



## **Analysis of the Influence of Lifestyle, Market Attractiveness, and HR Capabilities on Product Innovation and Customer Value Implications**

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**ABSTRACT:** One of the successes of a company operating in the service sector will depend greatly on the marketing strategy implemented by the company and the quality of employee service to consumers, as well as a comfortable and strategic location. As is known, customer value will be largely determined by product innovation. Product innovation will be determined by lifestyle, market attractiveness, and human resource capabilities. This research aims to determine and examine the influence of lifestyle, market attractiveness, and human resource capabilities on product innovation and the customer value implications of coffee shops in Greater Bandung. This research uses quantitative methods with descriptive analysis and verification analysis approaches. In this research, the samples were coffee shop customers, totaling 399 customers. The analytical tool in this research uses SEM (Structural Equation Model) analysis. The research results concluded that there is a significant influence of lifestyle, market attractiveness, and human resource capabilities on product innovation, and there is a significant influence of product innovation on customer value.

**Keywords:** Customer Value; HR Capabilities; Lifestyle, Market Attractiveness; Product Innovation

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### **INTRODUCTION**

Indonesia, as a country that exports coffee to various countries, is the fourth largest source of foreign exchange after cocoa, rubber, and palm oil. Because Indonesia is the largest coffee-producing country in the world with a very large area of land, it can be seen from the number of Indonesian coffee exports that it increases every year. This is of course a big advantage for the country's foreign exchange earner and also local Indonesian farmers, Indonesian coffee exports increase every year. The research aims to analyze Lifestyle, Market Attractiveness, and HR Capabilities on Product Innovation, Customer Value Implications for Coffee Shops in Greater Bandung

The coffee shop business opportunity in the city of Bandung is currently considered profitable and can also be said to be stable because it is known for its culinary delights and is a tourist destination. Data collected by Lokadata from the results of the National Socio-Economic Survey (SUSENAS) of the Central Bureau of Statistics shows that the average per capita coffee consumption of the Indonesian population tends to be stable. It ranges from 1.25 kilograms per year per resident. From 2002 to 2014, there were no significant downward or upward fluctuations. Some people in the city of Bandung also like coffee drinks and coffee has become a lifestyle in the city of Bandung. The habit of spending time hanging out in coffee shops is back on the rise. Various coffee shop outlets come with unique, attractive design concepts, and among other things support the hobby/habit of young people to take selfies because they are Instagrammable (Aryani, 2019).

The shift in coffee-drinking culture is still an interesting topic to discuss. Because this phenomenon makes lifestyle changes and becomes a new trend in society today. Lifestyle is one part of psychographic segmentation. According to Kotler & Keller (2018), Lifestyle is a person's pattern of living in the world expressed in their activities, interests, and opinions. Lifestyle describes a person's whole self in interacting with his



environment. Consumer lifestyle is an important target that must be considered by producers.

The large number of competitors can reduce income so you are required to do research and get something that is considered new. Innovation must support trends that occur in society so that product innovation can be accepted and is commercial. To support the success of a coffee shop in achieving success, it is not only influenced by the concept, characteristics, and location of the coffee shop itself, but one of the factors is its human resources. One of the human resources in a coffee shop is a barista. According to Waldman, becoming a barista is not easy because it requires training so that a barista can master the art and methods of making coffee. If the barista only can work without a training program, then the results obtained will not improve. Mangkunegara & Agustine (2018) stated that providing training is one of the factors that influences performance so that it can achieve the results desired by management

Barista is a key profession in creating excellence in a coffee shop, therefore the ability of a barista in his profession greatly influences his performance, which in turn will determine the quality of coffee brewing and the coffee shop's overall offering to consumers (Alvarizy & Deliana, 2021). Customer value is the ultimate goal of directed service company activities, both from the activities and the benefits that will be received by customers (Krisnanto & Yulianthini, 2021).

## METHODS

This research is descriptive and verification in nature. The point of analysis is coffee shop customers in the Greater Bandung area. This research will be carried out in 8 (eight) months, starting from the stages of literature study, planning, field data collection, data analysis and discussion, and reporting research results. The research location is aimed at customers of coffee shops operating in the Greater Bandung area. The sampling technique used was the Proportional Cluster Random Sampling technique with a sample size of 399 people. Based on the research paradigm and hypothesis that have been explained, the data analysis method used is *Analysis Structural Equation Modelling*(SEM). The software used for processing data is Lisrel.

Research Hypothesis in this study: (1) there is a simultaneous influence of lifestyle, attractiveness, and capability on product innovation; (2) There is a partial influence of lifestyle on product innovation; (3) There is an influence of partial attractiveness on product innovation; (4) There is a partial influence of HR capability on product innovation; (5) There is an influence of product innovation on customer value.

## RESULTS AND DISCUSSION

The results of the model feasibility test show that the research model meets the goodness of an econometric model criteria or characteristics that can be expected and are described as follows:

Path analysis

This research model shows that the test results are following expectations and the HR management theory which is the basis for studying the influence of Lifestyle, Market Attractiveness, and Human Resource Capabilities on Product Innovation and the Implications for Customer Value.



**Table 1. Model Suitability Test Results**

Relationship Between Variables	Pre-estimation	Post estimation	Suitability
The Influence of Lifestyle, Market Attractiveness, and Human Resource Capabilities on Product Innovation	+	+	In accordance
The Influence of Lifestyle on Product Innovation	+	+	In accordance
The Effect of Market Attractiveness on Product Innovation	+	+	In accordance
The Influence of Human Resource Capabilities on Product Innovation	+	+	In accordance
The Effect of Product Innovation on Customer Value	+	+	In accordance

Source: Processed by researchers taken from primary data (2023)

#### Accuracy of the Estimates of the Parameters

This research model produces a path coefficient estimator that is accurate or unbiased and significant. The analysis assumptions are met and the probability of statistical error from the model is very low (p-value = 0.000) or below the specified significance level of 0.05 for all hypotheses.

This research model has a high predictive ability for the behavior of the dependent variable as shown by the high coefficient of determination of the model which approaches or exceeds 50% with the following details:

**Table 2. Direct and Indirect Influence of Lifestyle Variables, Market Attractiveness, and Human Resource Capabilities on Product Innovation**

	Path Coefficient	Direct Influence	Influence Through			Indirect Total	Total
			Lifestyle	Market Attraction	Human Resources Capabilities		
Lifestyle	0.2132	4.55%		4.27%	6.71%	10.97%	15.52%
Market Attraction	0.3149	9.92%	4.27%		8.93%	13.19%	23.11%
Human Resources Capabilities	0.4257	18.12%	6.71%	8.93%		15.63%	33.76%
						Total	72.38%

Source: Processed by researchers taken from primary data (2023)



**Table 3. Partial Test Results of Product Innovation on Customer Value**

Structural	Path coefficient	t-count	t-Table	Conclusion
$\beta_1$	0,9033	11,2944	1,9659	H0 is rejected, there is a significant influence of Product Innovation on Customer Value

Source: Processed by researchers taken from primary data (2023)

The influence of lifestyle, market attractiveness, and human resource capabilities on product innovation is 72.38%. The influence of product innovation on customer value is 90.33%. Thus, it can be concluded that the model prepared has met the criteria for model feasibility (the goodness of an econometric) which is based on a strong theoretical perspective so that it can contribute to the development of science and policy or problem-solving. The descriptive discussion in this research is intended to discuss the variables, dimensions, and indicators that have been carried out in the descriptive analysis above. In this discussion, the highest and lowest values will be discussed as material to explain the conclusions and suggestions.

**Table 4. Recapitulation of Variables, Average Standard Deviation Values , and Coffeeshop Categories in the Greater Bandung Area**

No.	Variable	Average value	Value Range	Category
1	Lifestyle	3,377	3,006 to 3,748	Fair to good
2	Market Attraction	3,208	2,739 to 3,677	Fair to good
3	Human Resources Capabilities	3,274	2,931 to 3,617	Fair to good
4	Product Innovation	3,313	2,986 to 3,640	Fair to good
5	Customer Value	3,294	2,891 to 3,697	Fair to good

Source: Processed by researchers taken from primary data (2023)

The table 4 above shows that all the variables studied describe consumer answers in the category Fair to Good. Therefore, the research variables need to be described in more detail.

Descriptive analysis of respondent data, based on SEM analysis, obtained the structural equation of the overall SEM model structure. The results of the SEM analysis can be seen based on Table 2 which is explained as follows:

First Model Structural Path Equation:

$$\text{Influence of X on Y: } Y = 0.2132X_1 + 0.3149X_2 + 0.4257X_3 + \varepsilon_1$$

The total influence of X1; X2 and X3 on Y is 72.38 percent

Second Model Structural Path Equation:

$$\text{Influence of variable Y on Z: } Z = 0.9033 Y + \varepsilon_2$$

With a total influence of Y on Z of 81.60 percent.

The verification discussion aims to test the influence of Lifestyle, Market Attractiveness, and Human Resource Capability variables on Product Innovation which has implications for Customer Value at Coffeeshops in the Greater Bandung Area, which will be explained below as follows:



### The Influence of Lifestyle, Market Attractiveness, and Human Resource Capabilities on Product Innovation in Coffeeshops in the Greater Bandung Area

Based on the results of calculating the direct influence and indirect influence of the variables Lifestyle (X1), Market Attractiveness (X2), and Human Resource Capability (X3) towards Product Innovation (Y), it can be seen based on Table 2 that the direct influence of variables Lifestyle (X1), Market Attractiveness (X2), and Human Resource Capability (X3) on Product Innovation (Y), have a value of 4.55 percent + 9.92 percent + 18.12 percent = 32.58 percent. The indirect influence of variables Lifestyle (X1), Market Attractiveness (X2), and Human Resource Capability (X3) on Product Innovation (Y), have a value of 10.97 percent + 13.19 percent + 15.63 percent = 39.80 percent. Total influence of variables Lifestyle (X1), Market Attractiveness (X2), and Human Resource Capability (X3) on Product Innovation (Y) are a combination of direct and indirect influences, namely 15.52 percent + 23.11 percent + 33.76 percent = 72.38 percent. This can also be seen from the coefficient of determination for sub-structure 1 which shows 0.7238. This means that Lifestyle (X1), Market Attractiveness (X2), and Human Resource Capability (X3) have a direct and indirect influence on Product Innovation (Y) 72.38 percent, while the remaining 27.62 percent is influenced by variables or other factors. These other variables include Consumer Orientation, Organizational Culture, Market Dynamics, and others.

### The Influence of Lifestyle on Product Innovation in Coffeeshops in the Greater Bandung Area.

Based on the results of the verification analysis, it is known that partially, lifestyle has a significant influence on product Innovation. The total contribution made by Lifestyle to Product Innovation is 0.1552 or 15.52 percent can be seen in Table 2. The Lifestyle variable has a smaller direct influence value compared to its indirect influence, so it can be concluded that the Lifestyle variable is a non-dominant variable. Based on the test criteria previously explained, it can be seen that the calculated value of the Lifestyle variable is in the area of rejection of the null hypothesis. This indicates that H0 is rejected and H1 is accepted, meaning that Lifestyle has a partially significant effect on Product Innovation.

Lifestyle variables are variables that have the smallest partial influence on product innovation. This can be caused by the lifestyle of Coffeeshop consumers in Greater Bandung who have not yet made the activity of drinking coffee at a Coffeeshop a necessity that supports their Lifestyle, especially in Bandung Regency, West Bandung Regency and Cimahi City which is not yet very high. So consumer lifestyle factors have not contributed highly to product innovation.

To increase the influence of Lifestyle, Coffeeshops in the Greater Bandung Area must take the following steps: (1) to create a comfortable atmosphere for the consumers who work; (2) Provide a menu that is familiar to coffee consumers in the Greater Bandung area; (3) Maintain the atmosphere of the coffee shop so that it remains calm and comfortable for visitors.

This statement is reinforced by theories from experts, the demand for innovation because lifestyle captures something more than just a person's social class or personality. If used carefully, the concept of lifestyle can help marketers understand changing consumer values and how lifestyle influences purchasing behavior. Consumer (Kotler and Armstrong 2018, translated by Bob Sabran). And according to Alvarizy & Deliana, (2021). The more experienced a barista is and the more they have a high artistic spirit, the higher the payment they will receive, even some baristas who are quite famous can get paid per hour.





### The Influence of Market Attractiveness on Product Innovation in Coffeeshops in the Greater Bandung Area.

Based on the results of the verification analysis, it is known that partially, Market Attraction has a significant influence on product Innovation. The total contribution made by Market Attractiveness to Product Innovation is 0.2311 or 23.11 percent can be seen in Table 2. The Market Attractiveness variable has a smaller direct influence value compared to its indirect influence, so it can be concluded that the Market Attractiveness variable is a non-dominant variable.

Based on the test criteria previously explained, it can be seen that the t-calculated value of the Market Attractiveness variable is in the area of rejection of the null hypothesis. This indicates that H<sub>0</sub> is rejected and H<sub>1</sub> is accepted, meaning that market attractiveness has a partially significant effect on product innovation.

The Market Attractiveness variable is the variable that has the second largest partial influence on Product Innovation in this research model. This can be understood because the market attraction in the Coffeeshop environment in the Greater Bandung area is already running well. After all, the coffee shop in the Greater Bandung area already has sufficient market attraction in terms of physical, and non-physical, menu choices, concept, interior design, and taste. the taste of the coffee served.

To maintain and increase influence market Attraction Coffeeshops in the Greater Bandung Area must take the following steps: (1) Increase consumers' sense of security when visiting, both safety from hot and rainy weather and safety from environmental disturbances; (2) Increase the availability of clean prayer rooms for consumers; (3) Improve road directions and signage to make it easier for consumers to find coffee shop locations; (4) Increase the competitiveness of coffee and food prices offered.

This statement is strengthened by theories from experts, according to Bharadwaj. The relationship between market attractiveness and HR capability is supported by the following research results; (1) Santika, (2021); (2) Alhaq et al., (2020); (3) Yusuf et al. (2022), the three researchers stated that there is a relationship between attractiveness and HR capability.

### The Influence of Human Resource Capabilities on Product Innovation in Coffeeshops in the Greater Bandung Area.

Based on the results of the verification analysis, it is known that partially, Human Resources Capabilities have a significant influence on product Innovation. The total contribution made by Human Resource Capabilities to Product Innovation is 0.3376 or 33.76 percent can be seen in Table 2. The Human Resource Capability variable has a greater direct influence value than its indirect influence, so it can be concluded that the Human Resource Capability variable is the dominant variable.

Based on the test criteria previously explained, it can be seen that the t-calculated value of the Human Resource Capability variable is in the area of rejection of the null hypothesis. This indicates that H<sub>0</sub> is rejected and H<sub>1</sub> is accepted, meaning that Human Resource Capability has a partially significant effect on Product Innovation.

The Human Resource Capability variable is the variable that has the largest partial influence on Product Innovation in this research model. This can be understood because the employees who serve as either baristas or servers at Coffeeshops in the Greater Bandung area are reliable and already have good Human Resource Capabilities.

To maintain and increase the influence of human Resources Capabilities Coffeeshops in the Greater Bandung Area must take the following steps: (1) Improve the suitability of training and practice to working conditions in Coffeeshops; (2) Increase employees' ability to accept and solve new work challenges; (3) Increase employee awareness to always be ready to help employees; (4) Increase work initiative from



employees at the coffee shop; (5) Improve employee skills so they can work quickly and tactically.

This statement is strengthened by theories from experts. According to Robbins & Judge (2018), HR capabilities can be interpreted as the abilities possessed by a person. Ability is an individual's capacity to perform various tasks in a job. The meaning of capability is not limited to just having skills, but more than that, namely understanding more in detail so that you master your abilities from weak points to how to overcome them.

The Influence of Product Innovation on Customer Value at Coffeeshops in the Greater Bandung Area.

Product Innovation contributed 0.9033 or 90.33 percent. Based on the test criteria previously explained, it can be seen that the t-calculated value of the Customer Value variable is in the area of rejection of the null hypothesis. This indicates that H0 is rejected and H1 is accepted, meaning that Product Innovation has a significant effect on Customer Value.

The Product Innovation Variable is a variable that has an influence on Customer Value which is included in the strong category. This can be understood because coffee shops in the Greater Bandung Area have had good experiences, so they understand how to maintain product innovation to offer to consumers.

To maintain and increase the influence of product Innovation, Coffeeshops in the Greater Bandung Area must take the following steps: (1) Increase the ability to develop new products to offer; (2) Increase the ability to relate product innovation to market needs; (3) Providing tester products to consumers; (4) Able to present products with an attractive appearance; (5) Serving quality coffee products to consumers; (6) Providing a choice of Flavors in the coffee products offered; (7) Able to provide coffee products that suit consumer lifestyles.

The above statement is reinforced by theories from experts, Product innovation can be considered a value-creation activity. Service providers can increase consumer value through innovation. Sekhon et al. in Puspitasari, (2019) state that innovation in several aspects can influence customer value positively.

Dwi and Ketut's research titled "The Influence of Innovation, Customer Value and Customer Empowerment on Customer Satisfaction" examines the role of innovation in services, processes, and managerial practices on customer value creation. Most research in management literature supports that innovation is considered one of the most important factors influencing customer value. Thus, innovation in services affects customer value positively.

The influence of lifestyle on innovation is supported by the following research by Mihardjo Rukmana, (2019), the researcher stated that there is an influence of the product innovation variable on customer value.

## **CONCLUSION**

There is influence positive and significant variables Lifestyle, Market Attraction, and Human Resources Capabilities simultaneously on Product Innovation at Coffee Shops in the Greater Bandung Area. The three independent variables are the dominant variables that form product Innovation from Coffee Shops in the Greater Bandung Area. Influence of Lifestyle Variables on Product Innovation. The results of hypothesis testing conclude that lifestyle has a positive and significant effect on product innovation. This is understandable because the lifestyle of coffee shop consumers in Greater Bandung, especially in Bandung Regency, West Bandung Regency, and Cimahi City is not very



high. So, consumer lifestyle factors have not contributed highly to product innovation. Influence of Variables Market Attraction to Product Innovation. The results of hypothesis testing concluded that Market Attractiveness had a positive and significant effect on Product Innovation. This can be understood because the market attractiveness of the coffee shop environment in the Greater Bandung area is already running quite well. After all, the coffee shop in the greater Bandung area already has quite good market attractiveness in terms of physical, and non-physical, menu choices, concept and interior design, and the taste of the coffee served. Influence of Variables Human Resources Capabilities to Product Innovation. The results of hypothesis testing concluded that Human Resource Capability had a positive and significant effect on Product Innovation. This can be understood because the employees who serve as either baristas or servers in coffee shops in the Greater Bandung area are reliable and already have good Human Resource Capabilities. Influence Product Innovation to Customer Value. The results of hypothesis testing conclude that Product Innovation has a significant effect on Customer Value. This is understandable, because Coffee Shops in the Greater Bandung Area have had good experience, so they understand how to maintain product innovation to offer to consumers.

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