

The Impact of Perfect Competition Market Structure on Firm Performance in the Coffee Culinary Industry

^{1*}Johnny Chandra, ²Farah Fitria Ramadhani, ³Rahmat Dinul Paqi, ⁴Muh. Rafli Ramadhan

¹Sekolah Tinggi Ilmu Ekonomi Eka Prasetya, Indonesia

^{2,3,4}Universitas Negeri Makassar, Indonesia

*Corresponding author: jhonnychandra@eka-prasetya.ac.id

Received : 12 Jul 2024

Accepted : 20 Agu 2024

Published : 29 Agu 2024

ABSTRACT

The culinary industry, particularly coffee shops, has rapidly evolved in Indonesia, driven by increased internet penetration and changing consumer preferences. This study examines the impact of market structure on the performance of culinary businesses through a case study of "Kopi Break," a café in Makassar. Initially established in 2020 with a nostalgic café concept, Kopi Break has adapted its business model to remain competitive amidst increasing competition and market fluctuations. Utilizing a qualitative methodology, this research gathered data through surveys, interviews, and observations at the Makassar location to understand how market structure influences Kopi Break's operational strategies, innovation, and competitive advantages. The findings reveal that innovation, resource management, and responsiveness to market trends are critical for maintaining performance. Factors such as high operational costs and intense competition with established brands pose challenges, while government policies supporting MSMEs, tourism, and local products present opportunities. In response, Kopi Break has diversified its offerings, embraced digital tools, and enhanced customer engagement. This study underscores the importance of strategic adaptability in achieving competitive advantage and sustaining growth within the culinary sector in a dynamic market structure.

Keywords: *perfect competition, market structure, firm performance, culinary industry*

This is an open access article under the CC BY-SA license



1. INTRODUCTION

The culinary industry is one of the creative economy sectors that continues to grow in Indonesia. Along with the increasing penetration of the internet and smartphones, the competitive structure of the culinary industry has undergone changes. One example is Kopi Break, a cafe business that has a non-fixed market structure with many competitors. Analyzing the impact of the market structure on the performance of culinary industry companies is crucial to understanding how Kopi Break can drive the development of the industry and increase the competitiveness of entrepreneurs. The case study of Kopi Break can be a fascinating example for learning about market structure and how market structure affects the performance of companies that can compete with old players in the culinary industry (Ahmad et al., 2023).

The market is a place where buyers and sellers meet to conduct transactions of goods and services. In economics, the market refers to economic activities rather than a physical location (Sunı et al., 2024). Some characteristics of a market include transactions, where buyers come to buy and pay for goods with money. The market also attracts people who want to trade and enjoy the pleasure of shopping. The formation of a market is influenced by various aspects, such as individual behavior in transactions, purchasing power, and desires.

Many people dream of achieving a perfect competitive market, where there is a possibility of equality between consumers and producers. Based on Adam Smith's "invisible hand" theory, every business and

household that participates in the market is influenced by hidden forces that make transactions there more effective than expected. (Naufal, 2020)

Company performance is an evaluation of a company's achievements that is reflected in the results of management decisions. This is related to the implementation of specific business practices that are effective in using capital, various operational procedures, and some negative impacts on the achieved results. A company's financial performance reflects its health since a certain time. In addition to giving benefits to investors or capital owners, a company's health is also influenced by its ability to pay dividends on time (Triani & Tarmidi, 2019).

The industry sector provides a significant advantage in driving economic growth in Indonesia due to the high level of wage growth. The industry also strives to extend and expand working hours, reduce labor turnover rates, which supports increased productivity and reduces labor costs (Rubery et al., 2016). The industrial sector plays a crucial role in driving Indonesia's economic growth, contributing significantly through its capacity to provide high-wage growth, which improves living standards and stimulates the economy. This sector not only offers substantial employment opportunities but also seeks to extend and optimize working hours, ensuring that productivity levels remain high and output is maximized. Efforts to reduce labor turnover rates further enhance workforce stability, enabling companies to invest more in training and skill development without the disruptions of frequent staff changes (Jansen et al., 2019).

As turnover decreases, operational efficiencies improve, allowing businesses to achieve lower labor costs over time due to fewer recruitment and training expenses. This productivity enhancement supports a more competitive industrial landscape, as businesses are better positioned to maintain output consistency and quality (Rakib, 2024). Additionally, the industry sector's commitment to innovation and the adaptation of new technologies further strengthens its ability to sustain economic momentum, ultimately positioning Indonesia's industrial sector as a cornerstone of the nation's economic resilience and growth trajectory. Through this multifaceted approach, the industrial sector not only uplifts the workforce but also contributes to the country's broader economic stability and competitiveness in the global market.

In Makassar, there are many entrepreneurs in the food and beverage industry, particularly in the coffee sector. There are more than 807 cafes in Makassar that continue to thrive in this industry. The term "market failure" refers to a company's inability to achieve its goals in the supply chain industry. The culinary industry in Makassar, especially coffee businesses like Kopi Break, is currently experiencing a decline. Kopi Break has now become one of the culinary icons in every city, with a unique concept and strategic location. However, considering the worsening market conditions and changing consumer preferences, it is essential to understand the factors that affect business productivity in this industry (Thufail et al., 2022).

The culinary industry has been growing rapidly and has significant potential. In recent years, online food businesses in Indonesia have increased due to the increasing need and high living standards (Isma & Alisyahbana, 2023). Data from Parama Indonesia shows that the Indonesian food sector grew by an average of 7-14 million over the past five years. The existence of online businesses has killed conventional businesses, so entrepreneurs must think about how they can survive. Innovation and competitiveness are crucial in the culinary industry (Suchánek & Králová, 2019). Many entrepreneurs have earned tens of millions to hundreds of millions of rupiah, but not a few have gone bankrupt or failed because their marketing strategies were not effective. A suitable marketing strategy is the key to success for a culinary business in winning competition.

In recent years, businesses have become very popular, especially in the culinary industry. Culinary start-ups like Gojek, Grab, and Uber have created market efficiency through technology and increased their partners' earnings through applications. The existence of businesses like this has helped increase the competitiveness of the culinary industry, but also created tighter competition. In analyzing the impact of market structure on the performance of a culinary company, several factors need to be considered (Utami et al., 2023). These factors include suitable marketing strategies, innovation capabilities, and adaptability to market changes. Therefore, this analysis can help identify how culinary businesses can survive in the market structure of the culinary industry, as well as how the culinary industry can adapt to the dynamic performance of companies.

Kopi Break, a culinary business established in the 2020s in Makassar, Indonesia, initially focused on selling coffee and snacks to a target market of all ages. At its early stages, Kopi Break successfully attracted customers with its unique concept, *Café Nuansa jaman dulu* (a nostalgic café concept). However, by 2022, Kopi Break began to face various challenges that had a negative impact on the company's performance and

operations. One of the challenges was the increasing cost of raw materials such as coffee, sugar, and other ingredients, which caused the profit margin to decrease. In addition, the intense competition in the coffee industry with the entry of new players also became a significant factor that affected Kopi Break's condition.

Starting again with a new name, with a garden retro concept, Kopi Break may have involved some factors such as changes in market competition, high operational costs, or changes in customer preferences. Rafli may be facing challenges in retaining loyal customers and following the trends that are developing in the fast food business. By changing the concept to garden retro, Rafli, as the owner, may be hoping to attract attention back from old customers and attract new customers with more attractive offerings or a fresher concept (Bahwita, 2022).

The culinary industry's dynamic market structure, characterized by shifting consumer preferences, increased competition, and the adoption of digital platforms, presents both opportunities and challenges for businesses like Kopi Break. This evolving landscape underscores the importance of innovation, adaptability, and strategic marketing for culinary businesses seeking to remain competitive. Through this case study, we aim to explore how Kopi Break, despite challenges such as rising operational costs and intense market competition, leverages market adaptability and unique business concepts to sustain growth and maintain customer loyalty. Understanding these factors provides valuable insights into the broader impact of market structures on business performance, which is essential for entrepreneurs striving to thrive in Indonesia's fast-paced culinary industry.

2. RESEARCH METHODS

In this study, a qualitative method is used to provide a deep and comprehensive understanding of the impact of market structure on the performance of culinary industry companies in Makassar. The aim of this qualitative approach is to understand and explain how market structure affects Kopi Break and can improve the performance of the culinary industry company through innovative strategies and adaptation to market changes. The first step in this study is the collection of primary data, which was done through surveys, interviews, observation, and documentation. This study was conducted at Jl. Faisal 12 No.8 C, Kota Makassar. To gain a deeper understanding, the collected data was analyzed through a qualitative analysis process to obtain a better understanding of how market structure can affect the performance of culinary industry companies.

3. RESULTS AND DISCUSSION

3.1 Information about Burger Anata

- a. Name : Kopi Break
- b. Year of Establishment : 2020
- c. Industry : Kuliner
- d. Address : Jl. Faisal 12, No.8 C Kota Makassar
- e. Company Size : Micro, Small, and Medium-sized Enterprise (MSME) with 5 employees

3.2 Market Structure

- a. How would you describe the market structure in your industry?
Kopi Break has a relatively stable market structure, as Indonesia is one of the largest coffee-producing countries in the world, making coffee a popular beverage among Indonesians, particularly in Kota Makassar.
- b. What is the level of competition in your industry?
The presence of Kopi Break can increase the competitiveness of the culinary industry as a whole by driving innovation and providing more options for consumers. However, on the other hand, the café industry is filled with intense competition. A solid marketing strategy is crucial for survival in this competition.
- c. How many main competitors do you identify in your market?

Over the past few years, coffee shop businesses have emerged in Kota Makassar. For Kopi Break, there are around 10-20 competitors that are heavyweights in the coffee industry. This is only within the scope of Kota Makassar, as we have not planned to open branches outside of Kota Makassar.

- d. Are there any barriers to entry for your industry?

Yes, there are barriers such as international coffee brands with a strong reputation and loyal customer base that can be a threat to local coffee shops in terms of market share. Secondly, changes in consumer trends can also affect consumer preferences and behavior related to coffee consumption, which can impact the attractiveness of coffee shops.

3.3 Company Performance

- a. How would you assess your company's performance over the past 5 years?

It's been quite good because our coffee shop business is also influenced by developments, trends, and consumer behavior. If our company's performance is stuck, it's difficult for us to survive and thrive. Therefore, Kopi Break always seeks opportunities and tries to innovate to remain adaptable to developments.

- b. What factors most influence your company's performance?

The main factor that most influences our company's performance is innovation and resources. We have a target every year to have innovations that are different from our previous strategies. With consistency, it can have a significant impact on our company's performance because companies are expected to continuously upgrade themselves. The second factor also includes resources; our coffee shop business cannot run well if our resources are not good quality.

3.4 Competitive Advantage

- a. What factors influence Burger Anata's competitive advantage as a culinary startup?

Burger Anata's competitive advantage as a culinary startup is influenced by factors such as innovative concept and business model, effective marketing strategies, ability to adapt to market changes, operational cost management, and the quality of the burgers offered.

- b. How can traditional culinary entrepreneurs increase their competitive advantage against startups like Burger Anata?

To increase their competitive advantage against startups like Burger Anata, traditional culinary entrepreneurs need to adopt innovative technologies and marketing strategies, update their concepts and products according to market trends, and continuously improve the quality of their products and services.

- c. How does your company innovate in products or services?

At Cafe Kopi Break, we continuously innovate in products and services to remain competitive and meet customer needs. Our product innovation includes offering new coffee variations using high-quality local coffee beans, creating unique and exclusive coffee-based drinks, and adding healthy food options that cater to customer preferences.

In terms of services, we utilize the latest technology to enhance customer experience, such as online ordering systems, delivery services, and loyalty apps that offer special promotions. We also regularly host thematic events and workshops related to coffee to strengthen customer interactions and community engagement with coffee enthusiasts in Makassar.

- d. How does your company respond to changes in the market structure?

In responding to changes in the market structure, Cafe Kopi Break adopts several key strategies:

- 1) Diversifying products by expanding menu options to cater to various market segments, including those seeking alternative beverages such as premium tea, fresh juice, and non-caffeinated drinks.
- 2) Focusing on improving service quality by providing regular training to staff to ensure friendly, fast, and professional service, which provides a consistent and satisfying experience for customers.
- 3) Utilizing digital technology to analyze market trends and consumer behavior to make informed decisions quickly.

- 4) Building partnerships and collaborations with local coffee bean producers and other culinary entrepreneurs to create attractive collaborative products and increase visibility for Kopi Break in the market.
- e. How does your company respond to customer feedback?
We respond to customer feedback by listening to customer concerns and responding to them through surveys, online reviews, and direct interactions at our cafe. This helps us identify areas that need improvement and adjust our services and products accordingly.
- f. How does your company benefit from or face challenges from government policies?
Our company benefits from government policies while also facing challenges:
Benefits:
 - 1) Support for Micro, Small, and Medium-sized Enterprises (MSMEs): Policies that support MSMEs provide us with access to various training programs, funding sources, and marketing opportunities that help improve our capabilities and operational quality.
 - 2) Promoting Local Products: The government's initiative to promote local products encourages us to use local coffee beans from local farmers. This not only provides support to the local economy but also gives our products a unique touch.
 - 3) Development of the Tourism Sector: Government-backed tourism programs help increase the number of tourists, which ultimately affects the increase in potential customers visiting our cafe.
 Challenges:
 - 1) Minimum Wage Increase:
The increase in minimum wage has a significant impact on labor costs, requiring us to be more cautious in budgeting to maintain a balance between operational costs and profitability.
 - 2) Licensing Regulations:
The complex and time-consuming licensing process can be a hindrance, requiring significant time and resources to ensure compliance with all applicable regulations.
 - 3) Health Protocols:
During the pandemic, government policies related to health protocols and capacity restrictions have affected our income. However, we have faced this challenge by increasing our take-away and delivery services.

The findings of this study highlight the significant influence of market structure on the performance of culinary businesses, specifically focusing on Kopi Break in Makassar. As a micro-enterprise in the food and beverage sector, Kopi Break operates within a highly competitive environment, driven by the popularity of coffee among Indonesians and the substantial growth of the local coffee market. Despite the intense competition, Kopi Break's adaptable approach and unique business model have allowed it to carve out a niche within the culinary industry. With its retro garden concept, the café has succeeded in appealing to a diverse customer base, although competition remains challenging due to the growing number of coffee shops in the city. Understanding the dynamics of market structure and the levels of competition is critical for businesses like Kopi Break to refine their strategies and stay relevant in the evolving culinary landscape (Ningrum et al., 2024).

The level of competition in Makassar's coffee industry has escalated, with the presence of established coffee chains and new entrants creating a dense competitive market. For Kopi Break, the challenge is not only to attract but also to retain customers amid an industry filled with alternatives. Kopi Break has recognized the necessity of a strong marketing strategy to differentiate itself from competitors. By emphasizing its unique concept and high-quality offerings, the café aims to enhance its brand presence and maintain customer loyalty (Choi et al., 2017). However, factors such as rising raw material costs and fluctuating consumer preferences have added pressure to the café's operational sustainability (Proença et al., 2022). Thus, competitive strategies that prioritize customer engagement and service quality are essential for long-term success (Hilton et al., 2020).

Company performance is a pivotal factor in understanding how Kopi Break navigates its competitive environment. Innovation and quality resources play a crucial role in shaping the café's performance, as Kopi Break continuously seeks to introduce new product offerings and experiences to its customers. This commitment to innovation reflects the café's proactive approach to remaining competitive in a rapidly changing market (Hallak et al., 2018). Furthermore, consistent resource management is essential for maintaining operational

stability, especially in an environment where resource quality directly impacts service delivery and customer satisfaction. By setting annual innovation targets, Kopi Break strives to keep its offerings fresh and engaging, which is vital in an industry where trends can shift quickly.

Competitive advantage in the culinary sector, as shown in Kopi Break's case, is largely determined by the ability to innovate and adapt to market changes. Kopi Break leverages its creative concept and marketing strategies to strengthen its position among competitors, emphasizing both product and service innovations. Product-wise, the café offers high-quality local coffee variations, exclusive coffee-based drinks, and health-conscious menu options to appeal to a broader audience. In terms of service, the integration of technology, such as online ordering and loyalty apps, has enhanced customer experience and improved service efficiency. These innovations underscore the importance of aligning with customer expectations and technological advancements to secure a sustainable competitive edge.

Customer feedback has proven to be invaluable in shaping Kopi Break's strategies and responses to market changes. By actively seeking and responding to feedback through surveys, online reviews, and direct interaction, Kopi Break can identify and address areas needing improvement. This customer-centric approach enables the café to continuously adapt its products and services to better meet consumer demands (Lee et al., 2015). The positive response from customers regarding these adaptations demonstrates that a strong connection with the customer base is vital for maintaining relevance and loyalty, especially in the face of competition from larger, more established brands.

Finally, government policies both support and challenge businesses like Kopi Break. Initiatives aimed at supporting MSMEs, promoting local products, and developing the tourism sector provide the café with opportunities to expand its market reach and enhance product authenticity. However, challenges such as minimum wage increases, licensing regulations, and pandemic-induced health protocols require Kopi Break to strategically manage operational costs and comply with regulations, which can strain resources. By leveraging government support while mitigating the impacts of regulatory challenges, Kopi Break exemplifies resilience and adaptability in a competitive and heavily regulated industry.

4. CONCLUSIONS AND SUGGESTION

The Perfect Competition Structure in the Coffee Industry "Kopi Break" has a significant impact on the company's performance. First, by considering the innovation in Kopi Break's business operations in running a coffee shop, it focuses on achieving its main goal of obtaining results and meeting customer needs. Second, factors that influence the company's performance can be seen from the management of resources, which allows Kopi Break to maintain its perfect competition structure and compete with others.

In developing a market structure, there are strategies that are rational, such as utilizing technology, maintaining quality, and managing resources well. The business owner who has built their business for approximately four years with two branches has developed strategies by looking at perfect competition market structure.

REFERENCES

- Ahmad, M. I. S., Idrus, M. I., Rijal, S., Satiadharma, M., & K., D. M. (2023). Peran Inovasi dalam Keberhasilan Kewirausahaan: Studi Kasus tentang Startup Berkembang Pesat di Industri Teknologi. *Jurnal Ekonomi Dan Kewirausahaan West Science*, 1(03), 153–162. <https://doi.org/10.58812/jekws.v1i03.506>
- Bahwita, U. S. (2022). Potensi Start Up Wirausaha Muda Ekonomi Kreatif Subsektor Kuliner Di Masa Pandemi Covid-19 Di Kota Banda Aceh Ditinjau Dari Perspektif Ekonomi Islam (Studi pada Urban Teahouse Lampineung Banda Aceh). 8.5.2017, 2003–2005.
- Choi, Y. G., Ok, C. M., & Hyun, S. S. (2017). Relationships between brand experiences, personality traits, prestige, relationship quality, and loyalty: An empirical analysis of coffeehouse brands. *International Journal of Contemporary Hospitality Management*, 29(4), 1185-1202.
- Hallak, R., Assaker, G., O'Connor, P., & Lee, C. (2018). Firm performance in the upscale restaurant sector: The

- effects of resilience, creative self-efficacy, innovation and industry experience. *Journal of Retailing and Consumer Services*, 40, 229-240.
- Hilton, B., Hajihashemi, B., Henderson, C. M., & Palmatier, R. W. (2020). Customer success management: The next evolution in customer management practice?. *Industrial marketing management*, 90, 360-369.
- Isma, A., & Alisyahbana, A. N. Q. A. (2023). From Kitchen to Digital World: E-Business Implementation Strategies in the Culinary Sector Household Industry. *Indonesian Journal of Business and Entrepreneurship Research*, 1(3), 147-155.
- Jansen, A. J., White, L. A., Dhuey, E., Foster, D., & Perlman, M. (2019). Training and skills development policy options for the changing world of work. *Canadian Public Policy*, 45(4), 460-482.
- Lee, J. Y., Sridhar, S., Henderson, C. M., & Palmatier, R. W. (2015). Effect of customer-centric structure on long-term financial performance. *Marketing Science*, 34(2), 250-268.
- Naufal, R. (2020). Struktur Pasar Persaingan Sempurna. Fakultas Sains Dan Teknologi Universitas Muhammdiyah Sidoarjo, 1–16.
- Ningrum, L. D., Yafiz, M., & Harahap, M. I. (2024). Leveraging Blue Ocean Strategy: Cutting-Edge Approaches to Cafe Management Development. *ISLAMICONOMIC: Jurnal Ekonomi Islam*, 15(2).
- Proença, J. F., Torres, A. C., Marta, B., Silva, D. S., Fuly, G., & Pinto, H. L. (2022). Sustainability in the coffee supply chain and purchasing policies: A case study research. *Sustainability*, 14(1), 459.
- Rakib, M. (2024). Impact of Digital Literacy, Business Innovation, Competitive Advantage on the Existence of SMEs: A quantitative study in Makassar City, Indonesia. *Quality-Access to Success*, 25(198), 277-283.
- Rubery, J., Keizer, A., & Grimshaw, D. (2016). Flexibility bites back: the multiple and hidden costs of flexible employment policies. *Human Resource Management Journal*, 26(3), 235-251.
- Suchánek, P., & Králová, M. (2019). Customer satisfaction, loyalty, knowledge and competitiveness in the food industry. *Economic research-Ekonomska istraživanja*, 32(1), 1237-1255.
- Suni, M., Taufik, M., & Isma, A. (2024). Collaborative Governance in Creative Economy Development: Role and Influence of Stakeholders in Parepare City. In *Social, Humanities, and Educational Studies (SHES): Conference Series* (Vol. 7, No. 3).
- Thufail, A. A., Ihsan, & Mujahid, L. M. A. (2022). Analisis Karakteristik Lokasi Warung Kopi di Kota Makassar. *Jurnal WKM*, 10(2), 170–176.
- Triani, N., & Tarmidi, D. (2019). Firm value: impact of investment decisions, funding decisions and dividend policies. *International Journal of Academic Research in Accounting, Finance and Management Sciences*, 9(2), 158-163.
- Utami, E. Y., Asfo, N. S., Kurniawan, R., & Isma, A. (2023). Contribution of Marketing Mix and its Impact on Purchasing Decisions of Siantano Furniture Products. *Fundamental and Applied Management Journal*, 1(2), 48-60.