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The Effect of Product Innovation, Location, and Service Quality on the Competitive Advantage of Senusa Coffeeshop in Pekanbaru City

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Abstract
The Senusa Coffee Shop on Jalan Bangau Sakti Pekanbaru is where this study was carried out. The purpose of this study is to ascertain how Senusa Coffee Shop Jalan Bangau Sakti's competitive advantage is impacted by product innovation, location, and service quality. All patrons of Senusa Coffee Shop on Jalan Bangau Sakti make up the population of this study. With a sample of 385 customers, this study employed the incidental sampling technique. Product innovation, location, and service quality are the independent factors under investigation. Where the dependent variable is a competitive advantage. The Structural Equation Modeling-Partial Least Square (SEM-PLS) analytical approach is used in this study. The study's findings indicate that at Senusa Coffee Shop Jalan Bangau Sakti, product innovation significantly boosts competitive advantage, location significantly boosts competitive advantage, and service quality significantly boosts competitive advantage. The R-Square value of 90,5% demonstrates the extent of the relationship between the variables of product innovation, location, and service quality.
Keywords: Product Innovation, Location, Service Quality Competitive Advantage, Coffee Industry.

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INTRODUCTION

The coffee industry in Indonesia is experiencing rapid growth along with the increasing trend of coffee consumption among the public. The increasingly tight business competition requires coffee shop business actors to continue to innovate to survive and have a competitive advantage. Competitive advantage is the main factor that determines business sustainability, especially in industries that have many competitors such as coffee shops (Porter, 2016).

In an effort to win the competition, companies need to consider several main factors, such as product innovation, strategic location, and service quality. Product innovation allows coffee shops to present unique added value to customers, both in the form of menu variations, serving techniques, and the use of high-quality raw materials (Prajogo & Sohal, 2014). In addition, a strategic location plays an important role in increasing customer accessibility and comfort (Rahmatillah & Saefuloh, 2022). Another factor, namely service quality, also influences the level of customer satisfaction, which can ultimately create customer loyalty and increase business competitiveness (Tjiptono, 2017).

According to Narver (2018), a business can get a competitive edge if it can offer customers greater value than its rival. This competitive edge can result from a variety of business operations, including product design, production, marketing, and support. Fahriyah & Yoseph (2022) asserted that consumers will be more picky when it comes to product selection in the age of free competition. As a result, business must create and innovate new product that will be available to customers.

Senusa Coffee Shop, located on Jalan Bangau Sakti, faces challenges in maintaining its competitiveness amidst the increasing competition in the coffee shop industry. Pre-survey data shows fluctuations in the number of visitors, which can be caused by various factors such as lack of product innovation, less than optimal location, and service quality that does not fully meet customer expectations. Therefore, this study aims to analyze the influence of product innovation, location, and service quality on competitive advantage at Senusa Coffee Shop.

A product or service considered innovative if it is viewed by customers as novel. Innovation is simply defined as a breakthrough in the development of new items. Innovation is more than just creating new goods or services, according to Kotler et al. (2021). New business concepts and procedures are also include in innovation.

According to Alma (2010), innovation entails studying customers in order to identify and stastify them with new items. Innovation is crucial since technology is subject to rapid change, as are rivals' new goods, procedures, and services. This promotes entrepreneurial endeavors to compete and thrive. The impact of changing environmental conditions on the shorter product lifecycle. Modern consumers are more astute and anticipate higher standarts for quality, updates, and pricing, as well as the satisfaction of their needs.

Business won't be able to compete in the market or last very long without innovation. This is due to the fact that consumer demands, wants, and needs are constantly evolving. Consumers wont't constantly use the same item. Consumers will search for additional products from other businesses that they believe can meet their demands, whether they are connected to products, services, or concepts that they believe are novel. In order for the firm to remain viable, it is necessary to continuously innovate in order to draw in customers.

The relationship between the strategic location and the methods of providing services to clients is a combination of location and distribution channel selections. A company's choice about the location of its operations and their type is known as its location. Be kind and level of engagement determine how important a service company's location is (Irawati, 2016).

For service industry products, place can be interpreted as the location or place of service delivery. Decisions about the location of the service to be used involve considerations of how the service is delivered to customers and where it will take place. As a component of the service's value and advantages, location is also crucial since it affects how and where the service will be provided to customers as well as where the strategic location is (Effendy et al. 2020). Location refers to the area in which the business should operate and conduct its operations. Location and

choices about distribution channels, in the case pertaining to how to provide services to customers and the strategic location, are combined to form place in services (Rahmatillah and Saefuloh, 2022).

The company's activities in the trade sector, of course, the main activity carried out is to provide a service or provide satisfactory information to consumers who need it. Because information and services cannot be seen physically, touched or intangible, the person providing the information must be able to provide confidence and trust to consumers so that consumers are sure to buy the goods offered. Service is an activity or benefit offered by a party, which is intangible and does not result in any ownership (Widiantari et al., 2023). Service is a form of provision given by producers, both for the service of goods produced and for services offered in order to obtain customer interest, thus service affects customer interest in a good or service from the company that offers products or services (Assauri, 2018).

Tjiptono (2022) defines service quality as a dynamic state that stastifies expectations in relation to people, goods, and the environment. Meanwhile, as a high-quality performance is the foundation of the advertised product and the performance that customers will purchase, Sinollah and Masruro (2019) describe service quality as the cornerstone for marketing services. Thus, the foundation of marketing services is the caliber of service performance.

According to J. Haynes and T. Cronin (2016) service quality is a process that consistently includes marketing and operations that pay attention to the involvement of people, internal and external customers, and meet various requirements in service delivery. A similar statement was conveyed by Tjiptono (2017) that service quality reflects the comparison between the level of service delivered by the company compared to customer expectations. Service quality is realized through customer expectations.

Inplement a plan that makes use of the different resources the firm will require will provide it a competitive edge (Suendro, 2018). Porter (2016) This competitive advantage must originate from the areas in which the firm competes, which are carried out by different businesses that the company will establish in order to design, produce, sell, search for, and support its goods. This competitive advantage grows from the value or benefits that the company can create for its buyers which are more than the costs that the company must spend to create them. This value or benefit is what the company must spend to create it. The value or benefit is what buyers are willing to pay, and superior value also comes from offering lower prices considering competitors' prices for equivalent benefits or offering unique benefits to exceed the price offered.

According to Dessler et al. (2018) said that competitive advantage is an offering that is valued lower or by providing greater benefits because of its higher price. Russel (2017) said that competitive advantage means the ability of an organization to formulate strategies that place the organization in a favorable position compared to other companies in the same industry.

RESEARCH METHOD

This study was conducted at Senusa Coffee Shop on Jalan Bangau Sakti, Pekanbaru, with the aim of analyzing the influence of product innovation, location, and service quality on competitive advantage. The research data were obtained from two main sources, namely primary data and secondary data. Primary data were collected through questionnaires distributed to 385 consumers selected using the accidental sampling method. Meanwhile, secondary data were obtained from various literature, journals, books, and internal data from Senusa Coffee Shop.

This study examines four main variables, namely product innovation (X1), location (X2), and service quality (X3) as independent variables, and competitive advantage (Y) as the dependent variable. Product innovation refers to the extent to which a coffee shop presents innovative elements in its products to attract customers. Location is related to geographical factors and accessibility that affect the ease of consumers in visiting the coffee shop. Meanwhile, service quality reflects the extent to which the services provided can meet customer expectations.

Competitive advantage, as a dependent variable, measures Senusa Coffee Shop's ability to compete with competitors in the same industry.

The analysis method used in this study is Structural Equation Modeling-Partial Least Square (SEM-PLS), which allows for testing the relationship between variables simultaneously. Model evaluation is carried out through the Outer Model and Inner Model. At the Outer Model stage, the validity and reliability of the instrument are tested using convergent validity (AVE), discriminant validity, and reliability (Composite Reliability and Cronbach's Alpha). Meanwhile, at the Inner Model stage, R-Square testing is carried out to see the magnitude of the influence of the independent variables on the dependent variables, Predictive Relevance (Q^2) to measure the predictive power of the model, and Path Coefficients (Mean, STDEV, T-Values, and P-Values) through bootstrapping techniques to test the significance of the relationship between variables.

The results of the study indicate that product innovation, location, and service quality have a positive and significant effect on the competitive advantage at Senusa Coffee Shop. This is evidenced by the R-Square value of 90,5%, which shows that the three independent variables can explain the competitive advantage variable by 90,5%, while the rest is influenced by other factors not examined in this study. Thus, this study provides insight for coffee shop business actors to increase their competitiveness through product innovation, strategic location selection, and improving service quality.

RESULTS AND DISCUSSION

Evaluation of Measurement Model Convergent Validity

Table 1. Loading Factor

	PI	L	SQ	CA
PI1	0,909			
PI 2	0,942			
PI 3	0,928			
PI 4	0,915			
L1		0,938		
L2		0,954		
L3		0,949		
SQ1			0,872	
SQ2			0,921	
SQ3			0,869	
SQ4			0,909	
SQ5			0,874	
CA1				0,855
CA2				0,907
CA3				0,887
CA4				0,892
CA5				0,816

Description: *PI= Product Innovation
L = Location
SQ= Service Quality
CA= Competitive Advantage
Source: SmartPLS 4.0

Based on the table above, the outer loading results of each indicator of each construct have a high convergent validity value, which is an average of above 0.70. However, the competitive advantage indicator in the third and fourth questions is below 0.70, but it is still a

good average. So it can be concluded that all indicators that have been tested in this study are declared valid.

Table 2. Average Variance Extracted (AVE)

	AVE
Product Innovation	0,853
Location	0,760
Service Quality	0,897
Competitive Advantage	0,791

Source: SmartPLS 4.0

Based on the table above, it can be seen that the value of each variable in this study has a result of >0.5. Where in these results it can be said that all variables are said to be valid and have met the testing criteria.

Discriminant Validity

Table 3. Fornell-Larcker Criterion

	PI	L	SQ	CA
PI	0,952			
L	0,943	0,939		
SQ	0,933	0,930	0,947	
CA	0,924	0,872	0,943	0,889

Source: SmartPLS 4.0

Based on the table, it can be seen that each construct is greater than its correlation with other variables. So it can be concluded that this construct has a good level of validity.

Table 4. Heterotrait –Monotrait Ratio (HTMT)

	PI	L	SQ	CA
PI				
L	0,779			
SQ	0,775	0,680		
CA	0,780	0,704	0,761	

Source: SmartPLS 4.0

HTMT is an alternative method recommended for assessing discriminant validity. HTMT is defined as the ratio between the average heterotrait monotrait ratio method correlations and the square root of the monotrait hetero method correlations of a particular construct multiplied by the monotrait hetero method correlations of the other construct. The measurement model is indicated to have adequate discriminant validity if the HTMT value is less than 0.90. From the research above, it can be seen that the HTMT value is already smaller than the specified HTMT.

Table 5. Cross Loading

	PI	L	SQ	CA
X1.1	**0,909**	0,806	0,834	0,814
X1.2	**0,942**	0,899	0,911	0,910
X1.3	**0,928**	0,855	0,885	0,851
X1.4	**0,915**	0,881	0,882	0,904
X2.1	0,899	**0,869**	0,938	0,886
X2.2	0,905	**0,894**	0,954	0,907

	PI	L	SQ	CA
X2.3	0,899	**0,878**	0,949	0,886
X3.1	0,811	0,812	**0,797**	0,872
X3.2	0,878	0,853	**0,871**	0,921
X3.3	0,815	0,815	**0,803**	0,869
X3.4	0,864	0,876	**0,884**	0,909
X3.5	0,825	0,816	**0,835**	0,874
Y.1	0,775	0,855	0,767	**0,789**
Y.2	0,879	0,907	0,882	**0,887**
Y.3	0,830	0,887	0,811	**0,852**
Y.4	0,816	0,892	0,826	**0,820**
Y.5	0,761	0,816	0,760	**0,737**

Source: SmartPLS 4.0

Cross-loading is a test used to see the correlation value of an indicator with a variable. The cross-loading value required on the intended variable must be greater than the cross-loading value with other constructs. Based on this, an indicator is required to have a greater correlation value to the variable itself compared to the correlation value of the indicator to other variables. If the required cross-loading value is appropriate, it can be said that the discriminant validity is met and declared valid. From the table above, it can be seen that the cross-loading value is appropriate.

Table 6. Composite Reliability

	Composite Reliability	Information
PI	0,959	Reliable
L	0,941	Reliable
SQ	0,963	Reliable
CA	0,950	Reliable

Source: SmartPLS 4.0

From the table, each variable has a construct value result above 0.7 with the following details: Product Innovation 0,959, Location 0,941, Service Quality 0,963, and Competitive Advantage 0,950, it can be stated that all constructs are reliable.

Table 7. Cronbach's Alpha

	Cronbach's Alpha	Information
PI	0,943	Reliable
L	0,921	Reliable
SQ	0,942	Reliable
CA	0,934	Reliable

Source: SmartPLS 4.0

It is evident from the test results above that every construct has values more than 0,7, indicating that they are all deemed dependable. All constructions are deemed trustworthy in the reliability test that was conducted using Cronbach's Alpha and the composite reliability test.

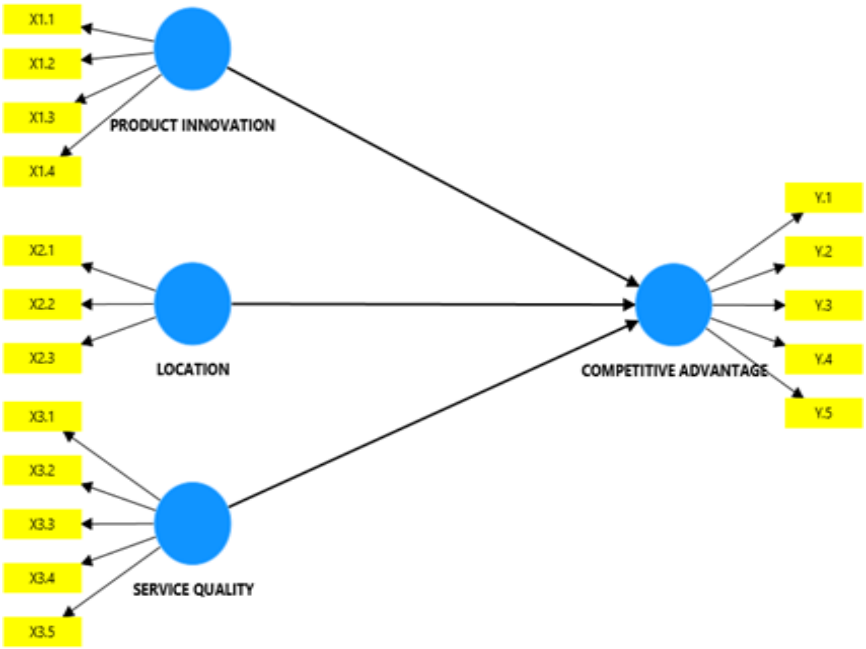

Figure 2. Outer Model (Loading Factor)

Evaluation of Structural Model (Inner Model)

Table 8. R-Square

	R-Squared coefficients	Adjusted R-Squared coefficients
CA	0,906	0,905

Source: SmartPLS 4.0

From the table above, the customized R-Square value of the competitive advantage variable can be obtained at 0.905. This means that 90.5% of the competitive advantage variable is influenced by product innovation, location, and service quality. While the remaining 9.5% is influenced by other variables not included in this study. In this case, it means that the performance variable has a strong R-squared value.

Table 9. Fit Model

	Model Saturated	Model Estimasi
SRMR	0,037	0,037
d_ULS	0,207	0,207
d_G	0,401	0,401
Chi-Square	830,449	830,449
NFI	0,904	0,904

Source: SmartPLS 4.0

Based on the table above, it can be seen that the resulting NFI (normal fit) value is at 0.904, or if converted into a percentage, the model from the research conducted has a value of 90.4 which is said to be good.

Table 10. Output Path Coefficients (Mean, STDEV, T-Values, P-Values)

	(O)	(M)	(STDEV)	T	PV
PI→ CA	0,299	0,300	0,054	5,525	0,000
L → CA	0,233	0,234	0,052	4,469	0,000
SQ→ CA	0,437	0,435	0,053	8,248	0,000

Source: SmartPLS 4.0

Table 11. Hypothesis Test Results

No	Hypothesis	Results	Information
H1	Product innovation → competitive advantage	Sig	Accepted
H2	Location → competitive advantage	Sig	Accepted
H3	Service Quality → competitive advantage	Sig	Accepted

Discussion

The results of this study indicate that Product Innovation, Location, and Service Quality contribute significantly to Competitive Advantage. This finding strengthens Porter (1985) theory of competitive advantage, which emphasizes that differentiation, operational efficiency, and customer value creation are the main factors in building a company's competitiveness.

From an innovation perspective, this finding is in line with Schumpeter (1934) theory, which identifies innovation as the main driver of competitive advantage. In the service industry, especially the food and beverage sector, product innovation is a crucial element in maintaining market relevance and attracting new customers (Damanpour & Gopalakrishnan, 2001). This study shows that Senusa Coffee Shop can utilize innovation by developing coffee variants based on local ingredients and implementing modern brewing technology. This provides added value to customers, which ultimately increases business competitiveness. This result is also consistent with previous research showing that customer value-based innovation can create differentiation that is difficult for competitors to imitate (Bessant & Tidd, 2018).

In addition, this study confirms that business location plays a role in increasing competitive advantage. Following Hotelling (1929) industrial location theory, strategic location selection affects customer accessibility and business efficiency. Furthermore Porter (1998) stated that the right location can strengthen competitiveness through integration with industrial clusters that support supply chains, workforce, and markets. This study found that Senusa Coffee Shop chose a location in an area with high mobility, such as office and education areas. This location selection increases service accessibility, increases transaction potential, and encourages customer loyalty through easier access. This finding supports previous research which states that strategic location can increase competitiveness by facilitating customer access and increasing business exposure (Reinartz et al., 2019).

Service quality has also been shown to contribute significantly to competitive advantage, as explained in the SERVQUAL model (Parasuraman et al., 1988). This study found that Senusa Coffee Shop implements technology-based service standards, such as online ordering systems and customer data-based loyalty programs. This strategy not only increases customer satisfaction but also strengthens long-term relationships with customers through more personalized and efficient service. This result is in line with Zeithaml (2000) research which shows that service-based differentiation can be a source of competitive advantage in an industry with tight competition.

This finding confirms that competitive advantage in the food and beverage industry does not only depend on a single factor, but is the result of synergy between innovation, strategic location, and service quality. In practice, the implication of this research is the need for companies to adopt a holistic strategy that integrates product innovation, location optimization, and service quality improvement to create a sustainable competitive advantage.

CONCLUSION

Based on the results of the study on the influence of product innovation, location, and service quality on competitive advantage at Senusa Coffee Jalan Bangau Sakti, Pekanbaru, several main conclusions were obtained. Product innovation is proven to have a positive and significant influence on competitive advantage, which shows that the higher the level of innovation in the products offered, the greater the competitiveness of Senusa Coffee. In addition,

location also has a positive and significant influence, indicating that strategic and easily accessible locations contribute to increasing business competitiveness.

Another element that has a positive and substantial impact is service quality; the higher the level of service quality offered to clients, the greater the competitive advantage. Concurrently, competitive advantage is positively and significantly impacted by product innovation, location, and service quality. This indicates that a combination of these three elements is essential to making Senusa Coffee in Jalan Bangau Sakti, Pekanbaru, more competitive.

Based on the conclusions obtained in this study, several suggestions can be given to Senusa Coffee to improve its competitive advantage. Senusa Coffee is advised to pay more attention to the design and appearance of drinks to make them more attractive to customers. In addition, it is necessary to increase creativity in the design and atmosphere of the café to remain superior and able to compete with other coffee shops. Aspects of customer comfort and safety, such as the availability of adequate parking space, also need to be considered so that consumers feel safer and more comfortable when visiting. In addition, Senusa Coffee needs to prioritize customer complaints by responding to and resolving any problems they convey so that customer loyalty is maintained.

For future research, it is recommended that researchers explore other variables that may affect competitive advantage so that the results of the study can provide a broader contribution to the development of science. In addition, future research should be conducted with a larger sample size, so that the results obtained are stronger and can provide a more accurate picture of the factors that influence the competitiveness of the coffee shop business.

It is important to take into account the many limitations of this study. First off, the findings may not apply to the whole coffee shop sector in another place because this study just looks at Senusa Coffeeshop on Jalan Bangau Sakti, Pekanbaru. Second, other elements that might potentially impact firm competitiveness, including pricing, promotion, and customer happiness, are not further examined in this study; instead, it solely looks at how product innovation, location, and service quality affect competitive advantage.

In addition, the sampling method used was accidental sampling, where respondents were selected from customers who happened to visit the coffee shop. This can cause the results of the study to be less reflective of the entire population of Senusa Coffee Shop customers. This study also has time limitations, because it was conducted in a certain period, so it does not describe long-term trends related to competition in the coffee shop industry.

In terms of analysis methods, this study uses Structural Equation Modeling-Partial Least Square (SEM-PLS), which although strong in testing relationships between variables, still has limitations in capturing cause-and-effect relationships in depth compared to other methods such as experiments or longitudinal studies. Therefore, further research is expected to expand the scope of objects, consider additional variables, use more representative sampling methods, and conduct analysis with a more comprehensive approach.

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