

The Effect of Market Orientation, Innovation, and Entrepreneurial Orientation to the Competitive Advantage of the Independent Coffee Shops in Indonesia

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Abstract

This study investigates the effects of market orientation, innovation and entrepreneurial orientation for the competitive advantage of independent coffee shops across Indonesia. Qualitative and quantitative approaches were adopted for the study, specifically utilizing the format of a questionnaire and in-depth interviews for data collection. The sample used were 200 business owners/CEOs/managers of various coffee shops in Indonesia who have run the business for two years or more. The researcher interviewed respondents who are three business owners/ managers who have a coffee shop that is unique from their competitors. Data analysis of quantitative data used descriptive statistics and multiple regression analysis, while qualitative data used deductive analysis. The results of the study indicated the positive and significant effect of market orientation, innovation, and entrepreneurial orientation toward the competitive advantage of Indonesian coffee shops. In order of influence, the factors that benefited said competitive advantage were entrepreneurial orientation, innovation, and market orientation. To gain such a competitive advantage, the coffee shop owners/managers must be proactive in regularly evaluating the coffee shop's market position and revenue compared to the competitors and organizing events/ social programs. To be distinct from the competitors, the coffee shops must have signature food or drinks or give a unique name/presentation of the product, or have more variety of menu options, e.g., vegan, healthy, caffeine-free, and dairy-free alternatives. To meet the customer's wants and needs, the coffee shop has to provide high-quality coffee products, offer a variety of flavor options, and create a comfortable place.

Keywords

Market Orientation, Innovation, Entrepreneurial Orientation, Competitive Advantage, Coffee Shop.

INTRODUCTION

One of the most widely commercialized primary commodities around the world is coffee. Coffee has become a vital commodity in the global trading market due to the long-standing habit of coffee consumption passed down from generation to generation. Coffee has grown to be such a valuable commodity for three reasons. Firstly, it is consumed so widely that coffee shops are present everywhere. Secondly, coffee is a globally traded commodity grown in many countries worldwide. Thirdly, the variety of coffee it produces contributes to a consistent supply to meet the worlds' demand. Coffee is traded on international markets where supply and demand determine price changes. Coffee is a precious commodity that is enjoyed by people worldwide [56].

Coffee is the most widely traded tropical product globally, encompassing an estimated 80 percent of the world's output and involving up to 25 million farming households worldwide [21]. The global market value of coffee in 2022 reached USD 127 billion, and is anticipated to rise by 4.72% from 2023 through 2030 [15]. Global coffee consumption was 173.1 million bags from 2022-2023, while global productions were 168.2 million bags. Consumption levels of the commodity are expected to increase by 2.2% in 2023-2024, to 177.0 million bags, with the assumption of the

global economy growing higher than a 3% rate. The majority if this increase in demand has come from non-producing countries [23].

Indonesia plays a crucial role in global coffee production as one of the world's largest suppliers, ranking fourth following Brazil, Vietnam, and Colombia. After Vietnam, Indonesia is the second-largest country of origin in Asia and Oceania. In 2022 to 2023, Indonesia saw a 2.4% increase in the production of 12.0 million bags of coffee [23]. Indonesia has a large land area to produce coffee in large quantities and several types of Indonesian coffee specialty. In 2022, Indonesia has 1.2 million hectares of coffee plantations, and Indonesia's coffee production is reported to yield 794.800 tons [11]. In 2023, the plantation crops industry, including coffee, contributed approximately 3.88% to the Indonesian gross domestic product (GDP) [6]. The same year, Indonesia's total coffee exports had a free-on-board (FOB) value of approximately US\$916 million. The United States was one of the significant destinations for Indonesian coffee exports [37].

Along with high coffee production, coffee consumption in Indonesia is also increasing. Indonesia's coffee consumption is projected to be 4.79 million bags in the 2023/24 market year, increasing from 20,000 bags from the previous year 2022/2023 [6]. The increasing domestic coffee consumption drives the growth of local coffee shops. According to The



Indonesian Coffee and Chocolate Entrepreneurs Association (APKCI), there will be 10,000 coffee shops in Indonesia by 2023, generating around IDR 80 trillion or USD 1,2 Million in sales [32].

Furthermore, Snapcart, a popular multimedia messaging app conducted research in 2023 to discover the newest coffee trends among Indonesian consumers. [50] discovers the favorite types of coffee, drinking coffee habits, and daily coffee purchases of the consumer's favorite brands and coffee shops. The research was held from 12-15 September 2023 with a sample size of 4,538 respondents. According to the research, 79% of Indonesians drink coffee. The majority of coffee drinkers have a cup or more each day. The result of the research is described as follows (see table 1).

Table 1. Indonesia's Coffee Consumption Trends in 2023

Coffee Consumption	Gen Z	Gen Y	Gen X
More than 3 times a day	7%	8%	7%
About 2 – 3 times a day	16%	19%	27%
Once a day	28%	38%	42%
Once every few days	21%	18%	17%
Once a week	12%	8%	9%
Uncertain	10%	10%	5%

Source: [50]

The changing lifestyle of coffee-loving generations Y and Z is the cause for the rising consumption of coffee. TOFFIN, one of the food and beverage companies in Indonesia, conducted in-depth interviews with key industry player in the Indonesian coffee shop industry and found that the new lifestyle of the dominant Indonesian youth population)generation Y and Z(is hanging out in coffee shops [29]. This creates lucrative business opportunities and drives many local coffees shop players emerge in Indonesia. This situation causes intense competition not only among the local coffee shops entrepreneur, but also with global coffee shop entrepreneur. The local coffee shops entrepreneur must be able to differentiate themselves from their competitors to win the market competition from established local entrepreneur and foreign entrepreneur. To be different from competitors, several factors and mechanisms are needed to determine the success of coffee shops to win the competition.

LITERATURE REVIEW

Concept of Market Orientation

Market orientation has been defined by Kohli & Jaworski (1990) as a strategic response to the market, consisting of generation, dissemination, and responsiveness to the demand of the current and future market [27].

The strategic approach consists of generation (collection and analysis of customer needs and preferences data), dissemination (distribution of market demand information to internal employees of a company), and responsiveness (action taken in response to market situation). These three components of the strategic approach are used for responding to the demands of the current and future market. Market orientation lends itself as a strategy to aid businesses gain a competitive advantage over industry rivals and perform better overall in the market, as well as anticipate changes in the market in order to generate profitable and sustained competitiveness [8] [33].

Furthermore, according to [35] market orientation is viable as a form of corporate ethos that practices superior value for target customers by way of focusing business resources on aspects of customer orientation, competitor orientation, and inter-function collaboration. These three latter components each denote to certain qualities. First, customer orientation denotes the ability for a business to enhance their self-worth and thus align with customer wants and needs. Second, competitor orientation refers to a company's awareness regarding their own advantages and disadvantages, long-term capabilities, and tactics for outperforming rivals in the market and meeting customer needs. Value creation, a rise in customer loyalty, and higher profitability can result from this. Lastly, Inter-function collaboration refers to the company's capability to ensure communication between functional areas to generate increased value for target customers effectively [3].

In summary, market orientation is a company's strategy to serve customers better than competitors. This strategy takes the form of collecting, distributing, and analyzing market situations and then taking responses from the analysis results.

Concept of Innovation

Innovation is about envisioning future possibilities and having the courage to turn those visions into reality. Innovation is the ability to solve problems and meet needs in new ways. Innovation has been studied for a long time by previous researchers with different viewpoints and backgrounds. There are many opinions about the definition of innovation.

Innovation emerges from a focused pursuit of desired outcomes, encompassing product enhancements, processes, marketing strategies, business models, supply chain operations, and organizational structures [25]. According to [18], innovation is something new that has been created using existing resources to satisfy the demands and expectations of the market. It is distinct from what already exists. [1] define Innovation as a result of thinking about developing a new product, service, or method. Additionally, innovation can also be specified as a form of business strategy aimed at gaining a competitive advantage, producing unique products, outperforming competitors, or offering superior products and services at competitive costs [10]. Innovation is an important tool for businesses to create competitiveness by using already-existing resources or developing new ones, which involves creating new technology and knowledge [19].

In an era where intellectual capital serves as the groundwork of the economy, innovation is a decisive factor in obtaining competitive advantage [12]. Innovation plays a significant role in current business competition by



introducing new or enhanced things to the market, which helps the company outperform its rivals and gain a larger market share. Innovation has given certain businesses a competitive edge, enabling them to succeed and expand [22].

Tushman & Nadler (1986), divided between two main categories of innovation: product and process. The former is aimed at improving the product or service provided to customers, whereas the latter modifies how said items are offered. Process innovation alters how a product or service is made, whereas product innovation improves the product or service provided to consumers. Any product, service, or concept that someone believes to be new can be considered innovative. Product/service innovation serves to better accommodate customer needs by reintroducing products or services with improved performance characteristics, including operational specification, components and materials, integrated software, accessibility and so forth. As a result, certain individuals or organizations may consider products innovative while others may not. Process innovation, on the other hand, describes the application of novel or much-enhanced production.

Based on Clarysse et al.) 1998(and Lundvall) 1992(, the indicators of product innovation are goods, services, and ideas. Meanwhile, the indicators of process innovation are technology and infrastructure [9]. The consensus in the literature states that all types of innovations can contribute to the competitive advantage [55].

In summary, innovation refers to the creation of new products, services or methodologies that deviate from what already exists, utilizing existing knowledge to improve quality and efficiency to create a competitive advantage.

Concept of Entrepreneurial Orientation

Miller)1983(was the first researcher that introduce entrepreneurial orientation, and many researchers have used and further developed the definition [3]. The definition of entrepreneurial orientation is the directing, procedures, and commercial activities that accelerate new entry [30]. New entry entrepreneurial actions can be assumed as other forms of routine business, for example, engaging in new markets by developing and introducing new ways of doing business [16]. A company is stated as a new entry when it is associated with introducing new products, services, technologies, markets, or business models [26]. In line with this definition, entrepreneurial orientation is the ability of the company to innovate in rejuvenating market offers, take risks to try new and unproven products, services, and markets, and act earlier than rivals in seizing new market opportunities [3].

Miller)1983(identified three elements of entrepreneurial orientation: innovativeness, risk-taking, and proactiveness. Some researchers agree to measure entrepreneurial orientation based on these three elements [3]. Based on [31] and [3], each element is explained as follows: innovativeness refers to the willingness of the company to adopt the latest technology to support ingenuity and trials in refining new products and services, as well as new processes. Risk-taking refers to the willingness of owners or managers to make

decisions and take action to commit the new business project activities under uncertain conditions with significant company resources. Proactiveness indicates a company's capacity in seizing initiative and opportunities for shaping the environment and anticipating future demand.

According to [30], innovativeness, proactiveness, and risk-taking are essential components of entrepreneurship. Innovativeness can be viewed in many different forms. Innovativeness is important because it can be a source of great advantage for the company although it carries a lot of risks. After all, investments in innovations may not be profitable for example the company identifies new products or processes with big resources but without results and a competitive climate, such as applying certain technology. In contrast, another company may develop a similar innovation but get more profit [31].

[31] explain that proactiveness is an effort of the company to seize new opportunities. Proactive not only anticipates changes but also has more insight ahead of the competition. Many proactive companies figure out how to be future-oriented and change the nature of competition in their sector. Companies can be proactive in two ways: launching new products or technological innovations before rivals and consistently finding new products or services to offer the market.

The willingness of the company to seize a business opportunity despite the risk associated is referred to as risk-taking. Business risk, financial risk, and personal risk are the three categories of risk. The act of a business risk pushes business owners to encroach unfamiliar territory without prior proven success track records, for example, entering unproven markets or deploying uncertified technology. Taking a financial risk means the company has to borrow a lot of funds or commit to using most of its resources to expand the business. The risks that executive takes on when they support a strategic course of action are referred to as personal risk-taking [31].

According to [31], there are two primary methods by which risk-taking can be strategically managed. The first is by researching and assessing risk factors. This method involves a thorough analysis of potential risks. By identifying and evaluating these risks, a company can minimize uncertainty and make more informed decisions. This proactive approach to understanding risk factors helps the company prepare for and mitigate potential adverse outcomes. Secondly, applying proven practices and techniques. The second method suggests leveraging practices and techniques that have been successful in other areas or industries. By adopting these tried-and-true methods, companies can manage risks more effectively. This approach relies on the wisdom of experience, assuming that what has worked elsewhere will likely yield positive results again.

In summary, entrepreneurial orientation is an act of business activities to offer something new in the market, Take risks to experiment with new ventures, and be more proactive than rivals in the new marketplace opportunities.



Concept of Competitive Advantage

Competitive advantage is defined by [28] as the company's ability of the company to perform in multiple ways that make it difficult for rivals to copy them both now and in the future [1]. [39] believed that a company's ability to provide value for its customers above the cost invested by the business in creating that value gives it a competitive advantage. Value is the willingness of the customers to pay; and higher value results from providing comparable benefits at lower costs than rivals. Competitive advantages may arise from products and services that are more affordable than those of rivals or that stand out from the standard offerings in the relevant industry [40]. Furthermore, Porter highlighted that elements of competitive advantage come from the capability of the company to optimize The efficiency of product production, develop higher quality products and services, and enhance services to ensure a high degree of customer satisfaction. Porter identified competitive advantage as a dependent variable and strategic goal since achieving competitive advantage is correlated with high performance [42].

When a company can outperform its rivals in terms of quality products and services at lower prices, it is deemed the company has a competitive advantage. Companies can gain a competitive advantage by possessing unique and durable qualities that differentiate them from rivals and make them hard to replicate or replace [10].

[22] stated the ability of a business to provide customers with better goods and services than rivals is what constitutes a competitive advantage. The company's competitive edge is driven by price, product quality, post-sales service, market adaptability, and technological advancement. Porter identified price and differentiation as the two main categories of competitive advantages. The term "positional advantages" refers to the advantages in price and distinction arising from a company's position in a specific and purposefully selected industry of operation. The price advantage means offering customers a higher value against the same price as competitors. The second type of competitive advantage means offering customers differentiation, such as unique characteristics of products or services or higher efficiency than its competitors. The capability of the company to satisfy the customers or solve customers' problems better than competitors 'offerings is one of the indicators of competitive advantages [54].

Competitive advantage is often associated with large corporations, and it is essential to recognize that small and medium enterprises (SMEs) can also wield powerful competitive edges. Several research concludes that SMEs create more significant innovations than large companies because they use creative and innovative techniques to deliver value on the market to meet the needs and solve the problems of consumers [54]. According to several experts, SMEs' capacity to create distinctive products and their adaptability in implementing new technologies are the primary success factors in their quest for a competitive

advantage. It suggests that for SMEs to have a competitive advantage in the market, they need to engage in innovation [10]. Nevertheless, there are still obstacles that small businesses must overcome to innovate, such as a lack of internal funding, insufficient managerial abilities, a lack of labor skills, a lack of expertise, and a lack of markets [10].

According to [48], identifying a stipulative definition, composing an operational definition, and constructing a measurement variable are some ways to measure a competitive advantage. Composing an operational definition of competitive advantage encompasses exploiting market opportunities, neutralizing competitive threats, and reducing costs.

In summary, competitive advantage is the capability of the company to perform and satisfy the customers or solve costumer's problems better than competitors.

The Effect of Market Orientation on The Competitive Advantage

Understanding the market and using that understanding to obtain a competitive edge are both components of market orientation. Many studies found that market orientation influences competitive advantage, and they recommended companies emphasize the value of market orientation in order to strengthen their edge over competitors.

[44] and [24] conducted earlier studies that examined the role that market orientation plays in creating a competitive advantage for coffee shops. The findings from both studies revealed that market orientation positively and significantly affects competitive advantage. Another research found that market orientation and innovation significantly positively affect competitive advantage conducted by [53] and [2].

In summary, based on previous research, market orientation positively and significantly affects competitive advantage.

The Effect of Innovation on The Competitive Advantage

For companies to create value and maintain a competitive advantage, innovation is crucial. Every innovation has a significant effect on how companies compete. It is stated that in order for companies to get a competitive edge, they must be innovative. [1].

[47] found that the competitive advantage of coffee shops run by Millenia Small and Medium Entreprises (MSMEs) in Jakarta is highly impacted by innovation capability. [10], [4] and [22] they found that companies that prioritize innovation are more likely to gain a competitive edge. [18] revealed that innovation enhanced the competitive advantages, meanwhile [1] found that innovation has a positive impact on competitive advantage in terms of the combination of time, quality, cost, and flexibility.

In summary, based on previous research, innovation positively and significantly affects competitive advantage.



The Effect of Entrepreneurial Orientation on The Competitive Advantage

Understanding the correlation between entrepreneurial orientation and competitive advantage provides valuable insights for companies aiming to thrive in competitive markets. By nurturing an entrepreneurial orientation, the company can open its full potential and gain an edge over its rivals.

Previous research that found that entrepreneurial orientation positively affected competitive advantage was conducted by [43], [26] and [57]. [13] revealed that entrepreneurial orientation improves dynamic capabilities, promoting superior differentiation—cost advantage ambidexterity (DCAA) and enhanced firm performance. [20] revealed that entrepreneurial orientation positively and significantly affects business performance and competitive advantage.

In summary, based on previous research, entrepreneurial orientation positively and significantly affects competitive advantage.

Based on previous research, the hypothesis formulated as follows:

- H1: Market orientation has a positive and significant effect on competitive advantage
- H2: Innovation has a positive and significant effect on competitive advantage
- H3: Entrepreneurial orientation has a positive and significant effect on competitive advantage

Conceptual Framework

The conceptual framework of this research can be displayed in figure 1.

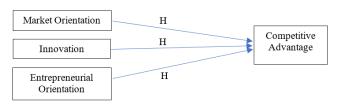


Figure 1. Conceptual Framework of the Research

As shown in Figure 1 above, the three independent variables used in the research are market orientation, innovation, and entrepreneurial orientation, which effectively affect the dependent variable, which is a competitive advantage. Previous research gives a foundation to formulate hypotheses about the relationship between the independent and dependent variables. The novelty of the conceptual framework in this research compared to previous research is that the researcher fills the gap in previous research, which only examined the effect of the independent variable on the dependent variable quantitatively. In this study, researchers examine how independent variables affect the dependent variable realistically by conducting interviews with coffee shops with a competitive advantage over their rivals.

RESEARCH METHODOLOGY

Qualitative Study

In this study, the researcher initiated in-depth interviews before collecting data from questionnaires. This approach was adopted to make the researcher fully understand the issue beforehand. This enabled the researcher to create semi-structured questionnaires that accurately reflect the matter from the interview results.

Qualitative researchers select samples that provide the most insight and understanding of the research question. To obtain samples that can answer research questions, the researcher chose the coffee shops with the consideration as follows:

- 1. The coffee shop is unique compared to other coffee shops
- 2. The coffee shop is recommended by an influencer/ a newspaper/ an article
- 3. The coffee shop is willing to be interviewed

This study follows four steps that assist the researcher in collecting the data required to meet the research objectives. This study uses both primary and secondary data. The primary data used in this research is in-depth interviews, while the secondary data was gathered from reliable sources (websites, journals, and articles) relating to the coffee business in Indonesia. The qualitative data collection procedure is shown in Figure 2.



Figure 2. The Procedure for Collecting Data for Qualitative Study

Determining Interview Questions

The interview questions were arranged in an open-ended form. The questions listed asked how market orientation, innovation, and entrepreneurial orientation affect competitive advantage.

Have the Initial Interview Questions Reviewed by Experts

The supervisory committee member reviewed the interview question lists to ensure they were appropriate in language, wording, and relevance. There are 12 key interview questions to explore what participants had implemented so their coffee shops gain a competitive advantage in Indonesia. The final set of questions was then sent to experts for approval via email.



Selecting the participants

The researcher selected 3 participants based on purposive sampling (they are unique compared to other coffee shops) and willingness. These three coffee shops gain their competitive advantage by differentiating themselves in the market through their business strategies, social missions, and customer experiences. The first coffee shop offers a unique customer experience by providing a refreshing outdoor experience that contrasts with the typical indoor coffee shop atmosphere. The business strategy of the first coffee shop is combining the love of coffee and appreciation for nature. The first coffee shop also allows customers to enjoy their coffee surrounded by lush greenery and even purchase ornamental plants on-site. Meanwhile, the business strategy of the second coffee shop is a social mission, empowerment and equality, and unique communication. The second coffee shop is unique for being run by individuals who are deaf, from the cashiers to the baristas, which is a part of their identity and business model. The establishment of the second coffee shop is also an effort to promote equality and empowerment for people with disabilities, particularly in the coffee industry. In the second coffee shop, the customers engage with staff using sign language, fostering interaction and understanding between hearing and non-hearing individuals. Apart from them, the third coffee shop offers a unique culinary experience by providing a blend of coffee and bistro-style dining. The ambiance and decor of the third coffee shop are described as rustic and intriguing. The decoration has a distinct theme that sets it apart from typical Indonesian coffee shops, it features a mix of Americana and unique merchandise that adds to its charm.

Quantitative Study

The researcher used the data from the qualitative study to arrange the question lists for the quantitative study. The target population is coffee shops in Indonesia, while the research sample is coffee shops that have been in business for at least two years or more. The researcher determines two years because a business needs 2 years of experience as a minimum in order to ensure its business stability [24].

This research used the non-probability, purposive sampling method. The purposive sampling technique requires the researcher's judgment to select the sample that is most likely to answer the research questions and fulfill the research objective [45]. Non-probability sampling designs are appropriate to collect the sample based on a specific characteristic of the population [38].

This research used questionnaires as the primary data, while the secondary data was gathered from reliable sources such as websites, journals, and articles relating to the coffee business in Indonesia. The researcher used a Semi-structured questionnaire, which is a combination of closed and open-ended in which the respondents will choose from the options and answer the questions in their own ways [14]. The questionnaire prepared online by using Google Forms and distributed directly to the coffee shops in Indonesia. The

collected data was analyzed using statistical software.

Before the questionnaire was distributed, the questionnaire had tested the questionnaires in two ways, namely content validity and reliability test.

Content Validity

Objective Congruence (IOC) is a way of evaluating the content validity of test items or questions by comparing them with the objectives or content they are supposed to measure. Each questionnaire statement's mean value based on the opinions of three experts was used to calculate the questionnaire's validity [52]. In this research, the Item Objective Congruence)IOC(index value is 0.91. Based on the results of the IOC evaluation from all experts showed that all questionnaire item values were over 0.5; therefore, it meant that all questions were acceptable and no questionnaire items were taken out.

Reliability Test

When using a Likert Scale, the most used test reliability is the Cronbach Alpha coefficient [51]. The Cronbach's Alpha results that based on 30 samples of the pilot test and 200 samples of the research shown in Table 2.

Table 2. The Cronbach's Alpha coefficient reliability value for each factor

Statement of each part	Alpha Coefficient (N=30)	Alpha Coefficient (N=200)	Accepted/ Not
Market Orientation	0.885	0.892	Reliable
Innovation	0.916	0.813	Reliable
Entrepreneurial Orientation	0.894	0.820	Reliable
Competitive Advantage	0.843	0.807	Reliable

All the results are greater than 0.70, so each factor is highly reliable. Hence, the whole set of questionnaires is very highly reliable.

FINDING AND DISCUSSION

Findings from a Qualitative Study

The findings from the interview revealed that to gain a competitive advantage, the coffee shops provide high-quality coffee products, offer a variety of flavor options, and create a comfortable place. To survive during competition, the coffee shops do an Online ADS on social media, invite influencers regularly to promote coffee products, and pay attention to customers' preferences/ requirements/ demands by engaging customers on social media or conventionally. The coffee shops distinguish themselves from their competitors by offering unique decorations or selling experiences and inspiration (using sign language to communicate with a deaf cashier or barista). To support the innovations offered, coffee



shops have compatible coffee machines and sufficient knowledge to be creative with the menu. Coffee shops proactively seize the opportunity to increase their sales by giving promos during certain seasons (for example, Eid and Christmas), teaching sign language programs in schools/campuses/corporates, and visiting other coffee shops to understand their position in the market. The findings of the qualitative study support previous research that states that market orientation, innovation, and entrepreneurial orientation positively affect competitive advantage.

Findings from a Quantitative Study

Descriptive Statistics

The descriptive statistics of the demographics data show that the total sample is 200 respondents. The majority of the respondents of this study are business owners and most of them are Gen Y (27 - 42 years old), in terms of educational level, most of the respondents are Bachelor degrees. The coffee shops mostly located in the West Java, they have less than 5 branches and they are categorized as micro businesses because they have less than 10 employees.

Multiple Regression analysis

The Multiple Regression analysis was used to revealed the effect of the market orientation, innovation, and entrepreneurial orientation to the competitive advantage of the coffee shops in Indonesia. The multiple regression analysis is interpreted in table below:

Table 3. The Effect of Market Orientation, Innovation, and Entrepreneurial Orientation to The Competitive Advantage of The Coffee Shop in Indonesia

Variable	β value	Sig.
(constant)		.026
Market Orientation	.208	.008
Innovation	.308	.000
Entrepreneurial Orientation	.344	.000
R	0.782	
Adjusted R Square	0.606	

The results show that all independent variables (market orientation, Innovation and entrepreneurial orientation) positively and significantly affect competitive advantage. The standardized coefficients or beta values show the strength of effect each independent variable to the competitive advantage, when other variables are held constant. The higher of the beta value means the stronger effect to the dependent variable. In this study, entrepreneurial orientation has the highest β value of 0.344 with p < 0.05, followed by innovation and market orientation with β value of 0.308 and 0.208 (p < 0.05), respectively. The R-value of 0.782 indicates a strong positive correlation and Adjusted R-square value of 0.606 suggests that about 60.6% of the competitive advantage can be affected by independent variables.

Table 4. The Effect of Market Orientation to The Competitive Advantage of The Coffee Shop in Indonesia

Variable	β value	Sig.	
(constant)		.000	
Customer Orientation	.277	.000	
Competitor Orientation	.361	.000	
Inter-function collaboration	.152	.038	
R	0.706		
Adjusted R Square	0.491		

All of indicators of the market orientation (customer orientation, competitor orientation and coordinating inter-functional) have positive and significant impact on competitive advantage. The standardized coefficients or beta values show the strength of effect each independent variable to the competitive advantage, when other variables are held constant. The higher of the beta value means the stronger effect to the dependent variable. In this study, competitor orientation has the highest β value of 0.361 with p < 0.05, followed by customer orientation and coordinating inter-functional with β value of 0.277 and 0.152 (p < 0.05), respectively. The R-value of 0.706 indicates a strong positive correlation and Adjusted R-square value of 0.491 suggests that about 49.1% of the competitive advantage can be affected by market orientation.

Table 5. The Effect of Innovation to The Competitive Advantage of The Coffee Shop in Indonesia

Variable	β value	Sig.	
(constant)		.000	
Product Innovation	.528	.000	
Process Innovation	.241	.000	
R	0.705		
Adjusted R Square	0.491		

All of indicators of the innovation (product innovation and process innovation) have positive and significant impact on competitive advantage. The standardized coefficients or beta values show the strength of effect each independent variable to the competitive advantage, when other variables are held constant. The higher of the beta value means the stronger effect to the dependent variable. In this study, product innovation has the highest β value of 0.528 with p < 0.05, followed by process innovation with β value of 0.241 (p < 0.05), respectively. The R-value of 0.705 indicates a strong positive correlation and Adjusted R-square value of 0.491 suggests that about 49.1% of the competitive advantage can be affected by innovation.



Table 6. The Effect of Entrepreneurial Orientation to The Competitive Advantage of The Coffee Shop in Indonesia

Variable	β value	Sig.
(constant)		.000
Innovativeness Entrepreneurship	.183	.005
Business Proactive	.411	.000
Risk Taking	.275	.000
R	0.733	
Adjusted R Square	0.530	

All of indicators of the entrepreneurial orientation (innovative entrepreneurship, business proactiveness and risk-taking) have positive and significant impact on competitive advantage. The standardized coefficients or beta values show the strength of effect each independent variable to the competitive advantage, when other variables are held constant. The higher of the beta value means the stronger effect to the dependent variable. In this study, business proactiveness has the highest β value of 0.411 with p < 0.05, followed by risk-taking and innovative entrepreneurship with β value of 0.275 and 0.183 (p < 0.05), respectively. The R-value of 0.733 indicates a strong positive correlation and Adjusted R-square value of 0.530 suggests that about 53% of the competitive advantage can be affected by entrepreneurial orientation.

Discussion

Based on the qualitative and quantitative results above, the analysis of the findings is explained as follows:

The Effect of Market Orientation on the Competitive Advantage of Coffee Shops in Indonesia

The result of the quantitative research in this study revealed that market orientation positively and significantly affect the competitive advantage. From the findings of this study, it can be concluded that competitor orientation is the most affect to the competitive advantage than others indicators namely customer orientation and coordinating inter-function. In term of competitor orientation, to gain competitive advantage coffee shop pay more attention in find the best ways to serve the customers better than competitors in the coffee shop market such as providing quality coffee, having a special and nice place, being friendly with customers, giving the best service to customers. Then, the coffee shops focus on customer orientation by doing some action such as providing high-quality coffee products, offering a variety of flavors option, and creating a comfortable place to meet the customer's need. In term of coordinating inter-functional, coffee shops have an online communication channel to share relevant information quickly among staffs e.g., WhatsApp group/ Zoom meeting/ Google

Based on the explanation above, this study's results align with the results of previous study conducted by [47], [34], and [24], which explains that market orientation has a

positive and significant effect on competitive advantage.

The Effect of Innovation on the Competitive Advantage of Coffee Shops in Indonesia

The result of the quantitative research revealed that innovation positively and significantly affect the competitive advantage. Product innovation has more affect to the competitive advantage than process innovation. The coffee shops pay more attention on product innovation namely having signature food or drinks, while and on process innovation they used updated technology to manage the coffee shop such as updated payment method to serve the customer better. [36] revealed that product innovation has more effect on the competitive advantage than process innovation because it allows a company to differentiate itself from the existing competition and create a unique value proposition for the customers. Product innovation can also increase the demand for a product, expand the market size, and enhance the customer loyalty. [17] stated that process innovation is less visible to the customers and mainly affects the efficiency and cost of the firm. Therefore, product innovation has more effect on the competitive advantage than process innovation because it creates more value for the customers and the firm, and it is harder to replicate by the competitors.

Based on explanation above, this study is in line with the results of previous study conducted by [41], [47], [47], [49], and [24]. They found that innovation has a positive and significant effect on competitive advantage.

The Effect of Entrepreneurial Orientation on the Competitive Advantage of Coffee Shops in Indonesia

In this study, the researcher has the conclusion that business proactive is the most influence factor the coffee shop to gain a competitive advantage than innovative entrepreneurship and risk-taking. It found that the respondents regularly evaluate the coffee shop's market position and revenue to proactively respond them. In term of innovative entrepreneurship, the willingness of the owner/manager to support creativity is the most act that done by the respondents. Most respondents chose to encourage employees to create new product and services or apply new method of making coffee as a risk-taking action.

Based on explanation above, this study supports the previous study that revealed that entrepreneurial orientation has a positive and significant effect on competitive advantage, conducted by [7], [5], [44], [49], and [24].

CONCLUSION

Conclusion of the Findings

Based on analysis and discussion on previous section, the conclusion of this study is explained as follows:

 Multiple Linear Regression Analysis is used in this study, and the interrelationship between independent and dependent variables are analyzed investigated the following hypothesis:



- a) Market orientation affects the competitive advantage of coffee shops in Indonesia. The result was acceptable.
- b) Innovation affects the competitive advantage of coffee shops in Indonesia. The result was acceptable.
- c) Entrepreneurial orientation affects the competitive advantage of coffee shops in Indonesia. The result was acceptable.
- 2. The most important factor that influences the competitive advantage is entrepreneurial orientation, followed by innovation and market orientation.
- 3. The mechanisms must be implemented by the coffee shop to gain a competitive advantage:
 - a) Provide high-quality coffee products, offer a variety of flavor options, and create a comfortable place
 - b) To survive during competition, the coffee shops are doing online advertisements on social media, inviting influencers regularly to promote coffee products, and paying attention to customers' preferences/ requirements/ demands by engaging customers on social media or conventionally.
 - c) To distinguish themselves from their competitors, the coffee shops offer unique decorations or selling experiences and inspiration (using sign language to communicate with a deaf cashier or barista).
 - d) To support the innovations offered, coffee shops have compatible coffee machines and sufficient knowledge to be creative with the menu.
 - e) Coffee shops proactively seize the opportunity to increase their sales by giving promos during certain seasons (for example, Eid and Christmas), teaching sign language programs in schools / campuses / corporates, and visiting other coffee shops to understand their position in the market.

Managerial Implications

The results from this present study showed that all three independent variables significantly affect the dependent variable. This study's results offer managerial implications for the three players, coffee shop owners, CEOs, and managers as follows.

- The findings recommend that coffee shop owners/ managers focus on an entrepreneurial orientation and pay more attention in business proactive such as regularly evaluating the coffee shop's market position and revenue to proactively respond them, to gain the competitive advantage of the coffee shops market.
- 2. The coffee shop owners have to focus on product innovation, namely having signature food or drinks, giving a unique name/presentation of the product, having more variety of menu options e.g., vegan, healthy, caffein-free, and diary-free alternatives and having a different service way to serve the customer such as provide custom coffee, private room booking, delivery service, catering, reservation with flexible time. Having the uniqueness make the coffee shop distinguish from other coffee shops.

- 3. The coffee shop owners/ managers have to focus on market orientation and found the best ways to serve the customers better than the competitors. The coffee shop must ensure to offered high-quality of coffee products, offering a variety of flavors options, and creating a comfortable place to the customers to meet the customer's need. To meet the customer's need can be done by engaging customer on social media and analyzing the review of the customers. To serve the customers better than the competitors, besides focus on the quality of the products, coffee shops should also have qualified baristas so that the quality of coffee sold becomes consistent.
- 4. The coffee shop can use the findings of this study to expand their strategies to compete with competitors. It is known that the coffee business in Indonesia is one of the high-growth sectors in Indonesia.

Limitation of The Study

This study has three limitations, as follows:

- The research concentrates on three variables there are market orientation, innovation, and entrepreneurship orientation. Consequently, this research ignores other factors that may affect the competitive advantage of coffee shops.
- 2. The time available for this research is limited, the researcher conducted this research within 2)two months(starting from November 2023 until December 2023. The sample is only limited to the information obtained from the internet with the Instagram channel only. Coffee shops that do not have the Instagram social media become not accessible.
- 3. Many coffee shops were established after the pandemic, so they are less than 2 years old, therefore they cannot be included in the research sample even though they have a competitive advantage.

Recommendations for Future Study

This part contains three recommendations for future studies based on the current study, namely

- This study examined only three factors that affect the competitive advantage of the coffee shop in Indonesia. Hence, future studies should consider other factors that may also have significant effects on competitive advantage such as social media engagement, research and development intensity, and networking.
- 2. Future studies should consider factors that affect competitive advantage in other service businesses or industries, e.g. restaurants, apparel, hospitality, etc.
- 3. Future studies should consider business performance as a dependent variable because it has an important role in business.

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