



The Influence of Product Innovation Orientation on the Business Performance of the Coffee Shops in Bekasi City, Indonesia

Jurry Hatammimi

School of Economics & Business

Telkom University, Bandung, Indonesia

Email: jurryhatammimi@telkomuniversity.ac.id

Indonesia

Irene Amelya

School of Economics & Business

Telkom University, Bandung, Indonesia

Email: ireneamelyaa@student.telkomuniversity.ac.id

Indonesia

ABSTRACT

The coffee industry in Indonesia currently has a large market and potential. It can be seen by the increasing number of coffee shops in Bekasi City which increased from 79 in 2020 to 199 in 2021. In tight competition, companies must have strong competitiveness, one of which is developing a product innovation orientation. Therefore, this research was conducted to find out the influence of product innovation orientation on the business performance of the coffee shops in Bekasi City, which are considered MSMEs. The questionnaire used in this research was distributed to 100 respondents. After utilizing the simple linear regression, t-test, and coefficient of determination, this study indicates that the business performance of the coffee shops is significantly influenced by the product innovation orientation. Further study is suggested to examine the other factors, such as the skill and knowledge of the employee, that can influence business performance.

KEYWORDS: *Product Innovation Orientation, Business Performance, Coffee Shop, MSME*

INTRODUCTION

Business competition has recently become very tight which requires companies to further increase their production results and compete to get the best results by implementing business strategies and various innovations in the face of competition in the business environment, including in the creative economy sector that has so many MSMEs. The creative economy is one of the priorities of economic development in West Java (Hatammimi et al., 2022). The number of MSMEs in West Java continues to show a good growth rate (Putri & Azizah, 2023). Based on data from West Java Province (2021), MSMEs, especially coffee shops in West Java province, are spread to various regions with a large number of around 1,539 MSMEs. This condition implicates tight competition in the coffee shop business.

The coffee industry in Indonesia currently has a large market and potential, this potential is shown by the increasing level of coffee consumption from various social circles. (Riyandi, 2022). Coffee is one of Indonesia's plantation commodities that are wanted by local and foreign communities. Indonesia is also known as one of the largest coffee producers in the world (Annur, 2023) and is acknowledged as the 3rd largest coffee-producing country. According to data from the Indonesian Coffee and Chocolate Business Association, revenue from the coffee shop business is expected to reach IDR 80 trillion in 2023 (Mone, 2023). The culinary industry, especially coffee shops in Bekasi City, has experienced significant growth too, causing high competition among culinary business actors. In fierce competition, companies must have strong competitiveness, one of which is to create a product innovation that can grow their business. They, in various ways, must continue to survive to gather consumers (Hatammimi & Pradana, 2022). It also takes the ability to generate new and different product ideas through innovation, as well as the courage

to take risks and be optimistic about the success of the ideas initiated (Hatammimi & Thahara, 2019).

To achieve a good work result, a company must have good innovation. According to Haryanti & Nursusila (2016), product innovation is used in the overall operation of the company where a new product is created and marketed, including innovation in all functional processes or uses. Innovation is thus essential to the life of every global food company and the development of new products is a key activity in the innovation process (Stanton, 2016). According to Mutegi et al. (2015), the performance of MSMEs is the result or evaluation of company work achieved by a person or group with the division of activities in the form of tasks and roles in a certain period with the standards of the company. Performance is a measure of the success of a business in achieving its business goals. According to Saputri (2020), performance is also the result of work that has a strong relationship with product innovation as an indicator of the success of performance itself. The performance of MSMEs must also provide appropriate benefits to increase employee loyalty so that performance increases (Marlina, 2022).

With the increase in MSMEs in West Java, especially in Bekasi City, many people's attention is on the performance of MSMEs, especially the coffee shops. It can be seen in an event namely Java Coffee Culture 2022 Supports Local Coffee Business Actors to Go Global & Go Digital. This activity presents a lot of coffee experts, who reviewed how to optimize productivity, quality, branding, to the promotion of superior coffee products (My Click, 2022). Innovations carried out by MSME coffee shops are ideally based on theories and from existing research, such as creating product innovations for the application of customer desires as one of the performance elements used by several coffee shops. Based on the phenomena,



problem formulations, and some previous research, the authors aim to find out the influence of product innovation orientation on the business performance of coffee shops in Bekasi City.

MATERIALS AND METHODS

Product Innovation Orientation

Innovation orientation is an organization's openness to new ideas as part of the organization's culture and tendency to change by adopting new technologies, resources, skills, and administrative systems (Chen & Huang, 2009). Innovation orientation describes how innovative an organization is and the results show that it relates to implementing a proactive growth-based strategy. The magnitude of the influence of innovation orientation on MSME performance can be influenced by business age, type of innovation, and culture that affects innovation (Rosenbusch et al., 2011). According to Dobni (2010), innovation orientation consists of four dimensions, namely:

1. Tendency to behave innovatively
2. Innovation infrastructure
3. Influence of innovation
4. Implementation of innovation

Business Performance of MSME

According to Adrian & Mulyaningsih (2016), performance is the result achieved by a person according to measures applicable to the job in question. Sulliyanto and Rahab (2012) assess business performance through increased profits, better sales output, increased number of employees, increased number of customers, reduced complaints, and product dissemination to a larger market. According to Kaplan & Norton (2020), the Balanced Scorecard can be used as an important measurement tool for companies to prepare new thinking in the competitive era and organizational effectiveness. The Balanced Scorecard can translate mission and strategy into various objectives and measures arranged into four perspectives, namely:

1. Financial Perspectives
2. Consumer Perspective
3. Internal Business Process Perspectives
4. Growth and Spending Perspectives

Product innovation orientation certainly has a strong relationship with the business performance of MSMEs because innovating in a product can explore business values which will certainly be a competitive advantage in every aspect of business. The right product innovation will be able to increase company sales and the more routine product innovation or product renewal is carried out, the goal of business performance will increase so it is estimated that product innovation orientation affects the business performance of coffee shops in Bekasi City. Therefore, this research's first hypothesis is product innovation orientation has a significant influence on the business performance of coffee shops in Bekasi City.

This research is causal descriptive research. This research explains the relationship between two variables using causal properties, including dependent and independent variables (Sugiyono, 2017). Data is analyzed and presented quantitatively through descriptive analysis and simple linear regression. The

research strategy used is a survey by distributing questionnaires. Because the official current number of coffee shops in Bekasi City is not available, this study uses a formula by Cochran (1997) to determine the number of samples. With an accuracy rate of 5 percent, a confidence level of 95 percent, a Z value equal to 1.960, and an error rate of 10 percent, the formula yields 96.04 which was rounded to 100. Therefore, the number of respondents to this study was 100 respondents. The independent variable in this study is product innovation orientation, while the dependent variable in this study is business performance. The scale used in the questionnaire is the level 5 Likert scale. Sample collection used a non-probability sampling method with a purposive sampling technique to get samples that match the criteria needed in this study. The sample criteria taken are the coffee shop business actors in Bekasi City. The questionnaire distributed has gone through validity and reliability tests first. The validity test was performed using the Pearson Product Moment formula, while the reliability test utilized Cronbach's Alpha method.

RESULTS AND DISCUSSION

Validity and Reliability Test

Before discussing the results of descriptive analysis, it is important to pay attention to the results of validity and reliability tests that have been carried out. The results of validity testing are useful for evaluating how precisely the suitability between the data collected from the object of research with the data that researchers can report. Based on the results of the validity test using SPSS, the values obtained for all seven statements of Product Innovation Orientation and eight statements of Business Performance have a calculated t result that is greater than the standard value. The significance value of 2-tailed also has a smaller value compared to the level of significance. This result indicates that the entire statements are valid. Furthermore, the reliability test results show that seven statements of the Product Innovation Orientation and eight statements on the Business Performance have Cronbach's Alpha value that exceeds the limit value considered acceptable for the indicator. These tests show that both, Product Innovation Orientation and Business Performance, have acceptable and trustworthy reliability.

Characteristics of Respondents

Based on data from 100 respondents of this study, the characteristics of respondents based on age were dominated by respondents aged 25-44 years with a percentage of 63%, followed by ages 20-24 years with a percentage of 26%, and ages 45-64 years with a percentage of 11%. If classified based on education, it is dominated by undergraduate respondents with a percentage of 81%, followed by diplomas with a percentage of 13%, postgraduate at 7%, and secondary school / lower at 6%. The proportion of respondents based on position is dominated by owners at 69%, while store managers at 31%. If classified by the number of employees, the proportion is dominated by the respondents who have 5-19 employees by 62%, followed by 20-99 employees by 31%, respondents with 1-4 employees by 6%, and 100 people and more by 1%. Moreover, annual income classification is dominated by respondents with annual income



less than IDR 200 million with a percentage of 54%, followed by income that is bigger than IDR 2 billion of 2%. Based on these between IDR 200 million and IDR 2 billion 44%, and annual classifications, respondents are dominated by micro-scale enterprises.

Descriptive Analysis

Table 1. Assessment of Product Innovation Orientation

Statement	Score	Category
PIO1	88.8%	Very High
PIO2	92.2%	Very High
PIO3	91%	Very High
PIO4	83%	High
PIO5	92%	Very High
PIO6	88.2%	Very High
PIO7	94.8%	Very High
Total	90%	Very High

Based on Table 1, all the indicators of product innovation orientation are positively perceived by the respondents. PIO7 is the highest-rated statement with a score of 94.8% and falls into the very high category. This category indicates that respondents have strongly implemented the innovation in their coffee shops. Moreover, the lowest respondent assessment score on the product innovation orientation variable is found in the PIO4 statement with a score of 83%. This PIO4 item states that the coffee shop has conducted organizational learning that will later be applied to its business. Although this statement received the lowest assessment score, the assessment category was still included in the high category.

Table 2. Assessment of Business Performance

Statement	Score	Category
BP8	85.8%	Very High
BP9	83.8%	High
BP10	93.2%	Very High
BP11	85.2%	Very High
BP12	92.4%	Very High
BP13	92%	Very High
BP14	91.4%	Very High
BP15	89.9%	Very High
Total	89.2%	Very High

Based on Table 2, all the indicators of business performance are positively perceived by the respondents. BP10 is the statement with the highest score of 93.2% and falls into the very high category. This result indicates that respondents strongly agree with the rise of productivity in their coffee shops. On another hand, the statement that received the lowest score was BP9 at 83.8%. However, BP9 is still in the high category. In this indicator, respondents agree that they made cost savings in their businesses.

Table 3. Results of Analysis of Variance

Type	F	Sig.
Regression	68.646	.000

From the results of variance analysis (ANOVA), we obtained an F count of 68.646 with a significance level of 0.000. This value is smaller than 0.05 so an influence can be identified between the Product Innovation Orientation and the Business Performance. Further, the regression equation is presented as follows:

$$Y = a + bX$$

$$Y = 11.420 + 0.771X$$



From the regression equation, it can be indicated that the consistency value of the business performance variable is 11.420. With a product innovation orientation regression coefficient of 0.771, it can be interpreted that for every addition to the product innovation orientation value, the business performance

value increases by 0.771. The regression coefficient is positive, so it can be said that the direction of influence of these two variables is positive.

Hypothesis Test

Table 4. T Test Results

Type	t	Sig.
Product Innovation Orientation	8.285	.000

Table 5. T Table α 5% One-Tailed Test

Df	0.025
98	1.984

$$t \text{ table} = (a/2); n - k - 1$$

$$t \text{ table} = (0,025/2); 100 - 1 - 1$$

$$t \text{ table} = (0,025; 98)$$

$$t \text{ table} = (1,984)$$

The results of the t-test show the significance value of the effect of product innovation orientation on business performance of 0.000, where the value is less than 0.05. Furthermore, the calculated t value is 8.285 where the value is greater than the

table t value of 1.984. Because of this result, it can be indicated that the hypothesis test proves that there is an impact of Product Innovation Orientation on Business Performance.

Coefficient of Determination

Table 6. Coefficient of Determination

Type	R Square
1	.412

The results of the coefficient of determination test show a value of r² or a coefficient of determination is 0.412. This result shows that the Product Innovation Orientation variable provides more than half of the information needed to predict the Business Performance variable. The magnitude of the influence of Product Innovation Orientation on MSME Performance is 41.2 percent.

by Jaensson (2022), Saputri (2020), and Wicaksono & Subarjo (2019) which show that innovation and product orientation as the variables with various dimensions affect the business performance of MSMEs.

CONCLUSIONS

Based on the data analysis, several conclusions can be drawn. First, the product innovation orientation has been perceived as very high. Innovation implementation is the highest perceived indicator and organizational learning is the lowest perceived indicator. Second, the MSMEs' business performance has been perceived as very high as well, with increasing productivity as the highest perceived indicator and cost saving as the lowest perceived indicator.

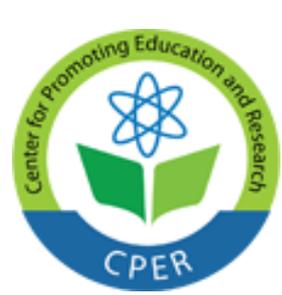
There was a positive impact of the product innovation orientation on the MSMEs' business performance of 41.2 percent. Therefore, further study is suggested to examine the other factors that can influence business performance, such as the skills and knowledge of the employee.

REFERENCES

Adrian, M. (2017). The Effect of Business Assistance on MSME Performance (Study on MSMEs Participating in the 2016 PUSPA Program organized by Bank Indonesia). Telkom University Open Library.

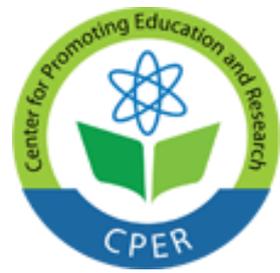
Annur, C. M. (2023, March 13). Indonesia's Coffee Production Increases, Reaching 794 Thousand Tons in 2022. Databox. Retrieved October 5, 2023, from <https://databoks.katadata.co.id/datapublish/2023/03/13/produksi-kopi-indonesia-meningkat-capai-794-thousand-tons-on-2022>

Ayinaddis, S. G. (2023, April 17). The effect of innovation orientation on firm performance: evidence from micro and small manufacturing firms in selected towns of Awi Zone, Ethiopia - Journal of Innovation and Entrepreneurship. Journal of



Innovation and Entrepreneurship.

- Chen, C. J., & Huang, J. W. (2009, January). Strategic Human Resource Practices and Innovation Performance – The Mediating Role of Knowledge Management Capacity. *Journal of Business Research*.
- Cochran, W. G. (1977). *Sampling techniques*. West Sussex. John Wiley & Sons.
- Dobni, C. B. (2010). The Relationship Between an Innovation Orientation and Competitive Strategy. *International Journal of Innovation Management* Vol. 14, No. 02, pp. 331-357 (2010), Vol. 14 No. 02.
- Haryanti, S. S., & Nursusila, L. (2016). Building Marketing Performance Based on Product Innovation and Competitive Advantage (Empirical Study on Guitar Craft in Sukoharjo Regency). *Journal of Accounting and Financial*, Vol. 2 No. 1.
- Hatammimi, J., & Pradana, S. (2022) Examining The Product Innovation During Covid-19 Pandemic on Purchase Decision: A Study on Culinary Business in Indonesia. *Proceedings of the 5 th European International Conference on Industrial Engineering and Operations Management*, Rome, Italy, July 26-28, 2022
<https://ieomsociety.org/proceedings/2022rome/497.pdf>
- Hatammimi, J., & Thahara, A. (2022, September). Capturing Competitive Advantage Through Product Innovation: Study of a Small Culinary Business. In *ECIE 2022 17th European Conference on Innovation and Entrepreneurship*. Academic Conferences and Publishing Limited.
https://books.google.co.id/books?hl=en&lr=&id=HNOYEAAAQBAJ&oi=fnd&pg=PA258&ots=hdctf38nz&sig=-2yx3SqMonnfKqdnTphUCu5QB&redir_esc=y#v=onepage&q&f=false
- Jaensson, J. (2022, May 2). (PDF) Influence of Product Innovation on the Performance of Coffee Cooperatives in Kenya. *ResearchGate*. Retrieved October 13, 2023, from
https://www.researchgate.net/publication/364304457_INFLUENCE_OF_PRODUCT_INNOVATION_ON_THE_PERFORMANCE_OF_COFFEE_COOPERATIVES_IN_KENYA
- Kaplan, R., & Norton, D. P. (2000). *Balanced Scorecard: Putting strategy into action*. Jakarta: Erlangga.
- Click me. (2022, September 26). JCC 2022 Supports Local Coffee Business Actors to Go Global & Go Digital.
<https://klikku.net/2022/11/26/jcc-2022-dukung-pelaku-usaha-kopi-lokal-untuk-go-global-go-digital/>
- Marlina, A. (2022, June 20). Compensation: Definition, Purpose, Forms, and Types. *Glints*. Retrieved October 5, 2023, from <https://glints.com/id/lowongan/jenis-kompensasi-perusahaan/>
- Mone, R. (2023, September 7). Coffee Fest Indonesia 2023, a Gathering Event for MSMEs and Coffee Lovers - MNews. *MNews – MNews*. Retrieved October 13, 2023, from <https://mnews.co.id/read/fokus/kopi-fest-indonesia-2023-ajang-berkumpulnya-umkm-dan-pecinta-coffee/>
- Mutegi, H. K., Njeru, P. W., & Ongesa, N. T. (2015, March). Financial Literacy and Its Impact on Loan Repayment by Small and Medium Entrepreneurs. *International Journal of Economics, Commerce and Management (IJECM)*. Retrieved October 5, 2023, from <https://ijecm.co.u/wp-content/uploads/2015/03/3355.pdf>
- Putri, M. K., & Azizah, N. S. N. (2023, April 6). The Influence of Entrepreneurial Orientation on Internationalization Performance with Partnership Moderation in MSMEs in the Export Ready Category Assisted by the Cooperative and Small Business Office of West Java Province. *SEIKO: Journal of Management & Business*, Volume 6 Issue 1, 802-808.
https://scholar.google.com/citations?view_op=view_citation&hl=id&user=0EI9FWEEAAA&citation_for_view=0EI9FWEEAAA:5nxA0vEk-isC
- Riyandi, V. (2022, September 22). Growth and Potential of Coffee Business in Indonesia. *LandX*. Retrieved October 13, 2023, from <https://landx.id/blog/infografik-semerbak-harumnya-bisnis-kopi-indonesia/>
- Rosenbusch, N., Brinckmann, J., & Bausch, A. (2021, July). Is Innovation Always Beneficial? A Meta- Analysis of the Relationship Between Innovation and Performance in SMEs | Request PDF. *ResearchGate*. Retrieved November 4, 2023, from https://www.researchgate.net/publication/222326833_Is_Innovation_Always_Beneficial_A_Meta-Analysis_of_the_Relationship_Between_Innovation_and_Performance_in_SMEs
- Rynardo, K., & Utama, L. (2021). The influence of innovation orientation on the performance of MSMEs in the culinary sector. *E-journal Untar*. Retrieved November 4, 2023, from <https://journal.untar.ac.id/index.php/JMDK/article/view/13502/8254>
- Saputri, N. H. (2020). The Effect of Product Innovation, Process Innovation, Service Innovation on MSME Performance (Empirical Study on Homepreneurs in Temanggung Regency) *THESIS*. Retrieved October 5, 2023, from http://eprintslib.ummgl.ac.id/2231/1/16.0101.0061_BAB%20I_BAB%20II_BAB%20III_BAB%20V_DAFTAR%20PUSTAKA.pdf
- Stanton, J. L. (2016). *Food Innovation: The Good, the Bad and the Ugly*. UP FM. Retrieved November 1, 2023, from https://www.fm-kp.si/zalozba/ISSN/1854-4231/11_193-202.pdf
- Sugiyono. (2017). *Quantitative, qualitative and R&D research methods (Cet.26 ed.)*. Alfabeta.



- Suliyanto, S., & Rahab, R. (2012). The Role of Market Orientation and Learning Orientation in Improving Innovativeness and Performance of Small and Medium Enterprises | Suliyanto | Asian Social Science CCSE. Canadian Center of Science and Education. Retrieved October 24, 2023, from <https://ccsenet.org/journal/index.php/ass/article/view/14052>
- Wicaksono, G., & Subarjo. (2019, March 9). The Influence of Innovation Orientation on the Performance of Creative Industry MSMEs in the Special Region of Yogyakarta. Department of Management-Faculty of Economics, Surabaya.