

ABSTRACT

This study uses competitive advantage as an intervening variable in coffee shop enterprises in the former Surakarta Residency to examine how innovation quality and market orientation affect business success. The performance of coffee shops in the former Surakarta Residency is the issue this study raises, and it is still below expectations.

Owners or managers of coffee shops that have been open for at least six months make up the study's population. A non-probability or non-random sampling technique is employed in this investigation. Purposive sampling is the method used for sampling. Respondents were given a questionnaire as part of the study's data collection strategy. 170 questionnaire responses were analyzed using the Structural Equation Model (SEM) using AMOS 26.

According to the study's findings, competitive advantage significantly improves company success. Business performance is significantly improved by product innovation. Competitive advantage is significantly enhanced by product innovation. Business performance is positively but marginally impacted by market orientation. Since market orientation significantly boosts competitive advantage, it may be concluded that coffee shops in the old Surakarta Residency can achieve a competitive edge if they successfully implement market orientation.

Keywords: *product innovation, market orientation, business performance and competitive advantage*

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