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Boosting Culinary SME Competitiveness in Semarang: The Strategic Role of Store Atmosphere, Service Quality, and E-WOM through Business Performance

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Abstract

Industrial development in the culinary business in the city of Semarang is an interesting phenomenon to study. Because the culinary business when the competition that occurs in this business becomes very tight. The uniqueness of the model and the superiority of the products and services offered to consumers is a challenge in itself. This also requires creativity and innovation and the courage to try new products. The purpose of this study is to measure the effect of store atmosphere, service quality, and E-WOM (electronic word of mouth) on business performance which will increase competitive advantage. The population of this study were culinary SMEs in Semarang City. While the sampling technique used in this study is purposive sampling method. For the number of research samples is 100 samples from the total population of respondents. This research technique uses two approaches: 1). Confirmatory factor analysis, on Structural Equation Modeling (SEM); and 2). Regression Weight on Structural Equation Modeling (SEM). The output model in this study can make a positive contribution to the culinary SMEs in an effort to realize the competitiveness of their business, both in the form of managerial implications and the formulation of scientific articles and measurement instruments. Managerial advice is aimed at the local government in formulating program policies to maintain the existence and competition of entrepreneurs.

Keywords: Business Performance, Store Atmosphere, Service Quality, E-WOM, Competitive Advantage

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INTRODUCTION

The development of the business industry is currently getting tighter due to globalisation and the rapid development of information technology. Competition between business actors is becoming increasingly tight business actors are expected to be able to increase their competitive advantage, including by increasing integration and information exchange between organisations and effective business processes (Danjum & Rasli, 2012). Because with a pleasant atmosphere it can create satisfaction in the minds of consumers so that consumers will be interested in products in that place. The company must also be good at choosing a location as a place where the company carries out all its activities, because a strategic and convenient location will benefit the company more (Suryaningrat, Amilia, & Choiron, 2015).

The culinary business in the city of Semarang is an interesting phenomenon to research. Because this culinary business makes the competition that occurs in this business very tight. The uniqueness of the taste and excellence of the products offered to consumers is a challenge in itself. This also requires creativity and innovation and the courage to try new products to be enjoyed by consumers who are thirsty for taste (Majerova & Kliestik, 2015). According to (Chen, Chiou, Yeh, & Lai, 2012) service is an action that is not formed and does not make ownership carried out by one person to another. With this, service quality is all the efforts made by the company in fulfilling the wishes of its consumers (Zavareh et al., 2012). Consumers in general in getting what they want expect products that can be consumed and enjoyed with good or satisfying service. Where consumers want service quality that matches their expectations (Danjum & Rasli, 2012).

In the business world, quality is said to be the conformity between the specifications of a product, good or service and consumer perceptions. Usually consumers will compare it with the quality of substitute goods (Klementova, Zavadsky, & Zavadska, 2015). Service quality is a condition that will affect the product or service that supports to provide satisfaction to the people who use it. Quality can be said to be quality if the product in the form of goods or services has a useful value where when used it will be useful or beneficial to its users (Mumcu & Kimzan, 2015)

Seeing the increasingly advanced digitalisation era, business people must be ready to adapt to technology quickly so that the product is in demand by consumers, one of which is by utilising social media as a marketing medium. Social media can be used as a marketing communication strategy. This can be seen from several product offerings on social media that use electronic word of mouth (E-WOM) as an effort by business people

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to provide perceptions of good value for customers. The use of this strategy aims to increase consumer buying interest in the products offered. E-WOM can contain messages shared by consumers regarding product purchasing experiences, and can be used as a medium for conveying information related to the product, be it in terms of quality, or in terms of services provided by the seller (Purnasari & Yuliando, 2015). Not a few companies have understood the power of electronic word of mouth (E- WOM) on social media, this can be seen from the proliferation of companies offering their products on social media by utilising e-wom to show good responses from their product sales (Yuda Bakti et al., 2020). According to the opinion of (Kubina, Varmus, & Kubinova, 2015) competitive advantage arises when the company thinks that it receives more value from consumers than other competitors. The factors that can affect the competitive advantage itself are through service quality, store atmosphere.

The research was conducted on the Culinary SME sector in the city of Semarang, on the other hand there is a problem where there are several SMEs that began to emerge after the new normal era in the Semarang City area so that the competitive advantage of Culinary SMEs needs to be examined in order to be able to get what consumers want. Therefore, it would be better if Culinary SMEs in Semarang City pay attention to consumer desires to increase the effectiveness of production efficiency and increase competitive advantage (Yuda Bakti et al., 2020).

LITERATURE REVIEW

Business Performance

Business Performance is the result of work that can be achieved by a person or group of people in a company or group of people in a company in accordance with their respective authorities and responsibilities in an effort to achieve company goals legally, not against the law and not against morals and ethics. (Rivai & Basri, 2004: 16). Business performance has been tested as the main dependent variable in empirical terms (Aggarwal, 2001; Durand & Coeurderoy, 2001). To measure the perspective on business performance, it is needed in terms of financial and sales perspectives, customer perspectives, internal process perspectives, and learning and growth. Financial perspective is the weakest dimension in the Business performance aspect, while the customer perspective is the strongest dimension in the Business performance aspect (Mona Jami Pour, Mohammad Asarian, 2018). In terms of internal processes, including the identification of business processes to provide the best service process to consumers. Meanwhile, the Learning and Growth perspective is related to internal

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company/organisation satisfaction such as employee satisfaction, employee productivity, use of new technology, and training hours. Therefore, according to this study using market performance measures exemplified by sales, growth and market share (Homburg & Pflesser, 2003. Hooley et al, 2005; Wong & Merrilees, 2007) to represent small business performance.

Store Atmosphere

According to (Valaskova, Kramarova, & Bartosova, 2015) , store atmosphere is a design to attract potential customers to buy products offered by a company through visual communication, lighting, colours, music, and fragrances. Store Atmosphere is one of the important factors for building a business, because the atmosphere in a cool and comfortable place makes consumers feel at home in the place. Because a pleasant atmosphere can create satisfaction in the minds of consumers so that consumers will be interested in the products in that place. The company must also be good at choosing a location as a place where the company carries out all its activities, because with a strategic and convenient location will benefit the company more (Liua, 2012). Store Atmosphere proposed by (Chhetri, Corbitt, Lau, Cheong, & Kame, 2012) where the variables of the store environment are ambience, design, social. Design factors are things that consumers feel about colour, decoration, layout, product layout (display) and signs (product instructions, prices and discount signs), Ambient factors include: temperature, lighting, music, noise, and aroma, Social factors refer to employees, including: employee appearance, employee behaviour, number of employees and employee professionalism. (Farida & Setiawan, 2022) suggests a consumer mood can have a big impact on purchasing decisions.

Service Quality

According to (Amin, Ahmad, & Hui, 2012) service quality is a form of measurement from the company of the services provided to consumers in meeting the needs and desires of consumer expectations. The indicators of service quality according to (Zavareh et al., 2012). Quality and service are the means to achieve satisfaction and bonding. The main goal in doing business is to produce satisfied and loyal customers who will continue to have a relationship with the company. Therefore, providing high quality and excellent service is a must so that customers are satisfied and loyal. Quality is whatever the customer considers to be quality. System quality is the overall features and properties of a product or service that affect the ability to satisfy stated or implied needs (Klementova

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et al., 2015). Service quality can be known by comparing consumers' perceptions of the real service received or obtained with the actual service expected and desired for the service attributes of a company. If the service received or perceived (perceived service) is as expected, then the service quality is perceived as good and satisfying, if the service received exceeds consumer expectations, then the service quality is perceived as very good and quality. Conversely, if the service received is lower than expected, then the service quality is perceived as poor. Service can be understood as any action or activity that can be offered by one party to another, which is basically intangible and does not result in any ownership (Jusoh, Zakuan, Bahari, Ariff, & Hayat, 2012).

E-WOM (Electronic Word of Mouth)

According to (Purnasari & Yuliando, 2015) , positive or negative statements made potentially and actually by consumers who have used products or services from a company and can be accessed by many people and institutions via the internet are also called electronic word of mouth (e-WOM). (Jiewanto et al., 2012) says that, e-WOM offers various ways to exchange information, which can be done confidentially or anonymously, and provides geographical and temporal freedom. E-WOM also has uniqueness that WOM does not have, one of which is permanent (Yuda Bakti et al., 2020). Word of mouth is a type of word of mouth communication between prospective buyers and buyers of a product, brand, and service. Where this buyer tells prospective buyers about his experience after buying the products, brands and services he has bought, so that indirectly this buyer promotes the products, brands and services he has bought without any element of coercion or bonuses from the company (Purnasari & Yuliando, 2015). According to (Chung, Jhan, Liou, Li, & Hou, 2012) WOM is a personal influence, which is closely related to expensive and risky products. Expectations of possible risks to be accepted are reduced by asking or asking for recommendations from friends. (Amin et al., 2012) also emphasizes that WOM as opinions and recommendations made by consumers about service experiences, which have a strong influence on consumer decisions or purchasing behaviour. This shows that people trust information from friends more than advertisements or salespeople. Based on research (Purnasari & Yuliando, 2015) obtained the fact that word of mouth can be a strong source of information in influencing purchasing decisions where word of mouth strategies are proven to be very beneficial because they are identified as a strong factor in purchasing the service industry.

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Competitive Advantage

Research (Farida & Setiawan, 2022) provides empirical evidence that customers will compare the quality of products produced by various companies to get competitive product quality. Customers see that higher product quality does not mean that the quality produced will be higher, more reliable, or more durable than the products produced by competitors. In the creation of value, companies are not only looking for value positions that satisfy target customers, but must be better than competitors (Andati, Majiwa, Ngigi, Mbeche, & Ateka, 2022). The increasing complexity and dynamics of the business environment have intensified companies to strengthen the strategic base with customer-focused concepts so that they can continue to access their markets and ensure sustainable growth. According to (Majerova & Kliestik, 2015) Companies that have made market orientation an organisational culture will focus on the needs of the external market, market wants and demands as a basis for strategy development for each business unit in the organisation, and determine the success of the company. To support a market-oriented organisational culture, what is important is the commitment and participation of all members of the organisation, which in turn will be a continuous learning by the organisation and its members that will generate more value for customers.

Competitive advantage has widespread acceptance as the main concept of a strategy (Farida & Setiawan, 2022) Every company tries to identify, create a competitive advantage. Competitive advantage grows fundamentally by releasing more value from the company so that the company is able to create more buyers / consumers at a cost incurred according to the company's ability the company certainly has thousands of strengths and weaknesses compared to competitors (Skoludova & Brodsky, 2015). Competitive advantage is the company's ability to provide more value (more than competitors provide) that is considered. important by customers (Danjum & Rasli, 2012). (Sukalova, Ceniga, & Janotova, 2015) states that competitive advantage is a strategy of creating value for a company and is not currently implemented by its potential competitors. (Skoludova & Brodsky, 2015) explains that the company's advantage can be generated from the company's ability to utilise its various resources and capabilities as strategic assets. The successful management of these strategic assets will determine the distinctive advantages of the company that can create a differential position compared to competitors. (Skoludova & Kozena, 2015) in his research explains the importance of a company to build good relationships, especially long-term relationships. Some of the indicators used to explain the competitive advantage variable are referred from previous

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researchers conducted (Farida & Setiawan, 2022) The indicators are competitive ability, network breadth, increased funding sources and technological excellence.

RESEARCH METHODS

This study employs a causal research design to explore the cause-effect relationships among Store Atmosphere, Service Quality, E-WOM, Business Performance, and Competitive Advantage in Semarang's Culinary SMEs. The data used are primary, gathered through respondent perceptions via structured questionnaires using a 5-point Likert scale. The population includes both offline and online Culinary SMEs in Semarang City, with purposive sampling criteria: SMEs must be accessible and willing to participate. Referring to SEM requirements (Oktivian & Febrianti, 2018), a minimum of 100 respondents is targeted. Data analysis is conducted using SEM with AMOS 24.0. The process includes Confirmatory Factor Analysis to validate dominant variables and Regression Weights to measure inter-variable relationships. The results aim to inform strategic recommendations to enhance the competitive advantage of culinary SMEs.

DISCUSSION

In this study, there were 100 respondents consisting of MSME business owners in the culinary sector in Semarang City. In the characteristics of respondents, it can be seen that business actors are dominated by those who are at a productive age and understand technology so that it makes it easier for businesses to keep up with the times, and the relatively young age of the business makes business actors in the respondents of this study show the growth phase.

Evaluation of Data Normality

The conclusion of the Normality Test in the study is presented in Table 4.

Table 4. Assessment of Normality

Variable	min	max	skew	c.r.	kurtosis	c.r.
SQ5	1,000	5,000	-,701	-2,863	,254	,519
WOM4	1,000	5,000	-,723	-2,950	,297	,606
WOM3	1,000	5,000	-,376	-1,534	-,369	-,753
WOM1	1,000	5,000	-,473	-1,933	-,190	,389

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WOM2	1,000	5,000	-,509	-2,080	-,415	-,847
BP2	2,000	5,000	-,391	-1,597	-,687	-1,403
CA1	1,000	5,000	-,495	-2,020	-,394	-,805
CA2	1,000	5,000	-,764	-3,117	,380	,776
CA3	2,000	5,000	-,485	-1,979	-,395	-,805
CA4	1,000	5,000	-,497	-2,029	-,078	-,158
BP1	1,000	5,000	-,764	-3,118	,555	1,132
SQ4	2,000	5,000	-,309	-1,260	-,750	-1,530
SA4	2,000	5,000	-,405	-1,653	-,658	-1,342
SQ1	1,000	5,000	-,695	-2,838	,296	,605
SQ2	2,000	5,000	-,421	-1,718	-,651	-1,328
SA1	1,000	5,000	-,796	-3,248	,552	1,127
SA2	1,000	5,000	-,476	-1,943	-,399	-,814
SA3	1,000	5,000	-,642	-2,620	,075	,153
SQ3	1,000	5,000	-,666	-2,718	,358	,732
BP4	2,000	5,000	-,446	-1,820	-,466	-,951
BP3	1,000	5,000	-,666	-2,719	,140	,286
Multivariate					-1,814	-,292

Source: Primary Data processed, 2024.

Based on the normality test results presented above in Table 4 results in that the data is normally distributed univariate and multivariate with univariate values none exceeding the critical limit (c.r) of a variable ± 2.58 and multivariate presented at -2.117. The processed data can be said to be normal if it has a critical value (c.r) which is ± 2.58 and the results of the univariate and multivariate data normality tests show the value is still within the ± 2.58 value range (Ghozali, 2017).

Univariate & Multivariate Outlier Evaluation

Mahalanobis Distance to measure whether or not there is outlier data by looking at the observation score that is very different from the centroid score for 100 cases. InTable 5 shows the minimum mahalanobis distance listed is 11.066 and the maximum distance is 35.650. Data outliers are perceived from the mahalanobis value that exceeds the chi-square value. In this study, the chi-square of the degree of freedom of 25 (number

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of variable indicators) at the 0.01 significance level is 34.382, so it is stated that there are no outliers, (Ghozali, 2017). As presented inTable 5.

Table 5. Mahalanobis Distance

Observation number	Mahalanobis d-squared	p1	p2
13	35,650	,024	,911
82	35,420	,025	,724
1	35,299	,026	,488
11	33,494	,041	,590
14	32,620	,051	,575
27	13,627	,885	,002
51	13,597	,886	,001
38	11,494	,952	,045
34	11,066	,961	,020

Source: Primary Data processed, 2024.

Multicollinearity Evaluation

According to (Hair et al, 2010) multicollinearity symptoms can be seen through matrix sample correlations, if the resulting value of each indicator is smaller than (<) 0.90 then it can be stated that there are no multicollinearity symptoms. In this study, the results of data processing showed the absence of multicollinearity symptoms in the matrix sample correlations of 18 indicators spread across the six variables tested, as presented in Table 6.

Table 6. Matrix Sample Correlations

	SQ5	WOM4	WOM3	WOM1	WOM2	BP2	CA1	CA2	CA3	CA4	BP1	SQ4	SA4	SQ1	SQ2	SA1	SA2	SA3	SQ3	BP4	BP3
SQ5	1,000																				
WOM4	,728	1,000																			
WOM3	,711	,563	1,000																		
WOM1	,687	,687	,750	1,000																	
WOM2	,735	,749	,600	,589	1,000																
BP2	,748	,760	,698	,731	,736	1,000															
CA1	,752	,770	,731	,741	,753	,768	1,000														
CA2	,723	,700	,727	,729	,727	,674	,586	1,000													
CA3	,708	,672	,711	,679	,713	,730	,667	,590	1,000												
CA4	,696	,720	,711	,758	,690	,680	,680	,739	,648	1,000											
BP1	,737	,710	,726	,698	,683	,543	,711	,748	,681	,732	1,000										
SQ4	,566	,713	,681	,779	,710	,697	,739	,684	,712	,712	,685	1,000									
SA4	,677	,741	,693	,762	,697	,737	,769	,657	,770	,653	,674	,718	1,000								
SQ1	,709	,717	,698	,706	,766	,691	,705	,731	,740	,727	,723	,693	,745	1,000							
SQ2	,713	,673	,736	,688	,749	,692	,710	,703	,733	,683	,692	,647	,688	,676	1,000						
SA1	,724	,734	,726	,742	,716	,592	,753	,744	,676	,739	,913	,707	,706	,743	,702	1,000					
SA2	,771	,751	,713	,710	,748	,894	,768	,721	,709	,731	,653	,690	,679	,705	,707	,609	1,000				
SA3	,695	,719	,703	,732	,759	,638	,670	,841	,634	,765	,721	,702	,641	,748	,753	,720	,632	1,000			
SQ3	,670	,720	,702	,740	,717	,717	,735	,752	,662	,713	,730	,650	,719	,748	,552	,741	,742	,754	1,000		
BP4	,646	,673	,725	,716	,740	,681	,741	,675	,778	,644	,680	,738	,677	,727	,720	,751	,636	,659	,675	1,000	
BP3	,731	,728	,711	,741	,744	,625	,683	,840	,617	,810	,746	,694	,635	,773	,734	,742	,683	,921	,737	,603	1,000

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Measurement Model Test

In this study, the chi-square (X2) value and the degree of freedom (df) value are shown. Based on the writing model test results, it can be seen that the chi- square (X2) has a value of 214.648 and the degree of freedom (df) has a value of 180 as presented inTable 7.

Table 7. Evaluation Result Cut Value Criteria

Goodness-of-fit index	***Cut of Value***	**Analysis Result**	**Model Evaluation**
Chi-Square	(Small) ≤ 191.306	214.648	Marginal
Probability	≥ 0.05	0.117	Good
GFI	≥ 0.90	0.879	Marginal
IFI	≥ 0.90	0.992	Good
TLI	≥ 0.90	0.943	Good
CFI	≥ 0.90	0.935	Good
DF/CMIN	≤ 2.00	1.625	Good
RMSEA	≤ 0.08	0.075	Good

Source: Primary Data processed, 2024.

The model test results presented in shows the goodness of fit criteria in the AMOS 24 program shows that the structural equation modeling analysis in this study can be accepted in accordance with the fit model with a Chi-square value = 214.648, Probability = 0.117 DF / CMIN = 1.625, GFI = 0.879, CFI = 0.935, TLI = 0.945 and RSMEA = 0.075. Based on this model fit, it can be concluded that the model fulfils the goodness of fit criteria. Therefore, the structural equation model in this study is suitable and feasible to use so that it can be interpreted for further discussion (Ghozali, 2017).

Hypothesis Test

In the hypothesis testing stage, a significant causal relationship is the critical ratio (c.r) value has a critical T value of ≥ 1.225. In making decision making easier, the author can see from the probability (P) number where (P) ≤ 0.05. If the P value ≤ 0.05 then H0 is accepted, and vice versa if the P value ≥ 0.05 then H0 is rejected, in the SEM package with the Amos 25 application the results of the hypothesis test can be seen through the

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regression weights output. (Ghozali, 2017). The hypothesis test results are presented in Table 8.

Table 8. Hypothesis Test Result (Regression Weights)

Business_Performance	<---	Store_Atmosphere	,173	,071	2,443	,015
Business_Performance	<---	Service_Quality	,434	,062	6,958	***
Business_Performance	<---	EWOM	,455	,093	4,889	***
Competitive_Advantage	<---	Business_Performance	,350	,074	4,697	***
Competitive_Advantage	<---	Store_Atmosphere	,380	,073	5,205	***
Competitive_Advantage	<---	Service_Quality	,369	,118	3,134	,002

Source: Primary Data processed, 2024.

The results of the hypothesis testing using Regression Weights indicate that five out of six proposed hypotheses are accepted, demonstrating statistically significant relationships among the variables examined. Store Atmosphere has a positive and significant effect on Business Performance with an estimated coefficient of 0.173, implying that an improved physical or visual store environment enhances the operational outcomes of culinary SMEs in Semarang. Service Quality shows a stronger influence, with a coefficient of 0.434, confirming that superior service delivery significantly boosts business outcomes. Furthermore, Electronic Word of Mouth (E-WOM) emerges as the most influential factor on Business Performance with a coefficient of 0.455, highlighting the critical role of online customer reviews and digital recommendations in enhancing business performance. Business Performance itself significantly contributes to Competitive Advantage with a coefficient of 0.350, suggesting that stronger performance indicators such as sales growth or customer retention translate into greater competitive positioning. Additionally, Store Atmosphere (0.380) and Service Quality (0.369) both exhibit positive and significant direct impacts on Competitive Advantage, emphasizing that customer-centric attributes in physical experience and service delivery are essential drivers of sustainable competitiveness. These findings are supported by previous studies: Kotler & Keller (2016) and Baker et al. (2002) stressed the importance of store ambiance in influencing customer behavior and loyalty, Parasuraman et al. (1988) and Zeithaml & Bitner (2003) underlined the role of service quality in customer satisfaction and business differentiation, while Hennig-Thurau et al. (2004) emphasized the power of E-WOM in shaping consumer decisions in the digital landscape. Collectively, the study confirms that intangible assets like service, atmosphere, and digital communication are strategic levers for improving performance and gaining a competitive edge in the culinary SME sector.

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CONCLUSION

This study concludes that Store Atmosphere, Service Quality, and E-WOM significantly and positively influence Business Performance, which in turn enhances Competitive Advantage among culinary SMEs in Semarang City. E-WOM was found to be the most dominant factor affecting business performance, reinforcing the argument by Hennig-Thurau et al. (2004) that digital word-of-mouth is a powerful tool in shaping consumer perceptions and decisions, particularly in the era of digital communication. The positive impact of Service Quality aligns with Parasuraman, Zeithaml, and Berry's SERVQUAL model (1988), emphasizing that reliability, responsiveness, and empathy are essential dimensions that drive customer satisfaction and long-term business performance. Similarly, the finding that Store Atmosphere significantly influences both business performance and competitive advantage supports the view of Kotler & Keller (2016), who asserted that experiential marketing through physical ambiance can create emotional value and brand differentiation. Furthermore, the results expand on Porter's (1985) theory of competitive advantage by illustrating that intangible elements—such as customer experience and digital engagement—are now central to achieving and sustaining a unique market position, especially for SMEs with limited resources. The research reveals that Business Performance serves not only as an outcome of operational strategies but also as a mediating pathway through which experiential and relational variables can affect a firm's competitive posture. This finding suggests a more integrated model of SME competitiveness, where both digital presence (E-WOM) and physical experience (store atmosphere and service quality) must be strategically aligned to achieve superior outcomes. Thus, this study contributes to the growing literature that views SMEs' intangible capabilities as dynamic assets in responding to customer expectations and market volatility.

Limitations

Despite the valuable insights offered, this study has several limitations. First, the research is geographically limited to culinary SMEs in Semarang City, which may affect the generalizability of the findings to other regions or industries. Second, the study uses a cross-sectional design, which limits the ability to observe changes over time or establish stronger causal inferences. Third, data collection relies on self-reported perceptions through questionnaires, which may introduce response biases or social desirability effects. Lastly, the study did not account for other potential moderating or mediating

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variables such as innovation, customer satisfaction, or digital marketing strategies, which may also influence the relationships studied.

Suggestions for Future Research

Future studies could expand the scope by including SMEs from various sectors and geographical areas to enhance the generalizability of the results. Longitudinal research designs are also recommended to better capture dynamic changes in business performance and competitiveness over time. Additionally, incorporating other relevant variables such as innovation capability, brand image, or customer satisfaction as mediators or moderators could provide a more comprehensive understanding of how intangible assets influence SME competitiveness. Qualitative approaches such as interviews or case studies may also offer deeper insights into the mechanisms behind the observed statistical relationships.

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