

CHAPTER I

INTRODUCTION

1.1 Research Background

The coffee industry has undergone significant transformation in recent years, with a growing focus on sustainability and high-quality coffee. As a result, many coffee businesses have shifted from unplanned to well-planned, sustainable enterprises. This transformation involves a range of factors, including sourcing sustainable coffee beans, implementing eco-friendly practices, and creating a welcoming atmosphere for customers. However, there is limited research on the factors contributing to the transformation of coffee businesses from unplanned to well-planned.

Coffee shops have become increasingly popular in urban areas, including Padang city, as consumers seek convenient and cozy spaces to enjoy their favorite coffee beverages. However, the coffee shop industry is highly competitive, with new entrants constantly emerging and customer preferences evolving. To survive and thrive in this dynamic environment, coffee shop owners need to strategically plan and manage their businesses. In recent years, there has been growing interest in the transition from unplanned to well-planned business models, as businesses recognize the need for structured approaches to achieve sustainable growth and innovation (Johnson & Christensen, 2018). This transition involves moving away from ad-hoc operations and towards formalized strategic planning, standardized processes, and performance measurement (Van Burg & Romme, 2019).

Understanding the characteristics of coffee shops in Padang city that are undergoing this transition can provide valuable insights for business owners, researchers, and policymakers alike, as they seek to better understand the dynamics of the coffee shop industry and support the growth and development of these businesses.

The process of transitioning from unplanned to well-planned business models for coffee shops in Padang city involves several key stages. Initially, coffee shops may operate in an ad-hoc manner, without a clear strategic direction or formalized processes (Johnson & Christensen, 2018). However, as the coffee shop grows and matures, it may undergo a transformation characterized by a shift towards a more structured and strategic approach. This transition often involves the development of formalized business plans, strategic goals, and performance metrics, as well as the adoption of standardized processes and procedures to streamline operations (Van Burg & Romme, 2019). Coffee shops in this stage may also invest in innovation, leveraging dynamic capabilities and improvisation to adapt to changing market conditions and drive sustainable growth (Akgün et al., 2020).

Coffee shops in Padang city that are undergoing the transition from unplanned to well-planned business models exhibit certain characteristics. One notable characteristic is human resource development to sustain the coffee shop business according to implementation of the concept of sustainable development in the operation of an enterprise requires creating specific conditions that will promote economic growth, efficient allocation of resources, and higher levels of

staff loyalty. It is important to identify and develop the HR and skills of employees that can be useful for them and the future development of an enterprise and provide flexibility and efficiency for the business (Klimovskikh et al., 2023). On the other hand, too little inventory often disrupts business operations and increases the likelihood of poor customer service. There is an increased need for business organizations to embrace effective inventory management practices as a strategy to improve their competitiveness (Ondari & Muturi, 2016). They also tend to have a strong customer loyalty is enhanced by providing better service quality to customers (Gemmel, 2007). In addition, coffee shop chains had become a major trend for entrepreneurship in Taiwan (Yu, 2008). The business model of a coffee shop chain is to copy the successful environment of the first store. If we understand the key role of service quality in coffee shop chains, then new start-up firms will have the criteria to improve customer loyalty.

Another characteristic of coffee shops in Padang city that are in the process of transitioning from unplanned to well-planned models is a focus on the parameters of the industry have been affected by the external environment. Equally essential elements are related to the capacity of the enterprise itself such as strategic planning and implementation, supply chain and logistics management, infrastructure or their human resource and application of new technology development (Bhardwaj, 2016; Gonzalez-Perez & Gutierrez-Viana, 2012; Nguyen & Sarker, 2018; Zhang, 2016). For example on coffee shop in Vietnam, In terms of supply chain and logistics management of the Vietnamese coffee industry, the coffee supply chain management (SCM) is a lengthy and complicated process

from up-streams is coffee production farmers to down-streams as final consumers. Throughout the coffee supply chain, there are many factors that impact in both positive and negative way of SCM process (Krishnan, 2017). Recent studies are focused on how to ensure sustainable goals in the coffee supply chain in Vietnam . Because In the logistics field from which the SC originates, the flow of materials involves three successive processes, namely inbound logistics (activities with suppliers), internal operations, and outbound logistics (activities with customers; Mentzer et al., 2001). Therefore, achieving sustainability means improving the sustainable performance of all three processes (Gimenez & Tachizawa, 2012; Gold et al., 2009). Leveraging tools and technologies such as business intelligence and analytics to gain insights and inform their strategic choices (Akgün et al., 2020). Furthermore, these coffee shops tend to be agile and adaptive, capable of responding to changing market conditions and adjusting their strategies and operations accordingly (Koller et al., 2021).

In order to sustain their competitive advantage to the market coffee shop need to emerges from the growing evidence base is that how infrastructure is implemented is fundamental to the sustainability outcomes. In the most challenging situations, a single infrastructure intervention will seldom be sufficient to robustly achieve sustainable development outcomes, which need to be achieved through sets of complementary policies (Banister & Berechman, 2001). To maintain the process of the business coffee shop needs to have a good marketing strategy. The marketing mix to design a combination of marketing ingredients based upon long-range planning to ensure business owners

successfully meet the demands of the changing marketplace. Mutandwa, Taremwa, and Tubanambazi (2015) asserted one of the factors that determined the performance of small and medium enterprises is marketing. Therefore, a small business owner must employ marketing skills to ensure sustenance of business operations

The coffee shop scene in Padang city is characterized by its diverse offerings, including traditional Indonesian coffee, specialty coffee, entertain coffee, co-working coffee and creative coffee-based beverages. These coffee shops often cater to different customer segments, from coffee connoisseurs to casual coffee drinkers, with varying preferences for taste, ambiance, and pricing. Moreover, the coffee shop owners in Padang city exhibit distinct entrepreneurial characteristics, such as their ability to adapt to changing market trends, develop creative marketing strategies, and foster a sense of community among coffee enthusiasts. Understanding these unique characteristics of coffee shops in Padang city is essential for researchers and practitioners alike, as it provides valuable insights into the dynamics of the coffee shop industry in this specific context and can inform future research and strategic business decisions in the region.

The coffee shop business also need a good sustainable procurement. Sustainable procurement can be defined as the pursuit of sustainable development objectives through the purchasing and supply process (Walker, Spencer, Miemczyk, & Johnsen, 2010). It then can be understood as the efforts of an organization to achieve or simply improve performance of buying activities in three ways: environmentally, socially and economical. Also to process all the

activities of the coffee shop to have massive production, technology is one of part to boost the performance. There has been a rapid growth of works in the literature investigating the nexus between sustainable development and digitalization, and then how business sustainability can be improved through the support of technology (Carmela Annosi, Brunetta, Capo, & Heideveld, 2020).

In coffee shop business there are several characteristics. First, Entertain coffee shop: One study by Seo and Kim (2019) examined the relationship between the atmosphere of coffee shops and customer satisfaction in South Korea. The study found that a comfortable atmosphere, good service, and variety of menu items were important factors that contributed to customer satisfaction. Another study by Suhartanto et al. (2018) investigated the relationship between the physical environment and customer satisfaction in coffee shops in Indonesia. The study found that factors such as cleanliness, comfortable seating, and good lighting were important in creating a positive customer experience.

Specialty coffee shop: Research on specialty coffee shops has primarily focused on consumer behavior and preferences. For example, one study by Wang et al. (2019) examined the impact of environmental concern and perceived quality on consumer behavior in specialty coffee shops in China. The study found that environmental concern and perceived quality had a positive impact on customer loyalty. Another study by Lee and Lee (2019) explored the influence of coffee shop attributes on customer satisfaction and loyalty in South Korea. The study found that attributes such as quality, convenience, and price had a significant impact on customer satisfaction and loyalty.

Co-working coffee shop: Co-working coffee shops have become increasingly popular in recent years, but there is limited research on this specific type of coffee shop. One study by Kim and Lee (2021) examined the relationship between co-working spaces and job satisfaction in South Korea. The study found that co-working spaces had a positive impact on job satisfaction, with factors such as social interaction and flexibility contributing to the positive effect. Another study by Yang et al. (2020) explored the factors that influence the success of co-working spaces in China. The study found that factors such as location, community building, and networking opportunities were important in creating a successful co-working space.

Based on initial observation, there are some coffee shop in padang that have been adapt and do the concept above, the table below show list of existing coffee shop in Padang based on the proposed classification above

Table 1.1 Proposed Classification of Coffee Shop in Padang

| Coffee Shop Characteristic | | |
|-----------------------------------|------------------------------|-------------------------------|
| Entertain coffee shop | Specialty Coffee Shop | Co-working Coffee Shop |
| Tara Kopi | Dua pintu | House of musi |
| Show kopi | Rimbun coffee | salejourn |
| Situ coffee | Dapue coffee | merjer |

Source: Initial Observation (2023)

Despite the growing interest in sustainable coffee businesses. There is lack of attention on the specific factors that contribute to the transformation of coffee businesses from unplanned to well-planned and sustainability of the business, especially in Padang, West Sumatra.

The coffee shop industry is characterized by a diverse range of options, and entrepreneurs seeking to establish their businesses face the challenge of keeping up with the ever-changing trends and meeting customer demands. However, amidst the pursuit of market trends, there is a tendency to overlook critical aspects such as business competitiveness and a unique selling point. This research aims to find the factors have been carried out by coffee shop in Padang in achieving a sustainable business and found how this factor support their achievement to have sustainable business in Padang.

The coffee shop industry in Padang, West Sumatra, is a dynamic and competitive landscape. Coffee shop owners are constantly challenged to keep up with evolving trends and meet diverse customer demands. In this context, the practices of business model creation and transformation - visioning, strategizing, performing, and assessing are crucial for success and sustainability (Petri & Jenni, 2014).

1.2 Research Problem Formulation

Based on the research problem background and problem limitation, the research problem formulation for this study is as follows: What are the factors contributing to the transformation of coffee businesses from unplanned to well-planned, sustainable enterprises in Padang, West Sumatra, based on that the formulation of the problem described as below:

1. What factors have been carried out by the coffee shop business in the city of Padang in achieving a sustainable business?

2. how this factors support their achievement sustainable business coffee shop businesses in the city of Padang?

1.3 Research Objectives

The main objective of this research is to identify the factors that contribute to the sustainable evolution of coffee businesses in Padang, West Sumatra.

Specific research objectives include:

1. To investigate the implementation of sustainable business factors that have been implemented by the coffee shop business in the city of Padang in achieving sustainable business.
2. To identify how this factors are support for the coffee shop business in city of Padang in achieving a sustainable business.

1.4 Problem Limitation

By focusing on Padang, the study provides an in-depth investigation into the factors contributing to the sustainable evolution of coffee businesses specifically in this area. However, the findings may not be generalizable to other regions or countries, limiting the external validity of the study. Additionally, the use of qualitative data may limit the scope and generalizability of the findings compared to quantitative methods.

The choice to conduct this thesis in Padang is justified by several reasons. Firstly, Padang has experienced a significant growth in the coffee industry over the past few years, making it a suitable context to study the challenges and opportunities faced by coffee businesses. Secondly, the high number of coffee

business bankruptcies in Padang suggests a need for research that can provide insights and recommendations to improve the sustainability and success of coffee businesses in the area. Finally, by conducting the study in Padang, the research can contribute to the local context and potentially benefit the local coffee industry, helping entrepreneurs in the region make informed decisions and strategies to enhance their businesses.

1.5 Research Benefits

This research can provide several benefits for coffee businesses in Padang, West Sumatra, as well as the wider coffee industry. By identifying the factors that contribute to the sustainable evolution of coffee businesses, this research can provide insights into the strategies that businesses can adopt to become more sustainable and successful. In addition, this research can contribute to the development of sustainable coffee practices and policies, which can benefit coffee farmers, roasters, and consumers.

