



180Degrees
CONSULTING
UGM

Could Café Industries Strive and be Successful Today?

180 Degrees Consulting UGM - Yogyakarta Café Industry Report 2024

180DC UGM's President Foreword

As the President of 180 Degrees Consulting UGM, I'm thrilled to share our industry report on the cafe sector in Yogyakarta. This report reflects our team's dedication to exploring one of the city's most vibrant and influential industries, which continues to shape Yogyakarta's cultural and economic identity.

In a city known for its rich heritage and energetic student population, cafes have become more than just places to grab coffee. They're spaces for creativity, collaboration, and connection, whether for students, professionals, or the millions of tourists who visit Jogja each year. This report dives into the trends, challenges, and opportunities shaping the café sector, offering insights for businesses looking to innovate and thrive.

We owe a huge thanks to Arthur D. Little, for their incredible support in bringing this report to life. Their expertise and guidance have been invaluable. I also want to thank the cafe owners, industry experts, and interviewees who shared their stories and insights with us. And of course, I'm deeply grateful to our hardworking team at 180DC UGM for their passion and commitment.

Warm regards,
Clea Amabelle
President, 180 Degrees Consulting UGM

Brewing Futures: The café Industry at the Heart of Yogyakarta's Transformation



Source: The Ministry of Tourism and Creative Economy

Special Region Yogyakarta (DIY), celebrated for its cultural heritage and its status as Indonesia's "City of Education," is at a critical juncture. With over a hundred thousand young individuals flocking annually to its universities and millions of tourists visiting its iconic landmarks, the city's infrastructure is under mounting pressure to adapt to its fast-evolving demands. Among these is the café industry, which has rapidly transformed from a leisurely pastime to a linchpin of urban functionality.

DIY's café scene is no longer just about coffee—it has become an essential driver of the city's socio-economic ecosystem. For students, who account for a significant share of the population, cafés are indispensable hubs for productivity in a city with limited public spaces for learning and collaboration. Meanwhile, the rise of remote work, accelerated by global trends, has heightened demand for versatile environments equipped with reliable internet and amenities conducive to focused work.

Brewing Futures: The café Industry at the Heart of Yogyakarta's Transformation

Tourism, a cornerstone of DIY's economy, adds another layer of complexity. As millions visit the city to explore its artistic traditions, many seek authentic local experiences that cafés are in a unique position to offer these experiences. By integrating traditional culinary elements into their offerings and positioning themselves near key attractions, these establishments serve as gateways to the Yogyakarta experience. Yet, their ability to sustain this dual purpose—meeting the needs of both residents and visitors—faces significant challenges.

The urgency lies in the growing strain on these spaces to address gaps in DIY's urban planning. With a shortage of accessible public spaces for community activities, cafés have stepped up as de facto venues for cultural events, workshops, and informal gatherings. This adaptability has made them indispensable, but it also places the industry at a crossroads: how can it balance its growing responsibilities while navigating intensifying competition, rising operational costs, and shifting consumer behaviors?

This report seeks to unpack these critical questions. Through an in-depth analysis of key trends, challenges, and opportunities, it examines the café industry's role as a cornerstone of DIY's economic and social fabric. By highlighting the pressing dynamics at play, the report underscores why understanding and supporting this sector is vital for the city's future.

Economic Resilience and Growth: Yogyakarta's Macroeconomic Landscape

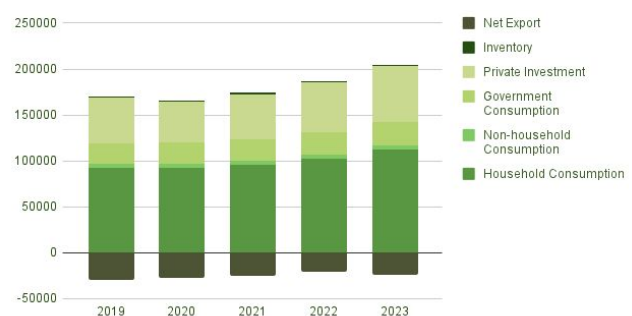
Yogyakarta's economy has demonstrated consistent growth, with its Gross Regional Domestic Product (GRDP) reaching IDR 180.68 trillion in 2023 and growing at a steady rate of 5% year-on-year. This growth underscores the region's economic resilience, driven by various factors, including the consumption-led nature of its economy. Household consumption remains the largest contributor, accounting for 61% of the GRDP, fueled by the region's student population and its appeal as a tourist destination.

Figure 1. Gross Regional Domestic Product Growth of Yogyakarta



Source: BPS (2019-2023) processed by author

Figure 2. GRDP Share of Yogyakarta



Source: BPS (2019-2023)

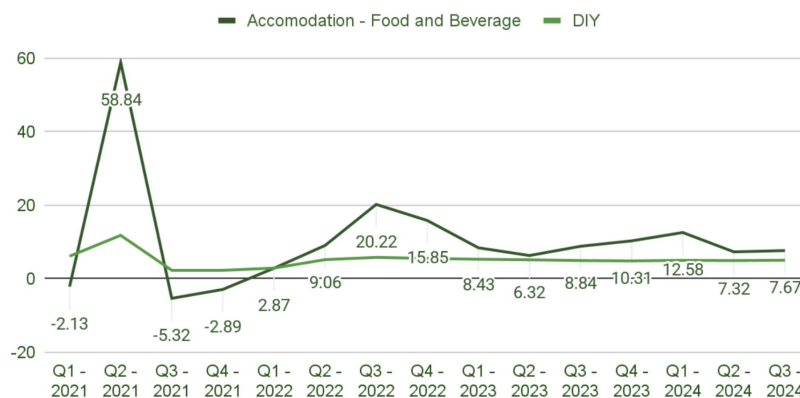
The steady economic expansion is expected to persist through 2024, supported by rising mobility and government investments in infrastructure. Projects such as the Jogja-Solo toll road are anticipated to enhance regional connectivity and stimulate local economic activities. These developments are expected to boost consumer spending, particularly in urban centers where tourism and household activities converge due to money injection and mobile accessibility to this city.

Economic Resilience and Growth: Yogyakarta's Macroeconomic Landscape

The robust macroeconomic performance of Yogyakarta, underpinned by steady GRDP growth and dominant household consumption, offers a fertile ground for thriving local industries. Among these, the accommodation, food, and beverage sector stands out as a consistent contributor to economic expansion. Its growth rate surpasses the overall economic trajectory, signaling the sector's resilience and dynamic adaptability in meeting evolving consumer demands.

The accommodation, food, and beverage sector has consistently outperformed the region's overall economic growth. Quarterly data reveals that this sector grew by an average of 7% year-on-year in 2023, significantly higher than the 5% GRDP growth. Despite minor fluctuations across quarters due to seasonal factors, this sector has maintained a positive trajectory, reflecting its stability and importance to Yogyakarta's economy.

Figure 3. Accommodation - Food and Beverage Sector Growth in Yogyakarta



Source: BPS (2019-2024) processed by author

As a critical part of the food and beverage subsector, cafés benefit from their adaptability to cater to diverse customer segments. They serve not only as places for dining but also as hubs for studying, socializing, and remote working, aligning with the lifestyle preferences of students and tourists. This multi-segment appeal allows cafés to maintain steady revenue streams and mitigate risks from seasonal fluctuations, such as holiday periods or off-peak tourism seasons.

The University Student Segment: A Stable Pillar of Yogyakarta's Consumption Economy

While Yogyakarta's student population remains a significant economic driver, its growth rate of no more than 5% annually has been relatively modest. This stable but slow increase contrasts sharply with the dynamic expansion of the café industry, which has seen rapid growth in response to lifestyle demands. The café sector's ability to innovate and attract diverse customer segments has outpaced the incremental growth in student numbers.

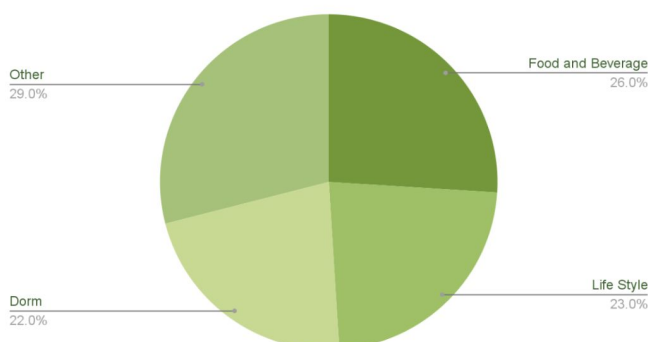
Figure 4. Number of University Students in Yogyakarta



Source: BPS (2018-2022) processed by author

This segment stagnancy highlights its demand in addressing broader consumption trends beyond just the student demographic. While students contribute 26% of their monthly expenditures, 2.9 million rupiah in average, to food and beverages, the café sector has to diversify its appeal to include tourists, professionals, and local residents (UPN & BI, 2023). This diversification will allow cafés to sustain higher growth rates compared to the steady but limited increase in the student population.

Figure 5. Share Percentage of Average Students Consumption

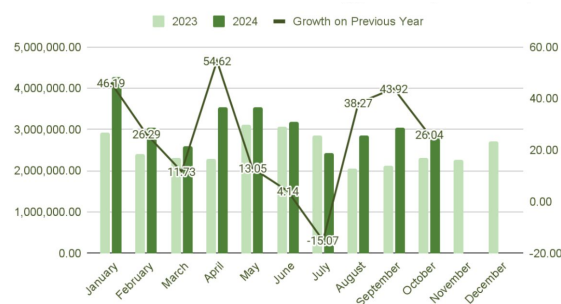


Source: (UPN & BI, 2023) processed by author

Tourism as a Catalyst: Driving Growth in Yogyakarta's Café Industry

Tourism in Yogyakarta has experienced remarkable growth, with the number of domestic tourists increasing by an average of 20% year-on-year. On a monthly basis, the region welcomes over 2.5 million visitors, solidifying its status as a leading tourist destination in Indonesia. This substantial influx of visitors creates a ripple effect across various economic sectors, particularly the food and beverage industry. Moreover, this sector is projected to continue growing due to the high mobility access and the tourism trend in Yogyakarta.

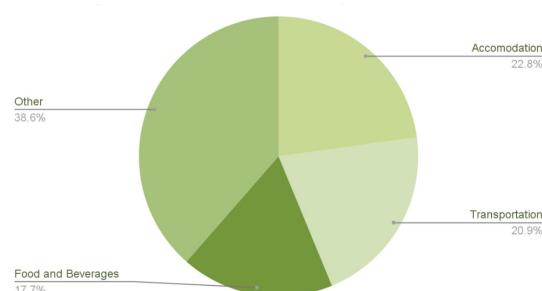
Figure 6. Number and Growth of Tourist in Yogyakarta



Source: BPS (2023 - 2024) processed by author

Local tourists contribute significantly to Yogyakarta's economy, with an average expenditure of IDR 2.57 million per trip. Of this amount, 17.69% is allocated to food and beverages, reflecting the essential role of culinary experiences in shaping tourist satisfaction. This spending pattern not only sustains existing food businesses but also drives the establishment of new cafés and restaurants to meet the growing demand.

Figure 7. Percentage Share of Tourist Consumption



Source: BPS (2023) processed by author

Tourism as a Catalyst: Driving Growth in Yogyakarta's Café Industry



Source: Metro TV

For the café industry, the consistent rise in tourist arrivals represents an unparalleled opportunity. cafés not only serve as dining spots but also as cultural hubs where visitors can experience the unique charm of Yogyakarta's local flavors and ambiance. By offering authentic culinary experiences, cafés can position themselves as key players in the city's tourism ecosystem.

The synergy between tourism growth and café development underlines the strategic importance of the food and beverage sector in Yogyakarta. As the number of visitors continues to rise, cafés are well-poised to capitalize on this trend, further embedding themselves as indispensable components of the region's thriving economy.

A Lifestyle Melting Pot: The Cafe Business Customer Segment

As one of Indonesia's most popular tourist destinations, Yogyakarta is celebrated for its cultural richness and authentic Javanese heritage, deeply influenced by the Yogyakarta Keraton. Over the years, the city has captivated countless visitors with its vibrant atmosphere and warm cultural charm. In recent times, a new trend has emerged, offering a modern way to experience Yogyakarta's cultural beauty; cafés that blend contemporary aesthetics with traditional cultural influences. This section will explore Yogyakarta's evolving tourism trends and the growing demand for coffee shops, particularly those designed to cater to tourists seeking a unique cultural experience.

Brewing Connections: Unveiling Yogyakarta's Café Market and Its Challenges

The coffee shop industry in Yogyakarta caters to a diverse range of consumer segments, each with unique characteristics that require tailored approaches from business owners. Given these varying demands, it is challenging for the market to address every segment's needs comprehensively (Greg M. et al, 1998). This complexity forces coffee shop owners to weigh the benefits and drawbacks of targeting specific segments.

Figure 8. Customer Segments Market Analysis

		Tourists	Local Professionals	Students
C O N S I D E R A T I O N S	Market Size	30,4 million visitors (2023)	1,02 million workers working in formal sectors (2023)	~504.000 highschool and college students (2022)
	Growth	Moderate to High (8,32%, 2023)	Low (2,10%, 2023)	Low (2,18%, 2022)
	Competition Intensity	Medium to high, peaks in holiday season	Medium to low, fewer café targeting professionals due to lower demand	High, many café cater to students in need of study and meeting places
	Profitability	Medium to high, depending on tourists' spending behaviours	Medium, though there are few demands but it's comparatively steady	Medium, price sensitivity and thinner margin

A Lifestyle Melting Pot: The Cafe Business Customer Segment

One factor influencing this decision is the traits of each segment. As a city dominated by students and tourists, Yogyakarta presents limited appeal for targeting smaller-scale segments, such as local professionals. This is partly because a significant portion of Yogyakarta's workforce operates in blue-collar or casual labor industries, where the demand for spaces like cafés or co-working areas is generally lower.

Adding to these considerations, despite being one of the busiest tourist destinations in Indonesia, Yogyakarta also presents some concerns about tourist-based coffee shops, as from the perspective of some stakeholders, tourism is often characterized as highly dependent on seasons, making it deemed as an unstable market overall. As a result, intuitively, the most reliable and substantial market for coffee shop owners is likely to remain the student demographic, encompassing both highschool and higher education students.

While it is true that the student market offers stability and strong demand due to the hundred thousands of students studying in the area, this perception has led to an oversaturation of coffee shops targeting this specific segment. Consequently, the increasing competition forces businesses to share progressively smaller portions of the market, making it harder for each to maintain a significant share over time. Most importantly, this segment is generally price-sensitive with a limited budget to spend, which directly translates into lower profit margins in comparison.

The Pulse of Tourism: Can the Tourist Café Concept Thrive?

Nowadays, tourism is not only about experiencing different cultures and landscapes but also about culinary exploration. In Yogyakarta, for decades, it has been a destination known for its cultural uniqueness and authentic food vendors, such as Gudeg and Sate Klathak. Many renowned names come to mind when you think of traveling to Keraton city. However, over the years, these vendors have started to feel monotonous and have become "just okay."

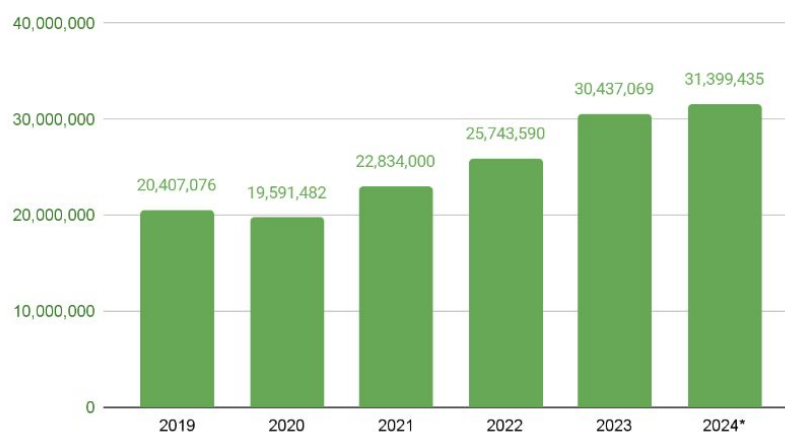
A Lifestyle Melting Pot: The Cafe Business Customer Segment

In response, many people, especially the younger generation, have begun exploring other culinary options, such as cafés. While these traditional food vendors offer a warm and familiar vibe, perfect for family outings, the shifting trends have led to changes, particularly in modern establishments that still incorporate cultural elements into their business models. One such innovation is the tourist café—a fresh concept that blends modern establishments with reimagined local dishes, creating Instagram-worthy moments or simply offering a local and authentic ambiance in the interior design.

One notable success is a café in Umbulharjo, Yogyakarta, which has gained significant attention by creating a unique interior that evokes a sense of traditionality. This distinctive ambiance has attracted both locals and tourists. As a result, the café’s Instagram account has grown to over 15,000 followers in recent years, and the business generates a stable monthly revenue exceeding Rp1 billion. This figure is considerably higher compared to student-and local-targeted cafés, which typically generate monthly revenues ranging from Rp25 million to Rp35 million. This discrepancy highlights the café’s success in catering to a more profitable segment of consumers (Survey conducted by Authors, 2024).

Riding the Tourism Wave: What Does It Mean for the Café Industry?

Figure 9. Total Visitors to Yogyakarta Annually



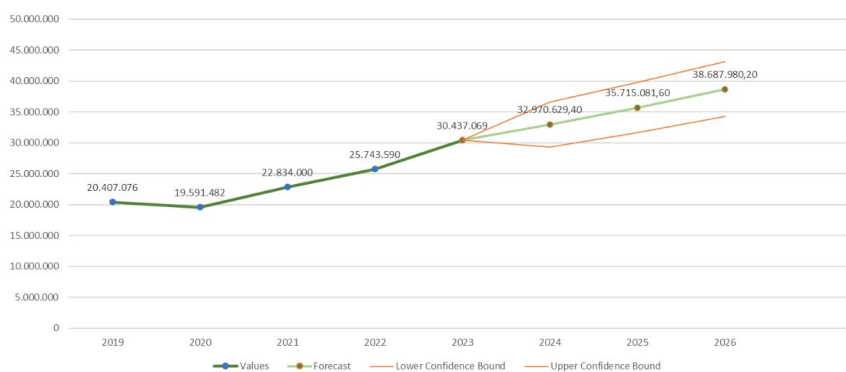
Source: BPS (2019-2024), processed by author

A Lifestyle Melting Pot: The Cafe Business Customer Segment

Though tourism is highly susceptible to macroeconomic conditions, such as price stability and income level, it has witnessed unprecedented growth in recent years, especially in the post-COVID-19 era. Yogyakarta, in particular, has experienced exponential growth in tourist traffic, reaching its highest levels ever in 2023 with 30.4 million visitors, reflecting a 49.14% increase in volume over just five years. As of October 2024, this number has grown by approximately 1 million visitors, reaching 31.39 million, with the potential to rise by another hundred thousand to a million by the end of the year. This surge has marked a significant milestone in the region's tourism history.

Moreover, Yogyakarta's tourism has been one of the few regions that consistently attracts tourist attention by maintaining a steady flow of visitors over time. Even during the pandemic crisis, Yogyakarta remained a strong magnet for tourists, with only negligible declines of under a million visitors in 2020, suggesting that the city experiences stable demand year after year, despite occasional unforeseen events.

Figure 10. Forecast of Future Total Visitors Based on Historical Data

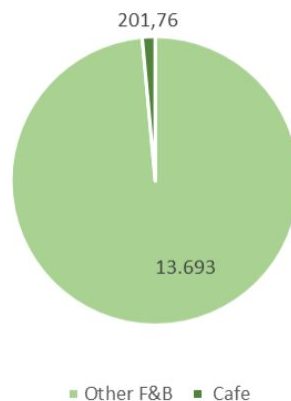


Source: BPS (2019-2024), processed by author

Tourist visits to Yogyakarta have consistently shown a stable increase year after year, with only occasional unforeseen fluctuations. With a Compound Annual Growth Rate (CAGR) of 8.32%, this translates to an approximate addition of 2.5 million visitors annually. This suggests that Yogyakarta is a promising market for establishing a business, with expectations of stable growth in the years ahead.

A Lifestyle Melting Pot: The Cafe Business Customer Segment

Figure 11. Yogyakarta's Tourist Coffeeshop Current Market Share



Source: BPS (2019-2023), Statista (2023), processed by author

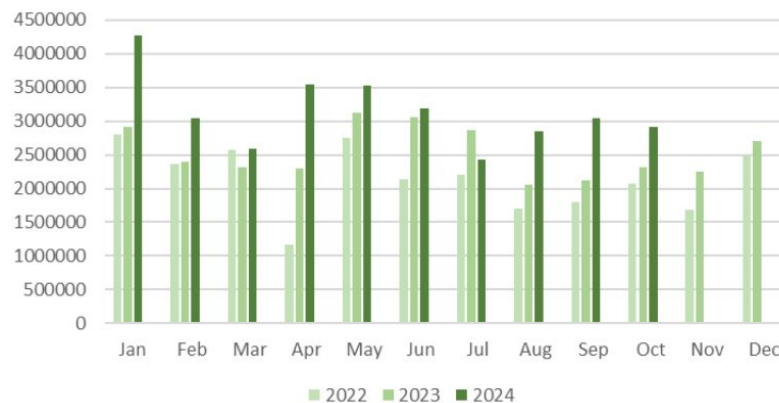
With the increasing growth of tourism in Yogyakarta, a significant portion of tourists' spending is evidently directed toward culinary experiences in the region. On average, visitors spend approximately Rp450,000 during their stay, primarily on authentic local dishes that highlight Yogyakarta's unique cultural heritage. This spending translates to an estimated market size exceeding Rp13 trillion annually. The café industry specifically holds a 1,47% share of the tourist food and beverage market, resulting in an estimated market size of approximately Rp201,76 billion. A direct outcome of the widespread coffee culture in Indonesia, where 80% of the population consumes at least one cup of coffee daily (Statista, 2023).

Tourism Seasonality: How Does It Shape the Fate of Tourist Cafés?

When considering a business targeted at tourists, the next critical variable to evaluate is the sustainability of its operations. This includes assessing whether there is consistent demand throughout the year to ensure smooth business operations during the low season. Additionally, it is important to determine whether the increased demand during peak seasons, such as national holidays, can compensate for quieter periods. Ultimately, does operating a tourist-focused café promise steady revenue year-round?

A Lifestyle Melting Pot: The Cafe Business Customer Segment

Figure 12. Yogyakarta's Visitors Throughout the Year in the Past Years



Source: BPS (2022-2024)

Being one of the most preferred holiday destinations for Indonesians, Yogyakarta remains a vibrant spot for tourism. On average, it consistently attracts about 75% of the peak season's visitors, solidifying its reputation as a never-ending tourist city. While a noticeable decline occurs during Ramadan each year, this is a typical phenomenon in a Muslim-majority country such as Indonesia (Ra, H. 2016). This stability makes Yogyakarta not only a large market for the tourist focused café, but also a considerably stable industry to tap into.

Figure 13. Gen Z's Preference in Restaurant and Café

Feature	Sub-feature	Utility	Average Importance (%)
Price/Quality/Location	The prices are appropriate for the quality	0.21	34.36
	The beverage is adequate for the restaurant	0.073	
	The location is appropriate for the restaurant	-0.284	
Food	Tasty food	-0.033	17.08
	Fresh food	-0.121	
	The food cooked as wanted	0.124	
	The warmth of food is O.K.	0.03	
Atmosphere	Simple decor	-0.359	48.56
	Relaxing ambiance	-0.08	
	Warm atmosphere	0.339	
	Positive first impression	0.154	
	Natural ambiance	-0.054	

Source: Erkan Zesqin et al. (2022)

A Lifestyle Melting Pot: The Cafe Business Customer Segment

Tourist cafés often differentiate themselves by integrating elements of local heritage into their design and concept. While traditionally catering to tourists, these cafés have the potential to serve a broader audience, including Gen Z. As the so-called "internet generation" begins to gain spending power, it is evident that their preferences stand out. Gen Z, in particular, tends to prioritize ambience far more than other factors, such as food quality and taste, when choosing a café. This preference is reflected in their significantly higher emphasis on atmosphere as a primary determining factor, whereas cafés with simple or minimalistic decor are far less appealing to Gen Z. In contrast, they are highly attracted to spaces with warm, inviting, and thoughtfully designed ambiances. Thus, by offering unique and culturally inspired experiences that are closely familiar to local Gen Z, tourist cafés can potentially serve an additional segment of customers, providing a new target audience during "low tourist" seasons.

Breaking into Yogyakarta's Untapped Café Segment: Tourists Café

As stated before, Yogyakarta is considered as one of Indonesia's most popular tourist destinations, known for its cultural heritage, historical landmarks, and vibrant arts scene. The influx of domestic and international tourists presents a significant opportunity for the café industry to target this untapped market segment, which is the 'tourist café'. Hence, future business owners could consider making a tourist café as their next business in Yogyakarta.

This section will let you know more about the potential of cafés catering to tourists in Yogyakarta, focusing on aspects of its customers, competition, and the capital requirements.

Tourism Seasonality: How Does It Shape the Fate of Tourist Cafés?

One of the important things that business owners should consider in their very first step of planning a business is targeting their market. Who will be their customer or potential customer by the end of the day? As we build a café, specifically in the type of 'tourist café', the majority of customers will come from domestic and international tourists. Furthermore, a tourist café needs to know where the origin country/city they are coming from so they can match the customer behavior with their café concept.

1.1. International Customers

Figure 14. Top 10 List of International Customers' Origin Countries

Country	Number of Visits	
	(Jan-Apr 2023)	(Jan-Apr 2024)
Malaysia	8.619	12.779
Singapore	2.444	3.805
China	621	2.288
Japan	306	820
United States	529	802
India	493	632
France	325	623
Netherlands	254	580
Germany	364	577
England	377	515

Source: BPS, 2024 (processed by author)

Breaking into Yogyakarta's Untapped Café Segment: Tourists Café

By the end of April 2024, Asian countries—Malaysia, Singapore, China, and Japan dominated the number of visitors in Yogyakarta. These data correlated to the list of potential customers that tourist cafés will have. With a specific target market, cafés can optimize their local culture to be mixed with things that their market will be attracted to.

Figure 14. shows that Malaysia ranked first in the year of 2024. Business owners will use the advantage of this to attract customers from Malaysia for their café in a lot of ways. For example, due to their predominantly Muslim population, most Malaysians value halal food. While they seek local flavor and uniqueness, they also need to ensure that the foods are halal and have a unique story behind them. cafés could take advantage by offering them coffee drinks brewed by local coffee beans that Malaysians haven't tried before. However, we couldn't suggest a menu such as "Teh Tarik" because they already knew and were familiar with it. Alternatively, cafés could offer different types of Teh Tarik without losing its essence, by adding Javanese hints of culture in the ingredients so it can blend the Javanese and Malaysia traditions.

Another example, if the café wants to try targeting the Japanese, we should know their behavior beforehand. Japanese are well known for being selective and value a brand from their reputation, quality, and brand trust. Putting matcha latte using local coffee beans as one of the menu items in the café will not attract Japanese customers to try and have a visit in the café . They know matcha better than the locals (Yogyakarta people) and will come up with a doubt because they are already familiar with the menu, while actually seeking for the local taste. Otherwise, cafés can attract customers without removing their unique selling point that matches the Japanese local culture, such as connection within language (Wordbank, 2024). This will successfully attract customers if the café has staff who speaks Japanese well and could explain the story behind a menu. The customer eventually will feel comfortable and could easily understand what sets our café apart from the others and makes it a reasonable visit.

Breaking into Yogyakarta's Untapped Café Segment: Tourists Café

1.2. Local Customers

Amidst the international tourists, the domestic is also an important part that needs proper attention. Domestic tourists have higher chances of coming back frequently than the internationals. It is way easier for them to repeatedly come to Yogyakarta. However, knowing they have more opportunities means they have diverse choices to travel around other cafés. That's why for local tourists, the marketing strategy needed is to maintain their loyalty.

Figure 15. Top 5 List of Local Customers' Origin Provinces

(Top 5) Domestic Customer's Origin Province			
Jan 2024		Nov 2024	
Provinces	Number of Trips	Provinces	Number of Trips
East Java	18.331.811	East Java	15.428.263
West Java	15.465.871	West Java	14.870.221
Central Java	12.979.676	Central Java	10.588.488
Jakarta	7.374.323	Jakarta	7.449.446
Banten	4.887.911	Banten	5.293.883

Source: BPS, 2025 (processed by author)

Domestic tourists are dominated by visitors from the provinces that belong to Java Island. As Yogyakarta is also located on the same island, it makes travelling way easier, considering the reasonable cost and an efficient path they have right now. Through the Trans-Java Toll Road, travelers could easily move from one to another city with their personal cars.

Breaking into Yogyakarta's Untapped Café Segment: Tourists Café



Source: Shutterstock

Local tourists can be segmented from their behavior patterns, such as photo-seeking tourists who seek for a lot of Instagrammable photo spots, where the café has unique decoration and aesthetically pleasing food presentation. This kind of tourists mainly came from young-adults who are now in the age of 18-30 years old. The second one is the food enthusiasts, locals also came to Yogyakarta to try their local cuisine, drinks, coffee beans, etc. They are willing to spend a lot in the café if its menu really has high quality and good taste. This kind of tourists come from adults who are in the age of 24-40 years old or families which are 25-50 years old with children in 8-15 years old. Other than that, there's also a group of tourists, who come from a wide range of ages. They can come from religious community members, mom's group, and others who are traveling together to Yogyakarta. This kind of tourist ages from 15-60 years old and will follow the guide recommendation. Most of them will accept any kind of place due to their main reasons not only traveling, but if the café could serve them well, they can come back anytime and bring their families/friends or even solo traveling, so it's best to offer them with an incredible hospitality.

Breaking into Yogyakarta's Untapped Café Segment: Tourists Café

1.3. Customers General Behavior and Preferences

In General, Tourists are generally willing to spend more, especially when cafés deliver exceptional hospitality and offer a charming ambiance that includes aesthetically pleasing interiors or cultural themes. They value unique and memorable experiences, whether through creative menu offerings, interactive cultural activities, or simply an Instagram-worthy environment that resonates with their travel journey. With these in mind, building a Tourist cafés should consider one thing, which is Focus on Customer Needs and exists. cafés that prioritize cultural themes, local engagement, and tailored experiences can effectively capture the attention of tourists.



Source: Shutterstock

Breaking into Yogyakarta's Untapped Café Segment: Tourists Café

Successful tourist cafés have Unique Marketing Strategies. Other than focusing only on marketing the products, they often employ creative strategies such as adding:

1. **Cultural Integration:** Hosting cultural workshops, such as batik-making sessions or gamelan performances, to immerse customers in local traditions.
2. **Artistic Collaborations:** Partnering with local artists to design distinctive interiors or outdoor murals, creating Instagrammable spots that encourage social media sharing.
3. **Personalized Campaigns:** Running digital campaigns that showcase hidden gems or off-the-beaten-path cafés near famous landmarks, using influencers or travel bloggers to amplify visibility.

Tourist café needs to take a market survey on their customer preferences. Common things which are necessary and important in the café are:

1. Unique ambiance that reflects Yogyakarta's cultural identity, such as traditional Javanese architecture or art-focused interiors.
2. High-quality coffee and food options with a fusion of local and international flavors.
3. Instagram-worthy spots for social media sharing.
4. Reliable Wi-Fi and comfortable seating for remote workers or digital nomads.

Breaking into Yogyakarta's Untapped Café Segment: Tourists Café

A Market with Room to Grow: Competition Among Tourist cafés in Jogja

The café market in Yogyakarta is currently dominated by other segments, such as those targeting students and local professionals. These cafés serve Yogyakarta's large student population and working-class residents, offering affordable options and study-friendly environments. However, cafés specifically designed for tourists remain underrepresented, presenting a significant growth opportunity.

Existing Tourist cafés

There are approximately 30-50 cafés in Yogyakarta that explicitly target tourists. These cafés are typically located near major attractions for tourists and in a well-known area for its culinary or historical culture such as Malioboro, Kraton, Prawirotaman, Sagan, Kranggan, also outskirts area near Borobudur and Prambanan, offering convenience and easy access for visitors.

Tourist cafés are dining establishments specifically designed to appeal to travelers and visitors in a particular area. It often features characteristics that reflect the local culture, cuisine, or attractions, making it both a dining and cultural experience for tourists. As the name states 'café' it will not be apart from coffee. Every café would offer different types of food and coffee drinks, so the customer could enjoy and have a lot of choices. Mainly, tourist cafés focused on its ambiances and decor, diverse menu offerings, and prime location spots. Its goals are to ensure the customers satisfaction from their hospitality offering through experiences in the café.

Breaking into Yogyakarta's Untapped Café Segment: Tourists Café

Potential Areas for Tourist cafés

Although the existing café is located in the prime location, there's also other places that have high potential for Tourist cafés that still remain untapped. The area can be seen clearly through the heatmap in figure 16. Figure 16 shows the most favorite and iconic tourism areas that are popular for tourists. Therefore, you can choose nearby places that can be considered as potential areas to build cafés. But do keep in mind to do market survey and rechecking the area through several factors, such as:

1. **Accessibility:** Locations should be easily reachable by tourists, with parking facilities and clear signage.
2. **Surrounding Environment:** cafés are better built in a crowded/busy area, for example it is located near tourist attractions/underexplored tourist sites.
3. **Cultural Context:** Choosing areas with historical or cultural significance
4. **Scenic Views:** cafés in locations with natural beauty, such as overlooking rice terraces or hilltops.

Figure 16. Heatmap on Tourism Places in DIY

Places	Number of Visitors (in person)	
	Christmas and New Year 2024	
Pantai Glagah	73.35	180.000-210.000
Pantai Parangtritis	107.483	150.000-180.000
Malioboro	205.000	120.000-150.000
Kaliurang	39.898	90.000-120.000
Taman Sari	21.1	60.000-90.000
Tebing breksi	28.17	30.000-60.000
Mangunan	45.554	0-30.000
DIY (Total)	1.368.090	

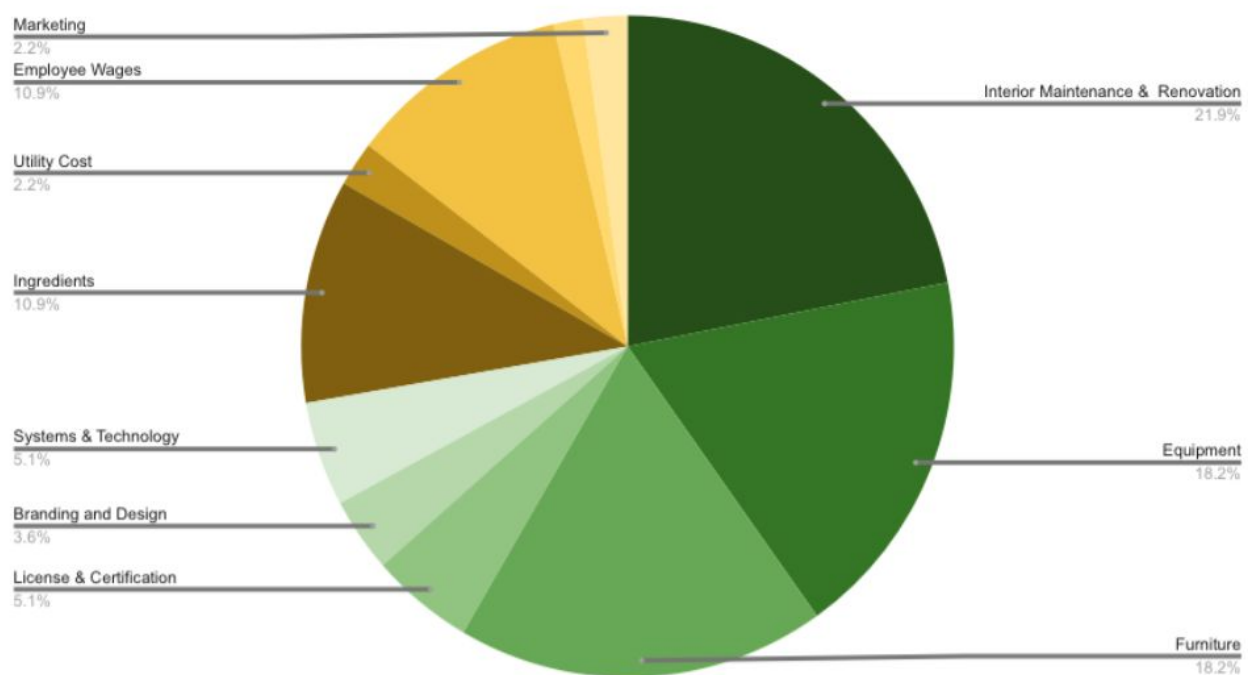
Source: news article on internet, 2024-2025 (processed by author)

From Costs to Profits: A Look at Capital Required and ROI for Tourist cafés

Capital Required

Figure 17. Cost for Building a Tourist café

Fixed and Operational Cost for Tourist Cafe



Source : primary research by authors

The pie chart in figure 17. illustrates the percentage of fixed and operating costs that will be spent for building a tourist café. Components with green colors show the fixed costs, while operating costs are shown by yellow colors Overall, interior maintenance & renovation, equipment, and furniture were the highest contributors towards the spending. However, marketing and utility costs did not contribute as much. This means, total fixed costs are higher than total operating costs for opening a tourist café.

From Costs to Profits: A Look at Capital Required and ROI for Tourist cafés

Revenue Comparison

Figure 18. Tourist cafés Gross Revenue per Month

Gross Revenue Range per Month		
Tourist café	Local-Professional café	Students café
25-800	12-250	4.2-35
millions (IDR)	millions (IDR)	millions (IDR)

Source : primary research by authors

With the goals of tackling competitors, we need to overview the other types of café from other segments, which hereby state the comparison between tourist, students and local-professional cafés. The authors get the data by conducting primary research by interviewing a representative from the staff/manager in the cafés. The cafés are widely spread and located at Condongcatur, Caturtunggal, Sinduadi, Sariharjo, Kotagede, and Umbulharjo.

Figure 18 illustrates a list of approximate gross revenue that each type café gains per month. Units are measured in Millions Rupiah. It shows that tourist cafés have more potential than other types of cafés, although some of them also get high revenue. From the startpoint, tourist cafés have reached a higher number in terms of revenue. It has received approximately IDR25 millions per month, which means IDR20.8 millions higher than the students café and IDR8 millions higher than local-professional cafés.

Meanwhile, the highest amount that a café could receive also came from the tourist café. It can obtain up to IDR800 millions per month. If you are wondering, the café who has received this number came from a café that offers food and beverages such as desserts—donuts and cakes; ; appetizers; main courses—local menu; coffees and non-coffee drinks. The food prices vary from IDR 22-99 thousand while the beverages prices amount at IDR 7-35 thousand. This café is well known for its donut, it is the most selling product which majorly contributed to the café sales. The prices for donuts vary from IDR 9-11 thousand.

From Costs to Profits: A Look at Capital Required and ROI for Tourist cafés

Apart from the wide range of menu, it offers a comfortable yet aesthetically pleasing interior and exterior design so the customer may have a lot of pictures for their memories. Also the café provides a very friendliness hospitality, it receives and entertains guests to maintain their loyalty. This way, the customer may have a good first impression and would like to come back.

To Thrive in The Mix: The Key Success Factor of The Cafe Industry

A thriving hub in the coffee industry in Indonesia is Yogyakarta; a city boasts of a mix of a cultural heritage rich city and an energetic youthful city. As of 2023, the number of coffee shops is 700, and that's just a fraction in competition; businesses need to innovate and excel just to stay alive (Suharsono & Rahman, 2023). There are coffee shops here for locals, visitors, young professionals, and students seeking a unique coffee experience. Coffee shops need to excel in several critical success factors to succeed in this saturated market that includes quality of product, value added by product, technological adoption, community engagement.

The main strategy of the product of the tourism coffee business is its quality. This means having high quality coffee brewed with precision and consistency so you can attract and keep customers (Rusti & Irham, 2023). Yogyakarta is fortunate that the region's beans are easily sourced and many coffee shops, utilizing these locally available beans, serve premium varieties such as Gayo and Toraja besides international blends. Then it makes the right kind of product that you can then have it appeal to connoisseurs or casual drinkers. An innovation also matters beyond quality for keeping the customers interested. Coffee shops are attempting to concoct new methods of brewing through cold brews, siphons, and pour-overs, and then serve their creative drinks laced with local specialities, like palm sugar coffee or cinnamon. Such innovations not only elevate the quality of the menu and give the brand a distinctive identity, but also help the business to pattern itself differently from its competitors.

Another crucial factor is pricing; and then there's also service, which can be the core of behind the scenes' customer service goals. Especially considering that coffee shops in Yogyakarta tend to serve as primary forms of entertainment for tourists, particularly price sensitive ones, coffee shops will have to find that ideal balancing act between affordability and perceived value (Oktiansyah & Nuvriasari, 2024). Coffee businesses that have a rational justification for their higher price, such as great quality, great service, or a nice

To Thrive in The Mix: The Key Success Factor of The Cafe Industry

- aesthetic, are more able to continue to maintain customer loyalty. However, at the same time, such budget friendly outlets specializing in good quality coffee without overspending on quality draw the cost consciousness customer. In addition, different strategies of pricing at more innovative level, for example, discounts during offpeak hour or a loyalty program can really encourage customers to return and keep the business going even with not as high demands in time.

Another crucial factor is pricing; and then there's also service, which can be the core of behind the scenes' customer service goals. Especially considering that coffee shops in Yogyakarta tend to serve as primary forms of entertainment for tourists, particularly price sensitive ones, coffee shops will have to find that ideal balancing act between affordability and perceived value (Oktiansyah & Nuvriasari, 2024). Coffee businesses that have a rational justification for their higher price, such as great quality, great service, or a nice aesthetic, are more able to continue to maintain customer loyalty. However, at the same time, such budget friendly outlets specializing in good quality coffee without overspending on quality draw the cost consciousness customer. In addition, different strategies of pricing at more innovative level, for example, discounts during offpeak hour or a loyalty program can really encourage customers to return and keep the business going even with not as high demands in time.

There's no denying that technology is big in modern coffee shops. The tourism coffee business has also seen the coffee business revolutionized by Industry 4.0 technologies that enable operational efficiency as well as improve the customer experience. Among these, there are many Yogyakarta coffee shops which have deployed automated brewing machines, inventory management systems, and self service kiosks to increase consistency, and decrease wait times. The operation streamlines and reduces cost over the long haul. Additionally, industries like digital ordering systems, mobile payment options and online delivery services have made transactions such a breeze for

To Thrive in The Mix: The Key Success Factor of The Cafe Industry

- customers. Social media is a thing in a city where businesses have come to appreciate its importance in marketing and tech savvy businesses also use platforms such as Instagram and TikTok to engage customers, showcase their brand identity and promote new offerings (Surti & Suryantini, 2021).

The tourism coffee industry continues to be about customer service. Despite the big coffee, great service will elevate a one time visitor to customer for life (Dhisasmito & Kumar, 2020). Responsiveness, reliability, empathy and lots of attention to detail and effort, that all make up service quality. But other visible, tangible things, such as cleanliness, ambiance, etc, all contribute to the experience. Such types of coffee shops invest in staff training to increase both technical skills like latte arts, interpersonal skills such as effective communication etc.

Ambiance as well as strategic location is important. Prime locations near tourist areas are guaranteed high foot traffic; however, factors, such as accessibility, availability of parking, and competition should also be taken into account. The focus on ambiance in a tourist coffee shop, however, is more important than location because it draws and retains consumers. That's where aesthetics, social media and what you choose to show up on Instagram comes into play, with the creation of an instagrammable interior being a strong feature in making a coffee shop for the local crowds to fawn upon. To facilitate sharing and thus generating buzz, many successful coffee shops invest in décor, seating and lighting that are unique (Nabilah et al, 2024).

However, to stand out in Yogyakarta's crowded coffee market, any branded or promoted coffee requires attention. With a strong emotional connection to the brand and local culture, customers can simply be hooked and never switch. As an example, consider a tourist coffee shop. Using Javanese themes to liven up the design or naming the menu items after famous sites are two strategies that will boost both authenticity and appeal. However, it's also an effective marketing tool that enables coffee shops to interact with their clientele, advertise their goods, and attract new ones. Events, live music, and

To Thrive in The Mix: The Key Success Factor of The Cafe Industry

-workshops like coffee are examples of offline tactics that help brands be more visible to their target customers.

As people become more and more environmentally conscious, sustainability and ethical practices in the tourism coffee industry are rapidly becoming bigger and more popular. A growing number of coffee shops take the initiative to source their coffee sustainably, literally and figuratively, in the form of eco-friendly packaging and use reduction practices to encourage customer loyalty. An example would be how you can give discounts for bringing your own reusable cups or work with ethical certificated coffee suppliers to prove that you are going green. Fair trade or cooperation with local artisans in the coffee shop also helps to support the whole local community and strengthen the company's reputation of being a socially conscious business.

The COVID 19 pandemic has finally reshaped consumer behavior forcing coffee shops to adapt to a new normal. Customers still care about hygiene and safety measures like regular sanitization and contactless payment systems. The hunger for the emergence of hybrid models that fuse dine-in, takeaway, delivery services, has also grown as customers are choosing what they demand from the business at a particular time (Ismoyowati et al, 2021). The ones that are willing to embrace these changes are better off for it in the post pandemic landscape.

More specifically, the combination of product quality, its pricing strategies, technological development, customer service, location, entrepreneurial knowledge, branding, sustainability and adaptability will make tourism coffee shops in Yogyakarta at first step be successful. Knowledge of these aspects can help coffee businesses build a compelling experience that will attract and keep customers in a crowded market. Coffee is so much more than a business opportunity for Yogyakarta's coffee scene: it is a celebration of culture, of creativity, of community. Such aligned values and practices of coffee shops make them less likely to fail, and more likely to add, rather than erode, to the rich tapestry of the city's coffee culture.

A Way Forward

Coffee shops have gained popularity in Yogyakarta due to a combination of cultural factors, a young population, and smart business practices. Among various business models, a coffee shop specifically designed for tourists aligns perfectly with Yogyakarta's unique characteristics and market dynamics. Since many tourists visit Yogyakarta, coffee shop businesses catering to this market should highlight local cultural tropes and offer memorable experiences that reflect the culture of Yogyakarta to capture tourists' attention on social media. Specific recommendations for constructing a coffee shop targeting tourists are buying local coffee beans, introducing local dishes in the menu, and designing the shop in accordance to Javanese culture and advertising through social media active in the international tourists' community. In addition, location of the coffee shop near mainstream tourist sites, having multilingual employees, and merchandising takeaway or souvenir pack increases appeal and maximizes the circulation of tourist traffic in the city.

Contributors



Nawfal Aulia Luthfurrahman



Muhammad Farrel Juniska A.



Davina Winnie Kurniawan



Dionisius Maleaki Pinilih

Acknowledgement

Our team would like to thank the assistance provided by Arthur D. Little in creating this report, Arthur D. Little is the oldest management consultancy firm in the world.

Our team would also like to thank the interviewee and the businesses for whom have requested to be kept anonymous. We are very grateful for the insights and data that were entrusted to us in order to write this report. We hope that this industry report will assist these businesses and many others to further thrive in Yogyakarta's ever-growing landscape.

Finally, the team would like to thank the president and vice president of 180 Degrees Consulting Universitas Gadjah Mada along with all directors and departments who have assisted in the making of this report. 180 Degrees Consulting is the world's largest volunteer consultancy with over 150 branches across 35+ countries. Our mission is to give social impact by giving a volunteer service for NGOs, NPOs, SMEs, and other social enterprises. We are highly grateful for the assistance for the writing of this report.

References

- Agus, D. (2024, December 29). *Malioboro Dikunjungi 205 Ribu Orang Saat Puncak Libur Nataru*. Detik.com. <https://www.detik.com/jogja/politik-peristiwa/d-7708513/malioboro-dikunjungi-205-ribu-orang-saat-puncak-libur-nataru/amp>
- Allenby, G. M., & Rossi, P. E. (1998). Marketing models of consumer heterogeneity. *Journal of Econometrics*, 89(1), 57–78. [https://doi.org/10.1016/S0304-4076\(98\)00055-4](https://doi.org/10.1016/S0304-4076(98)00055-4)
- Bisik.id. (2024). *Yogyakarta Raih 1,3 Juta Wisatawan Saat Libur Nataru 2024* | Bisik.id. Bisik.id. <https://www.bisik.id/read/yogyakarta-raih-13-juta-wisatawan-saat-libur-nataru-2024-1736078526896>
- BPS DI Yogyakarta. (2023a). *Jumlah Perguruan Tinggi, Tenaga Pendidik, dan Mahasiswa (Negeri dan Swasta) di Bawah Kementerian Agama Menurut Kabupaten/Kota di Provinsi DI Yogyakarta, 2023 - Tabel Statistik*. Bps.go.id; Badan Pusat Statistik Provinsi Di Yogyakarta. <https://yogyakarta.bps.go.id/id/statistics-table/3/ZG5GNFRUZHdiRW N3YIRGSGF6QXdaVXRPTVZSQIFUMDkjMw==/jumlah-perguruan-tinggi--tenaga-pendidik--dan-mahasiswa--negeri-dan-swasta--di-bawah-kementerian-agama-menurut-kabupaten-kota-di-provinsi-di-yogyakarta--2023.html?year=2022>
- BPS DI Yogyakarta. (2023b). *Jumlah Perguruan Tinggi1, Dosen, dan Mahasiswa2 (Negeri dan Swasta) di Bawah Kementerian Pendidikan, Kebudayaan, Riset, dan Teknologi Menurut Kabupaten/Kota di Provinsi DI Yogyakarta, 2022*. Bps.go.id; Badan Pusat Statistik Provinsi Di Yogyakarta. <https://yogyakarta.bps.go.id/id/statistics-table/3/Y21kVGRHNXZVMEI3S3pCRllyMHJRbnB1WkVZemR6MDkjMw==/jumlah-perguruan-tinggi--tenaga-pendidik-dan-mahasiswa-negeri-dan-swasta--di-bawah-kementerian-ri-set--teknologi-dan-pendidikan-tinggi-kementerian-pendidikan-dan-kebudayaan-menurut-kabupaten-kota-di-provinsi-di-yogyakarta.html?year=2022>
- BPS DI Yogyakarta. (2023c). *Jumlah Sekolah, Guru, dan Murid Sekolah Menengah Atas (SMA) di Bawah Kementerian Pendidikan, Kebudayaan, Riset, dan Teknologi Menurut Kabupaten/Kota di Provinsi DI Yogyakarta, 2023/2024 - Tabel Statistik*. Bps.go.id; Badan Pusat Statistik Provinsi Di Yogyakarta. <https://yogyakarta.bps.go.id/id/statistics-table/3/YTFsRmNubEhOWE5ZTUZsdWVHOHhMMFpPWm5VMFp6MDkjMw==/jumlah-sekolah--guru--dan-murid-sekolah-menengah-atas--sma--di-bawah-kementerian-pendidikan--kebudayaan--ri-set--dan-teknologi-menurut-kabupaten-kota-di-provinsi-di-yogyakarta--2023.html?year=2023>

References

- BPS DI Yogyakarta. (2024). Perkembangan Pariwisata Daerah Istimewa Yogyakarta, April 2024. Bps.go.id; Badan Pusat Statistik Provinsi Di Yogyakarta. <https://yogyakarta.bps.go.id/id/pressrelease/2024/06/03/1567/perkembangan-pariwisata-daerah-istimewa-yogyakarta--april-2024.html>
- BPS DI Yogyakarta. (2024a). Jumlah Kunjungan Wisatawan Nusantara Menurut Asal - Tabel Statistik. Bps.go.id; Badan Pusat Statistik Provinsi Di Yogyakarta. <https://yogyakarta.bps.go.id/id/statistics-table/2/NTEzIzl=/jumlah-kunjungan-wisatawan-nusantara-menurut-asal.html>
- BPS DI Yogyakarta. (2024b). Persentase Tenaga Kerja Formal di Provinsi DI Yogyakarta - Tabel Statistik. Bps.go.id; Badan Pusat Statistik Provinsi Di Yogyakarta. <https://yogyakarta.bps.go.id/id/statistics-table/2/NDc1Izl=/persentase-tenaga-kerja-formal-di-provinsi-di-yogyakarta.html>
- BPS DI Yogyakarta. (2024c). Persentase Tenaga Kerja Informal di Provinsi DI Yogyakarta - Tabel Statistik. Bps.go.id; Badan Pusat Statistik Provinsi Di Yogyakarta. <https://yogyakarta.bps.go.id/id/statistics-table/2/NDc2Izl=/persentase-tenaga-kerja-informal-di-provinsi-di-yogyakarta.html>
- BPS Indonesia. (2025, January 3). Jumlah Perjalanan Wisatawan Nusantara Menurut Provinsi Asal - Tabel Statistik. Wwww.bps.go.id. <https://www.bps.go.id/id/statistics-table/2/MTE4OSMy/jumlah-perjalanan-wisatawan-nusantara-menurut-provinsi-asal.htm>
- Dhisasmito, P. P., & Kumar, S. (2020). Understanding customer loyalty in the coffee shop industry (A survey in Jakarta, Indonesia). *British Food Journal*, 122(7), 2253–2271. <https://doi.org/10.1108/bfj-10-2019-0763>
- Duro, J. A. (2018). Seasonality of tourism. *Tourism Economics*, 24(5), 615–621. <https://doi.org/10.1177/1354816618768319>
- Ismoyowati, D., Wuryandani, S., Shinta, A. N., & Amalia, A. R. (2021). Innovation of coffee shop during pandemic COVID-19: Bottled coffee drinks in demand. *E3S Web of Conferences*, 316, 02015. <https://doi.org/10.1051/e3sconf/202131602015>
- Janković, I., Ćirić, M., & Vujasinović, V. (2020). The influence of authentic food on the choice of tourist destination. *Bizinfo Blace*, 11(2), 81–92. <https://doi.org/10.5937/bizinfo2002081j>

References

- Liu, J. (2016). The Effect of Macroeconomic Factor Fluctuation on Tourism Demand. *Advances in Intelligent Systems and Computing*, 1665–1676. https://doi.org/10.1007/978-981-10-1837-4_135
- Ma'arif, K. (2025). Gegara Hujan Jumlah Pengunjung di Pantai Parangtritis Turun, Berdampak ke Volume Sampah - Radar Jogja. *Gegara Hujan Jumlah Pengunjung Di Pantai Parangtritis Turun, Berdampak Ke Volume Sampah - Radar Jogja*; <https://radarjogja.jawapos.com>.
<https://radarjogja.jawapos.com/bantul/amp/655480681/gegara-hujan-jumlah-pengunjung-di-pantai-parangtritis-turun-berdampak-ke-volume-sampah>
- Meita, D., Nabilah, J., Ryandi, A., & Frediansyah, R. (2024). The Influence of Prices, Baristas, Product, and Store Atmosphere on the Sustainability Coffee Shop Business in the Lowlands. *JTUS*, 02(2).
- Nurhayati-Wolff, H. (n.d.). Indonesia: coffee consumers 2023. Statista. Retrieved October 20, 2023, from <https://www.statista.com/statistics/1418808/indonesia-coffee-consumers/>
- Oktiansyah, S., & Nuvriasari, A. (2024). The Role of Customer Orientation, Competitor Orientation, and Marketing Strategy on Marketing Performance Coffee Shop & Coworking Space in Yogyakarta. *Journal of Indonesian Management*, 4(4). <https://doi.org/10.53697/jim.v4i4.2118>
- Prasetya, A. W. (2024, January 3). Pengunjung Pantai Glagah di Kulon Progo Membeludak Saat Tahun Baru, Lebih dari 18.000 Orang. *KOMPAS.com*; [Kompas.com](https://travel.kompas.com/read/2024/01/03/070700427/pengunjung-pantai-glagah-di-kulon-progo-membeludak-saat-tahun-baru-lebih-dari). <https://travel.kompas.com/read/2024/01/03/070700427/pengunjung-pantai-glagah-di-kulon-progo-membeludak-saat-tahun-baru-lebih-dari>
- Ra, H.-R. (2016). The Ramadan Effects on the Economy. *Korea and the World Economy*, 17(1), 61–98.
- Rusti, N., Irham, I., & Suryantini, A. (2021). The Factors That Affect The Satisfaction of Local Coffee Shop Customers in The 4.0 Industry Era. *Agro Ekonomi*, 32(2). <https://doi.org/10.22146/ae.60861>
- SEZGİN, E., & UYANIK, B. (2022). PRIORITIES OF CONSUMERS FOR RESTAURANT PREFERENCES: A CONJOINT ANALYSIS STUDY ON GENERATION Z. *Journal of Tourism, Leisure and Hospitality*, 4(2). <https://doi.org/10.48119/toleho.1187392>
- Snapcart. (2023, October 2). Indonesia's Coffee Consumption Trends in 2023. Snapcart. <https://snapcart.global/indonesias-coffee-consumption-trends-in-2023/>

References

- Sugiyarto , T., Wulandari, V. C., Wulandari, H., Indriani, R., & Ruslani, A. (n.d.). Statistik Wisatawan Nusantara 2023 Domestic Tourism Statistics 2023. <https://disporapar.kalbarprov.go.id/file/bvkCj1Inl6ZoZn663dG7.pdf>
- Suharsono, & Rahmiah. (2024). WARUNG KOPI AND SOCIAL BEHAVIOR PATTERNS (CASE STUDY: COFFEE CULTURE OF YOGYAKARTA. National Conference on Applied Business, Education, & Technology (NCABET), 3(1), 861-874. <https://doi.org/10.46306/ncabet.v3i1.175>
- Wicaksono , P., & Novita, M. (2025, January 6). Naik Dibanding Tahun Lalu, Wisatawan ke Yogyakarta Lebih dari 1,3 Juta Orang. Tempo. <https://www.tempo.co/hiburan/naik-dibanding-tahun-lalu-wisatawan-ke-yogyakarta-lebih-dari-1-3-juta-orang--1190387/>
- Wordbank. (2024, May 31). Marketing to Japanese consumers: A how-to guide. Wordbank. <https://www.wordbank.com/blog/market-insights/marketing-to-japanese-consumers/>