

Ruto Coffee's Business Strategy in Responding to Market Competition

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ABSTRACT

The rapid growth of the coffee shop industry in Indonesia has intensified competition among micro, small, and medium enterprises (MSMEs), particularly in emerging urban markets. This study examines the competitive strategies employed by Ruto Coffee, a newly established coffee shop in Tanjungpinang City, to navigate the increasingly saturated market environment. The research employs a descriptive qualitative methodology through a case study approach, utilizing semi-structured interviews with five respondents (one business owner, one staff member, and three loyal customers), direct observations, and literature review. Strategic analysis was conducted using PESTEL framework to identify macro-environmental factors, Porter's Five Forces model to assess industry competition intensity, and Key Success Factors (KSF) analysis to determine critical success elements. The findings reveal that social factors, including the coffee culture lifestyle trend among millennials and Gen Z, digital technology advancements in social media marketing and delivery applications, and evolving consumer behavior patterns constitute the primary external influences shaping business operations. The coffee shop industry in Tanjungpinang demonstrates highly competitive intensity due to the proliferation of new entrants and the growing coffee consumption lifestyle. Ruto Coffee's competitive advantage stems from consistent product quality, reliable customer service, effective digital promotion strategies via Instagram, and a distinctive vintage-themed ambiance that creates memorable customer experiences. The study concludes that Ruto Coffee should strengthen its differentiation strategy through enhanced digital marketing capabilities across multiple platforms (TikTok, Google Maps) and continue emphasizing experiential value to maintain competitive positioning and ensure long-term business sustainability in the dynamic coffee shop market.

Keyword: Competitive Strategy; PESTEL analysis; Porter's Five Forces; Key Success Factors; MSMEs; Coffee Shop Industry

INTRODUCTION

In contemporary society, coffee shops have transcended their traditional function as mere beverage outlets to become multifunctional social spaces for networking, working, and expressing modern lifestyle identities (Purnomo et al., 2024). This transformation underscores the significant role of coffee shops not only within the culinary sector but also in shaping social and cultural trends. Business strategy and policy

articulate how organizations adapt to constantly evolving external environments. Consequently, firms must formulate fundamental objectives, develop core programs, and allocate resources effectively to compete amid market dynamics (Yao et al., 2026). The increasingly dynamic nature of consumer preferences demands that business operators adapt rapidly to create unique experiences aligned with market needs. Lifestyle shifts, heightened awareness of product and service quality, and social media influence represent primary factors driving culinary sector development, including coffee shops (Dhisasmito & Kumar, 2020).

In Indonesia, the coffee shop business has experienced remarkable growth over the past two decades (Alhabsyi et al., 2024). This phenomenon has been propelled by the lifestyle preferences of millennial and Gen Z generations, who integrate coffee drinking activities into their social interactions and work routines (Wang et al., 2024). In Tanjungpinang, for instance, approximately 360 coffee shops operate across the city. Among these, Tanjungpinang Kota sub-district hosts the highest concentration with 104 establishments, while Bukit Bestari contains the fewest with 67 coffee shops, compared to Tanjungpinang Barat and Tanjungpinang Timur. Ruto Coffee, as one of the coffee shop businesses operating in Tanjungpinang, faces substantial challenges in maintaining competitive advantage. Competition has intensified with the emergence of numerous new coffee shops from both local and national scales. Furthermore, external factors such as changing consumer behavior, digital technology utilization (e.g., delivery applications), and government policies regarding MSMEs significantly influence the business strategies implemented.

To survive and develop, Ruto Coffee must design appropriate competitive strategies considering three analytical frameworks. First, PESTEL analysis is employed to understand macro-external factors such as political, economic, social, technological, environmental, and legal dimensions that may present opportunities or threats to the business (Rahma et al., 2025). Second, Porter's Five Forces helps map competition intensity through five primary dimensions: threat of new entrants, bargaining power of suppliers, bargaining power of buyers, threat of substitute products, and rivalry among existing competitors (Kusmulyono et al., 2023). Third, identification of Key Success Factors (KSF) is necessary to determine critical factors driving business success, such as coffee taste quality, strategic location, consistent service, branding, and digital media utilization for promotion and online ordering (David & David, 2017).

By combining these three analytical approaches, Ruto Coffee can design more adaptive and sustainable competitive strategies. Kaplan & Norton (2008), which emphasizes the importance of systematic processes in strategy formulation, from vision articulation through external-internal analysis to strategy development oriented toward competitive advantage.

Based on this background, the research focuses on four primary problem formulations: (1) What external factors influence Ruto Coffee's operational activities in Tanjungpinang? (2) What characterizes the competitive landscape of the coffee shop industry in Tanjungpinang that Ruto Coffee confronts? (3) What critical factors must Ruto Coffee address to achieve superior competitive positioning? (4) What competitive strategy should be designed to enable Ruto Coffee to enhance competitiveness and operational sustainability? Corresponding to these formulations, the research objectives are: (1) To identify external factors influencing Ruto Coffee through PESTEL analysis; (2) To analyze competition intensity in the Tanjungpinang coffee shop industry using Porter's Five Forces framework; (3) To determine key factors supporting Ruto Coffee's

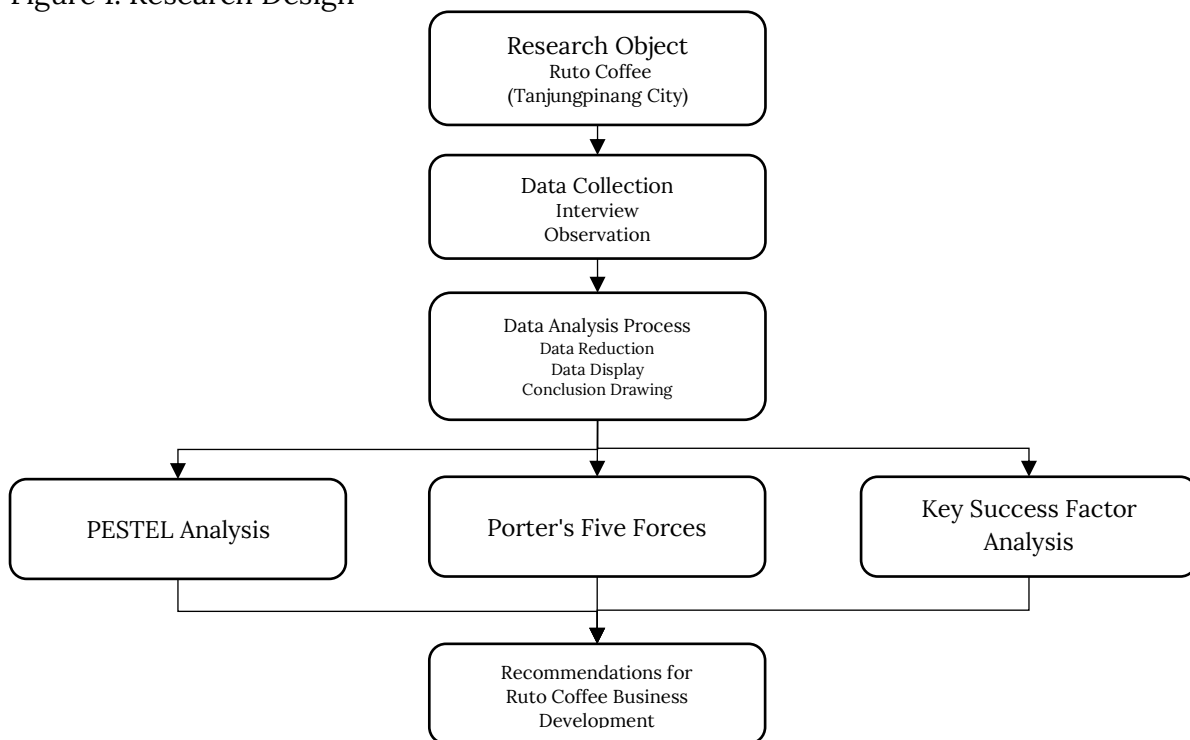
success; (4) To develop appropriate competitive strategies enabling Ruto Coffee to enhance competitiveness and maintain business continuity.

METHODOLOGY

This study employed a descriptive qualitative methodology with a case study approach (Yin, 2018). Purposive sampling was applied to achieve specific objectives aligned with the research focus (Sekaran & Bougie, 2016). The study was conducted at Ruto Coffee in Tanjungpinang City and involved five respondents consisting of one business owner, one staff member, and three loyal customers to obtain specific and relevant information. Primary data were collected through semi-structured interviews and direct observation (Cresswell & Cresswell, 2018). The number of respondents was determined based on the principle of data sufficiency (data saturation), whereby interviews were conducted until the information obtained was considered saturated and no new insights emerged (Yin, 2018).

Following the interview process, the collected data were analyzed using several analytical frameworks. First, PESTEL analysis was employed to examine macro-environmental factors, including political, economic, social, technological, environmental, and legal dimensions that influence business operations (Whittington et al., 2020). Second, Porter's Five Forces analysis was used to assess the level of industry competitive intensity through five dimensions: the threat of new entrants, bargaining power of suppliers, bargaining power of buyers, threat of substitute products, and rivalry among existing competitors (Porter, 2008). Third, Key Success Factor (KSF) analysis was conducted to identify the critical factors that determine competitive success within the coffee shop industry (David & David, 2017).

Figure 1. Research Design



Source: (The author's own research, 2026)

RESULTS AND DISCUSSION

1. External Factor Analysis (PESTEL)

Ruto Coffee represents a new coffee shop venture that has operated in Tanjungpinang City for the past six months. The establishment has gained recognition among the community through its vintage-classic themed ambiance that provides comfortable and aesthetically appealing atmosphere, coupled with friendly customer service. Based on observation and interview results, the business development is influenced by several external factors, particularly social, technological, and economic dimensions. From the social perspective, Tanjungpinang community lifestyle preferences for gathering and working in coffee shops have contributed to increased demand for products and services offered. This phenomenon demonstrates that coffee shop existence has evolved beyond merely serving coffee to becoming an integral component of modern society's lifestyle (Wang et al., 2024).

From the technological aspect, Ruto Coffee has begun leveraging social media, particularly Instagram, as the primary tool for product introduction and customer engagement. Promotional content uploaded highlights the venue ambiance, coffee menu offerings, and entertainment activities such as live music performances every weekend. Digital promotion has become a critical factor in building brand awareness among the community, although utilization of other platforms such as TikTok and Google Maps remains suboptimal (Lindiani Lindiani et al., 2024). Economic factors also influence Ruto Coffee's operations, particularly regarding raw material price increases for coffee and milk, which impact daily expenditures. Conversely, the relatively stable purchasing power of Tanjungpinang's population presents opportunities for business growth. The business owner attempts to reduce costs without compromising product quality, partly through collaboration with local suppliers. This effort aligns with efficiency practices widely implemented by culinary MSMEs to maintain business sustainability amid market fluctuations (Manik, 2025).

2. Competition Intensity Analysis (Porter's Five Forces)

The findings indicate that the coffee shop industry in Tanjungpinang is characterized by intense competition, driven by the rapid growth of new establishments offering similar concepts and products. In this environment, Ruto Coffee faces challenges not only from established competitors but also from new entrants that provide comparable menus and customer experiences. To remain competitive and sustain customer interest, the owner has implemented several promotional initiatives, including Friday night discounts and weekend acoustic music performances. These efforts have been effective in attracting customer attention and supporting customer retention (Anwar et al., 2025).

In addition to promotional activities, service quality is considered a key strategic priority at Ruto Coffee. The owner emphasizes consistent service standards by ensuring that all staff understand proper presentation techniques and maintain courteous interactions with customers. Staff members receive direct supervision and guidance regarding table cleanliness, service responsiveness, and friendliness throughout the customer experience. These practices contribute to creating positive customer experiences, which in turn encourage repeat visits and strengthen customer loyalty (Dwivedi et al., 2024).

The competitive environment can be further understood through Porter's Five Forces analysis. The threat of new entrants is considered high because entry barriers in

the coffee shop industry are relatively low, allowing new businesses to enter the market with ease. Meanwhile, the bargaining power of suppliers is moderate, as Ruto Coffee has access to multiple local suppliers for coffee beans and other ingredients, reducing dependence on a limited number of providers. The bargaining power of buyers is high due to the abundance of alternative coffee shops available in Tanjungpinang, giving customers greater flexibility to switch based on price, quality, and overall experience. In terms of the threat of substitutes, the level is moderate because consumers may choose alternatives such as home-brewed coffee, instant coffee, or other beverage options. Furthermore, competitive rivalry is categorized as high, with approximately 360 coffee shops operating in Tanjungpinang, creating intense competition and requiring businesses to continuously differentiate themselves in order to remain attractive to customers.

The findings reveal that the coffee shop industry in Tanjungpinang exhibits high competition intensity due to numerous new establishments with similar concepts. Ruto Coffee confronts challenges from established competitors and new entrants offering comparable menus. To maintain customer interest, the owner implements simple promotional strategies such as Friday night discounts and weekend acoustic music performances. These strategies have proven effective in attracting customer attention and helping maintain their loyalty (Prasetyo et al., 2021). Service quality also constitutes a primary priority at Ruto Coffee. The owner endeavors to ensure that all staff understand proper presentation methods and courteous service to ensure customer comfort. Staff receive direct guidance to maintain table cleanliness, service speed, and friendliness in serving. This contributes to creating positive experiences that encourage customer return visits (Dhisasmito & Kumar, 2020).

Table 1. Porter's five Forces Analysis

Force	Level	Analysis
Threat of New Entrants	High	Entry barriers in the coffee shop industry are relatively low, allowing new competitors with similar concepts and products to enter the market easily
Bargaining Power of Suppliers	Moderate	Ruto Coffee has access to several local suppliers for coffee beans and other ingredients, reducing dependence on a single supplier and limiting supplier bargaining power
Bargaining Power of Buyers	High	Customers have many alternative coffee shops in Tanjungpinang and can easily switch based on price, product quality, service, and overall experience
Threat of Substitute Products	Moderate	Consumers may choose alternatives such as home-brewed coffee, instant coffee, tea-based beverages, or other beverage products
Intensity of Competitive Rivalry	High	Competition is intense due to the large number of coffee shops in Tanjungpinang, estimated at around 360 establishments, offering similar products and experiences

Source: (Data analysis, 2026)

3. Key Success Factors Analysis

Interview findings indicate that Ruto Coffee's success is driven by several interrelated factors, namely product quality, service excellence, ambiance, digital marketing, entertainment offerings, and strategic promotional activities. Product quality serves as a primary competitive advantage, supported by consistent coffee taste and the use of premium locally sourced coffee beans. Service excellence also plays a significant role, as friendly, responsive, and attentive customer service strengthens customer relationships and creates positive experiences that are difficult for competitors to replicate. In addition, the café's distinctive vintage-classic interior design contributes to creating a memorable ambiance that enhances customer satisfaction and reinforces its market positioning.

Digital marketing further supports business performance through an active Instagram presence that showcases the venue, products, and overall customer experience, thereby expanding market reach and strengthening brand image. Entertainment elements, particularly regular live acoustic music performances on weekends, add experiential value and encourage customer engagement. Furthermore, strategic promotional initiatives, including targeted discounts offered on selected days, contribute to increasing customer traffic and maintaining consumer interest (Anwar et al., 2025; Dhisasmito & Kumar, 2020).

Therefore, based on the analyses conducted using the PESTEL framework, Porter's Five Forces, and the identification of key success factors, the findings indicate that Ruto Coffee operates in a highly competitive market environment while maintaining considerable opportunities for sustainable growth. The external environment demonstrates increasing competition, evolving consumer preferences, and the growing influence of digital engagement, all of which require a clear and adaptive business strategy. To strengthen its competitive position, Ruto Coffee should prioritize a differentiation strategy by enhancing experiential value through distinctive ambiance, entertainment offerings, and memorable customer experiences that are difficult for competitors to imitate.

In addition, expanding its digital marketing presence across multiple platforms would enable the business to broaden customer reach, strengthen brand awareness, and improve engagement with its target market. Sustaining long-term competitiveness also depends on maintaining consistent quality standards in both products and service delivery, as consistency directly influences customer satisfaction and repeat purchase behavior. Furthermore, Ruto Coffee should capitalize on prevailing social and technological trends to better align with the preferences and consumption patterns of its target demographic. Finally, developing customer loyalty through personalized service and stronger community engagement can foster deeper customer relationships, increase retention rates, and create a sustainable competitive advantage in the increasingly crowded coffee shop industry.

CONCLUSION

Based on the analysis conducted, the development of Ruto Coffee's business is influenced by changes in social behavior, the utilization of digital technology, and government policy support for micro, small, and medium enterprises (MSMEs). The growing coffee consumption culture among the people of Tanjungpinang has transformed the role of coffee shops into spaces for social interaction rather than merely places to purchase beverages. This condition creates opportunities for Ruto Coffee to

expand its market reach, particularly through the use of social media, which has become an important channel for promotional activities and communication with customers. However, the analysis also found that the digital marketing strategy currently implemented still requires further strengthening to improve its effectiveness in attracting new consumers (Homburg & Wielgos, 2022).

Furthermore, from a competitive perspective, Ruto Coffee operates in a highly competitive business environment characterized by the continuous emergence of new coffee shops. Differentiation strategies, including a vintage-themed venue concept, friendly customer service, and creative promotional activities, have enabled Ruto Coffee to maintain customer interest despite the intense level of competition in the market (Farida & Setiawan, 2022). In addition, consistency in coffee quality and a comfortable atmosphere serve as additional competitive advantages that encourage customers to revisit.

The characteristics of a highly competitive market create further challenges related to limitations in human resources and the suboptimal utilization of digital technology. Therefore, strengthening internal capabilities through human resource development and enhancing digital marketing strategies will be crucial steps to improve business competitiveness in the future (Kampoowale et al., 2025). Overall, Ruto Coffee has implemented a relatively effective differentiation strategy by emphasizing product quality, service excellence, and customer experience as its core values. By continuously adapting to evolving trends and market demands, Ruto Coffee has the potential to become one of the successful and growing coffee-based MSMEs in Tanjungpinang City.

Based on the results of the PESTEL analysis, Porter's Five Forces, and the identification of key success factors, this study offers several theoretical implications. First, competitive advantage in the MSME industry can be strengthened through differentiation strategies focused on customer experience, service quality, and ambiance. These findings reinforce the perspectives of competitive advantage and differentiation (Porter, 2008), while also highlighting that changes in consumer behavior and the utilization of digital technology have become important factors in MSME development. Second, this study confirms that consistency in service quality and customer experience contributes to the development of long-term customer loyalty.

The findings provide several managerial implications that may be considered. First, Ruto Coffee should strengthen its differentiation strategy to maintain competitiveness by enhancing customer experience and reinforcing its distinctive business identity. Second, digital marketing optimization should be prioritized to expand market reach and improve customer engagement. Finally, developing human resource capacity is an important step to maintain consistent service quality and support sustainable business growth.

This study has several limitations that should be considered and may serve as a basis for future research development. First, this study focuses on a single case study, which limits the generalizability of the findings to other coffee shop businesses or MSMEs operating in different contexts. Second, the analysis is primarily based on qualitative data obtained through interviews and observations, which may introduce subjective perspectives and limit the comprehensive assessment of customer behavior and business performance. Third, this study places greater emphasis on external environmental and business strategy analysis using the PESTEL framework, Porter's Five Forces, and key success factors, while other aspects such as business performance, customer loyalty, and the effectiveness of digital marketing have not been explored in depth. Therefore, future

research is recommended to broaden the scope of the study by involving multiple coffee shop businesses or culinary-sector MSMEs in order to generate broader and more comparative findings.

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