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The Effect of Branding Capability on Business Performance: An Empirical Study in Indonesia*

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Abstract

This study examined the effect of branding capability on business performance moderated by learning capability. This study was conducted with small- and medium-sized enterprises (SMEs) of coffee cafes in the ex-Besuki region, East Java, Indonesia, covering four regencies located around coffee-producing areas with geographical indication (GI) certification. 150 managers of coffee cafe were sampled using the census technique. Data were collected by questionnaires distributed to the coffee cafe managers. The data were then analyzed by using simple regression analysis, Moderation Regression Analysis (MRA) and Moderated MultiGroup Analysis (MMA). The results showed that learning capability positively and significantly affect business performance, and learning capability moderated/enhanced the effect of branding capability on business performance. The findings of this study suggest that branding capability and learning capability play a crucial role in the performance of coffee cafe business especially in the dynamic environment. Coffee cafe managers need to take concrete steps to improve their branding capability and learning capability and they also need to improve their ability to interact with their environment and be committed in managing the coffee cafe. Therefore, it is imperative that the role of branding capability and learning capability be optimized in order to improve the business performance of the coffee cafe.

Keywords: Branding Capability, Learning Capability, Business Performance, Coffee Cafe

JEL Classification Code: L25, M10, M13, M31

1. Introduction

One of the business enterprises capable of integrating the local wisdom into their business and developing the

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uniqueness of "Nusantara" region is the coffee business. "Nusantara" coffee is an Indonesian indigenous product attracting more and more Indonesian people. This encourages the establishment of more coffee cafes serving indigenous coffee in some areas in Indonesia. One of the areas producing high quality coffee is East Java. This has positively affected the development of coffee cafe in this area. Coffee cafes play a crucial role in East Java, which the government is keen to develop. Most coffee cafes in this area belong to small- and medium-sized enterprises (SMEs). In East Java especially the ex-Besuki region, there has been local coffee commodity, which has attained geographical indication (IG) certification, namely, "Arabica Coffee of Java Ijen Raung" (Department of Communication and Information of Bondowoso Regency. (n.d.)).

A coffee cafe operation requires branding capability and learning capability in order to improve the business performance. Several studies highlight the importance of branding in operating business. Ngo et al. (2019) argue that branding is an important aspect of a company to achieve strategic success and market dynamics. Marchelia (2018) argues that coffee cafe may have a strong concept to build a

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brand regarding the location of the cafe. Branding of coffee cafe as not only a place to hang out, but also a place to socialize with their communities.

This study explores the idea that a coffee cafe needs to optimize its branding capability and learning capability as dynamic resources and capability to enhance its business performance. Branding capability is the capability of the enterprise to gather a series of company's interrelated routines to conduct their activities and marketing program to deliver their brand consistently to their customer (O'Cass & Ngo, 2011). Although the previous study conducted by Odoom et al. (2017a) shows the effect of branding capability on business performance mediated by brand regulations, it also indicates that branding capability positively influences business performance. However, the effect is weakened as brand regulation in operation negatively moderates the relationship between branding capability and company brand performance (Odoom et al., 2017a). Odoom et al. (2017a) show that policymakers need to review business regulation especially regarding SMEs. There is a gap in Odoom et al. (2017a) study because there are very few studies focusing on using branding as a study to overview SMEs.

Meanwhile, learning capability plays an important role in business performance and enterprises need to pay careful attention on it to develop their business. Companies with a learning capability will be able to alleviate their performance. Dhir and Dhir (2018) argue that learning capability is an ability of a company to learn from internal and external sources in order to suit or modify their action to reflect the new cognitive situation to improve their performance.

Previous studies also highlight learning capability. Prieto and Revilla (2017) empirically investigate the relationships between the learning capability in an organization with business performance evaluated financially and non-financially. The gap in this study is that it emphasizes the import role of learning capability on business performance, but it did not cover how learning capability needs to be done; hence, further studies may focus on other roles of learning capability variables. Furthermore, Akgun et al. (2014) study the learning capability in companies and their performance through customer relationship marketing (CRM). The gap in this study is that it was conducted only on the banking sector in Turkey; therefore, future research may focus on different sectors within different cultural context. Hooi (2019) studies the learning capability and company performance. The results show that learning capability significantly influences company performance. The gap in this study was that it was conducted only on Malaysian SMEs; thus, a further study on a different sector is deemed necessary.

Gomes and Wojahn (2017) conducted a study on the relationships between learning capability, innovation, and business performance on SMEs. The gap in this research was that there was a need for a study to further evaluate the contingency of learning capability, innovation, and business performance in the different sector. Further studies may analyze the differences between manufacture and service sectors.

Recent studies regarding learning capability focus on banking and retail industries such as those conducted by Sok et al. (2013), Prieto and Revilla (2006), Akgun et al. (2014), Gomes and Wojahn (2016), Dhir and Dhir (2018) and Hooi (2019). However, those studies did not correlate the influence of learning capability mediation on branding capability to business performance. Therefore, this study aims to explore the effect of learning capability variable mediation on branding capability variable toward business performance, which were not covered in the previous studies.

The following are the theoretical contributions that this study offers to culinary industry especially coffee cafe. First, this study proposes an integrated theoretical framework on the importance of branding capability and learning capability to enhance the business performance of coffee cafes. Second, this study aims to investigate the relationship between branding capability toward business performance and the influence of learning capability moderation on the influence of branding capability on the business performance of coffee cafes, which is a relatively under-researched area. Third, this study expands the current understanding of the branding capability, learning capability and business performance especially on a dynamic environment.

According to Sumiati (2020), in Indonesia, SMEs are currently getting more attention from the Indonesian government because the contribution of this sector to regional and national income has increased. On the other hand, although the government is providing a lot of attention and facilities to small businesses in the manufacturing sector, they face intense competition. This study utilized coffee cafes that are the size of SMEs in East Java, Indonesia, as an experimental site. In Indonesia, coffee cafe is a part of food and beverage culinary industry, a fast-growing creative industry. Food and beverage culinary industry is growing rapidly and dominates the creative economy sector in Indonesia. This is in line with the information from the statistical data of the creative economy compiled by the Creative Economy Agency (BEKRAF) in cooperation with Statistic Indonesia Agency (BPS), which mention that Indonesian culinary industry accounts for 41.69 percent or equal to IDR355.3 trillion. Meanwhile, the fashion industry represents 18.15 percent or about IDR154.7 trillion, and the

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craft industry contributes to about 15.7 percent with a value of IDR133.8 trillion (Statistical Data and Results of Survey, BEKRAF and BPS, 2017).

In Indonesia, especially in East Java, based on the data of BPS East Java, the food and beverage sector of the culinary industry account for the highest market share compared to other sectors with 31.69%. This sector is higher that other sectors in East Java such as tobocco manufacturing, pharmacy and traditional herbal medicines, furniture, textile, and other sectors (BPS-Statistics of Jawa Timur Province, 2017). However, despite the high growth of culinary industry, there is little research focusing on this sector especially the coffee cafe industry.

2. Literature Review

In its development, many management and strategy experts have put forward their opinions, such as Resource-Based View (RBV) theory by Barney (1991) and Dynamic Capability by Teece et al. (1997). Barney (1991) proposes that knowledge resources can be considered a unique and valuable resource connecting company's competitive excellence. RBV theory proposes that a company may have a continuous competitive excellence from their resources and capabilities, which are valuable, rare, and cannot be copied or substituted (Barney, 1991). On the other hand, Grant (1991) categorizes resources and capability as a view of resource-based perspective and classifies resources as tangible, intangible, and personnel resources. Moreover, Grant (1991) clarifies that capability is a competence built by combining resources. Kim et al. (2015) argue that resources cover capital, equipment, brand, internal knowledge on technology, trade contract, and personnel.

Teece et al. (1997) introduces the dynamic capability view, which is the capability of a company or organization to integrate, building, and configuring company or organizational competence either deriving from internal or external sources in order that they can adapt the rapid environmental changes making the internal and external competence a source of continuous competitive excellence. On the other hand, Griffith and Harvey (2001) defines dynamic capability as the capability of a company to unify, develop, and configure internal and external competence in order to be able to cope with the rapid changes. Jiao et al. (2011) mention that dynamic capability is a form of managerial capability, which is difficult to imitate organizationally, functionally, and through technological competence to change operational mechanism in order to meet customer needs, and the final goal is to improve competence. Based on those definitions of dynamic

capability, it can be concluded that a company or organization needs to be capable of managing its dynamic capability well in order to thrive and compete in the fast changing and dynamic market.

2.1. Branding Capability

According to the American Marketing Association (in Kotler & Keller, 2012) brand is name, term, sign, symbol, design, or combination of these aimed to identify products or services of a seller or a group of sellers to distinguish them from products or services of their competitor. Further, Swasty (2016) identifies branding as the whole process of selecting the elements, values, and the commitment that an entity possesses (products, services, company, and many more).

After understanding brand and branding, the next term to discuss is branding capability. Although its definition has not been robustly rooted in the literature, several experts define branding capability. According to O'Cass and Ngo (2011), branding capability is the capability of a company to collect a series of interrelated company routines to conduct their activities and marketing program to deliver their consistent brand to the customer. Merriless et al. (2011) mention that branding capability consists of four elements, namely, identifying the meaning of brand, using brand as an operational tool, communicating the meaning of brand consistently and bringing staff to support company's brand. Odoom, Agbernaise, Dorson, and Mensah (2017a) argue that branding capability consists of identifying brand meaning, utilizing brand as a tool for the company, consistently communicating the meaning of brand, recruiting staff who support the company's brand, mobilizing resources from external association, building string connection with supplier, having the capability to maintain good relationship with the stakeholders, and having the capability to gain additional skills from partners. Odoom, Narteh, and Rand (2017b) propose the components of branding capability inter alia: the capability to utilize company's knowledge to use its new brand to fulfill customers' demand, the creativity for branding, the ability to mobilize a set of interrelated organizational routines for branding activities.

2.2. Business Performance

According to Jajja et al. (2017), business performance of a company is reflected on its market share, average growth of market share, brand acceptance, income growth, and profit growth. Najib and Kiminami (2011) elaborate that company performance can be seen from its sales volume, profitability and their market.

In this study, perception measurement was used to measure the business performance in a company. Dess and Robinson (1984) propose that measuring company performance by using perception measurement has been found to be consistent with objective steps. This is in line with Prieto and Revilla's (2006) opinion that perception measurement of company performance can overcome manager's or business operator's reluctance to provide the results of their work objectively.

From those several definitions of business performance, it can be concluded that each business organization or company needs to review its business performance. Business performance is a result of a management activity in a company. These results can then be used as a parameter to assess whether or not the management of a business has been successful in achieving the goals set by the company. Odoom et al. (2017a) studied branding capability and SMEs in the developing market moderated by brand regulation, and found that branding capability positively influences business performance. Based on the discussion, the following hypothesis is formulated:

H1: Branding capability positively and significantly affects business performance.

2.3. Learning Capability

Learning capability is one of the important issues that a company needs to pay attention to to develop its business. A company with learning capability will be able to improve its company performance. According to Dhir and Dhir (2018), learning capability is the ability of a company to learn from the internal and external sources to adapt and modify its actions to reflect the new cognitive situation with the aim to improve its performance. Akgun et al. (2014) argue that a company needs to invest in the collective learning in the entire organization, to build a team committed to learning, to build a system to create and spread knowledge cross functional borders, to encourage openness toward external environment, to facilitate risk-taking and to eradicate obstacles to change and to support reinforcement on general interpretation among individuals in the company.

This is related to Resource-Based View (RBV) theory, which posits that a company with a valuable and rare resource will have a potential to achieve superior performance (Barney, 1991). The importance of a company to possess learning capability to improve the business performance has been studied by Prieto and Revilla (2006), Akgun et al. (2014), Gomes and Wojahn (2017), Dhir and Dhir (2018) and Hooi (2019). The results of previous studies state that learning capability significantly affect company business performance.

According to Prieto and Revilla (2006), learning capability in a company consists of three important elements, namely, (1) knowledge of all elements in the company either on the individual, group, or organizational level; (2) the existence of explorations of the learning flow; and (3) the exploitation from the learning in the company. Further, Akgun et al. (2014) argue that learning capability comprises the existence of managerial commitment, system perspective, openness and experimentation, all other knowledge, and integration.

On the other hand, Gomes and Wojahn (2017) mention that learning capability in a company consists of the ability to experiment, interact with the environment, cope with risks, and engage in dialogue. In line with this, Hooi (2019) also mentions that learning capability of a company consist of the existence of managerial commitment, perspective in the system, openness and ability to experiment, and transfer knowledge.

As previously elaborated, Odoom et al. (2017a) studied branding capability and SMEs in the developing market moderated by brand regulations. The results of the research show that branding capability positively affects business performance. However, in the study, the effect was weakened by the operation where brand regulation negatively moderates the relationship between branding capability and company brand performance. Odoom et al. (2017a) show that policymakers need to review business regulations especially regarding SMEs. This study is different from the previous one, which utilized brand regulation as moderator; this research used learning capability as the moderation variable.

H2: Learning capability positively and significantly moderates/enhances the effect of branding on business performance.

3. Methods and Materials

3.1. Population, Sample, and Sampling Technique

This study was conducted on coffee cafes in the ex-Besuki region covering the four regencies of Jember, Banyuwangi, Situbondo and Bondowoso in East Java, Indonesia. The entire population in this research became respondents as it met the criteria; thus, this research is a census research. 150 managers of coffee cafes were sampled using the census technique. In 2019, there were coffee cafes in this region with the following population criteria: registered with the relevant government agency or a member of a coffee cafe community in the ex-Besuki region; has been in operation for more than a year; is a

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small- and medium-sized enterprise, provides and serves local coffee products indigenous of 'Nusantara' in the area of Java Ijen Raung; and employs a barista.

3.2. Measurement

Construct measurement was adopted from previous studies. The measurement scale used in this study was an attitude scale, which is a collection of tools to measure individual the opinions of an object or phenomenon (Kuncoro, 2003). This study used a 5-point Likert scale, ranging from 1 "totally disagree" to 5 "totally agree". Branding capability measurement adopted the eight indicators from Merriless et al. (2011), O'Cass and Ngo (2011), Odoom et al. (2017a) and Odoom et al. (2017b). Business performance was measured using four indicators adopted from Najib and Kiminami (2011), Jajja et al. (2017), and Gomes and Wojahn (2017). Learning capability was measured using four indicators adopted from Gomes and Wojahn (2017), Hooi (2019) and Akgun et al. (2014). The conceptual framework of this study is presented in Figure 1.

3.3. Analysis Method

In this study, the research instrument testing and descriptive analysis were conducted with SPSS 18. Meanwhile, data analysis and hypothesis testing were done by simple regression analysis, Moderated Regression Analysis (MRA) and Moderated MultiGroup Analysis (MMA).

4. Results

4.1. Respondent Description

Data from the questionnaire showed that the majority of the respondents were male (80.67%). The biggest percentage of respondents were between 20–29 years old (40.67%), with the majority of them having a bachelor degree (58%). Meanwhile, the biggest proportion of respondents ran business operation 1–2 years (46%), the

Figure 1: Concept Model and Hypothesis

biggest number has 5–6 employees (48.67%). All the baristas had access to coffee processing equipment to serve coffee to customers.

4.2. Validity and Reliability

In this study, validity and reliability of the research instruments were tested by using SPSS 18 (see Table 1). Validity and reliability tests were conducted to ensure the quality of data collected by the questionnaire. According to Sekaran (2003), validity test measures how well an instrument is constructed to measure a certain concept designed to be measured. The validity of the instrument is tested by using product-moment correlation analysis from Pearson by calculating the correlation between indicator score (each indicator) with the total score. If the indicator is correlated to the total score with a high correlation value, it is considered highly valid. According to Sekaran (2003), if the correlation coefficient of the question items to the total score of other indicators is ≥0.30, the statement is considered valid.
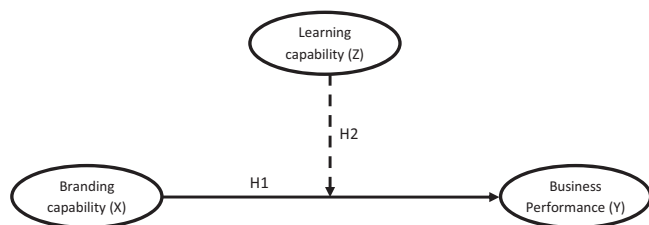
The reliability test (Table 2) was conducted to know the stability/consistency of an instrument in a research that is how well the instrument can be used to measure consistently and accuracy. According to Malhotra (2010), a scale or data measurement instrument or the resulted data are considered reliable if the instrument results are consistent in every measurement. In this study, Cronbach's Alpha coefficient was used to measure reliability; if the Cronbach's Alpha coefficient is ≥0.60, the instrument is considered reliable (Maholtra, 2010).

4.3. Evaluation Model

To test hypothesis 1 regarding the effect of branding capability on business performance, a data analysis without involving moderation variable was conducted by using simple linear regression. The effect was considered significant if p-value < 0.050. Table 3 presents the results of the analysis.

Data on Table 3 shows that branding capability had a significant effect on business performance with p-value < α (0.000 < 0.05). Therefore, it can be concluded that branding capability (X) positively and significantly affects business performance (Y).

To test hypothesis 2 regarding whether learning capability moderates the effect of capability on business performance, a Moderated Regression Analysis (MRA) and Moderated MultiGroup Analysis (MMA) were conducted. According to Solimun et al. (2017), there are two methods to identify whether or not there is a moderator variable, namely, Moderated Regression Analysis (MRA) and

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Table 1: Results of Validity Test of the Instruments

Variables	Indicator		Validity		
			R Critical Value	Critical Point	Conclusion
Branding Capability (X)	The ability to identify the meaning of the brand	$X_{1.1}$	0.782	0.300	Valid
	The ability to build a good relationship with the stakeholder regarding brand	$X_{1.2}$	0.718	0.300	Valid
	The ability to communicate the meaning of brand	$X_{1.3}$	0.655	0.300	Valid
	The ability of the employees to support brand success	$X_{1.4}$	0.623	0.300	Valid
	The ability to mobilise resources from external association	$X_{1.5}$	0.663	0.300	Valid
	The ability to creatively build their brand	$X_{1.6}$	0.747	0.300	Valid
	The ability to build connection with suppliers	$X_{1.7}$	0.646	0.300	Valid
	The ability to achieve skills from partners	$X_{1.8}$	0.647	0.300	Valid
Business Performance (Y_3)	market share/target market growth	$Y_{1.1}$	0.715	0.300	Valid
	Customer loyalty	$Y_{1.2}$	0.718	0.300	Valid
	Brand acceptance	$Y_{1.3}$	0.603	0.300	Valid
	Profitability/profit	$Y_{1.4}$	0.742	0.300	Valid
Learning Capability (Z)	The ability to possess managerial commitment	$Z_{1.1}$	0.607	0.300	Valid
	The ability to interact with the environment	$Z_{1.2}$	0.808	0.300	Valid
	The ability to communicate	$Z_{1.3}$	0.822	0.300	Valid
	The ability to cope with risks	$Z_{1.4}$	0.472	0.300	Valid
	The ability to transfer knowledge	$Z_{1.5}$	0.735	0.300	Valid

Moderated MultiGroup Analysis (MMA). To determine which method to use, the two types of moderation on the second equation $Y = a + b_1X + b_2M + b_3 X \times Z$ were tested. The testing criterion was on the significance test for moderator variable (b_2) along with the independent variable and moderator variable (b_3) interaction. Next, b_2 and b_3 were interpreted based on the moderation types classification as follows (Table 4).

The analysis involving moderator variable (b_2) and the interaction of moderator and independent variable (b_3) resulted in the following significance test results (Table 5).

The results of moderation type test showed that value regression model b_2 and b_3 was not significant, based on the Moderation Type Classification table. The results were categorized into Homologizer type, where further analysis was conducted by using Moderated MultiGroup Analysis (MMA), which divided the regression model into two groups.

At the Homologizer or MultiGroup type moderation stage, a regression analysis was conducted and then was divided into two groups to test their significance. The criteria for Homologizer/MultiGroup moderation test are as follows:

1. If one of the two groups is significant, it can be concluded that the hypothesized variable as moderator is stated to be capable of moderating.
2. If none of the two groups is significant, it can be concluded that the hypothesized variable as moderator is stated to be incapable of moderating.
3. If both groups are significant, a further test will be conducted, namely, the Chow test. The test criteria is that, if the $F_{statistic} > F_{table}$ or *p*-value < 0.05, then the hypothesized variable as moderator is stated to be capable of moderating.

In this study, the criteria of Moderated MultiGroup Analysis are divided based on the mean, in which Learning Capability (Z) possesses a value ≥ mean, then it is categorized as "above average" and those having a value < from the mean is categorized as "below average".

Table 2: The Results of Instrument Reliability Test

Variables	Indicator		Reliability		
			R Critical Value	Critical Point	Conclusion
Branding Capability (X)	The ability to identify the meaning of the brand	$X_{1.1}$	0.835	0.600	Reliable
	The ability to build a good relationship with the stakeholder regarding brand	X_{12}			
	The ability to communicate the meaning of brand	$X_{1.3}$			
	The ability of the employees to support brand success	$X_{1.4}$			
	The ability to mobilise resources from external association	$X_{1.5}$			
	The ability to creatively build their brand	$X_{1.6}$			
	The ability to build connection with suppliers	$X_{1.7}$			
	The ability to achieve skills from partners	$X_{1.8}$			
Business Performance (Y_3)	market share/target market growth	$Y_{1.1}$	0.634	0.600	Reliable
	Customer loyalty	$Y_{1.2}$			
	Brand acceptance	$Y_{1.3}$			
	Profitability/profit	$Y_{1.4}$			
Learning Capability (Z)	The ability to possess managerial commitment	$Z_{1.1}$	0.724	0.600	Reliable
	The ability to interact with the environment	$Z_{1.2}$			
	The ability to communicate	$Z_{1.3}$			
	The ability to cope with risks	$Z_{1.4}$			
	The ability to transfer knowledge	$Z_{1.5}$			

Table 3: Results of Regression Analysis (Without Involving Moderation)

Dependent Variable	Independent Variable	Regression Coefficient	*t*-value	*P*-value	Notes
Business Performance (Y)	Constant	2.408			
	Branding Capability (X)	0.429	6.740	0.000	Significant

The results of Homologizer/MultiGroup analysis are as follows (Table 6).

The results of moderation regression analysis show the two comparisons of path coefficient (standardized regression coefficient with *Z*-Score). On Group 1 (above average learning capability) branding capability (*X*) influenced the business performance (*Y*) with a value of 0.525, meanwhile on Group 2 (below average learning capability) branding capability (*X*) influenced the business performance (*Y*) with a value of 0.404. Both groups were significant as the *p*-value of each group was 0.000 < 0.050 (significant). As the two groups were proven to be significant, a further test, i.e.,

Chow test was conducted. The results of the analysis was $F_{statistic}$ of 53.237 > 3.057 (F_{table}), with *p*-value of 0.000 < 0.05 (significant). As the significance value/*p*-value of Chow test was significant, it can be concluded that the variables hypothesized and the moderator were proven to be capable of moderating the effect of branding capability (*X*) on business performance (*Y*), where group learning capability was categorized as above average (G_1) with higher path coefficient compared to below average group learning capability (G_2), i.e., 0.525 > 0.404. Therefore, the higher the learning capability variable (*Z*), the stronger the effect of branding capability (*X*) on business performance (*Y*).

4.4. Hypothesis Testing

Based on the simple regression, Moderated Regression Analysis (MRA) and Moderated MultiGroup Analysis (MMA), the hypothesis testing shows the path coefficient, significance level and the moderation types. There were two types of relationships among the variables measured in this research. The relationships among the variables were significant with the limit of *p*-value of 0.05 (5%). Table 3 shows the results of simple regression analysis for Hypothesis 1. Table 5 and Table 6 present the results of MRA and MMA for Hypothesis 2.

5. Discussion

Cafe is a new term in the Indonesian society. The terms similar to cafe commonly used in Indonesia are 'kedai' or 'warung. The terms are interchangeable as long as it meets the requirements of its operation. If in operation, 'coffee cafes' are lacking in creativity and innovation, they cannot be addressed as 'coffee cafes'. The expression of coffee cafe relates to the effort of coffee cafe to serve high-quality coffee with interesting design, technology, and visible coffee processing when serving the customers, cleanliness, aroma, lighting, and display that the customer may enjoy (Susanto, 2017). Barista is the name for the coffee maker who determines the final taste of a cup of coffee. In the hands of a barista, a cup of coffee, which may seem ordinary can be transformed into extraordinarily delicious coffee with beautiful look. Besides that, to produce a cup of coffee, a barista needs at least to master the techniques to brew coffee such as recognizing the portafilter, grinder, tamper, espresso machine, and some other supporting equipment to serve coffee in the cafe (Susanto, 2017).

The size SMEs was measured based on their asset, which is in line with Laws of the Republic Indonesia Number 20 Year 2008 about Micro, Small, and Medium Enterprise. The law mentions that one of the criteria of the size of SMEs is based on asset holding. Small enterprises are those owning assets with a value of 50 to 500 millions excluding land and building. Meanwhile, medium enterprises are those with asset value of 500 million to 10 billion excluding land and buildings.

This study looked into the role of branding capability and learning capability to improve business performance. If the company owns the capability on their organizational and valuable resources in their business organization, they need to dedicate their effort to improve their business process capability that they can achieve a better performance. RBV and dynamic capability are two of the forms of knowledge that can create values for the company so that they can improve their business performance.

Table 4: Classification of Types of Moderation

No	Moderation Types	Coefficient
1	Absolute Moderation	b_1 and b_2 not significant
		b_3 significant
2	Pure Moderation	b_2 not significant
		b_3 significant
3	Quasi Moderation	b_2 significant
		b_3 significant
4	Homologiser Moderation / Potential Moderation	b_2 not significant
		b_3 not significant
5	Predictor Moderation	b_2 significant
		b_3 not significant

Source: Solimun et al. (2017).

Table 5: Identification of Moderation Variable Type

Moderation Checking	*p*-value		Conclusion		Type of Moderation
	b_2	b_3	b_2	b_3	
Learning Capability (Z)	0.883	0.183	Not Significant	Not Significant	Homologiser

Table 6: Summary of the Results of Moderated Regression Analysis of Homologiser/MultiGroup

Moderation Test	Group	Path	*p*-value	Chow Test ($F_{Z\text{-test}}$)	*p*-value	Notes
Learning Capability (Z)	G_1: $\geq x^-$	0.525	0.000*	53.237	0.000*	Capable of Moderating
	G_2: $< x^-$	0.404	0.000*			

*significant at 0.05.

In this study, branding capability is the capability of the coffee cafe to conduct various marketing strategies and communication activities aiming to develop the brand. In this study, branding capability can be seen as a unit of view both internal and external. Branding capability will affect coffee cafe business performance. Meanwhile, business performance is a performance resulted by the coffee cafe business in a certain period of time referring to the stipulated standard by the coffee cafe. Learning capability is the capability of the coffee cafe to learn from internal and external resources with an aim to improve the performance of the coffee cafe.

The results of this study show that branding capability positively and significantly affects business performance. From a theoretical perspective, the results of this study emphasize the dynamic of RBV and dynamic capability as important factors in business performance (Barney, 1991; Teece et al., 1997). The results of this study prove that branding capability is not only an ability to build brand with internal resources, but it also needs the process to build the company brand by utilizing the internal and external resources as well as the understanding to cope with dynamic environment. Besides that, the findings in this study also support the previous research conducted by Odoom et al. (2017a), which related branding capability to business performance with positive significance. Thus, branding capability can quickly respond to the improvement of business performance. This shows that through an ability to identify brand meaning, to build good relationship with stakeholders regarding brand, to communicate the meaning or brand, to recruit employees who support brand success, to mobilize resources from external association, to possess creativity to build brand, to build connection with suppliers, and to gain skills from partner, can improve market share growth, customer loyalty, brand acceptance, and profitability of the coffee cafe. This result shows that both internal and external branding capability can improve coffe cafe business performance. In this case, through branding capability, coffee cafes can utilize their ability to build good relationship with brand stakeholders. The coffee cafe managers can reach out to stakeholders inter alia the customers, competitors, community around the cafe, media as well as the government to create a better brand acceptance.

The results of this research also prove that learning capability moderate/enhance the effect of branding capability on business performance. This also emphasizes the theories of RBV and Dynamic Capability as important factors in business performance (Barney, 1991; Teece et al. 1997). This shows that the ability to display managerial commitment, to interact with the environment, to engage dialogue, to cope with risks, and to transfer knowledge can enhance the effect of branding capability on the business performance of

coffee cafe. The results also show that learning capability moderates/ enhances the effect of branding capability on business performance with Homologizer-type of moderation. The meaning of this type of moderation is to see that learning capability is considered potentially as moderation, this variable did not interact with the predictor variable and does not have a significant relationship with the dependent variables. However, the MultiGroup moderation and Chow test show a significant result that the higher the learning capability variable, the stronger it enhances the effect of branding capability on business performance. In this case, by owning learning capability, a coffee cafe can enhance the effect of branding capability on business performance of the coffee cafe. One of the main indicators of learning capability is the ability to transfer knowledge. One of them is by investing in new equipment, the transfer of knowledge in learning capability can increased. This is line with Lee and Xuan (2019) who say there is a supporting mechanism, namely, the more widespread use the invested new equipment has, the worthier the investment is, in other words, it depends on the bonus depreciation. Therefore, for those startup and young firms, these incentives are very important if the company has the ability to intensively build up its fixed assets. With the support of new equipment at the coffee cafe, such as a new espresso machine, the resources at the coffee cafe, one of which is a barista, will increase their learning capability and this will also have an impact on increasing the branding capability and business performance of coffee cafe.

Coffee cafe can improve learning capability especially in facing the more dynamic business environment such as by utilizing the ability to make dialogue or to communicate with both internal and external parties that the brand developed by the cafe can be stronger that the brand acceptance of the coffee cafe can also be improved.

6. Conclusion

The results of this study support the RBV and Dynamic Capability theories of where resources and capability are sources of business performance. In addition, branding capability plays a significant role in improving business performance. Besides, learning capability can potentially enhance the effect of branding capability on business performance. In this study, branding capability has shown to influence coffee cafe business performance, and learning capability to moderate/enhance the influence of branding capability on business performance.

Coffee cafe managers need to take concrete steps to maintain their good practices and to improve their branding capability. The capability of the coffee cafes in the ex-Besuki region needs to be maintained and improved. Besides, coffee cafes managers need to plan strategies to

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improve their business performance such as by improving the growth of their market share, customer loyalty, profitability, and brand acceptance in their coffee cafe. In managing their coffee cafe in the ex-Besuki region, coffee cafe managers need to improve their ability to interact with their environment and be committed in managing the cafe so it can be a successful business.

The respondents of this research were the managers of SME coffee cafes in the ex-Besuki region. Therefore, the results are not generalizable. Furthermore, this research was conducted a few months before the pandemic. Therefore, a further research is required to know the situation of the coffee cafes in the future. Further studies can also focus on other industries such as craft, fashion, hotels or other industries possessing creative resources, especially in managing branding in a dynamic environment to improve business performance.

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