

Profitable Percolations: The Impact of Operational Excellence and Digital Engagement on Coffee Industry Dynamics

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ABSTRACT

Objective: The objective of this research is to examine the correlations between consumer and operational focus and their effects on business outcomes and to investigate the influence of these factors on employee engagement and involvement in do-it-yourself (DIY) models within the framework of digital marketing tactics. **Method:** A quantitative methodology was employed to conduct a survey targeting coffee shop owners and managers in East Java who had a minimum tenure of six months in their respective roles. The researchers utilized accidental sampling to select participants for the study, and data analysis was conducted using PLS-SEM. **Results:** The results have validated the notion that placing emphasis on customer and operational aspects has a substantial role in enhancing corporate performance. Moreover, the improvement of these outcomes has a favorable impact on staff concentration and fosters increased engagement among coffee shop proprietors in the region of East Java. **Novelty:** One notable aspect of this study is the integration of Total Quality Management (TQM) characteristics and DIY model factors in evaluating business outcomes, which holds particular significance for coffee street shop owners and managers in Indonesia.

INTRODUCTION

The development of the coffee street shop business has accelerated in recent years as coffee shops have become places for social interaction, entertainment, and informal meetings. In Indonesia, the coffee shop tradition has expanded into diverse formats, including coffee street shops that combine accessible beverages, traditional snacks, and flexible service concepts. The trend is increasingly visible in East Java, where business owners and managers face intense competition and must continuously improve the way they serve customers, manage employees, organize operations, and market their products.

The competitive environment makes consumer focus, employee focus, operations focus, and do-it-yourself (DIY) digital marketing relevant determinants of business outcomes. Employee involvement is associated with participation in decision-making and problem solving [1], while employee engagement is closely linked to organizational success [2]. At the same time, strategic quality management and lean business practices emphasize the importance of operational discipline for organizational performance [3].

Prior studies have examined corporate social responsibility and employee engagement [4], store-level employee and customer performance [5], service employee characteristics and customer engagement [6], employee engagement and wellbeing [7], job satisfaction among MSME employees [8], customer responses to store environments

[9], responsible service employee behavior [10], and employee engagement practices during disruption [11]. Related research has also addressed service robots and service employees [12], leadership and employee retention in hospitality [13], MSME innovation and value-chain performance [14], the relationship between business strategy and MSME performance [15], business continuity during COVID-19 [16], e-marketplace adoption in East Java MSMEs [17], and financial-technology acceptance among Indonesian MSMEs [18]. However, these streams are often examined separately, leaving room for an integrated assessment of quality-management orientations, business outcomes, employee focus, and DIY digital marketing in coffee street shops.

Operations focus emphasizes efficient work systems, work processes, and operational planning. Digital business analytics can strengthen responsiveness while also creating operational challenges [19]. Quality-management implementation in SMEs reinforces the need for structured operational systems [20], while research on last-mile operations [21], service robots [22], supply-chain responses to COVID-19 [23], and digital supply chains [24] demonstrates that operational adaptability and technology integration can shape customer responsiveness and organizational outcomes.

Consumer focus requires businesses to understand customer needs, create satisfaction, and sustain customer relationships. Customer centricity is closely related to total quality management and corporate success [25], and accumulated evidence links customer satisfaction with firm performance [26]. Digital transformation can also strengthen customer value creation in SMEs [27], while entrepreneurial passion and innovation strategies illustrate how market-oriented behavior may support adaptation [28]. These findings provide a basis for examining whether customer focus affects employee focus and business outcomes.

Employee focus encompasses empowerment, development, appraisal, capability, and the work environment. Competence contributes to employee performance in MSMEs [29], employees can function as brand influencers in social media environments [30], and digital HR technologies can support individualized employee experiences [31]. Management orientation can shape both constructive and counterproductive employee behaviors [32], while customer-oriented employees contribute to customer loyalty through service quality and satisfaction [33]. Emerging technologies also influence frontline employees and their expectations regarding new service models [34].

Business outcomes reflect the results generated by organizational strategies, including profitability, growth, customer retention, and the value created through products and services. Outcome-based business models emphasize the alignment of value creation and value capture [35], while social-media communication can influence the popularity and reach of business messages [36]. Entrepreneurial competencies are also important when adopting innovative DIY approaches [37]. In this study, the DIY model refers to owners or managers directly planning and executing digital marketing activities. Previous studies describe DIY business models as flexible approaches to value creation [38], identify digital marketing as an important transition strategy for MSMEs

[39], and show that online marketing supported by information-technology governance can expand market share [40].

Accordingly, this study examines and analyzes the causal relationships between operations focus and consumer focus, their effects on business outcomes, and the subsequent effects of business outcomes and employee focus on participation in the DIY model among coffee street shop entrepreneurs in East Java. The study also seeks to provide practical marketing and quality-management insights that can help MSMEs reach new consumers, expand market presence, and sustain competitiveness.

The hypotheses are formulated as follows:

H1: Operations focus has a significant influence on customer focus.

H2: Customer focus has a significant influence on employee focus.

H3: Operations focus has a significant influence on the DIY model.

H4: Customer focus has a significant influence on business outcomes.

H5: Operations focus has a significant influence on business outcomes.

H6: Business outcomes have a significant influence on employee focus.

H7: Business outcomes have a significant influence on the DIY model.

H8: Employee focus has a significant influence on the DIY model.

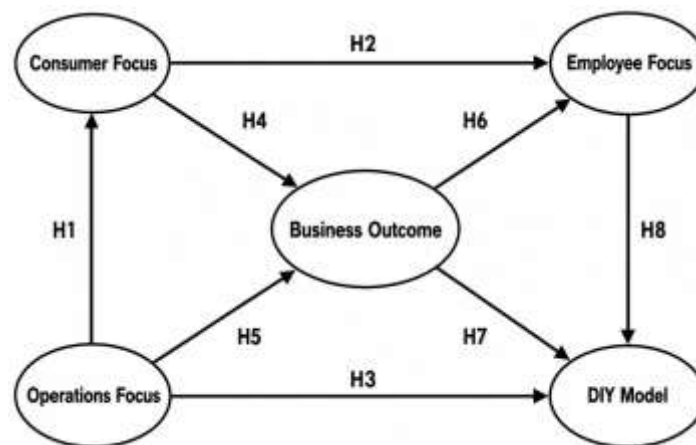


Figure 1. Conceptual Framework

RESEARCH METHOD

The study adopts an explanatory quantitative design to examine relationships among the research variables and test the proposed hypotheses. The population comprises owners and managers of coffee street shop businesses in East Java. Respondents were required to have owned or managed a coffee street shop for at least six months. Non-probability accidental sampling was used to select respondents who met the study criteria, consistent with the practical considerations of sampling in quantitative social science research [41]. The questionnaire was distributed through direct messages using Google Forms after confirming that the intended participants met the eligibility criteria. Respondents were also required to represent micro, small, or medium business

categories with annual turnover ranging from approximately IDR 300 million to IDR 5 billion.

The research uses five constructs. Consumer focus consists of three indicators and three measurement items; operations focus consists of three indicators and three items; employee focus comprises five indicators and five items; the DIY model comprises three indicators and three items; and business outcomes comprise four indicators and four items. The measurement statements were adapted from prior research and aligned with the objectives of the present study. All items were measured using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). Primary data were obtained from owners and managers of coffee street shops in East Java, while respondent characteristics included gender, age, highest educational attainment, organizational position, length of business operation, and annual assets.

East Java was selected because of its substantial concentration of micro, small, and medium enterprises (MSMEs). A total of 235 usable responses were included after incomplete questionnaires were excluded. The sample size exceeds the minimum requirement stated in the manuscript and is suitable for PLS-SEM analysis. Methodological guidance for PLS-SEM emphasizes the importance of aligning sample size, model complexity, statistical power, and reporting practices rather than relying on a single rule of thumb [42]. Ethical considerations were applied throughout the research process, including integrity in data reporting, protection of personal information, and transparent communication of the findings. Methodological rigor and research ethics are closely interconnected in ensuring credible research outcomes [43].

The data were analyzed using Partial Least Squares-Structural Equation Modeling (PLS-SEM) with SmartPLS. The analysis included assessment of the measurement model (outer model) and structural model (inner model). Convergent validity, reliability, discriminant validity, R-square values, model-fit indices, and path coefficients were examined. Because the manuscript refers to higher-order and reflective modeling procedures, the specification and validation of higher-order constructs were considered in accordance with established PLS-SEM guidance [44]. The outer-loading threshold was evaluated alongside Cronbach's alpha, composite reliability, and average variance extracted (AVE).

RESULTS AND DISCUSSION

Results

Respondents were categorized by gender, age, highest education, organizational position, length of business operation, and annual assets. The final sample comprised 213 male respondents (91%) and 22 female respondents (9%), with respondents aged 18 years and above. Most respondents were business owners, and the distribution of business duration and annual assets indicates that the sample primarily represents established coffee street shop MSMEs (Table 1).

Table 1. Respondent Characteristics

Characteristic	Category	Frequency	Percentage (%)
Gender	Male	213	91
	Female	22	9
Age (years)	18-25	35	15
	26-30	80	34
	31-35	94	40
	36-40	24	10
	>= 41	2	1
Last education	High school	115	49
	Bachelor	120	51
Position	Owner	223	95
	Manager	12	5
Length of business (years)	0.5-1	12	5
	1-2	28	12
	3-4	106	45
	>= 5	89	38
Annual assets (million IDR/year)	<= 300	214	91
	301-2,500	21	9

Source: Author

Table 2 presents construct reliability and validity. Composite reliability and AVE values are above 0.50 for all constructs. Table 3 presents the outer loadings. Most indicator loadings exceed 0.50; however, DM1 has an outer loading of 0.423 and therefore warrants careful interpretation. Discriminant validity was assessed using the Fornell-Larcker criterion and cross-loadings, with each indicator expected to load more strongly on its intended construct than on other constructs.

Table 2. Construct Reliability and Validity

Construct	Cronbach's Alpha	rho_A	Composite Reliability	AVE
CF	0.702	0.707	0.833	0.625
OF	0.588	0.592	0.783	0.547
EF	0.869	0.895	0.908	0.667
DM	0.557	0.669	0.760	0.532
BO	0.900	0.917	0.930	0.770

Source: Author

Table 3. Outer Loading

Indicator	Outer Loading
CF1	0.767
CF2	0.811
CF3	0.793
OF1	0.698
OF2	0.744
OF3	0.774
EF1	0.792
EF2	0.742
EF3	0.637
EF4	0.942
EF5	0.930
DM1	0.423
DM2	0.859
DM3	0.824
BO1	0.904
BO2	0.799
BO3	0.938
BO4	0.863

Source: Author

The inner-model evaluation included R-square values, model-fit parameters, and hypothesis testing. The R-square values are 0.233 for customer focus (CF), 0.883 for employee focus (EF), 0.220 for the DIY model (DM), and 0.125 for business outcomes (BO), as shown in Table 4. The model-fit indices in Table 5 show an SRMR of 0.087 for both the saturated and estimated models, with only small differences in d_ULS, d_G, Chi-Square, and NFI between the two model specifications.

Table 4. R Square

Construct	R Square	R Square Adjusted
CF	0.233	0.230
EF	0.883	0.882
DM	0.220	0.210
BO	0.125	0.118

Source: Author

Table 5. Fit Model

Index	Saturated Model	Estimated Model
SRMR	0.087	0.087
d_ULS	1.301	1.307
d_G	1.087	1.088
Chi-Square	1112.394	1110.809
NFI	0.652	0.653

Source: Author

Hypothesis testing indicates that H1, H2, H4, H5, H6, and H8 are positive and statistically significant. H3 shows a positive coefficient of 0.127 with a t-statistic of 1.623 and $p = 0.053$; therefore, H3 is not statistically significant at the 0.05 level and is not supported. H7 shows a negative and statistically significant relationship between business outcomes and the DIY model, with a coefficient of -0.968, a t-statistic of 5.077, and $p < 0.001$ (Table 6).

Table 6. Path Coefficient

Hypothesis / Relationship	Original Sample	Sample Mean	Std. Dev.	T Statistics	P Values
H1: Operations Focus -> Customer Focus	0.483	0.476	0.078	6.168	0.000
H2: Customer Focus -> Employee Focus	0.057	0.055	0.029	1.979	0.025
H3: Operations Focus -> DIY Model	0.127	0.130	0.078	1.623	0.053
H4: Customer Focus -> Business Outcome	0.169	0.171	0.078	2.177	0.015
H5: Operations Focus -> Business Outcome	0.240	0.230	0.069	3.454	0.000
H6: Business Outcome -> Employee Focus	0.922	0.923	0.017	55.792	0.000

Hypothesis / Relationship	Original Sample	Sample Mean	Std. Dev.	T Statistics	P Values
H7: Business Outcome -> DIY Model	-0.968	-0.991	0.191	5.077	0.000
H8: Employee Focus -> DIY Model	1.172	1.184	0.200	5.861	0.000

Source: Author

Discussion

The operations focus variable has three indicators: work system, work process, and operational planning. Operational planning is the most dominant indicator, whereas the work system is less dominant. Hypothesis testing shows a strong positive relationship between operations focus and customer focus (H1), indicating that improvements in business operations can strengthen customer orientation. Investments in training, technology, and process improvement are therefore likely to support customer satisfaction. Total Quality Management (TQM) emphasizes that operational improvement can enhance product and service quality [45]. Digitalization and automation can further strengthen customer responsiveness through technologies such as artificial intelligence [19]. H3, however, shows only a weak positive relationship between operations focus and the DIY model and is not statistically supported. This suggests that greater operational efficiency does not automatically lead coffee street shops to adopt DIY digital marketing. By contrast, H5 confirms a positive relationship between operations focus and business outcomes. This finding is consistent with lean-management principles, which emphasize process optimization and waste reduction as mechanisms for improving productivity and performance [46].

The customer focus variable comprises knowledge of consumers and markets, customer satisfaction, and customer relationships. Customer satisfaction is the dominant indicator. H2 shows a positive and statistically significant relationship between customer focus and employee focus, although the coefficient is relatively small. This indicates that customer satisfaction and customer feedback can contribute to employee motivation and engagement. Two-factor motivation perspectives support the importance of recognition and meaningful work for employee motivation [47]. Evidence on employee wellbeing and productivity also indicates that positive workplace experiences can contribute to stronger organizational performance [7], [32], [48]. Therefore, customer focus can benefit not only consumers but also employee morale and engagement.

H4 confirms a positive relationship between customer focus and business outcomes. Customer-oriented marketing and service strategies should therefore remain a priority for coffee street shops. Customer orientation can strengthen loyalty through satisfaction and service quality [5], [33]. In digital environments, positive and negative customer experiences can rapidly influence brand reputation, repeat purchases, and sales outcomes. Perceived service value, service quality, price fairness, and service recovery are also important in shaping customer satisfaction and delight [49]. A customer-centric

culture can thus create a dual benefit by supporting stronger customer relationships while also reinforcing employee engagement and longer-term business outcomes.

The business outcome variable includes outcomes associated with consumer focus, employee focus, products and services, and the DIY model. Product and service results are the most dominant indicator. H6 demonstrates a strong positive relationship between business outcomes and employee focus. Employees may become more motivated and engaged when they observe business growth and success, particularly when organizational outcomes are perceived as fair and meaningful [32]. Employee-focused research on corporate social responsibility likewise highlights the importance of organizational practices in shaping employee attitudes and behavior [50].

Employee focus is reflected in employee empowerment, development, appraisal, capability, and environment, with employee capability as the dominant indicator. H8 shows a strong positive relationship between employee focus and the DIY model. Engaged and capable employees are more likely to support innovation and adaptive service approaches [11], [34]. When employees are motivated and involved, they are more likely to search for creative solutions and participate in new approaches to marketing and service delivery [2], [10]. This finding supports the view that employee engagement can facilitate the adoption of hands-on and adaptive DIY digital-marketing practices.

The DIY model is represented by product innovation, introduction of new products, and social-media marketing. H7 reveals a significant negative relationship between business outcomes and the DIY model. This pattern suggests that businesses with stronger outcomes may rely less heavily on fully self-managed marketing approaches because they have greater capacity to invest in specialized or customized solutions. At the same time, successful businesses may still adopt DIY tools selectively when these tools support innovation and rapid market adaptation [19], [24]. The result therefore indicates that DIY adoption should be interpreted as a strategic choice rather than as an automatic consequence of stronger business performance.

The findings emphasize the importance of improving product and service quality, strengthening operational planning, maintaining a customer-oriented culture, and developing employee capabilities. For coffee street shop MSMEs, digital marketing should be aligned with the quality of the products and services being promoted. Government and institutional support through training, mentoring, certification, digital platforms, and access to financing can help MSMEs strengthen quality management and marketing capabilities. Information systems that support performance measurement can also improve the competitiveness of small and medium industries [16], [51].

Overall, the study concludes that consumer focus and operations focus contribute to better business outcomes, while stronger business outcomes are associated with greater employee focus. Employee focus, in turn, supports participation in the DIY model. For coffee street shop owners and managers in East Java, the practical priority is to combine consistent quality management with selective and capable use of DIY digital

marketing so that new customers can be reached and market presence can be expanded without weakening operational quality.

The study has several limitations. First, the use of non-probability accidental sampling among owners and managers may limit the representativeness of the findings. Second, the model relies on a first-order reflective specification and provides limited information about alternative hierarchical construct structures. Third, the data were collected only from entrepreneurs and managers of coffee street shop MSMEs in East Java, which limits generalization to other culinary MSMEs, regions, and national contexts. Future studies could extend the model to other Indonesian regions and ASEAN countries, compare alternative PLS-SEM specifications, and examine additional factors such as fintech adoption, service robots, business continuity, corporate social responsibility, and other forms of digital-marketing capability.

CONCLUSION

Fundamental Finding: Hypothesis testing indicates that H1, H2, H4, H5, H6, and H8 are positive and statistically significant. H3 shows a positive coefficient of 0.127 with a t-statistic of 1.623 and $p = 0.053$; therefore, H3 is not statistically significant at the 0.05 level and is not supported. H7 shows a negative and statistically significant relationship between business outcomes and the DIY model, with a coefficient of -0.968, a t-statistic of 5.077, and $p < 0.001$ (Table 6). H8 shows a strong positive relationship between employee focus and the DIY model. **Implication:** The findings emphasize the importance of improving product and service quality, strengthening operational planning, maintaining a customer-oriented culture, and developing employee capabilities. For coffee street shop MSMEs, digital marketing should be aligned with the quality of the products and services being promoted. For coffee street shop owners and managers in East Java, the practical priority is to combine consistent quality management with selective and capable use of DIY digital marketing so that new customers can be reached and market presence can be expanded without weakening operational quality. **Limitation:** The study has several limitations. First, the use of non-probability accidental sampling among owners and managers may limit the representativeness of the findings. Second, the model relies on a first-order reflective specification and provides limited information about alternative hierarchical construct structures. Third, the data were collected only from entrepreneurs and managers of coffee street shop MSMEs in East Java, which limits generalization to other culinary MSMEs, regions, and national contexts. **Future Research:** Future studies could extend the model to other Indonesian regions and ASEAN countries, compare alternative PLS-SEM specifications, and examine additional factors such as fintech adoption, service robots, business continuity, corporate social responsibility, and other forms of digital-marketing capability.

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