technique. PLS-SEM is particularly suitable for this research for several reasons. First, the model involves multiple latent constructs and mediation relationships. Second, the study focuses on theory development and prediction rather than theory confirmation. Third, PLS-SEM is well-suited for applied research in emerging contexts, including higher education institutions, where data often deviate from strict multivariate normality assumptions (Hair et al., 2019).

The population of this study comprised marketing-related personnel working in Indonesian private higher education institutions. These individuals were considered appropriate respondents because they were directly involved in institutional marketing activities, branding initiatives, and competitive positioning. As such, they possessed relevant knowledge regarding marketing capability, innovation practices, brand management, and market performance within their institutions.

Data were collected from private higher education institutions located in Java, Indonesia. A total of 233 valid responses were obtained and used for analysis. Rather than applying a census approach, this study adopted a purposive sampling strategy, whereby respondents were selected based on their functional role in marketing, admissions, promotion, or institutional branding activities. This approach ensures that the sample adequately represents individuals who are knowledgeable about the constructs under investigation.

Measurement Model Assessment

The measurement model was evaluated to assess the reliability and validity of the constructs before testing the structural relationships. Internal consistency reliability was examined using Cronbach's alpha and composite reliability (CR), with threshold values exceeding 0.70 indicating acceptable reliability. Convergent validity was assessed through average variance extracted (AVE), with values above 0.50 indicating that the construct explains more than half of the variance of its indicators.

Discriminant validity was evaluated using the heterotrait–monotrait ratio of correlations (HTMT). HTMT values below 0.85 indicate adequate discriminant validity, ensuring that each construct is empirically distinct from the others. Indicator loadings were also examined, with values

above 0.70 considered satisfactory. Items with marginal loadings were retained only when theoretically justified and when overall construct reliability remained acceptable.

Structural Model Assessment

After establishing the adequacy of the measurement model, the structural model was assessed to test the hypothesized relationships. Collinearity among predictor constructs was examined using variance inflation factors (VIF), with values below 5 indicating no critical multicollinearity issues. The significance of path coefficients was evaluated using a bootstrapping procedure with 5,000 resamples, which provides robust estimates of standard errors and confidence intervals.

The explanatory power of the model was assessed using the coefficient of determination (R^2) for endogenous constructs, indicating the proportion of variance explained by the model. Effect sizes (f^2) were examined to assess the relative impact of exogenous constructs on endogenous variables. Predictive relevance (Q^2) was also evaluated using the blindfolding procedure to assess the model's out-of-sample predictive capability.

Mediation effects were tested by examining the significance of indirect effects using bootstrapping. This approach allows for a rigorous assessment of the mediating roles of brand equity and competitive advantage in the relationships between marketing capability, innovation capability, and marketing performance.

RESULTS

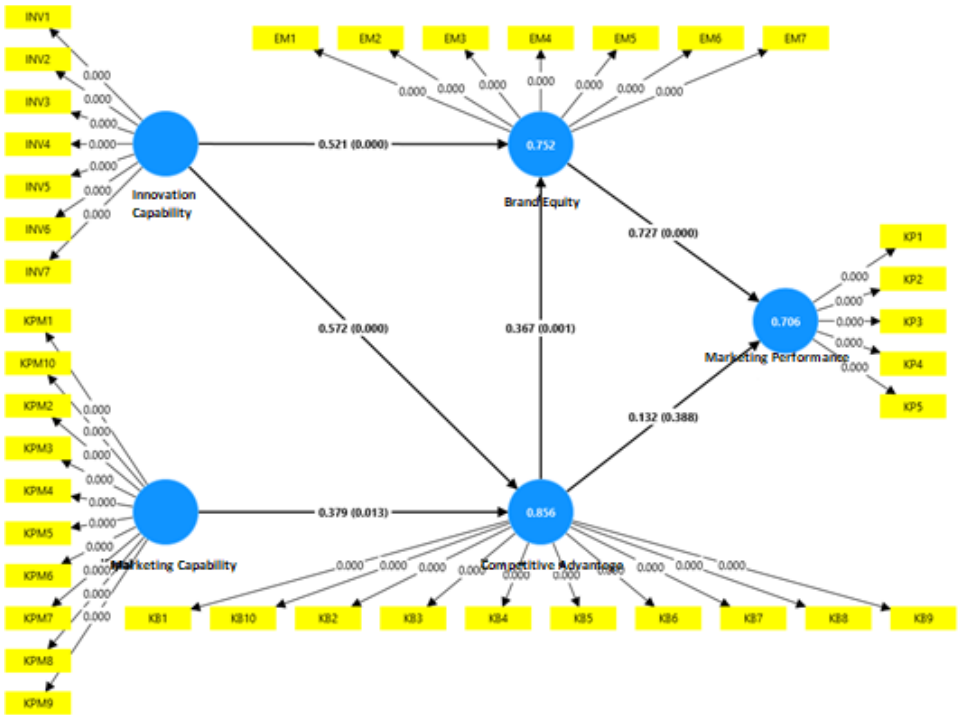

Figure 2. SEM output

The structural model was evaluated using Partial Least Squares Structural Equation Modeling (PLS-SEM) to examine the hypothesized relationships among innovation capability, marketing capability,

brand equity, competitive advantage, and marketing performance in Indonesian private higher education institutions. The significance of the hypothesized paths was assessed using a bootstrapping procedure with 5,000 resamples.

The analysis reveals that innovation capability plays a significant role in strengthening brand equity. The path coefficient from innovation capability to brand equity is positive and statistically significant ($t = 4.820$, $p < 0.001$), providing strong empirical support for the proposed relationship. This finding indicates that private higher education institutions that demonstrate higher levels of innovation—such as curriculum development, adoption of digital learning technologies, and service improvement—tend to build stronger brand equity in the marketplace. Accordingly, H1 is supported.

Brand equity is also found to have a positive and significant effect on marketing performance. The results show a strong relationship between brand equity and marketing performance ($t = 5.224$, $p < 0.001$), suggesting that institutions with stronger brand equity achieve superior marketing outcomes, including improved visibility, attractiveness to prospective students, and perceived market success. This result confirms the strategic importance of brand-related assets in higher education marketing and supports H2.

Innovation capability further demonstrates a significant positive influence on competitive advantage. The path from innovation capability to competitive advantage is statistically significant ($t = 3.719$, $p < 0.001$), indicating that innovative practices contribute to the development of institutional advantages that differentiate private universities from their competitors. This result supports H3 and highlights innovation as a key source of competitive positioning in the higher education sector.

Competitive advantage is also shown to have a significant positive effect on brand equity. The relationship between competitive advantage and brand equity is supported by the data ($t = 3.218$, $p = 0.001$), indicating that institutions perceived as superior or distinctive are more likely to enjoy stronger brand equity. This finding supports H4 and suggests that competitive positioning reinforces brand-related perceptions among stakeholders.

Marketing capability is found to significantly influence competitive advantage. The results indicate a positive and significant relationship between marketing capability and competitive advantage ($t = 2.486$, $p = 0.006$), suggesting that institutions with stronger marketing capabilities—such as effective market sensing, communication, and positioning—are better able to develop and sustain competitive advantages. Thus, H5 is supported.

In contrast, the direct effect of competitive advantage on marketing performance is not supported by the data. The path from competitive advantage to marketing performance is not statistically significant ($t = 0.864$, $p = 0.388$), indicating that competitive advantage alone does not directly translate into improved marketing performance in the sampled higher education institutions. Therefore, H6 is rejected. This result suggests that competitive advantage may require additional mechanisms, such as brand-related processes, to influence market outcomes effectively.

The mediation analysis provides further insight into these mechanisms. The results show that brand equity significantly mediates the relationship between competitive advantage and marketing performance. The indirect effect through brand equity is statistically significant ($t = 3.440$, $p = 0.001$), indicating that competitive advantage enhances marketing performance primarily by strengthening brand equity. This finding supports H7 and underscores the central role of brand equity as a transmission mechanism in higher education marketing.

However, competitive advantage does not mediate the relationship between innovation capability and marketing performance. The indirect effect of innovation capability on marketing performance through competitive advantage is not statistically significant ($t = 0.802$, $p = 0.423$), leading to the rejection of H8. This result suggests that while innovation contributes to competitive advantage, this

advantage does not directly convert into marketing performance without the presence of other intervening factors.

Similarly, the mediating role of competitive advantage in the relationship between marketing capability and marketing performance is not supported. The indirect effect is not statistically significant ($t = 0.792$, $p = 0.429$), resulting in the rejection of H9. This finding indicates that marketing capability influences competitive advantage, but this pathway alone is insufficient to explain improvements in marketing performance.

Overall, the results suggest a nuanced capability–performance mechanism in Indonesian private higher education institutions. Innovation capability and marketing capability contribute to brand equity and competitive advantage; however, marketing performance is primarily driven by brand equity rather than by competitive advantage alone. Competitive advantage appears to influence marketing outcomes indirectly through brand-related mechanisms, highlighting the critical role of brand equity in translating internal capabilities into market success.

DISCUSSION

This study examines how marketing capability and innovation capability influence marketing performance in Indonesian private higher education institutions, with particular attention to the mediating roles of brand equity and competitive advantage. The findings provide important insights into how internal capabilities are transformed into market outcomes in a service-dominant and reputation-driven sector, and they extend prior research on capability-based performance mechanisms in emerging economy contexts.

The results indicate that innovation capability has a positive and significant effect on brand equity. This finding reinforces the view that innovation is a critical driver of brand value in higher education, where institutional relevance and adaptability strongly shape stakeholder perceptions. Prior studies have argued that innovation signals competence, responsiveness, and future orientation, which are essential attributes for building strong brands in service industries (Hurley & Hult, 1998; Foroudi et al., 2019). In higher education, innovations such as industry-aligned curricula, digital learning platforms, and flexible learning models enhance perceptions of quality and credibility, thereby strengthening brand equity.

From a theoretical standpoint, this finding aligns with the Resource-Based View, which emphasizes that intangible capabilities—such as innovation—can serve as valuable and difficult-to-imitate resources that underpin sustained advantage (Barney, 1991; Barney et al., 2021). In contrast to manufacturing contexts, innovation in higher education is not confined to technology adoption but extends to pedagogical design, service delivery, and stakeholder engagement. When innovation is embedded in institutional strategy and consistently experienced by students and partners, it reinforces favorable brand associations and contributes to long-term brand strength (Keller, 2003).

The findings further confirm that brand equity has a strong and positive effect on marketing performance. This result is consistent with prior research showing that strong brands enhance market outcomes by reducing perceived risk, increasing preference, and fostering loyalty (Aaker, 1991; Mulyadi et al., 2022). In higher education, student choice is a high-involvement decision characterized by uncertainty and long-term consequences. As such, prospective students rely heavily on brand-related cues—such as reputation and perceived quality—when evaluating institutions (Hemsley-Brown & Oplatka, 2006; Rauschnabel et al., 2021). Institutions

with strong brand equity therefore benefit from greater marketing efficiency, as promotional efforts are more readily accepted and amplified through word-of-mouth.

The positive effect of innovation capability on competitive advantage further highlights innovation as a key mechanism for differentiation in the higher education market. Prior studies suggest that innovation enables organizations to offer unique value propositions that distinguish them from competitors, particularly in dynamic and competitive environments (Calantone et al., 2002; Hung et al., 2020). In the context of private higher education institutions, innovation-driven differentiation may arise from novel academic programs, digitally enabled learning experiences, or strong industry linkages that enhance graduate employability. These elements contribute to competitive positioning by signaling relevance and distinctiveness.

Competitive advantage is also found to have a positive and significant effect on brand equity. This finding supports the argument that brand value is built upon substantive institutional strengths rather than symbolic communication alone. When stakeholders perceive an institution as superior—whether in terms of academic quality, program relevance, or graduate outcomes—these perceptions become embedded in the brand, enhancing its equity (Porter, 1985; Keller, 2003). This result underscores the interdependence between competitive advantage and branding, whereby competitive advantage provides the substance of differentiation and brand equity reflects how that differentiation is perceived and valued by the market.

The study further demonstrates that marketing capability positively influences competitive advantage. This finding is consistent with prior research suggesting that marketing capability enables organizations to translate internal resources into externally recognized advantages through effective positioning and communication (Vorhies & Morgan, 2005; Kayabasi & Mtetwa, 2016). In higher education, marketing capability allows institutions to articulate their strengths, manage institutional image, and engage stakeholders through digital and relational channels. As value in education is co-created through communication and experience, marketing capability plays a critical role in reinforcing competitive advantage.

In contrast, the direct effect of competitive advantage on marketing performance is not supported. This finding suggests that possessing competitive advantages alone does not guarantee superior marketing outcomes in higher education. Similar observations have been reported in prior studies, which note that advantages must be recognized and valued by stakeholders to influence market behavior (Morgan et al., 2019). In educational markets, factors such as reputation, emotional attachment, and peer influence may outweigh objective indicators of superiority. Consequently, competitive advantage appears insufficient to drive marketing performance without complementary brand-related processes.

This interpretation is reinforced by the mediation analysis, which shows that brand equity fully mediates the relationship between competitive advantage and marketing performance. Competitive advantage enhances marketing performance primarily by strengthening brand equity, rather than through a direct pathway. This finding echoes branding research that positions brand equity as a key mechanism through which organizational strengths are converted into market outcomes (Aaker, 1991; Foroudi et al., 2019). Without strong brand equity, competitive advantages may remain underutilized and fail to influence stakeholder decision-making.

The study also finds that competitive advantage does not mediate the relationship between innovation capability and marketing performance. Although innovation contributes to both

brand equity and competitive advantage, its indirect effect on marketing performance through competitive advantage is not significant. This result suggests that innovation does not automatically generate market success unless it leads to clear and recognized differentiation. Prior research has noted that innovations that are incremental or widely adopted may fail to produce a distinctive advantage, particularly in sectors where imitation is relatively easy (Teece, 2018).

Finally, the results indicate that competitive advantage does not mediate the relationship between marketing capability and marketing performance. Instead, marketing capability appears to exert a direct influence on marketing performance. This finding supports studies suggesting that effective marketing execution—such as digital engagement, content management, and relationship building—can drive market outcomes even in the absence of strong differentiation (Hooley et al., 2020). In higher education, strong marketing capability may compensate for limited competitive advantage by enhancing visibility, emotional connection, and stakeholder engagement.

Overall, the findings reveal a complex capability–performance mechanism in Indonesian private higher education institutions. Innovation capability and marketing capability contribute to brand equity and competitive advantage, but marketing performance is driven primarily by brand equity rather than by competitive advantage alone. Brand equity emerges as the central mechanism through which internal capabilities are translated into market success. These results extend prior research on higher education marketing and provide a more nuanced understanding of how capability-based strategies operate in emerging economy contexts.

CONCLUSION

This study was motivated by the growing competitive pressure faced by private higher education institutions in Indonesia and the need to better understand how internal organizational capabilities are transformed into marketing performance. Drawing on the Resource-Based View and higher education marketing literature, the study examines the roles of marketing capability and innovation capability in shaping marketing performance, with particular attention to the mediating effects of brand equity and competitive advantage.

The findings provide clear answers to the research questions formulated in the background of this study. First, the results demonstrate that both innovation capability and marketing capability play important roles in shaping strategic assets within private higher education institutions. Innovation capability significantly strengthens brand equity and competitive advantage, indicating that institutions that continuously renew their academic offerings, learning processes, and service systems are more likely to be perceived as relevant, credible, and distinctive. This finding confirms that innovation is a critical capability for higher education institutions operating in dynamic and market-oriented environments.

Second, the study finds that brand equity has a strong and positive effect on marketing performance. This result underscores the central role of brand-related assets in higher education marketing, where student choice is shaped by perceptions of quality, reputation, and trust. Institutions with strong brand equity are better positioned to attract prospective students, enhance marketing efficiency, and sustain market visibility. In contrast, competitive advantage does not exert a direct effect on marketing performance, suggesting that institutional superiority

alone is insufficient to drive market outcomes unless it is translated into positive brand perceptions.

Third, the mediation analysis provides important insights into the mechanisms linking capabilities and performance. Brand equity is found to mediate the relationship between competitive advantage and marketing performance, indicating that competitive advantages influence market outcomes primarily through brand-related processes. This finding highlights brand equity as a key transmission mechanism that converts internal strengths into externally valued outcomes. Conversely, competitive advantage does not mediate the relationships between innovation capability or marketing capability and marketing performance. These results suggest that innovation and marketing efforts must be strategically aligned with branding activities to generate sustainable marketing outcomes.

Overall, the study contributes to higher education marketing literature by demonstrating that marketing performance in private universities is driven less by competitive advantage per se and more by the institution's ability to build and leverage brand equity. Marketing capability emerges as a direct driver of marketing performance, while innovation capability strengthens brand equity and competitive positioning. Together, these findings emphasize the importance of an integrated capability-based strategy that aligns innovation, marketing execution, and brand management.

Despite its contributions, this study is subject to several limitations that should be acknowledged. First, the study relied on cross-sectional data, which limits the ability to capture dynamic changes in capabilities, brand equity, and marketing performance over time. Higher education branding and capability development are inherently longitudinal processes, and future studies may benefit from longitudinal designs to examine causal relationships more robustly.

Second, the data were collected from marketing-related personnel within private higher education institutions in Indonesia. While this approach ensures informed responses, it may also introduce perceptual bias, as the measures reflect internal assessments rather than external stakeholder perspectives. Incorporating data from prospective students, alumni, or industry partners could provide a more comprehensive view of brand equity and marketing performance.

Third, the study focused on private higher education institutions in a specific regional and national context. Although this context is theoretically relevant, the findings may not be fully generalizable to public universities or to higher education systems in developed economies with different institutional structures and competitive dynamics.

Future research may extend this study in several directions. Longitudinal studies could explore how innovation and marketing capabilities evolve over time and how they influence brand equity and marketing performance across different stages of institutional development. Comparative studies between private and public universities, or across countries with varying levels of marketization in higher education, would also enrich understanding of contextual differences. Additionally, future research could incorporate additional mediating or moderating variables, such as service quality, student experience, digital engagement, or institutional legitimacy, to further unpack the capability–performance relationship. Examining the role of digital branding and data-driven marketing strategies may be particularly relevant given the increasing reliance on online platforms in student decision-making.

Finally, future studies could adopt mixed-method approaches to complement quantitative findings with qualitative insights from institutional leaders and students. Such approaches would deepen understanding of how capabilities are enacted in practice and how brand equity is experienced by key stakeholders.

In conclusion, this study highlights the pivotal role of brand equity in translating innovation and marketing capabilities into marketing performance in private higher education institutions. By advancing a capability-based perspective on higher education marketing, the study offers both theoretical insights and practical guidance for institutions seeking to remain competitive and relevant in an increasingly market-oriented educational landscape.

MANAGERIAL IMPLICATION

The findings of this study generate several important implications for both theory and practice in the field of higher education marketing, particularly within the context of private universities in emerging economies such as Indonesia.

From a theoretical perspective, this study contributes to the extension of the Resource-Based View (RBV) in the higher education context by demonstrating how intangible organizational capabilities are transformed into marketing outcomes through specific mechanisms. While prior research has often examined marketing capability and innovation capability as direct antecedents of performance, the results of this study highlight the central role of brand equity as a key explanatory mechanism. The findings suggest that brand equity functions as a critical bridge that connects internal capabilities and competitive positioning to marketing performance in higher education. This insight advances existing literature by moving beyond simplified direct-effect models and offering a more nuanced understanding of the capability–performance relationship in service-dominant and reputation-driven sectors.

Moreover, the study provides empirical support for the argument that competitive advantage alone is insufficient to explain marketing performance in higher education. Instead, competitive advantage must be translated into strong brand equity in order to generate tangible market outcomes. This finding refines existing theories of competitive advantage by emphasizing the importance of stakeholder perception and brand-related processes in educational markets. The study also contributes to innovation literature by showing that innovation capability strengthens brand equity and competitive advantage, but does not automatically lead to superior marketing performance unless it is aligned with branding and communication strategies. In doing so, the study responds to calls for more context-specific research on capability-based mechanisms in non-commercial service sectors and emerging economies.

From a managerial perspective, the findings offer several actionable insights for leaders and marketing managers of private higher education institutions. First, the results underline the strategic importance of brand equity as a primary driver of marketing performance. University managers should recognize that investments in branding are not merely cosmetic but play a fundamental role in improving student recruitment, institutional visibility, and stakeholder trust. Efforts to strengthen brand equity should focus on delivering consistent and positive experiences across academic services, student support, and external engagement, rather than relying solely on promotional campaigns.

Second, the positive effects of innovation capability on both brand equity and competitive advantage suggest that innovation should be treated as a long-term strategic investment. However, managers should ensure that innovation initiatives—such as curriculum updates, digital learning platforms, or industry partnerships—are clearly communicated to the market and integrated into the institution's brand narrative. Innovations that remain internal or poorly articulated may fail to generate meaningful market impact. Therefore, aligning innovation strategy with marketing communication is essential for maximizing its value.

Third, the finding that marketing capability directly influences marketing performance highlights the importance of strengthening marketing-related skills and resources within higher education institutions. Practical steps may include investing in digital marketing technologies, enhancing data analytics capabilities to better understand prospective student behavior, and providing continuous training for marketing teams. Effective storytelling, social media engagement, and relationship-based marketing can significantly improve marketing outcomes, even in highly competitive environments.

Finally, the lack of a direct effect of competitive advantage on marketing performance suggests that institutions should not assume that possessing superior programs or facilities will automatically translate into market success. Instead, managers must focus on how these advantages are perceived and experienced by stakeholders. By prioritizing brand-building efforts and enhancing marketing capabilities, private higher education institutions can more effectively convert their internal strengths into sustainable marketing performance.

Overall, these implications highlight the need for an integrated strategic approach in higher education marketing—one that aligns innovation, marketing capability, competitive positioning, and brand equity to achieve sustainable market success.

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