

The Impact of Value Chain Analysis Implementation on Competitive Advantage in Coffee Shop Businesses in Mataram City

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Abstract

This study aims to analyze the influence of the value chain on competitive advantage in Coffee Shops in Mataram City. The value chain is considered crucial in achieving competitive advantage in business. The study collects primary data through a questionnaire involving 40 respondents who are coffee shop owners in Mataram City. To examine the impact of the value chain on competitive advantage, this study utilizes regression analysis with PLS 4 as the analytical tool. The findings of this study suggest that the value chain does not significantly influence the competitive advantage of coffee shops in Mataram City. This implies that improving the coffee value chain in Mataram City does not necessarily enhance its competitive advantage. Additionally, the study indicates that the value chain alone is not the sole determinant of competitive advantage. Therefore, coffee business owners in Mataram City should focus on enhancing other strategies such as marketing, menu innovation, excellent customer service, meeting local consumer preferences, and adapting to evolving market trends and customer preferences.

Key words: public safety, information technology, road map, information protection, concept, and information technology.

INTRODUCTION

The development of businesses in Indonesia is increasingly growing and evolving day by day in line with the changing times. This can be seen from the variety of businesses emerging, such as fashion, culinary, tourism, electronics, manufacturing, services, and others

(EKON, 2022). Competition is at the core of the success or failure of a company, with the rapid development of businesses leading to increased competition among entrepreneurs in various industries. Each entrepreneur strives to survive and sustain their business, aiming to sell products that appeal to customers and generate profits from their ventures (Michael E, 1985). According to data from the Business Competition Supervisory Commission (KPPU), in 2021, Indonesia experienced the highest Business Competition Index (IPU) increase, reaching 4.81 points. Over the past three years, sectors such as accommodation, food, and beverages consistently maintained the highest levels of business competition, reaching 5.04 points.

Intense competition naturally compels entrepreneurs to think creatively about how to produce high-value products for their customers and excel over existing competitors. Companies can win in competition based on product quality, pricing, and providing added value to their customers, known as achieving competitive advantage. Competitive advantage stems from the value a company creates for buyers that exceeds the company's costs in creating it. Value is what buyers are willing to pay for, and superior value comes from offering lower prices than competitors.

According to Michael E, (1985), one of the factors that can create competitive advantage is the value chain. Value chain analysis helps companies identify weaknesses in their business operations and find ways to improve them. This can assist companies in enhancing operational efficiency and reducing production costs. Furthermore, value chain analysis helps companies determine critical points within the value chain where they can add value for customers and create competitive advantages. Therefore, further analysis is necessary to understand how the value chain can influence competitive advantage, providing a reference for businesses to achieve their respective competitive strengths.

The literature on the influence of value chain on competitive advantage has indeed grown extensively in Indonesia. Several previous studies exemplify this, such as Wijaya & Fitriah, (2022) & who investigated the impact of value chain on competitive advantage in clothing lines in Bandung City. Research conducted by Andriyani, Nurleli, & Lestari, (2018) explored the value chain's effect on competitive advantage in a distribution outlet at Plaza Parahyangan Bandung. Damayanti, Probowulan, & Nastiti, (2021) analyzed the value chain as an effort to enhance competitive advantage in Bondowoso, while a recent study by Muhsyi, Khusna, Subagio, Sukarno, & Priyono, (2023) investigated the value chain model of the carnival industry in Banyuwangi towards comparative advantage.

Based on several previous studies examining the influence of value chain on competitive advantage, this study focuses on analyzing the value chain's impact on competitive advantage in coffee shop businesses in Mataram City. As explained by

Anggadwita et al. (2019), enhancing competitive advantage through the value chain is crucial for coffee shops, as they need to maintain high competitiveness amidst competitors. Literature related to the analysis of value chain on competitive advantage in Mataram City remains very limited to date, despite Mataram City being a business hub in West Nusa Tenggara Province (NTB), ranked among the top ten provinces with the highest business competition levels in 2021 (KPPU, 2021). Therefore, conducting research on the influence of the value chain on competitive advantage in coffee shop businesses in Mataram City would be highly beneficial as a reference for developing effective competitive strategies in this industry.

LITERATURE ANALYSIS

Competitive advantage is a condition or set of factors that allow a company or product to differentiate itself from its competitors and create unique added value for customers. According to Laudon & Traver, (2018), competitive advantage is achieved by a company when it produces superior products and markets them at lower prices than most of its competitors. Thomson & Pian (2003) explain that competitive advantage is a form of development from differentiation, cost reduction, innovation, growth, and alliance. Meanwhile, according to Porter (1985), the value chain is formed from human resource management and firm infrastructure.

All companies make decisions that affect their competitive position and profitability. Strategic planning is the organizational process of making these important decisions. This is done in an effort to help the company position itself against its competitors in the pursuit of competitive advantage (Michael E, 1985). Porter suggests that value chain analysis can be a useful approach in developing strategy. Value chain analysis can be used to formulate competitive strategy, understand the sources of competitive advantage, and identify and/or develop linkages and relationships between activities that create value.

In several studies that have been conducted, such as the research by Subagio, Ratnawati, & Ridwan, (2022), it was found that one of the factors that form competitive advantage is the value chain. The research conducted by Andriyani, Nurleli, & Lestari, (2018) found that value chain analysis did not affect competitive advantage in the distribution at Plaza Parahyangan Bandung. Wijaya & Fitriah, (2022) found that the implementation of value chain analysis and competitive advantage in the clothing line in Bandung City is considered good, and the implementation of the value chain significantly affects competitive advantage in the clothing line in Bandung City. The research conducted by Luhung, (2019) states that the value chain has a positive impact on the company. Opusunju (2016) states that the value chain significantly influences the achievement of MSME performance.

Arijanto, (2023); Hong et al. (2019); Sinaga et al. (2021); Cahyono et al. (2023); and Kwak et al. (2017) found that the value chain positively affects competitive advantage. Therefore, the hypothesis proposed in this study is as follows:

H1: The implementation of the value chain significantly affects the competitive advantage of coffee shop businesses in Mataram City.

RESEARCH METHODOLOGY

The type of research used in this study is associative quantitative research. Associative quantitative research aims to identify and analyze relationships and influences between two or more variables. In quantitative research, variables can be measured quantitatively, and statistical analysis is used to determine the extent of the relationship or correlation between these variables. The data in this study are primary data sourced from questionnaires distributed to coffee shop business operators in Mataram City. The population in this study comprises all coffee shop businesses in Mataram. The sampling technique used is non-probability sampling with the convenience sampling method, resulting in a sample size of 40.

This study includes two types of research variables: independent and dependent variables. The independent variable in this study is the value chain, while the dependent variable is competitive advantage. Competitive advantage can be measured using differentiation, cost reduction, innovation, growth, and alliance. Meanwhile, the value chain can be measured by human resource management and firm infrastructure. The data analysis method used in this study is simple regression analysis using the Partial Least Squares (PLS4) tool. According to Gujarati & Porter, (2015), the general form of the simple regression equation is as follows:

$$CA = a + \beta VC + e$$

Explanation:

CA = Competitive Advantage

VC = Value Chain

a = Constant

β = Regression Coefficient

e = Standard Error

STATISTICAL TEST RESULTS

In this study, there are approximately 40 respondents who are coffee shop owners in Mataram City. Of these respondents, 17 or about 43% are female, and 23 or about 57% are male. Based on the tests conducted, the minimum value for each indicator is 2, while the

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maximum value is 5. These values are consistent with the responses given by each respondent, where "Strongly Disagree" (STS) is valued at 1, "Disagree" (TS) is valued at 2, "Neutral" (N) is valued at 3, "Agree" (S) is valued at 4, and "Strongly Agree" (SS) is valued at 5. Looking at the mean value of respondents' answers, it can be seen that the average value is above 4. This indicates that the competitive advantage of coffee shops in Mataram City can be considered good, which aligns with their value chain. Given that the average response value for each indicator is above 4, it can be concluded that coffee shops in Mataram City have a good value chain.

Table 1. Descriptive Statistics Results

Variable	Indicator	Mean	Min	Max	Standard Deviation
Competitive Advantage	Y1	4.025	3.000	5.000	0.10
	Y2	4.350	4.000	5.000	0.34
	Y3	4.100	3.000	5.000	0.32
	Y4	4.050	3.000	5.000	0.36
	Y5	4.225	3.000	5.000	0.47
	Y6	4.100	3.000	5.000	0.65
	Y7	4.300	3.000	5.000	0.81
	Y8	4.125	3.000	5.000	0.75
	Y9	4.175	3.000	5.000	0.80
	Y10	4.150	3.000	5.000	0.81
	Y11	4.125	3.000	5.000	0.80
	Y12	4.100	3.000	5.000	0.80
	Y13	4.100	2.000	5.000	0.79
	Y14	3.950	3.000	5.000	0.33
	Y15	4.100	3.000	5.000	0.47
	Y16	3.750	3.000	5.000	0.32
	Y17	4.125	3.000	5.000	0.44
	Y18	4.325	3.000	5.000	0.76
	Y19	4.425	3.000	5.000	0.73
	Y20	4.375	3.000	5.000	0.76
	Y21	4.250	3.000	5.000	0.43
	Y22	4.525	3.000	5.000	0.57
	Y23	4.550	3.000	5.000	0.46

Value Chain	Y24	4.125	3.000	5.000	0.23
	Y25	3.775	3.000	5.000	-0.01
	Y26	3.850	2.000	5.000	-0.18
	Y27	4.000	3.000	5.000	0.02
	Y28	4.050	3.000	5.000	0.24
	X1	4.125	4.000	5.000	0.48
	X2	4.575	4.000	5.000	0.78
	X3	4.475	3.000	5.000	0.55
Value Chain	X4	4.475	3.000	5.000	0.79
	X5	4.575	3.000	5.000	0.78
	X6	4.400	3.000	5.000	0.74
	X7	4.500	4.000	5.000	0.73
	X8	4.475	4.000	5.000	0.71

Source: Partial least square (PLS4)

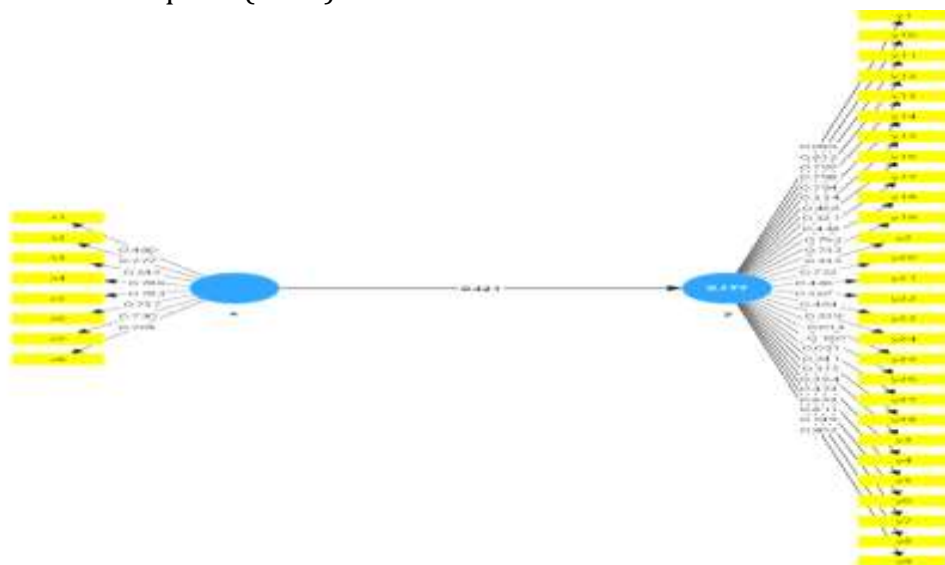


Figure 1. Loading Plot

Results of Validity and Reliability Testing

Validity testing in research aims to evaluate the extent to which the measurement instrument used in the study can be considered valid or reliable in measuring the intended concept or variable. In this research, validity testing consists of two tests: the outer loading matrix and discriminant validity. According to Chin & Marcoulides (1998), validity is considered passed if the outer loading matrix value is above >0.60 , while discriminant

validity is considered passed if the value is below <0.90 . The outer loading matrix relates to the relationship between observed variables and latent factors in factor analysis, whereas discriminant validity evaluates the model's ability to differentiate between different latent factors in the model. Both are crucial concepts in factor analysis that help validate and understand the latent factor structure in a statistical model.

In this study, there are about 28 indicators for the dependent variable (Competitive Advantage) and around 8 indicators for the independent variable (Value Chain). Based on the results of the outer loadings test in Table 1 and Figure 1, out of the 28 indicators for Competitive Advantage, about 17 indicators were removed from the model due to having an outer loading value <0.60 , while around 2 indicators for the Value Chain variable were removed from the model.

Table 2. Results of Outer Loading and Reliability Test

Indicator	Outer Loadings	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
x2	0.847	0.866	0.866	0.519
x4	0.681			
x5	0.811			
x6	0.605			
x7	0.657			
x8	0.689			
y6	0.608	0.948	0.957	0.672
y7	0.845			
y8	0.894			
y9	0.895			
y10	0.923			
y11	0.925			
y12	0.918			
y13	0.888			
y18	0.736			
y19	0.634			
y20	0.651			

Source: Partial least square (PLS4)

As summarized in Table 2, after removing indicators that did not pass the outer loading test, the results of the outer loading test show that the values for all indicators of both independent variables (Value Chain) and dependent variables (Competitive Advantage) are above >0.60 . Therefore, these results indicate that the indicators in this study have passed the validity test, meaning that the questionnaire instruments used in this research can be considered accurate and reliable in testing the impact of financial literacy on financial management. Additionally, based on the results of the discriminant validity test using the Heterotrait-Monotrait Ratio (HTMT) summarized in Table 3, the results of this study show that the HTMT value for the research variables is below <0.90 , specifically 0.271. This value indicates that there are no issues with discriminant validity in this research. Thus, the indicators in this study have good discriminant validity in representing each of their variables.

Table 3. Discriminant Validity Results

Variable	Competitive advantage	Value Chain
Competitive Advantage	-	-
Value Chain	0.271	-

Source: Partial least square (PLS4)

To evaluate the extent to which the measurement instrument used in the research is consistent and reliable in measuring the studied variables, this study conducted a reliability test by examining Cronbach's alpha values, composite reliability, and Average Variance Extracted (AVE) values. According to Hair et al. (2021), reliability is considered satisfactory if the Cronbach's alpha and composite reliability values are above or equal to >0.70 , while the AVE value is above or equal to >0.50 . Based on the reliability test results summarized in Table 2, the values indicate that the Cronbach's alpha for Value Chain is above >0.70 at 0.866, and for Competitive Advantage, it is 0.948. The composite reliability values are 0.866 for Value Chain and 0.957 for Competitive Advantage. Additionally, the AVE values are above >0.50 , specifically 0.519 for Value Chain and 0.672 for Competitive Advantage. Therefore, the data for all indicator variables in this study are concluded to have passed the reliability test.

RESULTS OF HYPOTHESIS TESTING

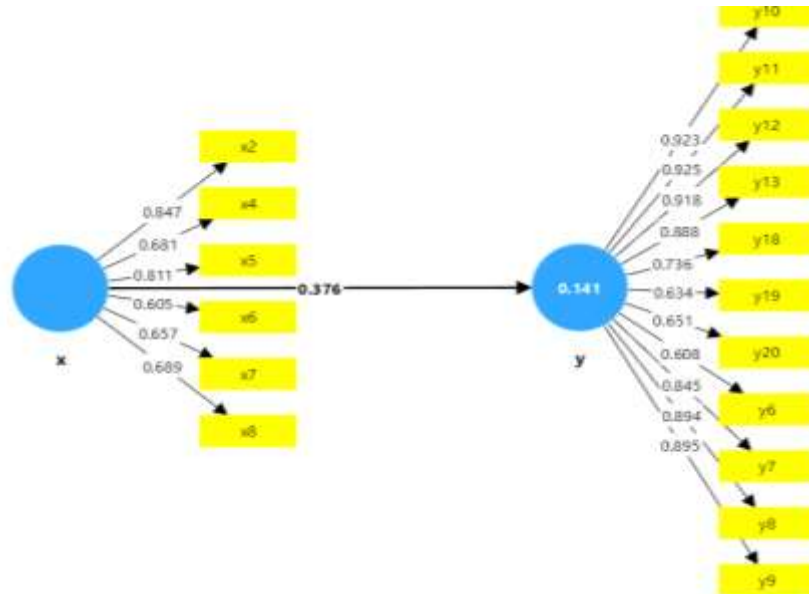


Figure 2. Loading Plot

Table 4. Hypothesis Testing Results

Hypothesis	R-Squared	Path Coefficient	P values
<i>Value Chain -> Competitive Advantage</i>	0.141	0.376	0.273

Source: Partial least square (PLS4)

This study aims to analyze the effect of the value chain on managing the competitive advantage of coffee shops in Mataram City. The findings of this study, as summarized in Figure 2 and Table 4, show a positive but not significant effect on competitive advantage. This effect is indicated by a positive path coefficient value of 0.376 and a p-value above >0.05 , specifically 0.273. This means that an increase in the value chain of coffee shops in Mataram City will not significantly impact their competitive advantage. Additionally, the R-squared value in this study shows that approximately 0.141 or 14% of the competitive advantage of coffee shops in Mataram City is influenced by the value chain, while the remaining 86% is influenced by variables outside the scope of this research.

DISCUSSION

Several literatures discussing the impact of the value chain on competitive advantage state that the value chain plays a crucial role in shaping a business's competitive advantage. However, the findings of this study indicate that the value chain does not have a significant

impact on the competitive advantage of coffee shops in Mataram City. As shown by the statistical test results, the p-value for the effect of the value chain on competitive advantage is above >0.05 , approximately 0.373. This means that, although the descriptive statistical results show that the average value chain of coffee shops in Mataram City is good, it does not significantly impact their competitive advantage. Thus, the findings of this study do not align with the research conducted by Subagio, Ratnawati, & Ridwan, (2022) and Wijaya & Fitriah, (2022), which found that the value chain significantly affects competitive advantage. This study also contradicts the research by Arijanto, (2023); Hong et al. (2019); Sinaga et al. (2021); Cahyono et al. (2023); and Kwak et al. (2017), which found that the value chain positively affects competitive advantage. However, the findings of this study are consistent with the research by Andriyani, Nurtleli, & Lestari, (2018), which found that value chain analysis does not impact competitive advantage in the distribution sector at Plaza Parahyangan Bandung.

The value chain is a concept that maps business activities from upstream to downstream, from raw material procurement to the marketing of final products. However, in the context of coffee shops in Mataram City, the value chain may indirectly determine competitive advantage. Competitive advantage in coffee shops is more often related to coffee product quality, menu innovation, and a unique customer experience. These factors are usually more influenced by marketing strategies, menu creativity, and good service than by the value chain of the business itself. Geographical factors, local consumer preferences, and the presence of local competitors are more likely to influence the competitive advantage of coffee shops than the overall value chain. Additionally, coffee shops often need to be responsive to changing market trends and customer preferences. The ability to adapt quickly may be more crucial than optimizing the value chain, such as firm infrastructure and human resource management.

CONCLUSION AND RECOMMENDATIONS

Based on the analysis conducted in this study, the findings indicate that there is no significant effect of value chain analysis on the competitive advantage of coffee shops in Mataram City. This means that even if the value chain of coffee shops in Mataram City is enhanced, it will not significantly impact their competitive advantage. These findings suggest that the value chain is not a factor that can be used as a strategy to improve competitive advantage. Therefore, further research is needed to explore other factors beyond the variables of this study that can enhance competitive advantage in Mataram City. More broadly, the results of this study indicate that coffee shops in Mataram may need to focus on other aspects such as product quality, menu innovation, and customer experience to improve their

competitiveness. Although the value chain is important for operational efficiency and resource management, these factors do not always directly influence business competitiveness in the eyes of consumers.

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