



COFFEE DRINKER'S PERSPECTIVES ON MSMES COFFEE SHOPS: IT CAPABILITY, INNOVATION CAPABILITY, AND PURCHASING INTENTIONS

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Abstract

Enhancing information technology (IT) and innovation capabilities is crucial for micro, small, and medium-sized enterprises (MSMEs) in responding to consumer behavioral changes during the coronavirus disease (COVID-19) pandemic. This study is an explanatory study investigating coffee drinkers' perspectives on the influence of IT and innovation capabilities on their purchasing intentions. The study's population was unspecified number of coffee drinkers in Indonesia. A purposive sampling technique was used to select a sample of 210 coffee drinkers. This survey is accessible only to those who consume at least one cup of coffee daily. A questionnaire was distributed from March 20 to April 24, 2022 to collect data from the eligible respondent. This study found that coffee drinkers' purchase intentions to buy coffee from MSME coffee shops were favorably influenced by technological competence. The findings also revealed the influence of innovation capabilities on purchase intentions among coffee drinkers. This study concludes that IT and innovation capability could be a competitive advantage in coping with a difficult time during the COVID-19 pandemic.

Key Words

Information technology capability; innovation capability; purchasing intentions; MSMEs.

INTRODUCTION

The increase in coffee consumption and production implies significant opportunities in the Indonesian coffee shop business. Five million 60 kg bags of coffee were consumed in Indonesia, a 50.5% increase from 2020 (International Coffee Organization, 2021). Indonesia is one of the top five coffee-consuming countries worldwide. Additionally, coffee production increased by 7%, from 717,962 thousand tons in 2017 to 774,415 thousand tons in 2018 (Haryanto, 2019). An increase followed this phenomenon in the number of coffee shops in Indonesia. According to Haryanto (2019), the number of coffee shops in Indonesia has risen from 1,083 in 2016 to 2,950 in 2019, with a total profit of IDR 10 billion. In other words, the coffee beverage industry is a very attractive market for entrepreneurs, especially micro, small, and medium-sized enterprises (MSMEs).

Consumer behavior has changed because of the coronavirus disease 2019 (COVID-19) pandemic's outdoor activity restrictions, and people are now more comfortable shopping online. According to Sumi and Ahmed (2022), perceived utility, utilitarianism, usefulness, and ease of use are the factors that positively influenced consumers' favorable attitudes and online purchasing behavior.

However, only 19% of MSMEs were digital-based, showing they lacked the capabilities required for online-based practices. Hence, the MSME sector was most impacted by COVID-19 (Baker & Judge, 2020). Due to their smaller size, less extensive operations, and limited access to capital, MSMEs have been among the most vulnerable and dynamic sectors during the pandemic (Ahmed & Sur, 2021). During the COVID-19 pandemic, the sales of MSMEs decreased significantly, from 64.7 million in 2019 to 34 million in 2020. Furthermore, the sales of MSME coffee shops also dropped 70% during the COVID-19 pandemic.

Sing et al. (2022) discovered that MSMEs that increased their use of information technology (IT) during the COVID-19 pandemic could decrease costs and increase their competitiveness. Additionally, Al-Abdallah and Batainneh (2018) and Andrina et al. (2022) discovered that IT capabilities positively affected consumer purchasing intention. Therefore, to thrive, it was crucial to integrate digital technologies (Behl et al., 2022).

Innovation capability (IC) is the ability to innovate, which ensures a firm's advantage over competitors and long-term success (Le & Lei, 2019). In a highly competitive market, IC provides new consumer benefits, reduces substantial costs, and creates unique products that meet customer needs (Slater et al., 2014). Wiratama et al. (2020) found that entrepreneur knowledge is critical in influencing the IC of MSMEs. Based on prior research on innovation, IC provides a competitive advantage as it impacts consumer purchasing intentions (PIs) (Wu & Chen, 2014; Carlina & Ekowati, 2022). As a result, innovative activities are required to enhance an entrepreneur's knowledge to influence an organization's innovation.

The research aims to examine the influence of IT and ICs on customer purchase intentions of MSME coffee shops from the perspective of a coffee drinker. This research is significant because the findings may improve MSMEs' understanding of IT, which is critical given the urgent need to shift to digital technologies. Furthermore, the study's findings enable MSMEs to increase their understanding of innovation, which is crucial when dealing with a highly competitive market.

LITERATURE REVIEW

Previous research has shown that IT capability (ITC) is an organization's valuable resource as it affects a company's performance (Aydiner, 2017). ITCs are the capabilities to mobilize and deploy IT-based resources in conjunction with other firm resources and capabilities (Liu et al., 2013; Zhang et al., 2008). Therefore, ITCs are valuable due to their compatibility with other firm resources, including business-process and supply-chain management (Peng et al., 2016), management, and human resources (Saunders and Brynjolfsson, 2016). An ITC is a complex collection of IT resources that enable companies to coordinate business activities effectively by mobilizing and deploying these IT-based resources (Bharadwaj, 2000). It describes how an organization's computer system or group of computers and other related technologies can store, process, and send information (Zhu & Nakata, 2007).

Based on previous studies, this study believes that ITC is a valuable resource every business unit needs to help them improve consumers' PIs. MSMEs can enhance their IT skills via business applications like epromotion tools, reputation communication forums (Simamora et al., 2021), e-catalogs (Rustiarini et al., 2021), and e-marketing and online reviews (Salqaura et al., 2021). In the present research, "information technology capability" is defined as a firm's capability to provide internet and application facilities that consumers see as valuable. Thus, in this study, indicators of MSMEs' IT skills are the access to the internet and the use of applications from the point of view of coffee drinkers.

IC is crucial in a highly competitive market as it provides new consumer benefits, reduces substantial costs, and creates unique products that meet customer needs (Slater et al., 2014). Previous studies have confirmed that IC is valuable as it contributes to an organization's performance (Naala et al., 2017; Donkor et al., 2018). According to Rajapathirana and Hui (2018), IC is the ability to develop new products or services based on market demand. Chang et al. (2012) explain that IC describes an organization's comprehensive capabilities that facilitate the ability to commercialize innovative ideas, processes, products, and services. O'Cass and Sok (2014) stated that IC is all interconnected company process to facilitate and achieve successful product development. Lastly, innovation is a company's ability to generate ideas and turn them into brand-new or improved services or procedures that could benefit the company (Aas & Breunig, 2017). Indicators of IC include the ability to increase the quality of existing products and the capacity to create new products using the most advanced technologies (Sok et al., 2013).

Many factors affect IC in an organization, such as knowledge management practices and organizational culture (Lam et al., 2021), knowledge sharing (Le & Lei, 2019), and the direct involvement of corporate leaders in innovation activities (Bolívar-Ramos et al., 2012; Wang & Dass, 2017). Finally, Wang and Noe (2010) explained that knowledge-sharing and leadership characteristics are the primary resources needed to improve organizational IC.

Referring to the mentioned theoretical framework above, this study defines IC as the capability of MSMEs coffee shops to serve high-quality coffee beverages and create new and unique products according to consumers' perspectives. Therefore, the indicators of MSMEs coffee shop's IC are serving high-quality coffee beverages and creating unique coffee beverages according to the perception of coffee drinkers.

Kotler and Armstrong (2016) defined PIs as a response to a product that shows a consumer's desire to purchase. Consumers are interested in purchasing because they have a positive view of the product (Nulufi & Murwatiningsih, 2015). They have a positive view as they believe the product is valuable. Thus, they want to buy and recommend it to others (Roozy et al., 2014). Many factors influence consumer buying interest, such as product features, brand name, social influence, and cost (Rahim et al., 2016). Since each customer has unique tastes and preferences, the variables that impact their PIs will differ (Lee, 2009). Based on the above-mentioned theoretical understanding, this study defines consumer purchase intention as a customer's positive perception of a product and desire to purchase and recommend it to others. Therefore, the indicators of consumers' PI of MSMEs coffee shops are consumers' desire to buy coffee from MSMEs' coffee shops and recommend the coffee to other consumers.

The effect of ITC on PIs

Previous research conducted by Hausman and Siekpe (2009) explained that IT positively influences consumers' purchase intentions. In the study of Hausman and Siekpe (2009), ITC demonstrates the company's ability to create web interface features that impact consumer interest in exploring the company's website and purchase intention. Moreover, the study of Al-Abdallah and Bataineh (2018) investigated the effect of ITC and epurchasing intent in the fashion business. In the research of Al-Abdallah and Bataineh (2018), ITC refers to the company's ability to facilitate social networking sites such as e-word of mouth and e-reference groups that impact e-purchasing intention. Furthermore, in the research of Al-Abdallah and Bataineh (2018), the application of e-word of mouth and e-reference groups facilitates consumers' submission of feedback and reviews that impact PI. Finally, Adrina et al. (2021) also proved that ITC affected PI in ecommerce. In the study of Adrina et al. (2021), ITC explains the company's ability to provide IT that is perceived as easy to use, which affects consumers' PIs.

Based on the theoretical framework mentioned above, this study proposes the first hypothesis:

H1: ITC positively impacts consumers' PIs in MSME coffee shops in Jakarta.

The effect of IC on PIs

Previous research by Wu and Chen (2014) explained that IC had an effect on consumers' PIs. According to Wu and Chen's research, products that address environmental challenges, such as energy efficiency and environmentally friendly products, are likely to enhance consumers' PIs with a high level of green marketing awareness. Furthermore, Benachenhou et al. (2018) found the effect of marketing innovation on consumers' buying preferences for the Coca-Cola brand in Tlemcen. According to Benachenhou et al. (2018), Coca-Cola's IC in the brand's visual and verbal packaging has proven to influence consumers' PIs. Finally, the study by Amoako et al. (2018) found the impact of online innovation on repurchase intention in the hotel industry in Ghana. According to Amoako et al. (2018), providing digital platforms is crucial to creating a customer experience that affects repurchase intention.

Based on the theoretical framework above and previous research, this study proposes the second hypothesis:

H2: IC positively impacts consumers' PIs in MSME coffee shops in Jakarta.

METHODS

This study investigated the impact of IT and innovation capabilities on customer purchase intentions in Jakarta MSME coffee shops. The population of this study consists of an unknown number of coffee drinkers in Jakarta. The sample number was 210 > 96, the minimum number of samples required by the Lemeshow formula. All samples in this study met the research's criteria for coffee consumers who consumed at least one cup of coffee each day.

The primary data for this study was collected through an online questionnaire distributed from March 20 to April 24, 2022. Seven indicators were applied for assessing the variables in this study, two for evaluating IT competence, two for measuring IC, and two for measuring purchase intents; all reflecting indicators. Additionally, convergent validity and discriminant validity were used to measure validity, whereas Cronbach's alpha and composite reliability were used to examine reliability. This research used the partial least square (PLS) technique to evaluate the data, using the following analytical steps: (1) assessing the outer model; (2) evaluating the inner model; and (3) hypothesis testing, which was performed by examining the probability value and t statistics.

RESULTS AND DISCUSSION

The profile of respondents

Two hundred and ten people who liked to drink coffee at least one cup daily participated in this research. Table 1 shows that more than half of the respondents were females (56.2%), followed by males (43.8%). Furthermore, most respondents lived in North Jakarta (37.1%), followed by East Jakarta (25.7%).

The majority of respondents were between 31 and 40 years old (33.3%), followed by 20–30 years old (31%), >40 years old (23.8%), and <20 years old (11.9%). Most of the respondents were high school level (42.3%), followed by respondents who graduated from university (33.3%) and have a certificate diploma (23.8%) (see Table 1).

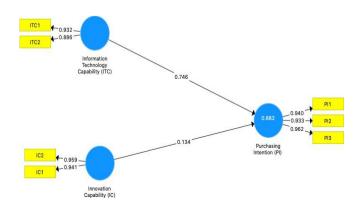
Variable	Total	%
Gender		
Female	118	56.2
Male	92	43.8
Age		
- <20	25	11.9
- 20–30	65	31
- 31–40	70	33.3
- >40	50	23.8
Education		
 High school 	89	42.3
- Diploma	50	23.8
- Bachelor	71	33.8

Table 1: Respondent profile

Evaluating the measurement model

The first step in PLS analysis was assessing the measurement model. In the first step, the model was assessed to verify the relationship between the latent variable and its indicators. The assessment was based on reliability and validity tests. Using the Smart PLS application, the following PLS algorithm model is generated.

Figure 1: PLS algorithm model



Validity test

Validity test aims to determine how effectively the instrument can execute its function measuring instrument. The first instrument to examine the validity test was the convergent validity, based on the value of loading factors. Ghozali (2021) stated that the minimum loading factor that satisfies the convergent validity is 0.7. The convergent validity requirements have been fulfilled while the loading factors are greater than 0.7 (see Figure 1).

The second instrument was applied to examine the validity of this study, called discriminant validity. The evaluation was based on cross-loading and the Fornell–Larcker criteria. According to Ghozali (2021), to completely satisfy discriminant validity, the value of each item on the construct is higher than cross-loading, the value of AVE is >0.5, and the square root of the AVE of each construct is greater than the correlation of latent construct (Fornell–Larcker criteria).

Indicators	ITC	IC	PI
ITC1	0.932	0.482	0.827
ITC2	0.886	0.517	0.644
IC1	0.457	0. 941	0.466
IC2	0.569	0.959	0.553
PI1	0.724	0.516	0.940
PI2	0.796	0.472	0.933
PI3	0.457	0.549	0.962

 Table 2: Factor loading

Table 3: Average variance extracted

Construct	AVE
ITC	0.827
IC	0.903
PI	0.892

Table 4: The Fornell–Larcker Criterion

	ITC	IC	PI
ITC	0.910		
IC	0.545	0.950	
PI	0.818	0.540	0.945

This study's results show that each indicator's loading value was greater than the value of cross-loading (see Table 2). Furthermore, the AVE of each construct was higher than 0.5 (see Table 3). Lastly, this study's results found

that the AVE's square root for each construct was greater than the correlation with other constructs (see Table 4).

Reliability test

The reliability test aims to assess the degree to which measurement instruments can provide reliable data. Ghozali (2021) stated that the minimum acceptable value of Cronbach's alpha and composite reliability to meet reliability requirements is 0.70. The reliability test was conducted using Cronbach's alpha and composite reliability as follows:

Table 5: Cronbach's alpha and composite reliability

Cronbach's alpha	Composite reliability
0.794	0.905
0.893	0.949
0.940	0.962

All values of Cronbach's alpha and composite reliability were above 0.70; therefore, the reliability requirement was acceptable. Hence, the measurement model was reliable.

Evaluating the structural model

The next step of PLS analysis was assessing the structural model. The assessment aims to predict causal relationships (cause-and-effect relationships) between latent variables. The analysis was conducted with the bootstrapping analysis procedure to evaluate the path coefficient value.

Based on the results, the path coefficient of correlation between ITC and PI was 0.746 with p-values of 0.0000 < 0.05 (see Table 6), indicating a significant relationship between ITC and PI. Furthermore, the path coefficient of correlation between IC and PI was 0.134 with a p-value of 0.000 < 0.05 (see Table 7), indicating a significant relationship between ITC and PI.

	Original sample (O)	Sample mean (M)	Standard deviation	T statistics	p- value
ITC→	PI 0.746	0.745	0.057	13.104	0.000
IC→I	I 0.134	0.135	0.065	2.050	0.041

 Table 6: Path coefficient

Table 7: The value of R²

	R2	R2 adjusted
ΡI	0.682	0.679

The further evaluation of the structural model using the R-square criteria explains the variance in the endogenous variable defined by the exogenous variables. According to Chin et al., (2010), the recommended values of R^2 square for endogenous are 0.67, 0.33, and 0.19, respectively, indicating the changes are substantial, moderate, and weak. This study found that the value R was 0.682, suggesting that IT and ICs caused 68.2% of the changes in PIs, and the rest were caused by other variables not examined in this study (see Table 7).

DISCUSSION

This study shows that ITC is an important aspect that affects customers' PIs at MSME coffee shops in Jakarta. This research confirms the findings of Hausman and Siekpe (2009), AI-Abdallah and Bataineh (2018), and Adrina et al. (2021). In Hausman and Siekpe's research (2009), ITC is a company's capacity to develop web interface features that influence consumer desire to explore the company's website and increase purchase intentions. According to AI-Abdallah and Bataineh (2018), IT is a firm's capability to support social networking sites, such as e-word of mouth and e-reference groups, which influence e-PIs. Finally, Adrina et al. (2021) defined ITC as a company's ability to deliver easy-to-use technology, which impacts customers' purchasing preferences.

Additionally, this study found that IC was essential as it positively influenced customers' purchase intentions. The findings support previous research by Wu and Chen (2014), Benachenhou et al. (2018), and Amoako et al. (2018), which discovered the effect of IC on customers' purchase intentions. According to Wu and Chen's study, products that addressed environmental issues, such as energy efficiency and environmentally friendly products, were likely to increase customers' purchase intentions who had strong marketing green marketing awareness. In the research of Benachenhou et al. (2018), IC referred to the Coca-Cola company's ability to design a visual element and informative text for Coca-Cola packaging that influenced customer purchasing interest in Tlemcen. In the research conducted by Amoako et al. (2018), IC referred to the hotel industry's digital platform, which improved online purchasing innovation in Ghana.

The first issue arised as a result of this research was the need to enhance capabilities related to IT. This was important because it enabled MSMEs to engage in digital business with the wide variety of digital business applications available on e-commerce platforms. E-word of mouth (Fan & Miao, 2012), online reviews (Thomas et al., 2019), brochures, and virtual reality (Kiliç et al., 2021) are some of the digital business applications that have a positive effect on consumers' purchase intentions. Giving MSMEs access to the internet and digital business applications will increase their chances of successfully marketing their goods (Astuti et al., 2020). Additionally, it helps MSMEs deal with the changing behaviors of consumers, who prefer to shop for goods on the internet. This was especially important during the COVID-19 pandemic, when community activities were restricted

(Özbay & Ozcan, 2021). Finally, because of the consistently rapid growth of internet penetration, the Indonesian market is entering the era of digitalization, which means that ITCs are becoming valuable resources for every organization to improve organizational performance. This is because of the rapid growth of internet penetration (Turulja & Bajgorić, 2016).

The second issue that can be drawn from this research was the finding that a company's capacity for innovation significantly influences consumers' Pls. This argument gives credibility to the conclusions reached by previous studies of Naala et al. (2017) and Donkor et al. (2018) which found the effect of IC on business performance. Additionally, the argument supports the findings of Suroso et al. (2021), who found that the capability of innovation is an invaluable asset for MSMEs when coping with highly competitive markets. Since Lin and Lee (2005) and Lam et al. (2021) stated that knowledge management is a source of IC, MSMEs need to focus on improving their knowledge management capabilities to increase their IC. However, in Indonesia, the development of IC in MSMEs is unfortunately impeded by a lack of knowledge management in MSMEs (Suroso et al., 2021). MSMEs can start by increasing workers' self-belief and encouraging them to share knowledge (Lin, 2007). Finally, in an economy driven by digital technology, big data's capabilities and offerings have been relentlessly empowering organizations' knowledge management platforms to simplify knowledge management practices such as acquiring, creating, sharing, storing, and transferring information (Behl, et al., 2022). This helps organizations meet their short-term and long-term goals and accelerate their path toward success (Jha & Sahoo, 2021). Lastly, innovation activities require the support of leaders committed to guiding those activities toward developing innovation capabilities (Bolívar-Ramos et al., 2012; Wang and Dass, 2017). Within the scope of this inquiry, the phrase "head of the coffee shop" can refer to either the business's proprietor or the establishment's manager.

Workers' confidence in engaging the information sharing is increasing as knowledge management drives innovation. With the use of big data facilities and organizational commitment, innovation capacity may become a source of innovation, enabling MSMEs to deliver high-quality coffee beverages and create new and unique flavors of coffee based on customer feedback.

CONCLUSIONS

According to this research, ITC significantly affected purchase intentions from the viewpoint of coffee drinkers. Consequently, MSMEs must shift to digital technologies to respond to the behavioral changes of customers, who increasingly prefer to shop online. MSMEs may develop their ITCs by providing internet connection to their customers and using easy available applications to promote consumer interest in their coffee shops. Similarly, this study found the influence of innovation capacity on consumers' PIs among coffee drinkers. Hence, MSMEs coffee shops may use innovation to gain a competitive advantage by improving the quality of their coffee beverage and creating a distinct flavor of coffee.

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