Predictor Variables Affecting Coffee Shop Performance in Tangerang

Wihanry Pangguna¹, Michael Christian²*, dan Eko Retno Indriyarti³

¹²³Universitas Bunda Mulia
³Universitas Trisakti

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Abstract

The objective of this study is to ascertain the impact of market orientation, technological orientation, and entrepreneurial orientation on the success of coffee shop enterprises. This study employs a quantitative methodology, utilizing a sample size of 135 coffee shop owners in Tangerang. The sample approach employed was purposive sampling. Analysed data was processed with the SmartPLS 4.0 analysis tool. The findings of the hypothesis testing demonstrate that market orientation has a significant impact on business performance. Market orientation promotes a shift in entrepreneurs' mindset, encouraging them to adopt the consumer's point of view. This enables entrepreneurs to gain insights into consumer demands by studying information gathered from consumers and the market on products that are favored by consumers. This notion will enhance the reception of items among consumers, leading to beneficial outcomes for the corporation in terms of improved business performance. Entrepreneurial orientation is another factor that has a major impact on business performance, and it can potentially account for similar findings. Entrepreneurial orientation fosters a mindset among business individuals that promotes the implementation of daring and aggressive business tactics, as well as innovation. This mindset enhances the business owner's confidence in achieving their goals and ultimately leads to improved business performance. Business professionals can implement market orientation and entrepreneurial orientation, both of which have demonstrated their effectiveness. Enhance operational efficiency and optimize business outcomes. Entrepreneurs participate in specialized training programs to enhance the sophistication and competitive edge of their coffee shop business units. Further investigation might be carried out in alternative industries outside from the coffee shop industry to obtain a wider range of outcomes.

Keywords: Business Performance, Market Orientation, Entrepreneurship Orientation, Coffee Shop.

Abstrak

Penelitian ini bertujuan untuk mengetahui pengaruh pengaruh market orientation, technology orientation dan entrepreneurial orientation terhadap business performance pada usaha kedai kopi. Penelitian ini menggunakan pendekatan kuantitatif dengan menggunakan sebanyak 135 sampel penelitian pemilik kedai kopi yang berada di Tangerang. Metode pengambilan sampel yang digunakan adalah dengan teknik purposive sampling. Data dianalisis dengan menggunakan alat analisis SmartPLS 4.0. Hasil pengujian hipotesis menjelaskan bahwa market orientation berpengaruh terhadap business performance. Market orientation mendorong wirausaha untuk memandang produk dari perspektif konsumen sehingga memungkinkan wirausaha mengerti keinginan konsumen dengan analisa informasi yang dikumpulkan dari konsumen dan pasar mengenai produk yang disukai oleh konsumen. Konsep ini akan mendukung penerimaan produk yang ditawarkan kepada konsumen dapat diterima secara positif yang kemudian menguntungkan perusahaan dengan peningkatan kinerja bisnis. Hasil yang serupa juga dijelaskan oleh entrepreneurial orientation yang juga secara signifikan berpengaruh terhadap business performance. Entrepreneurial orientation mendorong pelaku bisnis untuk menerapkan strategi bisnis yang berani mengambil risiko, proaktif dan melakukan inovasi, hal ini memperkuat keyakinan pemilik bisnis dalam merealisasikan hal tersebut dan kemudian akan meningkatkan kinerja bisnis. Pelaku bisnis dapat menerapkan market orientation

*Korespondensi Penulis:
E-mail: michaelchristianid@gmail.com
dan entrepreneurial orientation yang telah dibuktikan dapat meningkatkan kinerja bisnis. Pelaku bisnis mengikuti pelatihan mengenai entrepreneur agar dapat mengembangkan unit usaha kedai kopi lebih maju dan memiliki keunggulan dalam persaingan. Penelitian selanjutnya dapat melakukan penelitian pada sektor lain selain unit usaha kedai kopi agar mendapat hasil yang lebih bervariasi.

**Kata Kunci:** Kinerja Usaha, Orientasi Pasar, Orientasi Kewirausahaan, Kedai Kopi.

**Introduction**

The food and beverage business has seen significant expansion worldwide, making a substantial contribution of 37.77% to the Gross Domestic Product (GDP) of the non-oil and gas processing industry. In addition, the food and beverage industry experienced a growth rate of 3.75% in the first quarter of 2022, surpassing the growth rate observed in the first quarter of 2021 (kemenperin.go.id, 2022). According to data from the International Coffee Organization (ICO), the total coffee consumption demand in Indonesia for 2021 is projected to be 300,000 metric tons, which is higher than the previous year's figure of 289,000 metric tons. Indonesia's coffee consumption has surged, propelling the country into the top 5 nations with the greatest coffee consumption globally (Mahmudan, 2022). Throughout 2019, the TOFFIN Research Institute conducted a study which revealed that there were a total of 2950 coffee stores throughout Indonesia, representing various brands (Hariyanto, 2019). Given the abundance of coffee establishments, the competition among coffee shops to gain a larger portion of the market becomes more intense. Coffee businesses must strive to capture consumer attention and maintain loyal customers who consistently consume their brand's products.

Hence, the prosperity of a business is contingent upon its business performance, necessitating the implementation of all endeavours aimed at enhancing performance (Yusoff et al., 2019). Business performance is the measure of how well a business is at executing its activities and accomplishing its planned goals (Ranto, 2016). Intense competition will cause a decrease in the market share of a coffee outlet. This is due to the abundance of options available to customers as viable substitutes for satisfying their coffee beverage requirements. In order to thrive in the coffee industry and remain competitive, coffee businesses must employ an orientation plan to fortify their position and ensure their survival. Masa’deh et al. (2018) found that enhancing business performance can be achieved by the adoption of market orientation and entrepreneurial orientation. Business professionals must possess the ability to discern consumer preferences while developing a product. Therefore, they must align their product creation efforts with the needs and desires of the target market or consumer base (Elvina, 2020).

By comprehending market conditions and consumer preferences, business professionals may effectively engage with clients and gain insights into the strengths and weaknesses of competitors. This enables them to offer a diverse range of existing choices and secure a competitive advantage (Ie & Pratama, 2019). Businesses that prioritize market orientation tend to achieve better performance outcomes. According to Purwianti's (2021) research, market orientation has a significant impact on business performance. However, the findings of a study done by Ahmatang and Sari (2022) indicated that market orientation did not have an impact on firm success. The influence of market orientation on business success remains a subject of ongoing debate, indicating the need for further investigation.

According to Erista et al. (2020), an entrepreneur must possess both perseverance and adaptability in order to attain success in the realm of business. Entrepreneurial orientation is a mindset characterized by innovation, proactivity, and a willingness to take risks in business. It is considered that this mindset enhances the competitive advantage of entrepreneurs in the same market. Andika's (2019) research indicates that entrepreneurial orientation has a substantial influence on business performance. Contrary to the findings of Putriasih and Giantari (2021), this
research does not support the notion that entrepreneurial approach has an impact on firm performance. There is still ongoing debate over the impact of entrepreneurial orientation on corporate performance, thereby necessitating greater investigation into this factor.

**Market Orientation**

Market orientation refers to a company's proactive approach in comprehending competition, dedicating itself to innovation, and striving for customer satisfaction by meeting consumer demands and preferences for a product (Wahyono & Hutahayan, 2021). Schulze et al. (2022) define market orientation as the company's approach to developing strategies and implementing operations in response to market demand. The goal is to achieve the predetermined business performance. Mansouri et al. (2022) describe market orientation as a business culture that prioritizes the creation of more value for consumers, resulting in their satisfaction and improved performance.

Masa’deh et al. (2018) conducted study that found a strong correlation between market orientation and business performance. Rua & Santos (2022) argue that market orientation can address market demands and enhancing performance. The research findings also indicate the impact of market orientation on business performance. In addition, Sulaeman's (2018) study uncovered the influence of market orientation on the performance of businesses. Purwianti (2021) defines market orientation as an organizational culture that effectively promotes behavior aimed at creating sustained excellence for consumers. The remark is supported by Schulze et al.'s (2022) research, which demonstrates that market orientation has a significant impact on corporate performance. Based on the information provided above, the study hypothesis can be formulated as follows:

H1: Market orientation significantly affects business performance.

**Entrepreneurial Orientation**

Hutahayan (2019) defines entrepreneurship orientation as the trait of an entrepreneur who possesses self-assurance in managing a business focused on achieving outcomes, is willing to take risks, and has a forward-looking mindset. Cuevas-Vargas et al. (2019) found that entrepreneurs typically make decisions based on inventive and aggressive strategies to take advantage of opportunities. Ranto (2016) defines entrepreneurial orientation as an individual's inclination to exhibit innovative behavior, willingness to accept risks, and proactive efforts to enhance competitive advantage in initiating or running a business. Han & Zhang (2021) identified five dimensions in entrepreneurship: inventive talent, proactive attitude, risk-taking, competitive aggressiveness, and autonomy. An individual with an entrepreneurial orientation is more likely to achieve success in business due to their effective management capabilities, which lead to efficient and fruitful outcomes (Daradkeh & Mansoor, 2023).

Entrepreneurial orientation refers to a business's readiness to identify and embrace novel opportunities and execute corresponding modifications. The concept of entrepreneurial orientation posits that firms must possess entrepreneurial qualities in order to attain exceptional performance (Hutahayan, 2019). Existing research supports the notion that entrepreneurial approach positively impacts corporate success (Sulaeman, 2018). The researchers Lawa and E-Vahdati, (2022) have discovered that companies that embrace an entrepreneurial attitude experience enhanced performance and can effectively enhance their overall business outcomes. Han & Zhang (2021) found that entrepreneurial orientation significantly impacts business performance. The hypothesis formulated in this research is as follows, considering the provided explanations:
H2: Entrepreneurial orientation significantly affects business performance.

**Business Performance**

Wahyono & Hutahayan (2021) define performance as the comprehensive outcome of executing business operations within a specific timeframe. Business performance refers to the capacity of a business to generate profit, increase investments, boost sales, and expand its customer base (Ahmatang & Sari, 2022). Masa’deh et al. (2018) define performance as the capacity to evaluate the degree of achievement of a business organization, regardless of its size. The success of new products is closely tied to the quality of corporate performance, which is bolstered by a deep understanding of consumers and the excellence of the new products. These aspects contribute to the production of exceptional value for consumers. Enhancing the marketing effectiveness of a firm relies on the ability to generate exceptional value for consumers. Hutahayan (2019) asserted that corporate performance is a frequently employed criterion for evaluating the influence of a company's strategy. The company's strategy is consistently focused on achieving key performance indicators such as sales volume, market share, sales growth rate, and financial performance.

This research suggests a research paradigm based on the presentation of the literature review and the relationship between the variables, as depicted in Figure 1. This study paradigm utilizes the research framework established by Masa’deh et al. (2018).

![Figure 1. Research paradigm](image)

**Methods**

The focus of this study is on coffee shop proprietors located in the Tangerang region. The Tangerang location was selected due to its status as a prominent distribution hub for coffee shops, in addition to Jakarta. The objective of this study is to examine the impact of market orientation and entrepreneurial orientation on the business performance of coffee shop enterprises. This study employs quantitative research methodologies. The researchers conducted the data collection method by distributing online surveys using Google Forms and making firsthand observations on the things being researched. Researchers utilize a Likert scale (ranging from 1 = strongly disagree to 5 = strongly agree) to measure research variables. Each question in the scale consists of five alternative answers, and respondents assign a score to each answer option (Sekaran & Bougie, 2020).
The selection technique employed is purposive sampling, which involves selecting coffee shops in the Tangerang area that have been in operation for at least one year. In this study, the sample size calculation is based on the uncertainty of the population size. It involves multiplying the number of indicators by 5 to determine the minimum sample size, as suggested by Hair et al. (2018). A total of 27 indicators were utilized in this research, as depicted in Table 1. After distributing the questionnaire and filtering the data, we obtained 135 respondents whose questionnaires were eligible for analysis. This number became the sample size for this research, which fulfilled the previously described standards for sample size. This research employs the SmartPLS 4.0 analysis tool to examine the relationship between two exogenous variables, market orientation and entrepreneurial orientation, and one endogenous variable, company performance. This tool enables the analysis of data that is quite small.

### Table 1. Research Indicators

<table>
<thead>
<tr>
<th>Variable</th>
<th>Indicator</th>
</tr>
</thead>
</table>
| **Market Orientation** (Masa’deh et al., 2018) | Satisfied if customers make repeat purchases.  
Never had any complaints from customers.  
Providing good service to ensure client pleasure.  
Attempts to update the product.  
Periodically evaluate product development efforts.  
Gather information on consumer tastes.  
Be prepared to get criticism from customers.  
Take prompt corrective action if there are disgruntled customers.  
Consumer feedback is utilized to guide the product development process.  
Target customers to get a competitive advantage.  
Observe how competitors market their items.  
Take complimentary comments from competitors as helpful feedback.  
Respond rapidly to competitive marketing efforts.  
Respond to any big price adjustments in the market.  
Responding to competitor business advancements as a guide for developing changes. |
| **Entrepreneurial orientation** (Masa’deh et al., 2018) | The business you manage is not dependent on others.  
The firm that is run takes innovation into consideration.  
The business has made modifications to acquire a competitive advantage.  
One of the primary business methods used is to develop new products.  
The enterprises that are run include those that have a significant amount of risk in decision-making.  
Making choices quickly or boldly is necessary while running a business.  
The business can compete in terms of product sales. |
| **Business performance** (Masa’deh et al., 2018) | Retain existing consumers and successfully recruit new ones.  
The number of complaints has reduced during the last two years.  
Customers' perceptions of the company's operations have improved.  
The operating income has risen during the last two years.  
The business's profits have increased during the last two years. |

### Results and Discussion

#### Respondent Profile

Table 2 reveals that most respondents in this study were male, accounting for over 75% of the total. Female respondents, on the other hand, constituted less than 23% of the sample. In relation to age, most respondents in this survey were between the ages of 17 and 25, accounting for over 50% of the total. The second largest group consisted of respondents aged 26 to 34, making up almost 26% of the sample. Those aged 35 to 43 accounted for less than 20% of the respondents, while those over the age of 43 made up less than 2%. The respondents in this survey had varying...
educational backgrounds. Approximately 80% of them had completed high school, less than 16% had gotten a diploma, less than 5% held a bachelor's degree, and less than 1% had a master's degree.

### Table 2. Respondent Profile

<table>
<thead>
<tr>
<th>Profile</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>31</td>
<td>22.96%</td>
</tr>
<tr>
<td>Male</td>
<td>104</td>
<td>77.04%</td>
</tr>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17-25 years old</td>
<td>72</td>
<td>53.33%</td>
</tr>
<tr>
<td>26-34 years old</td>
<td>35</td>
<td>25.93%</td>
</tr>
<tr>
<td>35-43 years old</td>
<td>26</td>
<td>19.26%</td>
</tr>
<tr>
<td>&gt;43 years old</td>
<td>2</td>
<td>1.48%</td>
</tr>
<tr>
<td><strong>Educational background</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High School</td>
<td>107</td>
<td>79.26%</td>
</tr>
<tr>
<td>Diploma</td>
<td>21</td>
<td>15.56%</td>
</tr>
<tr>
<td>Bachelor’s degree</td>
<td>6</td>
<td>4.44%</td>
</tr>
<tr>
<td>Master’s degree</td>
<td>1</td>
<td>0.74%</td>
</tr>
</tbody>
</table>

### Assessment of Reliability and Validity

Table 3 displays the outcomes of the reliability and validity assessments conducted in this study. The dependability of a variable is determined by evaluating its Cronbach's alpha (CA) and composite reliability (CR) scores, which should exceed 0.7 (Christian et al., 2022; Indriyarti et al., 2022). In addition, the validity of an item and variable can be determined by considering the Outer Loading (OL) value, which must be greater than 0.7 according to Barati et al. (2019) and Christian, Dewi, et al. (2021). Additionally, the Average Variance Extracted (AVE) value must be greater than 0.5 (Christian, Haris, et al., 2021; Memon & Rahman, 2014; Wibowo et al., 2023). Based on the collected results, it can be concluded that the variables are dependable. In addition, the items and variables in this research can also be considered valid.

### Table 3. Reliability and Validity Assessment

<table>
<thead>
<tr>
<th>Variable</th>
<th>Indicator</th>
<th>OL</th>
<th>CA</th>
<th>CR</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>BP</td>
<td>EO</td>
<td>MO</td>
<td></td>
</tr>
<tr>
<td><strong>Business Performance</strong></td>
<td>B.Perform1</td>
<td>0.787</td>
<td>-</td>
<td>-</td>
<td>0.791</td>
</tr>
<tr>
<td></td>
<td>B.Perform2</td>
<td>0.779</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>B.Perform3</td>
<td>0.819</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>B.Perform4</td>
<td>0.749</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Entrepreneurial Orientation</strong></td>
<td>E.Orient1</td>
<td>0.705</td>
<td>-</td>
<td>-</td>
<td>0.913</td>
</tr>
<tr>
<td></td>
<td>E.Orient4</td>
<td>0.878</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>E.Orient5</td>
<td>0.924</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>E.Orient6</td>
<td>0.896</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>E.Orient7</td>
<td>0.901</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Market Orientation</strong></td>
<td>M.Orient1</td>
<td>0.778</td>
<td>-</td>
<td>-</td>
<td>0.950</td>
</tr>
<tr>
<td></td>
<td>M.Orient2</td>
<td>0.796</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>M.Orient3</td>
<td>0.795</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>M.Orient4</td>
<td>0.811</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>M.Orient5</td>
<td>0.808</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>M.Orient6</td>
<td>0.799</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>M.Orient7</td>
<td>0.763</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>M.Orient8</td>
<td>0.767</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>
The coefficient of determination

The coefficient of determination in this study is calculated using the R-square value, which is presented in Table 4. The R-Square score of 0.688 indicates that the market orientation and entrepreneurial orientation variables account for 68.8% of the variation in business performance.

**Table 4. R-Square**

<table>
<thead>
<tr>
<th>Variable</th>
<th>R-square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Performance</td>
<td>0.688</td>
</tr>
</tbody>
</table>

Hypothesis testing

The outcomes of hypothesis testing in this study are presented in Table 5. According to the table provided, the market orientation variable has a P value of 0.000, which is less than 0.05. Therefore, we can conclude that Hypothesis 1 is supported. These findings indicate that market orientation has a substantial impact on business performance. Moreover, the entrepreneurial orientation variable has a statistically significant P value of 0.025, which is less than the conventional threshold of 0.05. Therefore, it may be concluded that Hypothesis 2 is supported. These findings indicate that entrepreneurial orientation has a substantial impact on business performance.

**Table 5. Hypothesis Testing**

<table>
<thead>
<tr>
<th>Path</th>
<th>Original sample</th>
<th>T statistics</th>
<th>P values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurial Orientation -&gt; Business Performance</td>
<td>0.194</td>
<td>2.059</td>
<td>0.040</td>
</tr>
<tr>
<td>Market Orientation -&gt; Business Performance</td>
<td>0.662</td>
<td>7.205</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Discussion

The research's market orientation directly affects the performance of a corporation. The findings of this study are consistent with the research conducted by Wahyono & Hutahayan (2021), which demonstrates the impact of market orientation on business success. The research findings demonstrate the impact of market orientation on business success, which is consistent with previous studies conducted by Schulze et al. (2022). Implementing market orientation in the coffee shop business unit would foster a deep understanding of consumer demands among business owners, prompting them to actively respond to these desires to achieve optimal consumer happiness. Furthermore, market orientation might enhance the firm owner's preparedness for potential challenges posed by competitors. By acquiring knowledge regarding the benefits possessed by competitors, the business proprietor can evaluate the options available to neutralize the competitors' advantages. Moreover, market orientation enhances the coordination among various functions within the coffee shop, including waiters, staff, and owners, to ensure a harmonious execution of
tasks and responsibilities. Additionally, exchanging information among employees and owners will bolster and optimize business performance.

Entrepreneurial orientation has a notable impact on business performance. The findings of this study align with the research conducted by Han & Zhang (2021), which also asserts that entrepreneurial orientation significantly impacts corporate performance. In addition, (Hutahayan, 2019) did research that revealed a direct correlation between entrepreneurial orientation and business performance. Implementing entrepreneurial attitude involves entrepreneurs engaging in risk-taking, proactively pursuing opportunities, and fostering innovation, which in turn leads to enhanced corporate performance. Entrepreneurial approach facilitates the favorable reception and subsequent evaluation of new ideas and concepts for potential implementation. An entrepreneur's willingness to take risks and actively pursue originality fosters product advantages in the eyes of consumers, leading to a competitive edge and ultimately enhancing corporate performance. Entrepreneurial orientation is characterized by a courageous and proactive entrepreneurial mindset, which enhances the assurance in making business judgments (Han & Zhang, 2021).

Conclusion

Market orientation has a substantial impact on the performance of a firm. Market orientation in this scenario will push entrepreneurs to adopt a consumer-centric approach, allowing them to comprehend customer preferences by studying data gathered from consumers and the market regarding favored products. This notion will enhance the reception of products offered to consumers in a favorable manner, hence benefiting the organization through improved commercial success. Moreover, entrepreneurial orientation exerts a substantial impact on corporate performance. The dynamic nature of the corporate world necessitates that business professionals possess the ability to readily adjust to any prevailing changes. Utilizing innovation to capitalize on possibilities, meet consumer demands, and enhance business performance. Entrepreneurial orientation promotes the adoption of business methods that involve taking calculated risks, being proactive, and fostering innovation. This approach enhances the business owner's confidence in achieving their goals and ultimately leads to improved business performance. The findings of this study can serve as a foundation for identifying suitable and adaptable strategies for business divisions. firm professionals can utilize market orientation and entrepreneurial orientation, both of which have been demonstrated to enhance firm performance. Entrepreneurs participate in entrepreneurship training to enhance and get a competitive edge in their coffee shop business units. Additional research can be undertaken in different sectors outside from the coffee shop business unit to obtain more diverse outcomes. To obtain more precise findings, future researchers may consider increasing the sample size by include a greater number of research participants.

References


