

PRODUCT DIFFERENTIATION STRATEGY AT NHANAS DONUTS PINRANG IN FACING CULINARY BUSINESS COMPETITION IN THE MILLENNIAL AND GEN Z ERA

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Abstract

This study aims to analyze the product differentiation strategy implemented by Nhanas Donuts Pinrang in facing culinary business competition in the millennial and Gen Z era. The research method used is descriptive qualitative with data collection techniques through interviews, observation, and documentation. Informants consisted of the owner, production and service employees, as well as millennial and Gen Z consumers. The results showed that the product differentiation strategy applied includes four main aspects: flavor innovation with contemporary variants (matcha cheese, red velvet crumble, cookies and cream), attractive and "instagrammable" visual display, aesthetic and modern packaging design, as well as active digital marketing through Instagram, Facebook, and TikTok. Supporting factors for the success of differentiation include the owner's creativity, understanding of young consumer behavior, strategic location, and digital branding. The implications of this study indicate that product differentiation integrated with digital marketing is able to increase competitiveness and customer loyalty of local culinary Micro, Small, and Medium Enterprises in the digital era.

Keywords: competitiveness, culinary business, differentiation strategy, Gen Z, millennial.

1. INTRODUCTION

The local culinary industry is facing increasingly fierce competition along with changes in consumption behavior of the millennial generation and Gen Z. These two generations not only assess products in terms of taste, but also in terms of visual appearance, aesthetic value and experiences that can be shared via social media (Putra & Rahmadani, 2020). This condition requires culinary MSME players to implement product differentiation strategies to be able to survive and excel in competition.

Previous research has examined differentiation strategies in various culinary business contexts. (K. Z. Zuriana et al., 2025) found that taste and packaging innovation is the key to the success of MSMEs in attracting young consumers. (Rahayu, 2020) stated that product innovation has a significant effect on millennial generation customer loyalty. (Lestari, 2021) emphasizes the role of social media as a promotional tool that strengthens differentiation strategies in the digital era. Other research published in ECBIS confirms that culinary MSMEs in Indonesia need to adopt innovative and creative strategies to remain competitive, including developing unique menus, utilizing digital technology, and an organizational culture that encourages innovation. (Mulyono & Rolando, 2024) However, most of this research focuses on medium and large scale businesses in urban areas, while studies on the implementation of product differentiation in micro MSMEs in areas such as Pinrang Regency are still very limited.

Studies that specifically analyze the integration of four elements of differentiation (taste innovation, visual appearance, packaging design, and digital marketing) in one framework in the local MSME context have also not been widely conducted.

Therefore, this research aims to: (1) analyze the product differentiation strategy implemented by Toko Nhanas Donuts Pinrang in facing culinary business competition in the era of the millennial generation and Gen Z, and (2) identify the factors that support the success of this strategy. This research uses a qualitative descriptive approach with data collection techniques through interviews, observation and documentation. Research informants include owners, employees, and consumers from millennials and Gen Z.

The research results show that the differentiation strategy implemented includes contemporary taste innovation, instagrammable visual appearance, modern aesthetic packaging, and active digital marketing. These findings contribute to enriching the marketing strategy literature for local culinary MSMEs, as well as providing a practical picture of how regional micro-enterprises can increase competitiveness through product differentiation integrated with digital marketing. The main conclusion from this research is that the integration of these four aspects of differentiation has proven to be effective in increasing competitiveness and customer loyalty. Further research is still needed to test the effectiveness of similar strategies in other types of culinary businesses or with a quantitative approach to measure the magnitude of the influence of each aspect of differentiation on consumer loyalty.

2. RESEARCH METHOD

This research uses a qualitative approach with descriptive methods. This approach was chosen because the research aims to understand and describe in depth the product differentiation strategy implemented by the Nhanas Donuts Pinrang Shop, not to test quantitative relationships between variables. The research was carried out from November 2025 to January 2026 at the Nhanas Donuts Pinrang Shop located on Jalan Dr. Wahidin Sudiro Husodo No. 50, Pinrang Regency, South Sulawesi.

The population in this research are all parties directly involved in the business activities of the Nhanas Donuts Pinrang Shop as well as consumers from the millennial generation and Gen Z. The sampling technique used was purposive sampling, namely selecting informants based on certain criteria that are relevant to the research focus.

Table 1. Research Informants

No	Information	Informan
1	Shop Owner (Owner)	1
2	Production Employees	2
3	Service Employees	1
4	Millenial Generation Consumers	3
5	Gen Z Consumers	3

Source: Data Processed, 2026

The instruments used in this research include: (1) a semi-structured interview guide developed based on product differentiation strategy indicators (taste innovation, visual appearance, packaging design, and digital marketing), (2) observation sheets to record factual

conditions of the production process, product appearance, services, and social media activities, as well as (3) voice recording devices (smartphones) and cameras for documentation. All instruments have been tested (pilot testing) on one informant outside the research sample to ensure clarity of questions and suitability to the field context.

The data collection procedure was carried out in three stages. The first stage is direct observation. Observations include the production process, employee interactions with consumers, the appearance of products on display, as well as content uploads on the store's Instagram and TikTok social media. The second stage was an in-depth interview conducted face to face at the shop location with a duration of 30-45 minutes per informant. Interviews were recorded with the informant's permission and subsequently transcribed verbatim. The third stage is documentation, namely taking photos of the product, packaging, shop atmosphere, as well as screenshots of social media content as supporting data. The implementation sequence starts from observation, then interviews with employees and consumers, and finally interviews with the owner to confirm initial findings.

The data analysis plan uses the Miles and Huberman model which consists of three stages. Data reduction is carried out by selecting, focusing, simplifying and abstracting raw data from interview transcripts and observation notes that are relevant to the problem formulation. The data is presented in the form of descriptive narratives, summary tables, and direct quotes from informants to facilitate understanding. Conclusions are drawn iteratively, that is, verifying the findings with data that has been collected repeatedly until consistent conclusions are obtained.

Ensuring the validity and reliability of the data, this research applies four credibility criteria according to Lincoln and Guba. First, triangulate sources by comparing information from owners, employees, and consumers regarding the same topic. Second, technical triangulation by combining interview data, observation and documentation. Third, member checking, namely reconfirming the summary of the interview results with the informant to ensure the accuracy of the researcher's interpretation. Fourth, prolonged engagement by making initial visits and building rapport before formal data collection. The assumption used in this research is that informants provide information that is honest and in accordance with actual conditions, and that the differentiation strategy implemented is dynamic and can change according to market developments.

Limitations of this research methodology include: (1) the research results only apply to the context of the Nhanas Donuts Pinrang Shop and cannot be generalized to all culinary MSMEs, (2) the research was conducted in a limited time period so it does not capture long-term strategy changes, and (3) measurement of the success of the differentiation strategy is based on informant perceptions, not on quantitative sales data. All procedures have taken into account research ethics, namely by requesting written consent (informed consent) from each informant before the interview and guaranteeing the confidentiality of the identity of those who do not wish to be mentioned publicly.

3. RESULTS AND DISCUSSION

This research aims to analyze the product differentiation strategy implemented by the Nhanas Donuts Pinrang Shop and the factors that support its success. Based on in-depth interviews, observations and documentation conducted with 10 informants (owners, production

employees, service employees, millennial consumers and Gen Z consumers), four main findings were found regarding the differentiation strategy implemented.

To gain a deeper understanding of the focus of discussion in the interviews, researchers conducted word frequency analysis using Nvivo 15 Plus software. This analysis aims to identify key words that appear most frequently in the statements of all informants. The frequency of appearance of a word reflects the level of attention and priority of discussion regarding product differentiation strategies at the Nhanas Donuts Pinrang Shop.

Figure 1. Word Cloud Result of Nvivo Analysis



Source: Results of data processing using Nvivo
Data Processed, 2026

Based on the image above, several important conclusions can be drawn. First, the dominance of the words "product" and "consumer" confirms that the Nhanas Donuts Pinrang Shop implements a market-oriented differentiation strategy. This means that the innovations carried out are not just different, but are based on understanding the needs and desires of young consumers.

Second, the high frequency of the words "quality" and "experience" shows that these two things are the main factors in successful differentiation. Generation Z and millennial consumers don't just have good taste; they also demand consistent quality and a memorable shopping experience. Research reveals that the millennial generation is more responsive to prices and regularly tries new trends, while Gen Z is more selective and prioritizes visuals, but both rely on recommendations from those closest to them to validate their culinary choices.

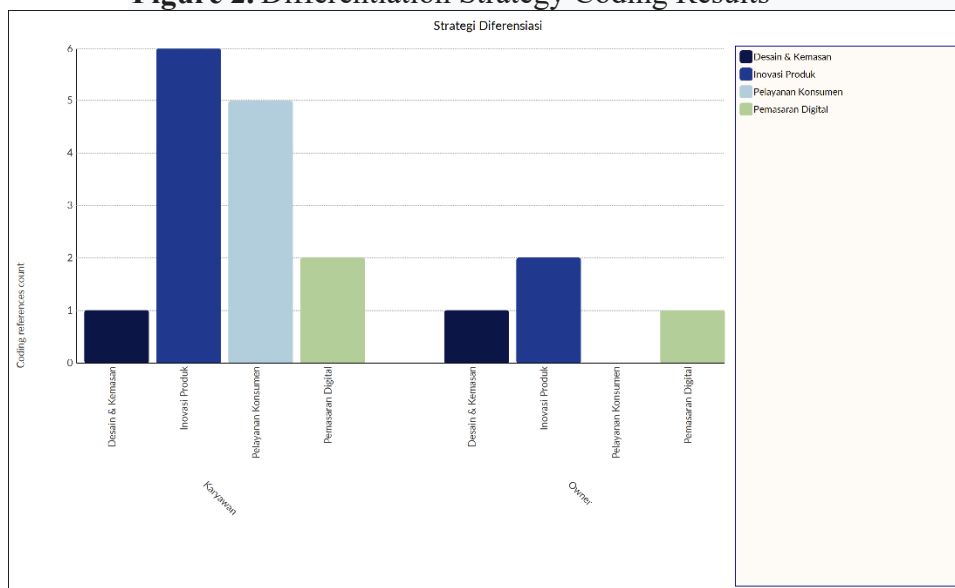
Third, the emergence of the words "process" and "making" shows that the differentiation at the Nhanas Donuts Shop is not superficial (just toppings or packaging), but also touches aspects of the production process. This is a competitive advantage that is difficult for competitors to imitate because it is related to the owner's know-how and secret recipes.

Fourth, the word "information" associated with social media confirms previous findings about the effectiveness of digital marketing. Consumers get information from Instagram, Facebook,

WhatsApp, and TikTok, which then drives purchasing decisions. This is in line with (Lestari, 2021) theory that social media allows MSMEs to highlight product uniqueness efficiently. This research aims to analyze the product differentiation strategy of Toko Nhanas Donuts Pinrang and its supporting factors. Based on interviews, observations and documentation of 10 informants (owners, employees, millennial consumers and Gen Z), it was found that the differentiation strategy includes four dimensions: taste innovation, packaging design, customer service and digital marketing.

Analysis using NVivo yielded two main findings. First, the frequency of strategy dimensions shows that owners place more emphasis on product innovation and packaging design, while employees focus more on customer service and digital marketing. This indicates that there is a clear division of roles in implementing the differentiation strategy.

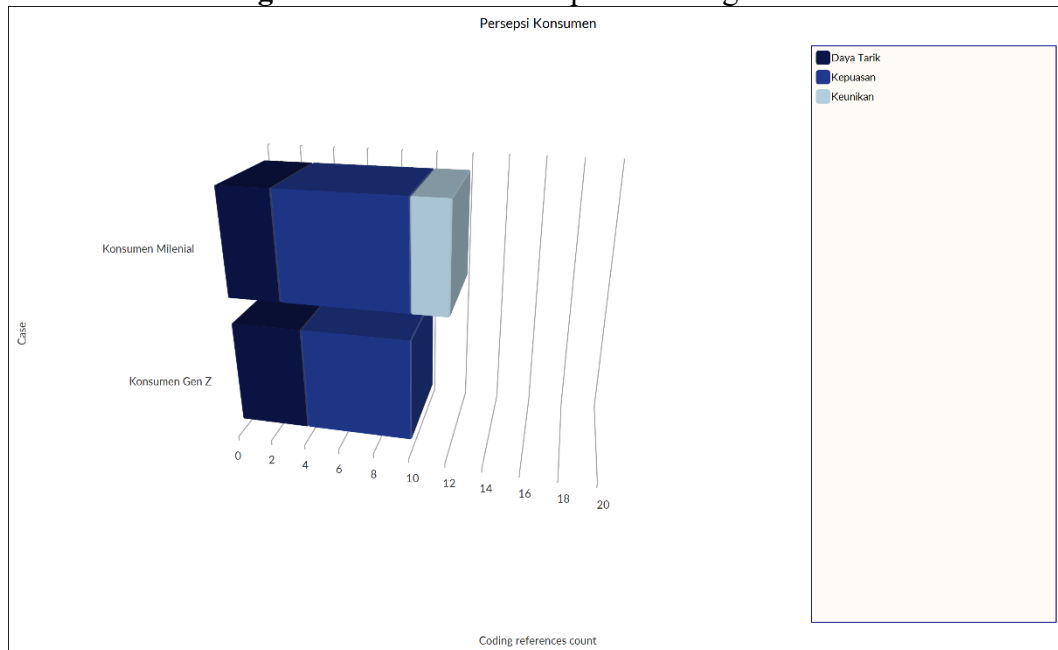
Figure 2. Differentiation Strategy Coding Results



Source: Results of data processing using Nvivo, *Data Processed*, 2026

Second, consumer perceptions of products show that attractiveness, satisfaction, and uniqueness get the highest scores, with millennial consumers slightly more dominant than Gen Z. These findings answer research questions about factors supporting successful differentiation.

Figure 3. Consumer Perception Coding Results



Source: Results of data processing using Nvivo, *Data Processed, 2026*

The high value of consumer attractiveness and satisfaction is in line with research by (Rahayu, 2020) and (Z. Zuriana et al., 2025) that taste and packaging innovation have a significant effect on young customer loyalty. This finding is in line with research by (Marhawati et al., 2023) published in ECBIS, which proves that the suitability of business locations, social media advertising, and product innovation simultaneously influence the increase in sales of culinary MSMEs. This finding is also consistent with (Eriyanti et al., 2021) that the millennial generation and Gen Z are oriented towards visualization and experience. The four dimensions of differentiation reinforce each other: taste innovation as a core value, aesthetic packaging as an initial attraction, friendly service as an amplifier of positive experiences, and digital marketing as a communication channel that expands reach.

This research has limitations: limited time period, measurement based on perceptions of quantitative sales data, and limited generalization to the context of Nhanas Donuts Pinrang Shop. The practical implication is that a differentiation strategy does not require large capital; creativity and use of social media is enough to create a competitive advantage. Further research is recommended to quantitatively examine the relationship between differentiation and consumer loyalty, as well as conducting comparative and longitudinal studies.

4. CONCLUSION

This research proves that a product differentiation strategy integrated with digital marketing can increase the competitiveness of local culinary MSMEs in the era of the millennial generation and Gen Z. The main findings show that differentiation is not enough to just focus on one aspect, but requires the integration of four mutually reinforcing dimensions: taste innovation, packaging design, consumer service, and digital marketing. The success of

this strategy is supported by the owner's creativity in reading trends, understanding young consumer behavior, strategic location, and consistent digital branding.

The main contribution of this research to the development of science is to present an integrative model of differentiation strategy in the context of micro MSMEs in the regions, which has so far been neglected in the literature which focuses more on medium and large scale businesses in urban areas. This research also expands the differentiation theoretical framework by adding the dimensions of customer service and digital marketing as inseparable elements, complementing previous research which only emphasized taste and packaging innovation.

The practical implications of these findings are very relevant for local culinary MSMEs. This research shows that limited capital is not the main obstacle to competition; creativity, understanding the target market, and optimal use of social media can be effective competitive levers. For regional policy makers, these findings indicate that MSME assistance programs should not only focus on capital assistance, but also on developing product innovation capacity and digital literacy.

Further research is needed to test the generalizability of these findings. Quantitative studies on a larger scale are needed to measure the magnitude of the influence of each differentiation dimension on consumer loyalty. Comparative research between various types of culinary MSMEs in different regions can also reveal contextual factors that influence the effectiveness of differentiation strategies. In addition, longitudinal research is needed to understand how differentiation strategies adapt to changing consumption trends of the younger generation over a longer period of time.

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