

Competitive Advantages Through Digital Orientation in Coffee Shops

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Abstract. Coffee shops, often known as businesses, that sell coffee, are expanding and becoming more common in metropolitan areas, with micro and small businesses dominating. Numerous studies focusing on small businesses have found that entrepreneurial and market orientation significantly impact business performance. However, for coffee shop operations in Padang City, other researchers have not examined the relationship between competitive advantage features with a digital focus. 106 Coffee Shops in Padang participated in this research. We discovered that Digital Orientation and Competitive Advantage have a positive link after using SPSS to process the data.

Keywords: Digital Orientation, Competitive Advantages, Coffee Shop, SME's

1 Introduction

Coffee shops, often known as businesses, that sell coffee, are currently expanding and increasing in metropolitan areas, with micro and small size businesses predominating. In August 2019, there were 2,950 coffee shops in Indonesia, which is a three-fold growth from the 1,000 outlets there in 2016 [1]. The City of Padang-West Sumatra has also experienced growth in the coffee shop industry, with the Padang City Trade Office reporting as many as 92 coffee shops operating in 2020 [2]. This number will increase even more in 2022, as shown by the opening of several additional coffee shops that haven't yet been counted by the Padang City Trade Office. In the city of Padang, there are an increasing number of coffee shops that may be found around commercial centers, tourist destinations, and educational institutions. Even though coffee shops are located close to one another, some are even right next to one another, they all have clients and can survive the competition. This suggests that the coffee shop industry has promising business potential and will expand going forward.

According to research [3], millennials are also frequently the proprietors or managers of coffee shops in Padang. A young generation that is highly interested in technology and the online environment. The digitalization of communication is one aspect of digitization that directly impacts their daily life. The development of several social media applications has accelerated the digitalization of communication. The information in Figure 1: Number of Active Social Media Users in Indonesia, 2015–2022, comes from Indonesia. the number of social media users in Indonesia has grown from 2015 to 2022, according to an ID.

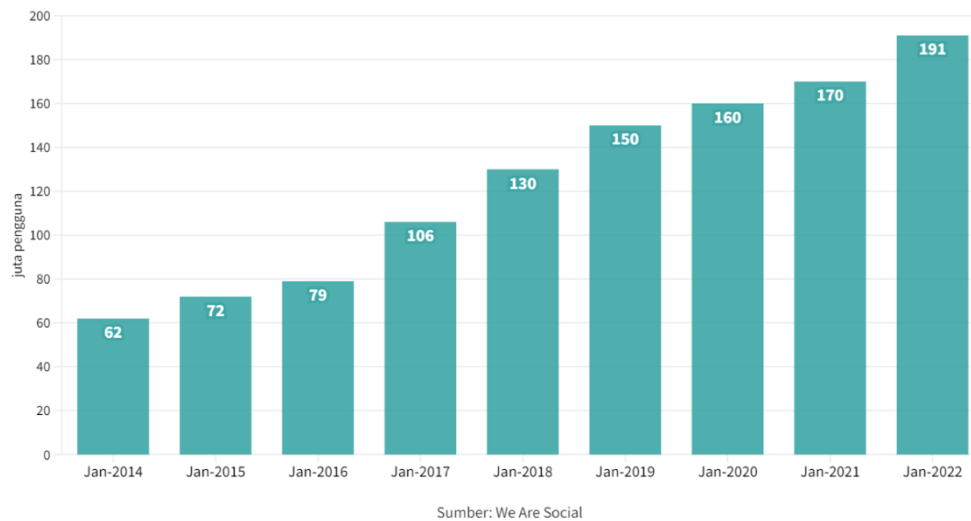


Fig 1. Number of Active Social Media Users in Indonesia

In January 2022, there were 191 million active users of social media, according to Figure 1. Many sources claim that millennials dominate the social media user base [4]. These platforms are utilized for social interaction and communication, especially concerning the businesses people run. This medium can connect coffee shop managers or owners with their customers as well as with rival enterprises.

According to numerous studies that use small enterprises as their subjects, market orientation, and entrepreneurial orientation have an enormous effect on business performance. The city of Padang's coffee shop industry does not experience this problem. This is revealed by research [3], that demonstrates that the owner of a coffee shop has already begun to focus on the market, while also emphasizing the need to teach customers about their needs and wants as well as the conditions and methods for dealing with them. The guidelines in place there have a 10% negative impact on the work that must be done. As a result, research that tries to investigate the possibility of other strategic orientation dimensions that influence the performance of the coffee shop industry is required. Digital orientation is the strategic orientation that will be investigated and is thought to contribute. The fact that millennial-generation coffee shop managers and owners are familiar with the digital world and have a good education lends credence to this supposition. In this study, digital orientation is connected to competitive advantage since the Padang City coffee shop industry keeps expanding by showcasing each individuality. The competitive advantage will ultimately affect the success of the business [3]. Other researchers have tested the association between competitive advantage characteristics with a digital focus, but not for coffee shop enterprises in Padang City. A model and policy for the growth of small enterprises, especially to achieve competitive advantage in the coffee shop business competition, should result from testing these variables.

1.1 Competitive Advantage

Experts continue to argue about and explore how to best grasp competitive advantage (hence referred to as CA). Competitive advantage, as defined by [5], is a situation in which businesses have control over market rivalry, possess advantages that are challenging for rivals to copy, and can dominate and become market leaders. According to marketing authorities [6], CA gives businesses an edge over rivals by giving customers a better deal.

CA is crucial to a company's performance in the face of market competition[7]. The value or profit that businesses can provide for their customers drives CA's growth and development. The organization will be able to achieve a competitive advantage if it can develop advantages from at least one of the three primary tactics (imitability, durability, and ease of matching) [8].

Additionally, prior studies have demonstrated that CA affects business performance. Farida & Setiawan's research from 2022 examines how a business strategy might boost CA in the building and real estate industries on Java Island. Business innovation and performance are taken into consideration as mediating variables in this study [8]. As a result, business strategy has a favorable impact on CA; the more effective the business plan used by the organization, the higher the CA will be. Additionally, this study's findings indicate that performance and innovation also serve as mediators in the relationship between corporate strategy and CA. Market-driven product innovation has a major effect on durable competitive advantage (SCA), according to additional research by [5]. In the Magelang region, 110 meat business owners were the subject of this study. According to the researchers who conducted this study, competition in the business world cannot be ignored, thus businesspeople must be aware of the market, consumer preferences, and changes in the business environment.

Examining the connection between corporate performance as measured by CA and market orientation [9]. They contend that imitability, durability, and simplicity of matching are CA factors that can be assessed. There is a substantial connection between CA and the relationship between dynamic capabilities and firm performance (business performance), according to a study done on 1,190 Portuguese organizations.

A prior study on the connection between CA and digital orientation was conducted by [10]. According to the findings of his study, digitalization has given businesses a new opportunity to offer value to customers. To create a competitive advantage, today's modern corporate world has integrated digital technology, resources, creativity, and innovation.

However, [11] who performed research on 216 MSMEs in nine business sectors in Indonesia came to different conclusions. Their study's findings demonstrate that digital orientation has no impact on CA. This is brought on by two factors: the fact that MSMEs already have a well-defined company strategy and that they do not completely comprehend digital orientation. This study discovered that MSMEs do not know what strategic actions to prepare because they are "forced" to apply digital orientation to their firm and the changing business environment due to technological improvements.

1.2 Digital Orientation

As noted by [12], a company's strategic orientation toward pushing the use of digital technology in products and services for customers as well as digitizing internal and inter-company processes and infrastructure to create a competitive edge is known as "digital orientation." Digital

orientation, sometimes referred to as digital orientation (DO), which covers market orientation, entrepreneurial orientation, connection orientation, and technology orientation, is considered as a key strategic objective for firms to remain competitive.

According to [13] DO is a strategic action taken to take advantage of the potential offered by digital technology. This concept underlines the necessity for MSMEs to address organizational practices as well as the larger environment while adjusting to changing digital formats. Organizational strategy and technology work together as a unified unit to prevent inadvertent or independent uses of technology within the organization.

The resource orchestration theory (ROT) describes how to manage individual resources and organizational capabilities to create and maintain a competitive advantage. According to [14], ROT explains how resources are controlled and managed in a way that eventually results in a competitive advantage. The idea that businesses are composed of various sources of useful resources and skills. Resource Operation Theory (ROT) is based on resource theory and considers a manager's or individual's actual function in the management of resources [15]. Because it specifically covers how management and entrepreneurial behaviors contribute to adapting and changing the resources needed as organizations participate in digital transformation, this perspective is thought to be effective in theory.

Because the size of the business reflects how many resources, talents, and competencies it has [16]. Small enterprises typically cater to little, niche, and local markets, therefore there may not always be a requirement for digitality in market orientation (i.e., promoting and upgrading goods and services) [17]. At the same time, the current business environment's dynamic nature encourages small businesses to utilize digital orientation to find new market prospects, relationships, and resource options [18]. Businesses can migrate from outdated procedures and describe their operations using digital channels including app stores, internet marketing, electronic transactions, and smartphone-based shopping. Considering that digital platforms encourage business success [19]

2 Research Method

2.1 Research Object and Data

The statistical analysis used in this work is a quantitative method of examination. This study's focus is on competitive advantage (CA), and digital orientation (DO), with Padang City's coffee shop owners and managers serving as the analysis unit. The research period runs from May to December 2023.

This research uses a sampling frame of the owner and/or manager of a coffee shop in Padang. There is no specific amount of coffee shops officially because some of them are not registered in the local government database. So, we use Lemenshow's (1997) formula to get the right amount of sample. According to the computation, 96 respondents must be included in the minimal number of samples. Because the research sample was selected using simple random selection, any manager or owner of a coffee shop might have participated in the study. We collected 106 respondents from coffee shops around Padang.

This study used a survey data collection method with a questionnaire as the primary research instrument. The survey is divided into four sections: (1) demographic information about the respondents; (2) questions about digital orientation; and (3) questions about competitive advantage. Both closed and open questions were used in the questionnaire's design. Closed questions employ a Likert scale with a 1–5 rating range. Scale 1 is the lowest score, indicating a severe disagreement, while scale 5 is the highest, indicating a strong agreement. Open-ended inquiries are meant to elicit freely expressed ideas from responders as well as illustrative responses to the indicators posed.

2.2 Data Analysis

Some of the steps in the analysis that will be carried out are:

Validity Testing

A validity test determines if a collection of questions' items may define a variable. Each question item can be evaluated using the value of the corrected item-total correlation, also known as the r count. The r table that was obtained using DF (Degree of Freedom) is then compared to this value.

Reliability Testing

The reliability test assesses how consistently and steadily respondents respond to inquiries about the constructions of the inquiries, which are the dimensions of a variable and are presented in the form of a questionnaire. A dependable instrument has a Cronbach's alpha value of at least 0.60.

Hypothesis Testing

Hypothesis testing is a procedure used to ascertain whether there is a relationship between variables and to validate earlier assumptions. This test was carried out using multiple regression analysis. This multiple regression test can be statistically analyzed by looking at the coefficient of determination, the value of the F statistic, and the value of the t statistically.

The coefficient of determination, often known as R'Square (R²), quantifies how much the independent variable can directly influence the dependent variable. The F test is used to assess the overall influence of each independent variable in the model on the dependent or related variable. If the significance value is 0.05 and the F-count value is F-table, the independent factors concurrently (together) significantly affect the dependent variable. If F-count, F-table, and significance value 0.05 are used, then the independent variables concurrently (together) have no significant effect on the dependent variable.

3 Result and Discussion

3.1 Respondent Profiles

This section highlights the data collection outcomes that were attained through the distribution of questionnaires to actors in Coffee Shops. The research's description begins with an introduction to the respondents' and the company's characteristics, followed by findings of research instrument testing, descriptive statistics, results of hypothesis testing, and discussion.

Table 1. Characteristics of Coffee Shops Owner

Category	N = 106	Percentage
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Gender	Male	78	73,6%
	Female	28	26,4%
Owner/Manager Age	< 25 years	49	46,2%
	26-40 years	52	49%
	41-55 years	3	2,8%
	>55 years	2	1,89%
Level Of education	High school	56	52,9%
	Diploma	8	7,8%
	Bachelor's degree	40	37,2%
	Master's degree	2	1,9%
Number of employees	1-4 people	61	57,1%
	5 – 19 people	43	40,9%
	20 – 99 people	2	1,9%
Ownership	Franchise	13	12,4%
	Personal Ownership	93	87,6%

Men own 73,6% of coffee businesses, compared to women who own 26,4%, according to Table 1. Table 1 also reveals that respondents under the age of 25 made up 46,2% of the sample, respondents between the ages of 26 and 40 made up mostly 49%, respondents between the ages of 41 and 55 made up 2,8%, and respondents over the age of 55 made up 1,89%. This is in keeping with the aesthetic of coffee shops established by the younger generation because they specifically targeted millennials and Generation Z.

This research also found that 52,9% of respondents have a High School education followed by 37,2% who have a bachelor's degree. This demonstrates the assertion that young individuals with a decent education do really run coffee shops. The average coffee shop is still small, with 1-4 employees, according to the company scale, accounting for 57.1%, and medium-sized, accounting for 40.9% with 5-19 employees.

Surprisingly, 87,6% of Coffee shops in Padang are owned by Personal and 12,4% are franchises. It means that most coffee shop has their own brand, manage their own material, and start their marketing journey from scratch. It is easier to do all these activities in franchises because the management helps with the operations, supply of raw materials, and marketing.

3.2 Reliability and Validity Test

The Cronbach Alpha method was used in this study's reliability testing, and question items on the questionnaire were deemed reliable if the Cronbach Alpha coefficient value was 0.60. Table 2 displays the Cronbach Alpha results, which show that every variable item satisfies the standards necessary for the question items in this research questionnaire to be recognized as reliable.

Table 2. Result of Cronbach Alpha and Item Total

Items	Means	SD	α	r	r table	Validity
OD1	4.1698	0.79847		0.558	0.256	Valid
OD2	4.3868	0.73770		0.677		Valid
OD3	4.0189	0.87267		0.749		Valid
OD4	4.1604	0.74497		0.733		Valid

OD5	4.1981	0.66790	0.414	Valid
OD6	4.1792	0.67326	0.642	Valid
OD7	4.1792	0.67326	0.657	Valid
OD8	4.1509	0.79033	0.698	Valid
OD		0.797		Valid
CA1	3.8491	0.89221	0.263	Valid
CA2	3.9057	0.77494	0.441	Valid
CA3	3.6226	0.94065	0.498	Valid
CA4	3.4623	0.77058	0.713	Valid
CA5	3.6762	0.80258	0.757	Valid
CA6	3.4528	0.79441	0.744	Valid
CA7	4.2830	0.70040	0.402	Valid
CA8	4.1981	0.78582	0.734	Valid
CA		0.728		Valid

The Cronbach alpha value in Table 2 is greater than 0.60, indicating the validity of the competitive advantage and digital orientation factors. Additionally, we contrast the estimated r values of each indication with the table r values to support the alpha value. The value of r count > r table as a result confirms that all items are legitimate.

3.3 Hypothesis Testing

Using the linear regression method, the study's hypothesis was tested. Table 3 displays the R-Square, which represents the percentage of the dependent variable's variance that can be accounted for by the independent variable. The independent variable Digital Orientation (DO), which simultaneously affects the dependent variable Competitive Advantages (CA), has an R-Square value in hypotheses of 0.133, which is 13,3%.

The anova table tries to demonstrate whether there is a real relationship between competitive advantages and digital orientation. Table 4 shows that the F value is 15,915 and that 0.000 is the level of significance when the value is less than 0.05. so that the CA variable can be predicted using this regression model.

The findings of the constant values that will satisfy the value of the regression equation $Y=a+bX$ are shown in Table 5. The constant value in the coefficient table is 15.312 and the value for Digital Orientation is 0.338, making the regression equation $Y = 15.312 + 0.338X$. According to its interpretation, a positive constant value of 15,312 in this regression equation denotes a positive influence from the independent variable (DO). The dependent variable (CA) will grow by 0.338 units, or 33.8%, if the independent variable (DO) increases by one unit, according to the regression coefficient X of 0.338.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.364	.133	.124	3.33927

Table 4. Anova

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	177.468	1	177.468	15.915	.000
	Residual	1159.674	104	11.151		
	Total	1337.142				

Table 5. Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	Constant	15.312	2.851		5.370	.000
	OD	.338	.085	.364	3.989	.000

3.4 Discussion

The results of the hypothesis test show that the Digital Orientation (DO) variable has a positive influence on the Competitive Advantage (CA) variable, with an impact size of 13.3% (R-square). The 106 coffee shops included in this study's sample were all run by people under the age of 40 who had a good education. It may be argued that the coffee shop's owner and manager are tech-savvy individuals. This is corroborated by the DO indicator's means value, which has a minimum value of 4, which indicates that respondents choose to respond "agree" to the questionnaire's questions. 38.6% of respondents did not utilize social media, while 52.8% did so as a promotional tool for the goods they sell.

However, even if there is a correlation between DO and CA, it is only 13.3%, which means that 86.7% of other factors can also have an impact on CA in coffee shops in Padang. This is demonstrated by the average value of the mean indicator variable CA, which is 3, which indicates that the dominant responder selected the "neutral" response. The cost of leadership and differentiation are two markers that can be used to gauge CA, according to Correia, Dias & Teixeira [9].

The findings of this study support research Berawi, et.al [10] found that organizations must currently upgrade their operations using digital technology to better meet consumer expectations and provide value to the goods or services offered. Utilizing digital technology is crucial in today's world of intense commercial competitiveness. New goods, procedures, and services can benefit from the extra value that digital technology can offer.

The findings of this study, however, are in contrast to those of research by Karina and Astuti [11], which found that DO has no impact on CA in studies of 216 SMEs in Indonesia. The Food and Beverage (FnB) industry predominated the sample in this study. SMEs in Indonesia are "forced" to adopt digital technology because of the changing environment, but they don't know how to link digital technology with their strategy to get a competitive edge, which is the reason why these two variables have no effect.

Since millennials and Generation Z make up most of their consumer base, coffee shops in the city of Padang typically limit their usage of digital technology to social media in order to sell their goods and communicate with existing and new customers. Utilizing digital technology to

provide value and boost the competitive advantage of the company they run is not yet a part of digital orientation.

4 Conclusion

This study aims to ascertain the relationship between competitive advantages (CA) and digital orientation (DO) in Padang coffee shops. The results of data processing with SPSS showed a positive relationship between DO and CA, with the independent variable contributing 13.3% to the dependent variable and the remaining 86.7% being influenced by factors that called for further research.

This study supports the findings of Berawi, et al.'s study [10], which claims that there is a connection between digital orientation and boosting competitive advantage, particularly when it comes to enhancing the value of goods and services for customers. In contrast, our study disproved Karina and Astuti's [11] findings, which claimed that there was no correlation between DO and CA in the sample of Indonesian SME businesses. The research sample's various business type is the reason for the disparate findings.

The Coffee Shop, which is known as a popular hangout for young people, approaches the presence of technology differently. The Coffee Shop in the city of Padang, which is run by young individuals with advanced education, views technology as a business partner. Social media is frequently used as a tool to connect with customers. Each of the 106 coffee shops taking part in this survey has a social media presence. However, coffee shop owners in the city of Padang have not made the best use of this technology adaptation to boost their competitive advantage. The small R-square value and the low value of the contribution show that not all technologically advanced features may significantly increase competitive advantage.

The research is limited in that it does not go into more detail on the elements that affect competitive advantage in coffee shops through digital technology. Given that the coffee shop owner is a young person with adequate education and technological knowledge, this topic is fascinating.

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