What Affects Market Performance?

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Abstract

Currently, businesses are encountering customer demands and intense competitive pressure, including in the food and beverage sector. This study aims to investigate and assess a theoretical model that examines the relationship between brand, market orientation, valuebased pricing and market performance among consumers of Starbucks Reserve Dewata in Bali. This research is carried out in the context of dynamic capabilities theory. The study surveyed total 160 valid responses from Starbucks Reserve Dewata customers in Bali. Path analysis will be used to examine the data, using the SPSS 26 and AMOS 23 statistical software. The results of this research indicate that all hypotheses are accepted. The findings enhance the existing literature pertaining to the importance of brand impact on shaping market performance, contextual factors by providing new insights and refining strategies for enhancing market orientations and pricing models. This research contributes originality lies in providing information to the application of dynamic capabilities theory by focusing on the Starbucks Reserve Dewata in Bali, providing a specific contextual perspective. The study offers novel insights into how brand influence impacts market orientation, value-based pricing, and market performance in a specialized market setting. Making a valuable contribution to understanding the dynamics of high-end coffee retail environments. This research not only broadens the empirical application of dynamic capabilities theory but also offers actionable insights for practitioners aiming to optimize performance.

Keywords: Brand, Market Orientation, Value-based Pricing, Market Performance

INTRODUCTION

Business is an activity aimed to gain profit where goods or services are exchanged for money. Fierce competition in the business industry drives entrepreneurs to explore innovation and creativity to survive in this global era competition. Currently, in the food and beverage industry, one of the fastest-growing sectors is the coffee shop businesses. According to Badan Pusat Statistik (BPS), the growth of the F&B sector in the first quarter of 2023 increased by 5.33 percent annually. The Ministry of Industry Republic of Indonesia also stated that the F&B sector is the largest contributor to the other processing industry sub-sectors and contributed to the national Gross Domestic Product (GDP) with IDR 849.40 trillion in 2023. The growth of businesses in the F&B sector in Indonesia is becoming more promising, this condition presents a good opportunity for entrepreneurs to try their luck in the industry.

One type of business that focuses on beverage sales and is currently booming is coffee shops. A coffee shop is a place that sells a variety of coffee-based drinks. Starbucks is one of the most popular coffee shops with a strong brand, proven to be at the top rank on Top Brand Index 2020 survey for the coffee shop category conducted by topbrand-award.com. Currently, Starbucks has 20,336 coffee shop outlets worldwide, including over 500 outlets across

Indonesia. The first Starbucks outlet in Indonesia was established in 2002 at Plaza Indonesia, Jakarta. Starbucks Indonesia is managed under PT Mitra Adiperkasa.

In 2014, Starbucks introduced Starbucks Reserve, an innovative concept designed for coffee enthusiasts who seek a deeper appreciation of the craft of coffee. Unlike regular Starbucks outlets, Starbucks Reserve emphasizes sustainability by offering limited quantities of high-grade coffee beans and employing certified baristas known as coffee masters. A prime example of this innovation is Starbucks Reserve Dewata, which opened in 2019 on Sunset Road, Kuta. Spanning 1,850 square meters, it is the largest Starbucks Reserve outlet in Southeast Asia. Starbucks Reserve Dewata not only prioritizes sustainable innovation on their produts but also offers a distinctive consumer experience, which serves as a significant competitive advantage over regular outlets.

Several previous studies investigate factors that influence market performance have been conducted, but the results obtained show inconsistencies, which may be due to various factors such as differences in the industries studied, methods used, and countries. For example, research by De Toni *et al*. (2021) in the context of furniture stores shows that market orientation and value-based pricing have a significant effect on market performance. In contrast, studies by Kim & Tang (2021) on hotels, Efrat & Asseraf (2019) on global companies, and Bhattarai *et al*. (2019) on online social enterprise found no significant effect on market performance. These inconsistencies represent an important research gap, suggesting that market performance may be influenced by specific factors. Differences in research findings highlight the need for further studies to identify additional factors that may play a role. By understanding these factors, future research can provide more comprehensive insights across various industries and cultural contexts.

This research adops theory from dynamic capabilities theory as the grand theoretical framework. This theory was first introduced by Teece *et al*., (1997) as a firm's capability to integrate, emphazing and reconfigure their resources to sustain their competitive advantage. By highlighting the important on adaptability in dynamic market conditions, firms can understand their capacity to thrive in ever-evolving environments. The leaders in global markets are firms that success in maximizing their resource that required for change and created effective management capabilities both in the internal and external competencies (Ostadi *et al*., 2024). This theory is certainly related to market performance, where market performance including sales growth and customer satisfaction will increase with the right implementation of dynamic capabilities. De Toni *et al*. (2022) state that market performance refers to how well a product or organization achieves its commercial and financial goals in the

market. Due to its complex and multidimensional nature, measuring market performance requires detailed analysis from both internal and external perspectives. This necessitates a reevaluation of performance measurement research, adopting a comprehensive approach to addressing today's business complexities. Performance measurement can include both objective and subjective aspects. Market performance is assessed using financial metrics such as profit, sales, market share, and cash flow, as well as non-financial metrics such as service quality, innovation, logistics, and product functionality. Additionally, customer satisfaction, retention, loyalty, and brand equity are key non-financial indicators that contribute to stronger financial outcomes.

The Relationship between Brand Toward Market Orientation

Various studies state that brands play a role in enhancing market orientation (Rua & Santos, 2022; Dogbe *et al*., 2021). According to research by Rego *et al*. (2022), brands are the core of marketing theory and practice that unite producers and consumers in the market. Brands also offer benefit to consumers by reducing search costs through providing important information and symbolism, thus fostering relationships that create positive value among all parties. Therefore, Rua & Santos (2022) state that companies must convey a coherent concept that aligns with local characteristics, meaning companies must be market-oriented where they operate, ensuring effective responses to consumer needs and demands. Consequently, this influence is formulated into hypothesis 1 as follows:

H1: Brand positively influences market orientation

The Relationship between Value Based Pricing Toward Market Orientation

Raja *et al*. (2020) specifically indicate that value-based pricing implies that pricing decisions are made by sellers by considering customers' perceptions of the value of the offer in relation to its price. Tahat (2023) states that pricing strategy affects company performance, particularly profit, and finds that companies are positively impacted by high-level value-based pricing and negatively impacted by low-level pricing. It underscores the value of pricing strategy, and managers should prioritize it during the planning stage. De Toni *et al*. (2022) argue that a company's ability to set and maintain prices is identified as a key driver of company performance and is an crucial aspect in generating economic profits and profitability. Perceived value-based pricing, integrated with pricing practices that indicate to the use of cost information and competitor prices, is highly connected to the performance of a product, service, or the overall business. Therefore, the use of value-based pricing is an important practice to gain greater benefits. Hence, the value-based pricing strategy approach is regarded as the top tier to other approaches in terms of the results achieved by the company and its

capacity to improve organizational performance. Therefore, this influence is formulated into hypothesis 2 as follows:

H2: Value Based Pricing positively influences market orientation

The Relationship between Market Orientation Toward Market Performance

Powers *et al.* (2020) argue that market orientation is a main organizational asset that enables the entire organization's strengths, such as information sharing and communication. De Toni *et al.* (2022) state that market orientation is seen as a capacity which can deliver a competitive advantage and positively impact market performance. When a business reaches strong sales projections, it offers further insights about its customers and competitors, allowing the company to perform better and provide relevant information for predicting stock returns and making investment decisions. Various opinions state that market orientation effected market performance (Iyer *et al.*, 2021; Fernandes *et al.*, 2020; De Toni *et al.*, 2022; Wu *et al.*, 2020). Therefore, this influence is formulated into hypothesis 3 as follows:

H3: Market orientation positively influences market performance

METHOD

This research is a type of quantitative study and is expected to be able to determine the relationships between each of the variables, thereby providing conclusions about the relationships between the variables that influence each other. The questions asked in the questionnaire align with the research indicators that have been outlined. The questionnaire will be distributed online using Google Forms through social media. In accordance with the SEM (structural equation modelling) method chosen for this study, the sample size determined is representative based on the number of indicators. This research used a non-probability sampling method and employed purposive sampling techniques. A total of 160 questionnaires were received and used for analysis.

The analysis technique in this study was conducted using the SEM (Structural Equation Modelling) method. Primary data was stored in Ms. Excel, then converted into SPSS 26 for analysis, with goodness-of-fit testing and hypothesis testing conducted using AMOS 23.

RESULTS AND DISCUSSION

Demographic

The majority of respondents are female (65.6%) and aged 17-22 years (54.3%), followed by the 23-28 years age group (40.7%), and the 29-34 years age group (5%)(See Table 1). Therefore, the participants fall into age groups that meet the criteria to provide data and information for this research.

Table 1. Demographic distribution of the respondents (N=160)

Attributes	Frequency	Percentage
Gender		
Female	105	65.6
Male	55	34.4
Age		
17-22 years	87	54.3
23-28 years	65	40.7
29-34 years	8	5

SEM Analysis

The SEM analysis is used to determine the correlation between the structural model and the variables studied. The structural correlations between variables are tested for their fit using the goodness of fit index. The outcomes of the Structural Equation Modelling analysis in this research are in Figure 1 and Table 2.
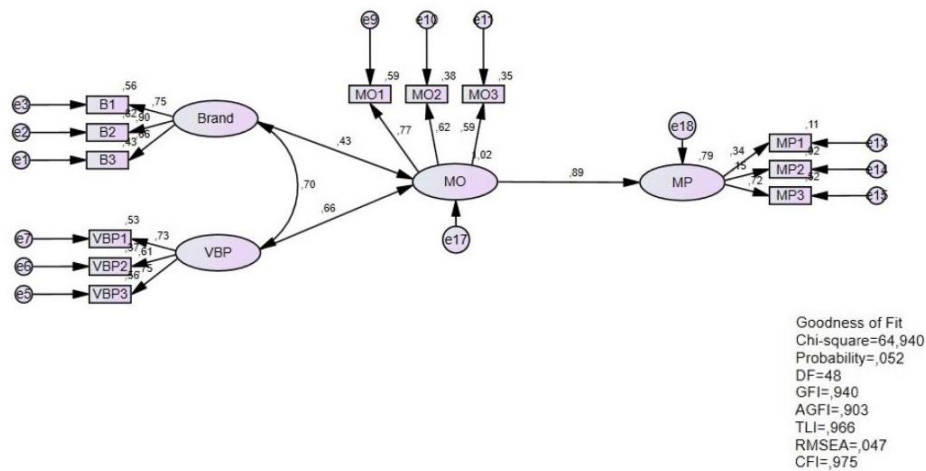

Goodness of Fit
Chi-square=64,940
Probability=,052
DF=48
GFI=,940
AGFI=,903
TLI=,966
RMSEA=,047
CFI=,975

Figure 1. The Outcomes of the Structural Equation Modeling Analysis

Table 2. Structural Equation Modelling fit test

Goodness of Fit Index	Cut of Value	Result	Model Evaluation
Chi-square	Expected small	64.940	Expected small
Probability	≥0,05	0,052	Good
GFI	≥0,90	0,940	Good
AGFI	≥0,90	0,903	Good
TLI	≥0,90	0,966	Good
CFI	≥0,90	0,975	Good
RMSEA	≤0,08	0,047	Good
CMIN/DF	≤3,00	1,353	Good

Hypothesis Testing

This test is conducted to examine the relationship between latent variables by looking at the t-value or c.r (Critical Ratio) in the regression weights table from the AMOS output. Below is the output of the Regression Weights: (Group number 1-Default model):

Table 3. Regression Weights: (Group number 1-Default model)

			Estimate	S.E.	C.R.	P	Label
Market Orientation	<---	Brand	.527	.157	3.348	***	par_10
Market Orientation	<---	Value Based Pricing	.759	.151	5.011	***	par_11
Market Performance	<---	Market Orientation	2.615	.743	3.521	***	par_12

The results of the SEM analysis for direct testing between Brand and Market Orientation shows a positive and significant influence (see Table 3), thus the hypothesis stating a positive influence of Brand on Market Orientation is accepted. Direct testing of Value Based Pricing on Market Orientation shows a positive and significant influence, thus the hypothesis stating a positive influence of Value Based Pricing on Market Orientation is accepted. Direct testing of Market Orientation on Market Performance shows a positive and significant influence, thus the hypothesis stating a positive influence of Market Orientation on Market Performance is accepted.

CONCLUSION

This research purposed to examine the factors influencing market performance in the context of Starbucks Reserve Dewata. The findings demonstrate that all proposed hypotheses were supported, indicating that brand, market orientation, and value-based pricing play significant roles in enhancing market performance. Specifically, brand emerged as a crucial factor that helps businesses differentiate themselves in a competitive market, consistent with previous studies by Rua & Santos (2022). The market orientation of Starbucks allows the company to better understand customer needs and preferences, leading to more effective strategies. Additionally, value-based pricing enables Starbucks to align the perceived value of its offerings with customer expectations, leading to increased satisfaction and loyalty. These elements, when combined, contribute positively to the overall market performance of Starbucks Reserve Dewata, supporting the idea that a strategic focus on brand and pricing is vital in the current competitive landscape. The findings provide insights for coffee shop operators, especially those like Starbucks, to continually refine their branding, pricing strategies, and market orientation to enhance customer experiences and drive business success. The results also underscore the need for an integrative approach in understanding market performance through the lens of brand management and customer-centric pricing.

SUGGESTIONS

This research has several limitations things to note. First, this paper mainly examines brand, market orientation, and value-based pricing, potentially overlooking other critical

variables such customer relationship management or digital marketing strategies that could influence market performance. Second, the research was held in Indonesia, therefore cultural or regional differences may affect the applicability of the results in other markets or countries. Lastly, as the study is focused on the coffee shop sector, the conclusions may not be fully applicable to other industries, highlighting the need for further research across different sectors.

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