

Leveraging Digital Customer Orientation for Business Model Innovation and Enterprise Transformation: A Cosmetics Sector Perspective

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Abstract

This research examines the impact of digital customer orientation on business model innovation and enterprise transformation performance within the cosmetics industry. Through theoretical analysis and empirical validation, it identifies four dimensions of digital customer orientation: digital customer positioning, interactive value creation, ecosystem construction, and data analysis support. Findings suggest a positive association between digital customer orientation and business model innovation, particularly driven by data analysis support. Additionally, business model innovation mediates the relationship between digital customer orientation and enterprise transformation performance. Organizational flexibility and environmental turbulence are observed as moderating factors, emphasizing the significance of adaptability and market dynamics in digital transformation endeavors. The study offers strategic insights for marketing practitioners and underscores the importance of leveraging big data for market positioning in the cosmetics sector.



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1. Introduction

1.1 Background of Study

The digital transformation, driven by technological advancements and societal progress, has permeated various sectors, including the cosmetics industry. This transformation, characterized by the adoption of digital technologies, has significantly influenced product innovation, marketing strategies, and supply chain management within the cosmetics sector. Technological advancements such as artificial intelligence, big data analytics, and the Internet of Things have empowered cosmetics companies with enhanced data analytics capabilities and predictive insights. Moreover, the growing demand for beauty and personal care products due to socioeconomic development has further fueled the digital transformation in this industry (Law et al., 2019a; Law et al., 2019b). This digital shift has revolutionized the cosmetics industry in multiple aspects. Firstly, digital technologies have expedited the product development cycle and enhanced product quality and innovation. Collaboration with technology firms has enabled cosmetics companies to explore avenues like 3D printing for personalized product offerings, catering to the rising demand for customized solutions (Law et al., 2019a). Secondly, digital transformation has revolutionized marketing endeavors by facilitating direct and personalized interactions with consumers through platforms like social media and e-commerce channels. Leveraging big data and AI, companies can now discern consumer preferences more accurately, thereby tailoring products and services to individual needs (Law et al., 2019b). Additionally, in supply chain management, digitalization has facilitated logistics tracking and enhanced supply chain visibility, thus improving efficiency and responsiveness (Sun et al., 2024). However, this digital journey is not without its challenges. Enterprises must navigate issues such as the need for technical expertise, collaborative efforts with technology partners, and the balance between online and offline channels. Moreover, establishing trust and connection with consumers amidst digital transformations remains imperative (Law et al., 2019a; Law et al., 2019b; Sun et al., 2024). Despite the opportunities presented by digital transformation, the cosmetics industry must confront these challenges to ensure sustainable growth.

1.2 Problem Statement

While traditional notions of customer orientation have underscored the importance of understanding and creating value for customers, the advent of the digital era necessitates a reevaluation of these concepts. Existing research has explored customer orientation in digital environments, yet there is a dearth of literature elucidating the theoretical underpinnings and dimensions of "digital customer orientation." Drawing upon platform ecosystem theory, dynamic capability theory, and value creation theory, this study proposes a novel framework to conceptualize digital customer orientation within the cosmetics industry (Narver & Slater, 1990; Teece, 2007; Kumar & Reinartz, 2016). Furthermore, emerging concepts such as digital customer positioning, interactive value creation, ecosystem construction, and data analysis support offer valuable insights into the dimensions of digital customer orientation. By integrating these concepts, this study seeks to delineate the multifaceted nature of digital customer orientation and its implications for cosmetics enterprises (Pralhad & Ramaswamy, 2010; Adner, 2017; Bharadwaj et al., 2013). Additionally, exploring the nexus between business model innovation, organizational flexibility, and environmental volatility elucidates the mechanisms through which digital customer orientation influences transformational performance (Casadesus Masanell & Zhu, 2013; Volberda, 1996; Joshi, 2016). In sum, this study aims to address the lacuna in the understanding of digital customer orientation within the cosmetics industry by proposing a comprehensive framework grounded in established theories and emerging concepts. By elucidating the dimensions and mechanisms of digital

customer orientation, this research endeavors to offer actionable insights for cosmetics enterprises embarking on digital transformation journeys.

1.3 Research Questions and Objectives

This study focuses on Chinese cosmetics enterprises, proposing a novel concept of digital customer orientation within the framework of digital technology-driven customer relationship management and enterprise strategy formulation. The specific inquiries addressed are:

- (1) What is the interplay among digital customer orientation, business model innovation, and corporate transformation performance?
- (2) Does business model innovation serve as a mediator between digital customer orientation and corporate transformation performance?
- (3) To what extent do organizational flexibility and environmental volatility moderate the relationship between digital customer orientation and corporate transformation performance?

The objectives of this study are:

- (1) To verify the association between digital customer orientation and business model innovation and their impact on enterprise transformation performance.
- (2) To assess the mediating effect of business model innovation in the relationship between digital customer orientation and enterprise transformation performance.
- (3) To explore the moderating influence of organizational flexibility and environmental turbulence on the relationship between digital customer orientation and enterprise transformation performance.

1.5 Significance of the Research

This study holds significant theoretical value by introducing the concept of "digital customer orientation," thereby expanding the scope of existing theories in digital marketing and customer relationship management. Unlike previous studies primarily focused on conventional customer orientation, this research pioneers the conceptualization and measurement of digital customer orientation, thus contributing to foundational theories in the field. Furthermore, by investigating how digital customer orientation drives enterprise transformation performance through business model innovation, this study advances understanding of both business model innovation and digital transformation, particularly within the cosmetics industry. By integrating theories from customer orientation, innovation, and organizational capability, this research establishes a comprehensive framework for enhancing corporate performance. In addition to its theoretical contributions, this study offers practical insights for cosmetic companies aiming to implement digital customer-oriented strategies. It emphasizes the importance of comprehending digital customer behavior and utilizing digital interaction platforms for value creation. Moreover, by establishing a research system and theoretical model for business model innovation in cosmetics enterprises, this study facilitates the industry's innovation and transformation, aligning it with the requirements of the digital economy. Finally, by examining the boundary conditions of digital customer orientation on corporate transformation performance, this research assists enterprises in navigating dynamic internal and external environments, thereby enhancing their agility and adaptability during digital transformation.

2. Literature Review

2.1 Digital Customer Orientation

In the trajectory of conceptual research on customer orientation over the past three decades, scholars have delineated two predominant perspectives: one from a cultural lens regarding customer orientation as a corporate ethos, and another from a behavioral standpoint treating

it as a decision-making process. These perspectives differ in their conceptualization and measurement approaches due to distinct practical contexts and theoretical foundations. For instance, Narver and Slater (1990) assert that customer orientation emanates from corporate culture, prioritizing profit generation and customer value creation, while Kohli and Jaworski (1990) focus on customer-oriented behavior, encompassing market information gathering and analysis for strategic execution. Moreover, discussions have arisen concerning the contextual nuances shaping customer orientation strategies, particularly within platform enterprises, scrutinizing the emergence and evolution of customer orientation within specific environments (Chakravarty, Kumar, & Grewal, 2014; Ramani & Kumar, 2008). In response to the digital economy's imperatives, this study draws on dynamic capability theory and value creation theory, extending beyond the confines of the cosmetics industry and embracing the dynamics of coevolution and interdependence within platform ecosystems. Consequently, the concept of digital customer orientation emerges, characterized by its focus on tailored customer experiences facilitated by platform ecosystem establishment, fostering continual value generation based on real-time customer insights (Sun & Zuo, 2024). Scholars advocate for systematic operationalization of new concepts following thorough conceptual analysis (Hinkin, 1998). Building upon the deductive approach, this study identifies four theoretical dimensions of digital customer orientation: digital customer positioning, interactive value creation, ecosystem construction, and data analysis support. Digital customer positioning underscores the centrality of digital customers in marketing strategies, emphasizing proactive engagement with them across various touchpoints (Qi & Xiao, 2020). Interactive value creation highlights customer involvement in value co-creation processes, leveraging emerging technologies to enhance engagement and customization (Rangaswamy et al., 2020). Ecosystem construction entails orchestrating collaborative networks to enrich business models and sustain ecosystem vitality (Jacobides, Cennamo, & Gawer, 2018). Finally, data analysis support underscores the criticality of harnessing data insights to comprehend and predict digital customer needs, thus informing strategic decision-making (Reinartz, Wieg, & Imschloss, 2019). In essence, digital customer orientation embodies a holistic approach to marketing strategy formulation, leveraging digital technologies to forge deeper connections with customers, foster value co-creation, cultivate robust ecosystems, and derive actionable insights from data analytics.

2.2 Business Model Innovation

Business model innovation has emerged as a critical concern for enterprises due to technological advancements, globalization, shifts in the competitive landscape, and evolving customer demands (Narayan, Sidhu, & Volberda, 2021). Unlike product or process innovation, business model innovation involves reconfiguring existing business models' components to bring novelty to customer value propositions and enterprise structures (Narayan, Sidhu, & Volberda, 2021). Teece (2018) emphasizes that the primary goal of business model innovation is not to create new technologies or markets but to enhance the value and rarity of existing products while improving the enterprise's ability to seize opportunities or mitigate environmental threats using available resources. A notable trend in business model innovation is the transition from selling products to offering result-based services, reflecting enterprises' exploration of new value creation and acquisition methods (Casadesus Masanell & Zhu, 2013). Scholars now commonly agree that business models consist of four main elements: value proposition, value creation, value transmission, and value acquisition (Hock et al., 2021). Throughout the innovation process, these elements or their relationships should undergo innovation to include resource allocation, market, and organizational innovations (Foss & Saebi, 2017). Academic perspectives on business model innovation vary. Some view it as a process of planned changes within business models, exploring new architectural designs (Foss

& Saebi, 2017). Others define it as a new approach to value creation and acquisition by altering one or more components of the business model (Chasin et al., 2020). Furthermore, practical research often focuses on emerging business model types like platform or free models rather than providing a general definition (Chandna & Salimath, 2018). Internal factors such as organizational capabilities, technological advancements, and leadership traits play pivotal roles in encouraging business model innovation (Teece, 2018). For instance, digital technology facilitates innovation by introducing new value creation methods, exchange mechanisms, and organizational forms (Li, 2020). Additionally, the ability to acquire, absorb, and utilize knowledge is essential for generating innovative business models and increasing enterprise value (Bhatti et al., 2021). In conclusion, business model innovation is a multifaceted process driven by various internal and external factors, including technological advancements, customer demands, and leadership capabilities. Understanding and leveraging these factors are crucial for enterprises seeking to maintain and enhance their competitive positions in dynamic markets.

2.3 Digital Transformation Performance

Digital transformation is widely acknowledged as a catalyst for enhancing enterprise performance across various dimensions. Scholars argue that digitalization leads to improvements in operational, economic, and organizational performance (Lou, 2021). Through the integration of technologies such as big data and artificial intelligence, supply chain operations are streamlined, resulting in enhanced operational efficiency and communication with customers (Lou, 2021). Research by Zhao (2020) and He (2019) confirms that digital transformation significantly boosts innovation capacity and economic performance in manufacturing enterprises. Moreover, digital transformation revolutionizes business organization models, shifting from producer-centered to consumer-centered approaches. Consumers' direct involvement in production processes fosters efficient cooperation, inventory management, and resource allocation, consequently improving organizational performance (Lou, 2021). Additionally, expanded sales channels facilitated by digital platforms contribute to further enhancements in enterprise performance. However, conflicting findings exist regarding the impact of digital transformation on corporate performance. Qi (2020) suggests that the effects of digitalization on performance vary depending on management and sales activities, leading to an overall non-significant impact. Guo and Shen (2020) attribute this to the high initial investment required for digital transformation, which may not yield immediate performance improvements. These varying research conclusions may stem from industry, regional, and property rights heterogeneity. Industries with strong digital technology foundations tend to benefit more from digital transformation, while those with weaker foundations may experience performance declines (Lou, 2021). Regional disparities also influence the effectiveness of digital transformation, with more developed regions reaping greater performance benefits compared to less developed ones. Additionally, differences in property rights, such as state-owned versus private enterprises, affect the outcomes of digital transformation initiatives, with private enterprises often experiencing more profit-oriented gains (Lou, 2021). In conclusion, while digital transformation holds the potential to significantly enhance enterprise performance, its effects vary based on industry, region, and property rights considerations.

2.5 Theoretical Basis

2.5.1 Platform Ecosystem Theory

Platform ecosystem theory, originating from biology, describes the interdependent relationship between organisms and their environment (Han & Deng, 2020). Moore (1993) introduced this concept to management, defining it as an "economic consortium" reflecting

interdependence between organizations or individuals. With the rise of the digital economy, interest in ecosystem studies surged across industries (Han & Deng, 2020). Notably, the platform ecosystem gained traction, evident in Alibaba's 2014 prospectus mentioning "ecosystem" over 160 times, signaling broad interest beyond high-tech sectors (Jacobides, Cennamo, & Gawer, 2018). In strategic management research, ecosystem studies saw a sevenfold increase in top journals over five years, focusing on commercial, innovation, service, and platform ecosystems (Jacobides, Cennamo, & Gawer, 2018). The platform ecosystem, particularly, emphasizes digital interactive platforms and the interdependence between platform owners and participants, comprising both digital platforms and complementary suppliers (Ceccagnoli et al., 2012). Defined by platform enterprises, the platform ecosystem fosters multilateral interactions with an open architecture attracting diverse participants (Jacobides, Cennamo, & Gawer, 2018). This model facilitates shared value creation and institutional logic among participants (Hein et al., 2019). Structurally, the platform ecosystem ensures structural flexibility, integrity, shared worldviews, and participatory architectures, promoting collaboration and interaction (Tilson, Lyytinen, & Sorensen, 2010; Lusch & Nambisan, 2015; Hein et al., 2019). Platform ecosystems address coordination challenges uniquely, utilizing participants, technology, and institutions (Jacobides, Cennamo, & Gawer, 2018). Participants include producers, complementers, and consumers, while technology encompasses shared frameworks, and institutions represent regulatory bodies and cultural contexts (Gawer & Cusumano, 2014; Eloranta & Turunen, 2016). Microscopically, platforms involve providers, complementary asset suppliers, and consumers, constructing ecosystems through participants, value elements, matching mechanisms, and interaction processes (Helfat & Campo Rembado, 2016; Teece, 2018; VanAlstyne, Parker, & Choudary, 2016; Jacobides, Cennamo, & Gawer, 2018). In essence, the platform ecosystem's architecture facilitates shared value creation, matching mechanisms, and meaningful interactions, crucial for its success and evolution.

2.5.2 Dynamic Capability Theory

Dynamic capability theory offers insights into how organizations adapt to changing environments, extending the resource-based view to explain long-term competitive advantages (Ambrosini & Bowman, 2010). Both theories emphasize the coordination of valuable resources for value creation (Ambrosini & Bowman, 2010). However, while the resource-based view suggests sustained competitive advantages, dynamic capability theory posits that competitors erode these advantages over time (Teece, 2018). Consequently, dynamic capabilities become pivotal in updating resources and capabilities in response to market changes (Teece, 2007). Dynamic capability refers to an enterprise's capacity to integrate, construct, and reconfigure resources to navigate dynamic business environments (Teece, 1997). Helfat and Raubitschek (2018) expand this definition to include profitability enhancement through various organizational changes. It involves management behaviors aligning with resource-based advantages and organizational values (Huy & Zott, 2019). Dynamic capabilities encompass perception, capture, and transformation abilities necessary for business model design and operation, crucial for enterprise evolution (Teece, 2018). Effective dynamic capabilities enable businesses to seize new opportunities by managing and improving business models (Teece, 2007). Designing and implementing new business models are integral to this process (Helfat & Martin, 2015). Velu (2017) emphasizes the role of dynamic capabilities in coordinating resource allocation and supporting digital business model evolution. Moreover, organizations need dynamic capabilities to navigate uncertain environments, utilizing perception, integration, and absorption abilities to capitalize on market opportunities (Jiao, Yang, & Ying, 2021). Scholars have constructed frameworks to understand dynamic capabilities, focusing on perception, opportunity seizing, and asset restructuring

(Teece, 2014). Perception involves continuous environmental scanning, enabling organizations to identify opportunities and threats (Teece, 2007). Seizing opportunities entails selecting and exploiting market opportunities aligned with organizational strengths (Helfat & Peteraf, 2015). Asset restructuring involves optimizing resources to maintain competitive advantages (Teece, 2014). Helfat and Raubitschek (2018) propose a framework for dynamic capabilities in digital multilateral platform ecosystems, emphasizing innovation, environmental scanning, and integration capabilities. Innovation capability facilitates ecosystem-wide innovation, while environmental scanning enables early threat detection and opportunity identification. Integration capability fosters internal and external coordination, supporting business model adaptation (Chen, Qian, & Narayanan, 2017). In conclusion, dynamic capability theory provides a framework for understanding how organizations adapt to dynamic environments, emphasizing innovation, perception, and integration as key drivers of success.

2.5.3 Value Creation Theory

Value creation theory is fundamental in understanding marketing decisions and predicting customer behavior. It revolves around creating and delivering value to customers, impacting a company's long-term profitability (Schwepker, 2018). Value, perceived by customers, encompasses product attributes, quality, and functionality, influencing goal achievement (Corsaro & Snehota, 2010). In marketing, value is subjective, shaping customer behavior and business relationships (Eggert et al., 2018). The theory entails creating value for customers through marketing mix and customers providing value in return through participation (Kumar & Pansari, 2016). Value creation occurs throughout the purchasing decision process, from pre-purchase to post-purchase stages (Lemon & Verhoef, 2016). Customer value perspective evolves in three stages: from transferring economic value concepts to marketing, expanding to ongoing exchange relationships, and embracing service-oriented logic (Vargo & Lusch, 2004; He & Zhang, 2022). Scholars define customer value as the balance between benefits and costs perceived by customers (Ulaga & Chacourt, 2001). The concept evolves from perceived value to value co-creation, emphasizing joint value design by suppliers and customers (Vargo & Lusch, 2015). Digital technology amplifies customer roles, emphasizing user value leadership (Zhu et al., 2017). Automation, personalization, interactivity, transparency, and control enhance value creation on digital interaction platforms (Reinartz et al., 2019). Enterprise value creation involves extracting profits from customer value (Kumar & Reinartz, 2016). It encompasses adaptability, profitability, and competitive advantage duration (Li & Feng, 2004). Enterprise value creation strategies balance customer and organizational value, aiming for profitability (Aspara & Tikkanen, 2013). Enterprises transition from value proposition to product/service promotion, co-creating value with customers (Vargo & Lusch, 2004). Digitalization shifts value creation to value networks, fostering open, borderless development (Li & Yan, 2020). Platforms balance cooperative and competitive relationships with customers, navigating short-term and long-term interests (Kumar, 2010). In conclusion, value creation theory, spanning customer and enterprise perspectives, evolves with digitalization, emphasizing co-creation and networked value. This theoretical framework informs digital transformation strategies, highlighting the role of organizational flexibility and environmental turbulence as moderating factors (Li & Yan, 2020; Kumar & Reinartz, 2016).

2.6 Hypotheses and Framework

The research proposes a series of hypotheses and constructs a research framework to investigate the impact of digital customer orientation on business model innovation and the transformation performance of enterprises. According to Law et al. (2019), establishing trust relationships between employers and employees is crucial in Chinese organizations. This trust

is essential for effective digital customer orientation, as it fosters collaboration and openness in innovation processes. Sun (2022) highlights the differences in business culture between Canada and China, which can influence the implementation and effectiveness of digital customer orientation strategies. Hypothesis 1 (H1) posits that digital customer orientation positively affects business model innovation. This hypothesis is supported by Law et al. (2019), who emphasize the importance of trust factors in fostering innovation in Chinese organizations. Digital customer positioning, interactive value creation, data analysis, and ecosystem building are identified as key components contributing to business model innovation (H1a, H1b, H1c, and H1d).

- (1) Hypothesis 1 (H1): Digital customer orientation has a positive impact on business model innovation.
- (2) Hypothesis 1a (H1a): Digital customer positioning has a positive impact on business model innovation.
- (3) Hypothesis 1b (H1b): Interactive value creation has a positive impact on business model innovation.
- (4) Hypothesis 1c (H1c): Data analysis supports a positive impact on business model innovation.
- (5) Hypothesis 1d (H1d): Ecosystem building has a positive impact on business model innovation.
- (6) Hypothesis 2 (H2): Digital customer orientation has a positive impact on the transformation performance of enterprises.
- (7) Hypothesis 3 (H3): Business model innovation has a positive impact on the transformation performance of enterprises.
- (8) Hypothesis 4 (H4): Business model innovation plays a mediating role between digital customer orientation and corporate transformation performance.
- (9) Hypothesis 5 (H5): Organizational flexibility positively regulates the relationship between digital customer orientation and corporate transformation performance. The stronger organizational flexibility, the more significant the promoting effect of digital customer orientation on corporate transformation performance.
- (10) Hypothesis 6 (H6): Environmental turbulence positively regulates the relationship between digital customer orientation and corporate transformation performance. The higher the environmental turbulence, the more significant the promoting effect of digital customer orientation on corporate transformation performance.

Moreover, digital customer orientation is expected to positively impact the transformation performance of enterprises (H2). Sun et al. (2024) discuss the philosophical foundations of management research, emphasizing the importance of aligning organizational strategies with digital transformation initiatives for enhanced performance. Business model innovation is also predicted to positively influence the transformation performance of enterprises (H3), as suggested by Sun and Zuo (2024), who highlight the role of inclusive leadership in driving organizational change. Furthermore, business model innovation is proposed to mediate the relationship between digital customer orientation and corporate transformation performance (H4). This hypothesis is consistent with Sun et al. (2024), who underscore the interconnectedness between management philosophies and innovative business models in driving organizational transformation. Lastly, organizational flexibility and environmental turbulence are expected to moderate the relationship between digital customer orientation and corporate transformation performance (H5 and H6). Sun et al. (2023) emphasize the need for organizational factors to be incorporated into employee motivation research, highlighting the importance of adaptability in navigating dynamic business environments.

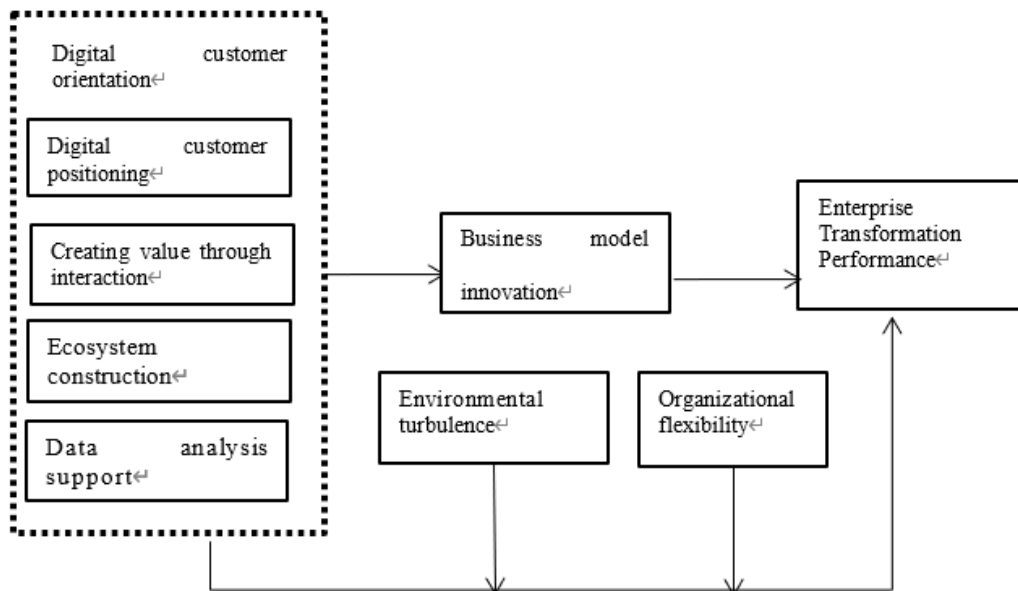


Figure 2-1: Research Model

Based on the theoretical assumptions and hypotheses proposed, a research model diagram is constructed (Figure 2-1), illustrating the relationships between digital customer orientation, business model innovation, and corporate transformation performance. This framework serves as a guide for empirical research aimed at exploring the complexities of digital transformation in contemporary business contexts.

3. Methodology

3.1 Research Method

The research methodology employed in this study comprises in-depth interviews and questionnaire surveys to address the research inquiries effectively (Sun & Zuo, 2024). The in-depth interview method is utilized as a qualitative research approach, particularly valuable in constructing digital customer-oriented dimensions and scale development, considering the absence of established theoretical frameworks (Sun & Zuo, 2024). This method facilitates probing into the perceptions, evaluations, and attitudes of individual interviewees, thereby aiding in the formulation of measurement questions for the Digital Customer Orientation Scale. Multiple corporate managers were interviewed to glean insights, subsequently informing the refinement of measurement questions through expert interviews (Sun & Zuo, 2024). Furthermore, questionnaire surveys are employed to collect respondents' opinions, cognition, and attitudes pertinent to the research topic (Sun & Zuo, 2024). Typically utilized in empirical research, this method serves as the primary data collection tool. The study entails three sets of survey questionnaires: one focused on developing digital customer-oriented scales, another designed to assess the legal validity and co-validity of these scales, and the third aimed at exploring the mechanism of digital customer-oriented actions (Sun & Zuo, 2024). These methodological approaches, blending qualitative and quantitative techniques, offer a comprehensive understanding of digital customer orientation and its implications, thus enriching the research outcomes.

3.2 Development of Scales

Developing a scale for measuring digital customer orientation requires a meticulous approach involving literature review, expert consultation, and empirical validation. Following Dunn, Seaker, and Waller's (1994) guidelines for scale design, a systematic process was adopted. Initially, existing literature was reviewed to identify key dimensions of digital customer

orientation. Subsequently, semi-structured interviews were conducted with managers from cosmetic companies to supplement and refine the scale items. This iterative process ensured that the scale items accurately reflected the multidimensional nature of digital customer orientation. Digital customer orientation, being an interdisciplinary concept, required synthesizing insights from various scholarly perspectives. Literature review across databases like Web of Science, Google Scholar, and Science Direct provided a theoretical foundation for scale development. The dimensions identified included digital customer positioning, interactive value creation, ecosystem construction, and data analysis support. Drawing from established research, measurement items were formulated for each dimension. For instance, the dimension of digital customer positioning was informed by scholars like Govindarajan, Kopalle, and Danneels (2011) and Narver and Slater (1990). Similarly, interactive value creation and ecosystem construction dimensions were developed based on works by Ramani and Kumar (2008), Kopalle, Kumar, and Subramaniam (2020), and others. Semi-structured interviews with managers from Herborist and MAXAM cosmetics companies provided valuable insights into practical aspects of digital customer orientation. These interviews, guided by predefined questions, delved into companies' approaches to customer relationship management and digital transformation. Insights from these interviews supplemented the literature review, enriching the scale with real-world perspectives. Expert screening played a crucial role in refining the initial scale. Through two rounds of expert evaluations involving scholars, practitioners, and industry experts, the scale's content validity was ensured. Expert feedback led to modifications, enhancing the scale's clarity and relevance. The final questionnaire comprised four dimensions with 25 measurement items, meticulously crafted to capture the essence of digital customer orientation.

3.3 Questionnaire Survey

The questionnaire survey in this study was conducted to gather data on the implementation of digital customer orientation in cosmetic companies and its impact on digital transformation performance. The data collection method involved distributing electronic questionnaires via the online platform Wenjuanxing. The questionnaire design aimed to explore how cosmetic companies utilize digital customer orientation for digital transformation, focusing on managers in companies implementing such transformations. The questionnaire was designed with professionalism to ensure validity, and screening questions were included to filter out non-serious responses. A total of 412 questionnaires were collected, of which 387 were deemed valid after screening. The sample demographics indicated that 62.5% of respondents were male, with an age distribution primarily between 26 to 35 years old and 36 to 45 years old. In terms of position, senior management personnel accounted for 12.1%, middle-level management personnel for 53.5%, and middle-level and below management personnel for 34.4%. The majority of companies surveyed were in the production, processing, and manufacturing sectors, representing 42.9% of the sample. Additionally, the distribution of enterprise establishment time ranged from less than 2 years to over 15 years, with the largest proportion established between 5 to 10 years (27.1%). In terms of enterprise size, companies with 100-500 employees represented the largest proportion at 45%. The scales and measurements used in the study were adapted from existing literature and adjusted to fit the research context. These included scales for business model innovation, organizational flexibility, environmental volatility, and digital customer orientation. For instance, the Digital Customer Orientation Scale consisted of four dimensions: digital customer positioning, interactive value creation, ecosystem construction, and data analysis support. To mitigate common method bias, several measures were implemented, including standardizing questionnaire design, ensuring respondent anonymity, distributing questionnaires across diverse geographic regions in China, and controlling for respondent management level.

Harman's univariate test was also conducted to analyze common method bias, with results indicating no significant bias. Reliability testing using Cronbach's coefficient yielded values ranging from 0.712 to 0.879, indicating good reliability. Confirmatory factor analysis was performed to assess model fit, with results meeting acceptable standards despite slightly higher than ideal RMSEA. Convergent validity was confirmed through standardized load, combined reliability, and mean variance extraction tests. Descriptive statistical analysis and correlation coefficients demonstrated significant positive correlations between digital customer orientation, business model innovation, and transformation performance, with good discriminant validity observed. A competition model was established to compare the impact of business model innovation on transformation performance. Results favored the research model, indicating that business model innovation serves as a reasonable intermediary mechanism in enhancing transformation performance through digital customer orientation.

4. Results and Discussion

4.1 Digital Customer Orientation, Business Model Innovation, and Enterprise Transformation Performance

The findings of the study indicate significant direct effects of digital customer orientation on business model innovation and enterprise transformation performance. Regression analysis revealed that all dimensions of digital customer orientation—digital customer positioning, interactive value creation, ecosystem construction, and data analysis support—positively influence business model innovation. Specifically, digital customer positioning ($\beta = 0.22, p < 0.001$), interactive value creation ($\beta = 0.135, p < 0.01$), ecosystem construction ($\beta = 0.272, p < 0.001$), and data analysis support ($\beta = 0.291, p < 0.001$) all showed statistically significant effects on business model innovation, supporting hypotheses H1a, H1b, H1c, and H1d.

Table 4-1: Direct Effect Test Results

	Model 1			Model 2			Model 3			Hypothesis test
	D.V.:	ETP	P	D.V.:	ETP	P	D.V.:	ETP	P	
Digital customer positioning	β	T	P	β	T	P	β	T	P	H1a
Creating value through interaction	0.22	4.65	000	-----	-----	-----	-----	-----	-----	H1b
Ecosystem construction	0.135	2.875	0.004	-----	-----	-----	-----	-----	-----	H1c
Data analysis support	0.272	6.099	000	-----	-----	-----	-----	-----	-----	H1d
Digital customer orientation	-----	-----	-----	0.786	25.152	000	0.38	7.53	000	H1/H2
Business model innovation	-----	-----	-----	-----	-----	-----	0.461	9.104	000	H3
Establishment time of the enterprise	-0.006	-0.183	0.855	-0.001	-0.034	0.973	0.015	0.452	0.652	
Enterprise scale	0.093	2.798	0.005	0.096	2.906	0.004	0.013	0.404	0.686	

Moreover, both digital customer orientation and business model innovation exhibited positive impacts on enterprise transformation performance. Regression analysis revealed that digital customer orientation significantly promoted enterprise transformation performance ($\beta = 0.38, p < 0.001$), while business model innovation also positively influenced transformation performance ($\beta = 0.461, p < 0.001$), validating hypotheses H2 and H3. Control variables such as enterprise establishment time and size were also considered but did not significantly affect the relationships under study. These findings underscore the importance of digital customer orientation in fostering business model innovation, which in turn drives enterprise transformation performance. Companies that strategically focus on understanding digital customer needs, fostering interaction, building ecosystems, and leveraging data analysis are more likely to innovate their business models successfully, leading to enhanced transformation outcomes. Additionally, the study highlights the complementary roles of digital customer orientation and business model innovation in driving organizational change and adaptation in the digital age. The results suggest practical implications for managers in cosmetic companies and beyond, emphasizing the value of prioritizing digital customer orientation and fostering a

culture of innovation to achieve competitive advantage and sustainable transformation in today's dynamic business environment. By aligning digital strategies with customer-centric practices and innovative business models, companies can better navigate digital transformation challenges and capitalize on emerging opportunities in the digital marketplace. Overall, the findings contribute to the growing body of literature on digital transformation and underscore the multifaceted nature of digital customer orientation as a key driver of organizational change and performance in the digital era. Further research could explore additional factors influencing the relationship between digital customer orientation, business model innovation, and enterprise transformation performance, as well as examine how these dynamics vary across different industries and organizational contexts.

4.2 Mediation Test

In examining the mediation effect of business model innovation, this study employed the Bootstrap method with 5000 repeated samples and a 95% confidence interval. Utilizing the Model 4 mediation model in SPSS, digital customer orientation was the independent variable, business model innovation was the mediating variable, and enterprise transformation performance was the dependent variable, while enterprise establishment time and size served as control variables. The results indicate significant mediation effects.

Table 4-2: Testing the Mediation Effect of Business Model Innovation

Variable	D.V.: ETP				D.V.: BMI				D.V.: ETP			
	B(β)	B.SE	t	B.LL 95%CI UL	B(β)	B.SE	t	B.LL 95%CI UL	B(β)	B.SE	t	B.LL 95%CI UL
Constant	1.05	0.26	4.59	0.52 1.64	0.39	0.21	1.75	- 0.01 0.81	0.88	0.25	4.23	0.42 1.40
ETE	0.01 (0.74)	0.02	0.40	- 0.03 0.05	0.01(-0.01)	0.02	-0.03	- 0.04 0.04	0.01 (0.02)	0.02	0.45	- 0.03 0.04
ES	0.03 (0.01)	0.02	1.60	- 0.01 0.06	0.05(0.10)	0.02	2.91	0.01 0.08	(0.01 0.02 0.40)	0.02	0.40	- 0.02 0.04
DCO	0.80 *(0.06)	0.04	21.75***	0.71 0.89	0.91(0.79)	0.03	25.15***	0.84 0.97	0.41 (0.38)	0.06	7.53***	0.29 0.53
BMI									0.43 (0.46)	0.05	9.10***	0.34 0.53
R ²	0.55				0.63				0.63			
F(df)	158.59*** (3.383)				213.54*** (3.383)				165.09*** (4.382)			

The direct effect analysis revealed that digital customer orientation positively influences business model innovation ($\beta = 0.786, p < 0.001$), and business model innovation, in turn, positively affects enterprise transformation performance ($\beta = 0.461, p < 0.001$). Further, utilizing the Bootstrap method, the indirect effect of digital customer orientation on enterprise transformation performance via business model innovation was assessed. The results showed a significant indirect effect ($\beta = 0.39, 95\% \text{ CI } [0.01, 0.48]$), confirming that digital customer orientation positively impacts enterprise transformation performance through the mediation of business model innovation. Moreover, the total effect of digital customer orientation on enterprise transformation performance was examined. The analysis revealed a significant total effect ($\beta = 0.80, 95\% \text{ CI } [0.71, 0.89]$), indicating that digital customer orientation significantly influences enterprise transformation performance. The confidence intervals for both the indirect and total effects did not include 0, suggesting robust mediation and direct effects. These findings support hypothesis H4, indicating that digital customer orientation positively influences enterprise transformation performance through the mediation of business model innovation. This underscores the critical role of business model innovation as a mechanism

through which companies leverage digital customer orientation to drive transformational outcomes. By innovating their business models to align with digital customer needs and preferences, companies can enhance their transformation performance in the digital era. In summary, the mediation analysis provides empirical evidence of the mechanism through which digital customer orientation translates into improved enterprise transformation performance. These findings offer valuable insights for managers seeking to leverage digital strategies and innovate their business models to navigate digital transformation successfully and achieve sustainable competitive advantage.

4.3 Verification of Regulatory Effect

This study aimed to investigate the moderating effects of organizational flexibility and environmental volatility on the relationship between digital customer orientation and corporate transformation performance. To assess these moderating effects, Aiken and West's (1991) methods were employed to examine the significance of the interaction coefficient. Utilizing the Process plugin Model in SPSS, the moderating effects of environmental turbulence and organizational flexibility were examined. Model 1 tested the moderating effect of environmental turbulence, revealing a significant positive interaction term coefficient (0.033, 95% CI [0.004, 0.061]), validating hypothesis H5. Similarly, Model 2 tested the moderating effect of organizational flexibility, with a significant positive interaction term coefficient (0.057, 95% CI [0.006, 0.108]), validating hypothesis H6.

Table 4-3: Moderating Effects of Environmental Turbulence and Organizational Flexibility

Category	Model 1				Model 2			
	ETP		ETP		ETP		ETP	
	Coeff.	BT 95%CI	Coeff.	BT 95%CI	Coeff.	BT 95%CI	Coeff.	BT 95%CI
ETE	0.007	[-0.032,0.045]	0.005	[-0.053,0.037]	0.007	[-0.032,0.045]	0.004	[-0.016,0.037]
EM	0.026	[-0.006,0.06]	0.015	[-0.193,0.311]	0.026	[-0.006,0.06]	0.012	[0.003,0.043]
DCO	0.804	[0.711,0.887]	0.221	[0.102,0.336]	0.804	[0.711,0.887]	0.544	[0.428,0.671]
ET			0.736	[0.631,0.846]				
DCO × ET			0.033	[0.004,0.061]				
OF							0.275	[0.136,0.421]
DCO × OF							0.057	[0.006,0.108]
ΔR^2	0.003				0.013			
F-value	4.657***				5.472***			

These findings suggest that both environmental turbulence and organizational flexibility play significant moderating roles in enhancing the impact of digital customer orientation on corporate transformation performance. Specifically, environmental turbulence strengthens the positive relationship between digital customer orientation and transformation performance, indicating that in dynamic and uncertain environments, companies benefit more from their digital customer-centric strategies. Similarly, organizational flexibility amplifies the positive influence of digital customer orientation on transformation performance, highlighting the importance of adaptable organizational structures and processes in leveraging digital initiatives effectively. The validation of these hypotheses underscores the importance of considering contextual factors such as environmental dynamics and organizational flexibility when implementing digital customer-oriented strategies. Companies operating in turbulent environments or with high organizational flexibility are better positioned to capitalize on the benefits of digital customer orientation, leading to enhanced transformation performance. In conclusion, these findings provide valuable insights for organizations seeking to optimize their digital strategies and improve transformation performance. By recognizing the moderating roles of environmental turbulence and organizational flexibility, companies can tailor their

approaches to digital customer orientation to maximize its impact on transformation outcomes, ultimately gaining a competitive advantage in today's dynamic business landscape.

4.4 Summary of Hypothesis Testing Results

This study investigated the impact mechanism of digital customer orientation on corporate transformation performance, along with the mediating effect of business model innovation and the moderating effect of organizational flexibility and environmental turbulence. Firstly, the study found that various dimensions of digital customer orientation, including digital customer positioning, interactive value creation, ecosystem construction, and data analysis support, positively influence business model innovation. Specifically, digital customer orientation, positioning, ecosystem construction, and data analysis support had significant positive effects on business model innovation ($\beta = 0.786, p < 0.001$; $\beta = 0.22, p < 0.001$; $\beta = 0.135, p < 0.01$; $\beta = 0.272, p < 0.001$; $\beta = 0.291, p < 0.001$, respectively). These findings validate hypotheses H1, H1a, H1b, H1c, and H1d. Additionally, digital customer orientation also directly promoted enterprise transformation performance ($\beta = 0.38, p < 0.001$), supporting hypotheses H2 and H3. Furthermore, the study tested the mediating role of business model innovation (H4) and found that digital customer orientation positively affects corporate transformation performance both directly and indirectly through business model innovation. This indicates a significant mediating effect of business model innovation. Lastly, the study examined the moderating effects of organizational flexibility and environmental turbulence (H5 and H6). It was found that organizational flexibility enhances the positive relationship between digital customer orientation and transformation performance, while environmental turbulence strengthens the promoting effect of digital customer orientation on transformation performance. The results indicate that digital customer orientation plays a crucial role in enhancing business model innovation and ultimately improving corporate transformation performance. Moreover, organizational flexibility and environmental turbulence act as significant moderators in this relationship, highlighting the importance of adapting organizational structures and strategies to leverage digital initiatives effectively in dynamic environments.

5. Conclusions

5.1 Research Findings

This study addressed three research questions concerning digital customer orientation, business model innovation, and the moderating effects of organizational flexibility and environmental turbulence in the context of corporate transformation. Beginning with a theoretical foundation, the study defined digital customer orientation and its dimensions, including digital customer positioning, interactive value creation, ecosystem construction, and data analysis support. It then developed and validated a scale to measure digital customer orientation through a combination of qualitative and quantitative methods. The findings revealed that digital customer orientation positively influences business model innovation, with data analysis support having the most significant impact. Moreover, business model innovation mediates the relationship between digital customer orientation and enterprise transformation performance. Additionally, organizational flexibility and environmental turbulence moderate the relationship between digital customer orientation and transformation performance, suggesting that organizational adaptability and external market conditions play crucial roles.

5.2 Managerial Implications

In the era of the digital economy, understanding and implementing digital customer orientation is vital for enterprises seeking to innovate and transform. This study provides strategic insights for marketing managers to navigate digital marketing practices effectively. By focusing on

aspects such as customer positioning, value creation, ecosystem construction, and data analysis, companies can enhance their ability to meet evolving customer needs and maintain competitiveness in the market. Moreover, the study emphasizes the importance of leveraging big data for market positioning in the cosmetics industry. By analyzing consumer behavior, preferences, and market trends, cosmetics companies can develop targeted marketing strategies, improve product development, and enhance overall market performance. However, companies must also address challenges related to data privacy, analytics capabilities, and data quality to fully harness the potential of big data.

5.3 Limitations and Future Research Directions

Despite its contributions, this study has limitations that warrant consideration. Future research can address these limitations by further exploring the theoretical foundations of digital customer orientation, examining additional mediating and moderating mechanisms, and conducting longitudinal studies to understand the dynamic nature of business model innovation and transformation performance. Additionally, comparative studies across different industries and cultural contexts can enhance the generalizability of findings and provide deeper insights into the digital transformation process.

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