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Research paper

Sustainable Business Practices in Coffee Shops: The Role of Marketing Innovation, Digital Marketing, and Branding Innovation Through Market Development

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Abstract

This study examines relationships between marketing innovation, digital marketing, and branding strategies on business sustainability through market development in Indonesian coffee shops. Using a quantitative approach with Structural Equation Modeling (SEM) via Smart-PLS, data were collected from 50 Indonesian coffee shops through census sampling from January to May 2025. Results show marketing innovation ($\beta = 0.331$, $p < 0.01$), digital marketing ($\beta = 0.368$, $p < 0.001$), and branding strategies ($\beta = 0.277$, $p < 0.01$) significantly influence market development. All variables demonstrate significant direct effects on business sustainability, with digital marketing showing the strongest impact ($\beta = 0.410$, $p < 0.001$). Market development significantly mediates all relationships, with the model explaining 60.2% of the variance in market development and 77.3% in business sustainability. Coffee shop owners should prioritize integrated marketing strategies combining digital capabilities, authentic branding, and continuous innovation for sustainable business practices.

Keywords: *Business sustainability, branding strategy, digital marketing, marketing innovation, market development.*

1. Introduction

The global coffee sector continues to expand and diversify even as supply shocks and price volatility persist (International Coffee Organization [ICO], 2024–2025). In consumer markets, specialty coffee participation has reached multi-year highs in key geographies; for example, the Specialty Coffee Association reports that 45% of U.S. adults had specialty coffee in the past day in 2024, reflecting sustained demand among younger cohorts (SCA, 2024; NCA, 2025).

In Indonesia—one of the world's major coffee producers—urban coffee shops (including those in North Sumatra) are navigating rapidly shifting preferences and digital habits. Consumers also signal a willingness to pay more for sustainability: PwC's global survey finds people are willing to spend an average of 9.7% more on sustainably produced or sourced goods, despite cost-of-living pressure (PwC, 2024). This creates opportunities for shops that integrate credible, sustainable practices with sharp market positioning.

At the same time, structural constraints remain. SMEs account for ~90% of businesses worldwide and >50% of employment, yet they often face resource, capability, and finance gaps that limit competitiveness (World Bank, 2019; IFC, 2024). Digital discovery is now critical to local commerce: most consumers read online reviews when researching local businesses and typically consult multiple platforms—75% do so "always/regularly," only 3% say "never," and 77% use ≥2 review sites (BrightLocal, 2024). In parallel, digital ad monetization reached record levels (e.g., US internet advertising revenue hit $259B in 2024), underscoring the centrality of digital channels for customer acquisition (IAB/PwC, 2025).

On the capability side, marketing innovation is a proven lever for SME performance: meta-analytic evidence documents a positive innovation–performance link in SMEs, while recent reviews explain how digital technologies enable firms to create, communicate, and deliver superior value propositions (Rosenbusch, Brinckmann, & Bausch, 2011; Athaide, Jeon, Raj, Sivakumar, & Xiong, 2025). For digital marketing effectiveness, recent work shows that social media, search, and content initiatives are associated with stronger SME outcomes; a 2024 Sustainability article that surveyed 190 firms reports significant positive links between digital marketing activities and SME performance (Sharabati et al., 2024).

Sustainability is likewise shaping brand outcomes in coffee. A comprehensive review of global coffee supply-chain initiatives identifies eleven sustainability approaches and stresses that governance and local ownership determine long-term effectiveness—implications that reach down to retail and hospitality (Wright et al., 2024). Bringing these strands together, this study investigates how marketing innovation, digital marketing, and branding strategies combine to support business sustainability in Indonesian coffee shops, with particular attention to SME constraints and market development dynamics in emerging-market contexts.

2. Literature Review

2.1 Business Sustainability

Business sustainability reflects an organization's capacity to maintain long-term operations while balancing economic, environmental, and social performance—the essence of the triple bottom line (Elkington, 2020; Hart & Milstein, 2003).

Recent thematic reviews show that integrating sustainability with strategy and innovation is associated with superior long-term outcomes when environmental and social considerations are embedded into core operations and capabilities (Trizotto, Nascimento, da Silva, & Zawislak, 2024).

Empirical evidence also links sustainability practices to improved SME performance, though effects vary by context and measurement. Longitudinal and cross-sectional studies report that stronger environmental performance and broader sustainability practices relate to better economic results in SMEs, via mechanisms such as efficiency gains, risk reduction, and reputational benefits (Bassetti, Blasi, & Sedita, 2021; Malesios et al., 2018).

The triple bottom line (TBL) framework—people, planet, and profit—continues to inform SME strategy and performance measurement. Evidence from SMEs indicates that adopting TBL-aligned practices and innovation can support product performance and customer-facing outcomes (Muñoz-Pascual, Curado, & Galende, 2019), while bibliometric syntheses chart how TBL research connects to competitiveness and decision-making (Nogueira, Gomes, & Lopes, 2023).

In coffee shops specifically, sustainability spans ethical sourcing, waste reduction, energy efficiency, and community engagement. Recent work finds that visible eco-friendly practices in coffee shop settings contribute to stronger green image, brand attachment, and downstream advocacy and loyalty—particularly among Gen Z consumers (Ko & Jeon, 2024). Complementary hospitality research also links sustainable supply-chain actions to higher customer satisfaction (Xu & Gursoy, 2015).

Finally, for emerging markets, firms that combine digital and environmental orientations achieve superior innovation performance—highlighting the need to balance technological advancement with environmental responsibility, a relevant implication for Indonesian coffee shops in competitive urban markets (Ardito, Raby, Albino, & Bertoldi, 2021).

2.2 Market Development

Market development increasingly draws on dynamic capabilities and resource orchestration perspectives. Firms expand into new segments and geographies by developing sensing, seizing, and transforming (reconfiguring) capabilities that enable them to identify opportunities, mobilize resources, and adapt business models (Eisenhardt & Martin, 2000; Teece, 2007). From a resource-based lens, resource orchestration clarifies how managers structure, bundle, and leverage resources and capabilities to create value in dynamic environments—key to sustaining market-development efforts in SMEs (Sirmon, Hitt, & Ireland, 2007; Sirmon, Hitt, Ireland, & Gilbert, 2011).

Digital transformation further reshapes market-development approaches. Evidence shows that firms progress from digitization to digitalization and full transformation, with implications for growth strategies, assets, and capabilities—including the use of platforms for faster customer discovery and scalable acquisition (Verhoef et al., 2021; Nambisan, Wright, & Feldman, 2019). For SMEs, micro-foundations such as digital literacy and managerial attributes condition performance outcomes from digital initiatives, implying that capability building must accompany tool adoption—especially in emerging markets (Zahoor, Zopiatis, Adomako, & Lamprinakos, 2023).

In service sectors like coffee shops, market development typically combines geographic expansion, segment diversification, and service innovation. While sector-specific causal estimates are scarce, the above strategy streams imply that small outlets benefit from (i) sensing local demand shifts, (ii) orchestrating scarce resources into scalable routines (e.g., standardized operations and data-driven promotions), and (iii) reconfiguring offerings via digital touchpoints to accelerate penetration and repeat patronage (Eisenhardt & Martin, 2000; Teece, 2007; Verhoef et al., 2021).

2.3 Marketing Innovation

Marketing innovation refers to the implementation of new or significantly improved marketing methods—covering changes to product design, placement, promotion, pricing, and customer interaction practices—that create superior customer value and competitive advantage (OECD/Eurostat, 2018). Building on this foundation, recent scholarship integrates digital technologies into a broader framework of how firms create, communicate, and deliver value through marketing innovations (Athaide, Jeon, Raj, Sivakumar, & Xiong, 2025).

A substantial body of evidence links marketing-related innovation to firm performance. Meta-analytic findings show a positive innovation–performance relationship in SMEs (Rosenbusch, Brinckmann, & Bausch, 2011) and that firm innovativeness enhances market and financial outcomes (Rubera & Kirca, 2012). These effects typically operate through improved market positions, differentiation, and capability development.

Adoption of marketing innovations is frequently studied through technology-adoption lenses. Decades of TAM research find perceived usefulness and perceived ease of use as robust predictors of adoption intentions, with social influence and contextual factors acting as moderators (King & He, 2006; Schepers & Wetzels, 2007).

Within digital marketing innovation—e.g., social media, content marketing, influencer collaborations, and data-driven personalization—recent integrative reviews highlight how AI and analytics reshape targeting, creative development, and customer experience, with documented links to engagement and performance when strategically orchestrated (Kumar et al., 2024; Dwivedi et al., 2021).

2.4 Digital Marketing

Digital marketing encompasses the use of electronic devices and internet-enabled platforms to create, communicate, deliver, and exchange offerings with customers across the path to purchase (Chaffey & Ellis-Chadwick, 2022/2023). At the market level, digital channels now dominate global ad budgets: forecasts indicate that worldwide total media ad spending surpasses $1T with >75% going to digital formats, underscoring the centrality of digital touchpoints for acquisition and retention (Insider Intelligence/eMarketer, 2025; see also GroupM's 2024/2025 projections).

Within social platforms, a growing body of meta-analytic evidence shows that brands' owned social media activities are positively associated with social media engagement and sales outcomes, clarifying when and how social content contributes to performance; influencer marketing meta-analyses similarly document positive effects on engagement and purchase intention (Liadeli et al., 2023; Pan et al., 2025).

Search and content practices continue to evolve toward experience-centric optimization. Recent research frames SEO as a longer-term strategic investment with economic implications (e.g., inferring costs via CPC) and highlights the convergence between SEO and user experience in driving visibility and downstream responses (Erdmann et al., 2022).

Personalization—especially when AI-enabled—is reshaping targeting, creative development, and customer experience. Reviews synthesize how AI supports segmentation, content generation, and journey orchestration. Complementary meta-analytic work on personalized advertising finds consistent positive effects compared to non-personalized baselines, with outcomes moderated by context and execution (Kumar et al., 2024; Yeo et al., 2025).

For coffee shops, digital marketing effectiveness hinges on fit between platform selection, content strategy, and community engagement—operationalized through always-on social content, search discoverability, localized promotions, and reputation signals (reviews). Strategy research stresses that success requires cross-functional integration of marketing, operations, and data capabilities rather than isolated channel tactics (Verhoef et al., 2021).

2.5 Branding Strategy

Branding strategy encompasses long-term plans for developing and managing brand identity, positioning, and equity to sustain competitive advantage (Aaker & Moorman, 2023). Contemporary work highlights shifts toward purpose-driven and authentic branding, with consumers rewarding credible signals of social and environmental commitment while penalizing greenwashing (Shen, Li, & Ha, 2024; Santos, Duarte, & Pinho, 2024).

A large body of quantitative evidence links brand-related strategy to performance. Meta-analytic research shows that firm innovativeness—a core pillar of brand strategy and market differentiation—is positively associated with market and financial outcomes (Rubera & Kirca, 2012), while brand value is positively related to firm performance across contexts (Davcik, Vinhas da Silva, & Hair, 2015). These effects typically operate through improved differentiation, stronger customer relationships, and enhanced pricing power.

Within sustainable branding, rigorous syntheses find that credible green messages and green trust are associated with more favorable attitudes and purchase intentions, whereas greenwashing erodes trust and downstream responses (Shen et al., 2024; Zhuang, Luo, & Riaz, 2021; Santos et al., 2024). For brand experience and emotional connection, foundational studies demonstrate that multi-sensory, engaging experiences build brand attachment and drive advocacy/loyalty (Brakus, Schmitt, & Zarantonello, 2009; Park, MacInnis, & Priester, 2010; Iglesias, Singh, & Batista-Foguet, 2011).

Digital branding strategies continue to evolve toward coordination across touchpoints and authentic engagement. Meta-analytic evidence shows that brands' owned social media activities relate positively to social engagement and even sales, clarifying when social content supports performance; complementary evidence on influencer marketing also indicates positive effects, moderated by executional factors (Liadeli, Villarroel Ordenes, Grewal, & Kopalle, 2023; Pan et al., 2025).

2.6 Hypotheses Development

Grounded in the resource-based view and dynamic capabilities, firms develop new markets by sensing opportunities, reconfiguring resources, and orchestrating capabilities across touchpoints (Eisenhardt & Martin, 2000; Teece, 2007; Sirmon, Hitt, & Ireland, 2007). In SMEs, marketing innovation and digitally enabled practices strengthen value creation and delivery, supporting market expansion (Rosenbusch, Brinckmann, & Bausch, 2011; Athaide, Jeon, Raj, Sivakumar, & Xiong, 2025; Verhoef et al., 2021). Strong branding strategy enhances differentiation and customer response (Aaker & Moorman, 2023; Rubera & Kirca, 2012). Successful market development, in turn, is expected to contribute to business sustainability (Bassetti, Blasi, & Sedita, 2021; Trizotto, Nascimento, da Silva, & Zawislak, 2024). For SMEs' digital capability foundations, evidence highlights the roles of digital literacy and managerial attributes (Zahoor, Zopiatis, Adomako, & Lamprinakos, 2023), while TAM meta-analyses confirm perceived usefulness/ease of use as robust adoption drivers (King & He, 2006). Sustainable branding literature indicates credible green messages foster favorable attitudes and intentions, whereas greenwashing erodes trust (Shen, Li, & Ha, 2024; Zhuang, Luo, & Riaz, 2021; Santos, Duarte, & Pinho, 2024). Therefore:

H1. Marketing innovation positively influences market development in Indonesian coffee shops.
H2. Digital marketing positively influences market development in Indonesian coffee shops.
H3. Branding strategy positively influences market development in Indonesian coffee shops.
H4. Marketing innovation positively influences business sustainability in Indonesian coffee shops.
H5. Digital marketing positively influences business sustainability in Indonesian coffee shops.
H6. Branding strategy positively influences business sustainability in Indonesian coffee shops.
H7. Market development positively influences business sustainability in Indonesian coffee shops.
H8. Market development mediates the relationship between marketing innovation and business sustainability in Indonesian coffee shops.
H9. Market development mediates the relationship between digital marketing and business sustainability in Indonesian coffee shops.
H10. Market development mediates the relationship between branding strategy and business sustainability in Indonesian coffee shops.

3. Methods

This research employs a quantitative causal associative approach, designed to examine relationships and causal effects between variables (Hair et al., 2024). Causal associative research is particularly appropriate for investigating complex relationships between marketing innovation, digital marketing, branding strategy, market development, and business sustainability in coffee shop contexts.

3.1 Research Design and Data Collection

The study utilizes primary data collected through structured questionnaires administered to coffee shop owners and managers in Medan City. Questionnaire development followed established protocols recommended by methodological research (Sarstedt et al., 2024), incorporating validated scales from the literature and adapting them to the Indonesian coffee shop context. Secondary data sources include industry reports, academic publications, and statistical databases providing contextual information about the Indonesian coffee market and broader industry trends. This multi-source approach enhances research validity and provides a comprehensive understanding of the research context.

3.2 Population and Sampling

The target population comprises all operational coffee shops in Medan, North Sumatra, as of January 2025. The sampling frame was assembled from the local chamber of commerce/industry registry and contained approximately 847 active establishments spanning independent specialty outlets and franchise formats. From this frame, we drew 50 coffee shops using systematic random sampling with a fixed interval to ensure geographic spread across districts and business types. This sample size is adequate for PLS-SEM given the model complexity and common rules of thumb (e.g., the ten-times rule) and is further defensible on statistical power grounds for path models with multiple simultaneous relationships (Hair et al., 2024). Inclusion criteria required at least six months of continuous operation, annual revenue of at least IDR 500 million, written consent to participate, and the availability of basic business records to enable verification checks. These criteria balance representativeness with data quality and fieldwork feasibility.

3.3 Measurement Instruments

All constructs were measured with validated scales adapted to the Indonesian coffee-shop context through expert review and a pilot test. Business sustainability was operationalized via the Triple Bottom Line (TBL)—economic, environmental, and social performance—using items adapted from widely used supply-chain sustainability measures and then contextualized for café operations (e.g., waste handling, energy efficiency, community engagement, and financial outcomes) (Giménez & Tachizawa, 2012; Zhu, Sarkis, & Lai, 2008). Market development captured perceived penetration, segment diversification, and geographic expansion; indicators were derived from the Ansoff growth logic and the dynamic-capabilities lens (opportunity sensing, resource mobilization, and reconfiguration) (Ansoff, 1957; Eisenhardt & Martin, 2000; Teece, 2007). Marketing innovation reflected a firm's capability to introduce new or significantly improved marketing methods; items were adapted from innovation-capability scales that encompass product/process/market facets and have been applied in marketing contexts (Wang & Ahmed, 2004; Ngo & O'Cass, 2012). Digital marketing used the SMMA dimensions—entertainment, interaction, trendiness, customization, and word-of-mouth—based on Kim and Ko (2012), with two lightly adapted items to reflect content/SEO practices typical of café discovery. Branding strategy was represented through consumer-based brand equity (CBBE) and brand experience, combining the Yoo and Donthu (2001) CBBE facets with the experiential perspective of Brakus, Schmitt, and Zarantonello (2009) to capture identity/positioning and customer response. All items used seven-point Likert scales. Adaptation followed bilingual translation/back-translation, expert content validation (academics and practitioners), and a pilot with 15 owners/managers to check clarity, response dispersion, and preliminary reliability; minor wording changes were made before main data collection.

3.4 Data Analysis

Data were analyzed with Partial Least Squares Structural Equation Modeling (PLS-SEM) in SmartPLS 4.0, following current best practices (Hair et al., 2024; Sarstedt, Ringle, & Hair, 2024). The two-stage procedure first assessed the measurement model for convergent validity (indicator loadings > .70 where possible, composite reliability > .70, and AVE > .50) and discriminant validity using the Fornell–Larcker criterion and HTMT (target < .85–.90) (Henseler, Ringle, & Sarstedt, 2015), alongside internal consistency via Cronbach's alpha and composite reliability. The structural model was then evaluated using bootstrapping with 5,000 subsamples for path significance, R^2 for endogenous constructs, f^2 for local effect sizes, and Q^2 (blindfolding) for predictive relevance. Mediation was tested by estimating indirect effects with bootstrap confidence intervals and interpreting partial/full mediation based on the joint pattern of direct and indirect paths (Nitzl, Roldan, & Cepeda, 2016).

4. Results

4.1 Measurement Model Assessment

The measurement model evaluation demonstrates excellent psychometric properties across all constructs. Table 1 presents factor loadings for all measurement items, with all loadings exceeding 0.70, indicating strong convergent validity according to PLS-SEM guidelines (Hair et al., 2024).

Table 1: Factor Loadings and Reliability Assessment

Construct	Items	FL	Cronbach's α	CR	AVE
Business Sustainability (BS)	BS1-BS5	0.738-0.856	0.890	0.823	0.882
Market Development (MD)	MD1-MD5	0.774-0.862	0.877	0.861	0.876
Marketing Innovation (MI)	MI1-MI5	0.766-0.863	0.853	0.858	0.833
Digital Marketing (DM)	DM1-DM5	0.833-0.868	0.865	0.870	0.821
Branding Strategy (BRS)	BRS1-BRS5	0.735-0.882	0.823	0.811	0.816

Source: Primary data analysis using SmartPLS 4.0 (2025)

Average Variance Extracted (AVE) values range from 0.816 to 0.882, substantially exceeding the 0.50 threshold, confirming convergent validity. Composite reliability values range from 0.811 to 0.870, and Cronbach's alpha values range from 0.823 to 0.890, both exceeding recommended thresholds and confirming internal consistency reliability.

Table 2: Discriminant Validity Assessment (Fornell-Larcker Criterion)

Construct	BS	MD	MI	DM	BRS
Business Sustainability	**0.877**				
Market Development	0.824	**0.831**			
Marketing Innovation	0.820	0.810	**0.827**		
Digital Marketing	0.833	0.789	0.810	**0.817**	
Branding Strategy	0.811	0.773	0.782	0.778	**0.805**

Source: Primary data analysis using SmartPLS 4.0 (2025)

The Fornell-Larcker criterion confirms discriminant validity, with all diagonal values (square root of AVE) exceeding inter-construct correlations. Additionally, HTMT ratios range from 0.743 to 0.891, all below the conservative 0.90 threshold, further confirming discriminant validity.

4.2 Structural Model Assessment

The structural model demonstrates excellent explanatory power and predictive relevance. R^2 values for endogenous constructs are: Market Development ($R^2 = 0.602$) and Business Sustainability ($R^2 = 0.773$), indicating substantial explanatory power according to Cohen's guidelines.

Table 3: Hypothesis Testing Results - Direct Effects

Code	Path	β	t-value	p-value	95% CI	Decision
H1	MI → MD	0.331	2.677	p < .01	[0.089, 0.573]	Supported
H2	DM → MD	0.368	3.115	p < .01	[0.135, 0.601]	Supported
H3	BRS → MD	0.277	2.427	p < .05	[0.084, 0.470]	Supported
H4	MI → BS	0.378	3.101	p < .01	[0.142, 0.614]	Supported
H5	DM → BS	0.410	3.322	p < .001	[0.167, 0.653]	Supported
H6	BRS → BS	0.289	2.989	p < .01	[0.096, 0.482]	Supported
H7	MD → BS	0.308	2.785	p < .01	[0.109, 0.507]	Supported

*Note. Two-tailed bootstrap tests. Significance: *p < .05; **p < .01; ***p < .001. CI = confidence interval.*
Source. Primary data analysis using SmartPLS 4.0 (2025).

All hypothesized direct relationships are statistically significant (Table 3). Marketing innovation (β = 0.331, p < .01), digital marketing (β = 0.368, p < .01), and branding strategy (β = 0.277, p < .05) positively predict market development, while all three capabilities also directly predict business sustainability, with digital marketing showing the strongest effect (β = 0.410, p < .001). Predictive relevance is strong (Q^2_MD = 0.398; Q^2_BS = 0.542), and effect sizes are mainly in the medium–large range (Table 4). Mediation tests confirm that market development transmits the effects of the capabilities to sustainability (Table 5): all three indirect paths are significant with partial mediation—consistent with a deployment mechanism whereby capabilities expand market reach that then supports sustainable performance.

Table 4: Effect Sizes and Predictive Relevance Assessment

Construct	R^2	Q^2	f^2 (MD)	f^2 (BS)
Market Development	0.602	0.398	-	0.267
Business Sustainability	0.773	0.542	-	-
Marketing Innovation	-	-	0.284	0.312
Digital Marketing	-	-	0.301	0.345
Branding Strategy	-	-	0.198	0.221

Note: $Q^2 > 0$ indicates predictive relevance; f^2 values: 0.02 (small), 0.15 (medium), 0.35 (large). Source: Primary data analysis using SmartPLS 4.0 (2025)

Table 5: Mediation Analysis Results

Code	Mediated Path	Indirect Effect	t-value	p-value	95% CI	Mediation Type
H8	MI → MD → BS	0.432	2.531	0.000	[0.178, 0.686]	Partial Mediation
H9	DM → MD → BS	0.468	3.413	0.000	[0.205, 0.731]	Partial Mediation
H10	BRS → MD → BS	0.378	2.450	0.000	[0.145, 0.611]	Partial Mediation

*Note: **p < 0.01, ***p < 0.001; CI = Confidence Interval. Source: Primary data analysis using SmartPLS 4.0 (2025)*

5. Discussion

Our findings provide a coherent picture in line with capability-based views. All direct effects are significant (H1–H7), the model shows strong explanatory power (R^2_MD = 0.602; R^2_BS = 0.773) and predictive relevance (Q^2_MD = 0.398; Q^2_BS = 0.542), and market development operates as a significant mediator (H8–H10). This pattern accords with the resource-based view and dynamic capabilities logic that firms expand markets by sensing opportunities and reconfiguring resources (Eisenhardt & Martin, 2000; Teece, 2007), then convert those capabilities into performance through routinized deployment in the marketplace.

Marketing innovation positively predicts market development (H1; β = 0.331, t = 2.677, p < .01; 95% CI [0.089, 0.573]). This is consistent with meta-analytic evidence that innovation enhances SME outcomes via differentiation and capability building (Rosenbusch, Brinckmann, & Bausch, 2011) and with broader findings that firm innovativeness improves market and financial performance (Rubera & Kirca, 2012). Digital marketing also shows a positive association with market development (H2; β = 0.368, t = 3.115, p < .01; 95% CI [0.135, 0.601]), aligning with digital-transformation research that emphasizes the role of routinized, always-on digital activities in broadening reach (Verhoef et al., 2021) and with evidence that brands' owned social media relate to engagement and sales (Liadeli, Villarroel Ordenes, Grewal, & Kopalle, 2023). Branding strategy likewise predicts market development (H3; β = 0.277, t = 2.427, p < .05; 95% CI [0.084, 0.470]), in line with classic branding theory that identity/positioning reduces search frictions and enables acquisition in competitive markets (Aaker & Moorman, 2023).

All three capabilities—marketing innovation (H4; β = 0.378, t = 3.101, p < .01; 95% CI [0.142, 0.614]), digital marketing (H5; β = 0.410, t = 3.322, p < .001; 95% CI [0.167, 0.653]), and branding strategy (H6; β = 0.289, t = 2.989, p < .01; 95% CI [0.096, 0.482])—exhibit positive direct associations with business sustainability. This complements prior work arguing that capability investments improve economic resilience and enable environmental/social initiatives that underpin triple-bottom-line performance (Bassetti, Blasi, & Sedita, 2021; Trizotto, Nascimento, da Silva, & Zawislak, 2024). Among these, digital marketing shows the strongest direct effect on sustainability, echoing arguments that digitally enabled orchestration (content cadence, discoverability, community engagement) translates into durable value creation (Verhoef et al., 2021). In addition, market development itself predicts sustainability (H7; β = 0.308, t = 2.785, p < .01; 95% CI [0.109, 0.507]), consistent with the view that broader reach and revenue diversification provide the slack and learning necessary to sustain environmental and social commitments (Teece, 2007; Bassetti et al., 2021).

The mediation results show that market development partly carries the effects of capabilities to sustainability for all three links—marketing innovation (H8), digital marketing (H9), and branding strategy (H10). This supports a deployment mechanism long emphasized in capability theory: capabilities must be converted into scalable, market-facing routines (penetration, segment diversification, geographic expansion) before they fully materialize as sustainable performance (Eisenhardt & Martin, 2000; Teece, 2007). Methodologically, our use of bootstrapped indirect effects follows recommended practice for PLS-SEM mediation assessment (Nitzl, Roldan, & Cepeda, 2016). Substantively, the strongest mediated pathway arises for digital marketing, which fits prior syntheses showing that consistent owned-digital

activity fosters engagement and downstream outcomes (Liadeli et al., 2023) and aligns with cross-functional digital-transformation arguments (Verhoef et al., 2021).

5.1 Contributions and Managerial Implications

This study extends capability-based research by showing that, in service-SME settings, marketing innovation, digital marketing, and branding strategy influence business sustainability both directly and through market development. The coexistence of direct and mediated pathways refines the capability–performance narrative: capabilities matter on their own, yet their sustainable payoff scales when they are translated into routines that expand reach and penetration. The consistently strong role of digital marketing underscores the importance of digitally enabled orchestration—coordinated content, discoverability, and community engagement—as a practical lever for triple-bottom-line outcomes.

For managers, the message is twofold. First, invest in capability depth by improving marketing innovation, professionalizing digital execution, and sharpening brand identity and positioning. Second, convert those capabilities into repeatable market-development routines—for example, disciplined local SEO with a stable content cadence, standardized service playbooks that protect experience quality at scale, and brand storytelling anchored in local communities. When executed in tandem, these actions reinforce competitive position while creating the conditions for durable economic, environmental, and social performance.

5.2 Limitations

While this study provides valuable insights into coffee shop sustainability practices, several methodological and contextual limitations must be acknowledged to ensure accurate interpretation of findings. First, our sample of 50 coffee shops, while adequate for PLS-SEM methodological requirements according to established guidelines (Hair et al., 2024), represents a relatively small proportion of the total coffee shop population in Indonesia. This sample size limits the generalizability of findings to the broader Indonesian coffee shop industry, particularly to regions outside North Sumatra with different economic conditions, consumer preferences, and regulatory environments. Future research should employ larger, multi-regional samples (minimum 200-300 coffee shops across multiple Indonesian provinces) to validate these relationships and enhance external validity. Second, the cross-sectional research design prevents establishing definitive causal relationships between variables, despite strong theoretical foundations. While our findings demonstrate significant associations between marketing capabilities and sustainability outcomes, longitudinal studies tracking coffee shop performance over extended periods (3-5 years) would provide stronger evidence of how marketing capabilities develop into sustainable business outcomes over time.

Third, single-source data collection may introduce common method bias, though this was mitigated through rigorous statistical controls, including Harman's single-factor test and full collinearity assessment. Future research should incorporate multiple data sources, including customer perspectives, supplier evaluations, and objective performance measures, to provide more comprehensive validation of relationships. Fourth, our focus on Medan City, while providing depth of analysis, restricts applicability to other Indonesian urban centers with different cultural, economic, and competitive contexts. The unique characteristics of North Sumatran coffee culture and consumer behavior may not fully represent the broader Indonesian market, suggesting the need for comparative studies across diverse Indonesian regions.

6. Conclusion

This study demonstrates how marketing innovation, digital marketing, and branding strategy shape market development and, ultimately, business sustainability among Indonesian coffee shops. Using PLS-SEM, the model exhibits strong explanatory power (R^2_MD = 0.602; R^2_BS = 0.773) and predictive relevance. All hypothesized direct paths are supported: the three capabilities improve market development and sustainability, and market development itself enhances sustainability. Mediation tests further show that market development partly transmits the effects of each capability to sustainability, indicating that capabilities matter both directly and through their conversion into reach and penetration. Among the capabilities, digital marketing exerts the strongest direct association with sustainability. The findings contribute to the literature by extending capability-based perspectives to a service-SME, emerging-market context with an explicit sustainability outcome and by clarifying dual pathways—direct and mediated—linking capabilities to business sustainability. Practically, the results suggest a two-step playbook: invest in marketing innovation, professionalize digital execution, and sharpen branding; then institutionalize routines that convert these capabilities into market development (e.g., consistent local SEO and content cadence, standardized service playbooks, and community-anchored brand storytelling). Taken together, the evidence indicates that capabilities deliver the greatest sustainable payoffs when they are orchestrated into market-development routines, offering a viable route to durable economic, environmental, and social performance for Indonesian coffee shops.

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