

RASE COFFEE BUSINESS DEVELOPMENT STRATEGY IN MALANG BY UD JAYA BARU

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ABSTRACT

The purpose of this research is to analyze business development strategies Kopi Rase in UD Jaya Baru. The research discuss to find business development strategies for family business which have a mature product in matter of product life cycle. The research approach is using descriptive qualitative analysis to process the data. The analysis that is conducted using several tool and theory such as, Business Model Canvas and Blue Ocean Strategy. The using of Business Model Canvas can describe what is happening in the company and what will happen after implementing strategies. Blue Ocean Strategy helps to summarize the change in business model for company using Strategy Canvas, Four Actions Framework, and ERRC Grid. The result of this research give a perspective and strategic direction for company, which is keep selling the old product and develop a new product for blue ocean market meant to be giving more value to customers and prevent company profit loss.

Keywords: Development Strategy, Family Business, Business Model Canvas, Blue Ocean Strategy, Product Life Cycle

INTRODUCTION

Coffee is one of the most productive commodity in Indonesia. As country with a lot of natural resources, Indonesia is one of the five biggest coffee producer in the world. Table 1 shows Indonesia is coffee producer below Brazil, Vietnam, and Colombia.

Table 1. Top Five Coffee Producer Countries

Country	World Market Shares (%)
Brazil	34.33
Vietnam	18.74
Colombia	8.52
Indonesia	7.21
Ethiopia	4.26

Coffee industry has been a supportive economic in Indonesia for a years, even since Dutch colonization with its VOC. Indonesian Coffee eventually became famous after it. *Asosiasi Eksportir dan Industri Kopi* (Coffee Exporter and Industry Association) describe how Indonesian Coffee became popular since Dutch colonization as top commodity traded. In that time, coffee was exported to European continent as a raw bean, then they processed it to

consumer products. In Indonesia itself, the number of home industry were increasing around 1960 years.

In that era, established a home industry with main focus in processing coffee to be drunk by local communities. The processed coffee is adjusted with local taste, so people called it as *kopi tubruk* (grinded black coffee). Nowadays, the business is sustain until third generation. With main values, is using a local coffee bean around Malang Regency. There has been so many changes through generations, including patented trade mark, health statement from BPOM (Local Food Authorities), variations in packing, and promotion strategies. So with all of it, *Kopi Rase* dominated it segments in Malang.

But, with increasing competition and globalization, we entered an era with a lot of new competitor decreasing market shares, and also makes price sensitivity is getting higher. Besides it, still another segments in this industry which is price sensitivity is not as high as in present segment.

With its opportunities and challenges in industry, owner must do something to make business growing and sustain. To implement that, need strategies formulation.

LITERATURE REVIEW

Strategy, according to Chandler in Umar (2010) is a tool to achieve company goals in relation with long term goals, program implementation, and resources allocation. Porter in Umar (2010) defined strategy as tool to achieve competitive advantages. Strategic management in Umar (2012) underlined and prioritize observation and evaluation on opportunities and threats external environment with considering strengths and weakness company's internal environment. In implementing strategy, there are goals to achieve. Goals of strategy according to Kodrat (2010) is winning customer preferences and making competitive advantages continuously that give enough income to stakeholder. As Hitt (2011) said that strategic have a purpose to achieve competitive advantages, and competitive advantages achieved if satisfy all stakeholder.

In strategic management, company generally divided into three levels according to Umar (2010):

1. Corporate Strategy
Strategy that give directions to company as wholly about how company should react toward growth
2. Business Level Strategy
Strategy that is developed in product level or division
3. Functional Strategy
Strategy that underlined on increasing resources productivity inside the company to increase performance

In order to create strategy, need tools to formulize it. The tools including but not limited to: Business Model Canvas and Blue Ocean Strategy.

Business Model Canvas by Osterwalder and Pigneur (2010) is a strategic management tool that used for planning new business or looking running business component. Business model is the way company in creating, communicating, and preserving value. Business model can answer question about who is your customer, what is your company selling, and how the company makes money.

Business Model Canvas by Osterwalder and Pigneur (2010) divided into 9 components:

1. Value Propositions
Value propositions is a group of value that company promise
2. Key Activities

- Key activities show how company operate
- 3. Key Partners
Key partners show company's partner in order to operate
- 4. Key Resources
Key resources show everything that company has
- 5. Cost Structures
Cost structures show company expenses
- 6. Customer Relationship
Customer relationship is relation between customer and company
- 7. Customer Segments
Customers is segmented in order to maximize service to customers
- 8. Channels
Channels show how company communicate and deliver products to customers
- 9. Revenue Streams
Revenue streams show how company makes money

Besides, Business Model Canvas, there is a tool called Blue Ocean Strategy to be used. Blue Ocean Strategy by Kim and Mauborgne (2015) is the opposite of Red Ocean Strategy. Blue Ocean Strategy is a name to describe company strategy to compete in market. On Table 2 shows the difference between Red Ocean Strategy and Blue Ocean Strategy

Table 2. Red Ocean and Blue Ocean Strategy

Red Ocean Strategy	Blue Ocean Strategy
Market existed	Market is not existed
Beat competition	Discard Competition
Exploit demand that exist	Create demand

Blue Ocean Strategy has three main tools to formulize strategy. The tools are:

1. Strategy Canvas
Strategy canvas is diagnose and action framework to build Blue Ocean Strategy
2. 4 Actions Framework
4 actions framework is used to reconstruct value elements in order to create new value curve
3. ERRC Grid
ERRC grid is a tool or supporting analysis from tools above

RESEARCH METHODS

According to its method, this research is conducted by using qualitative descriptive approach. Qualitative research in Kuncoro (2013) defined as research which can give clear image to one phenomenon to researcher. More, descriptive research includes collecting data to be tested their hypothesis or answering question about last status from research subject. Besides, according to its purpose, this research is included in practice category. Kuncoro (2013) define applied research is a research that apply theories to solve a problem.

The data for this research is collected through various method. The method including interview, observation, and documentation. The data that will be collected is:

1. Interview report with the owner and director of UD Jaya Baru respectively
2. Interview report with the family member as one of director

3. Interview report with person who involved in coffee industry
4. Researcher observation as a owner of UD Jaya Baru
5. Company documents
6. Documentation data and references from external sources to be use

The subjects of this research is interviewees and documentation. The object of this research is UD Jaya Baru. In order to validate the data collected, researcher use triangulation. The triangulation is the best way to decrease differences between reality in period of study time according to Moleong 92010)The triangulation to be used is technique and sources.

Analyzing the data will be as following:

1. Describing UD Jaya Baru condition with Kopi Rase using Business Model Canvas
2. Using Blue Ocean Strategy tools, Strategy Canvas
3. Using Blue Ocean Strategy tools, 4 Actions Framework
4. Using Blue Ocean Strategy tools, ERRC Grid
5. Making new Business Model Canvas

FINDINGS

UD Jaya Baru with Kopi Rase before can be described by Business Model Canvas as Figure 1.

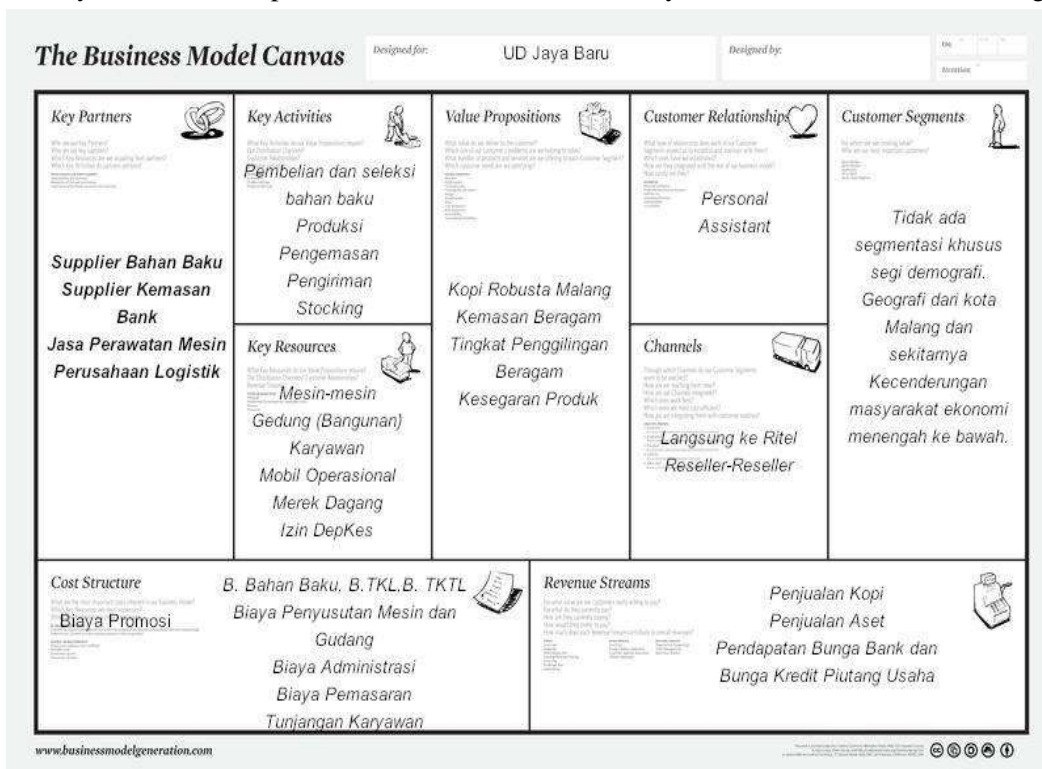


Figure 1. Recent Business Model Canvas

Using Blue Ocean Strategy will be modified in order to make new Business Model Canvas The Strategy Canvas of UD Jaya Baru can be drawn as Figure 2.

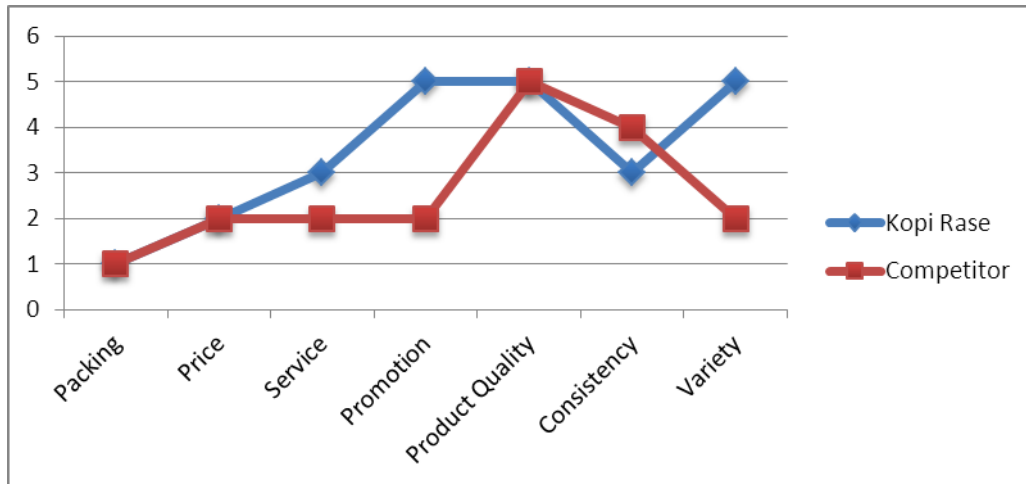


Figure 2. Recent Strategy Canvas

Afterwards, the research conduct a 4 Actions Framework and ERRC Grid which summarized in Table 1.

Table 3. ERRC Grid

Eliminate	Raise
<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • Consistency • Services
Reduce	Create
<ul style="list-style-type: none"> • Variety • Promotion 	<ul style="list-style-type: none"> • New Product • Retail Concept

After it, can be drawn new Strategy Canvas for Kopi Rase and Competitor as shown in Figure 3.

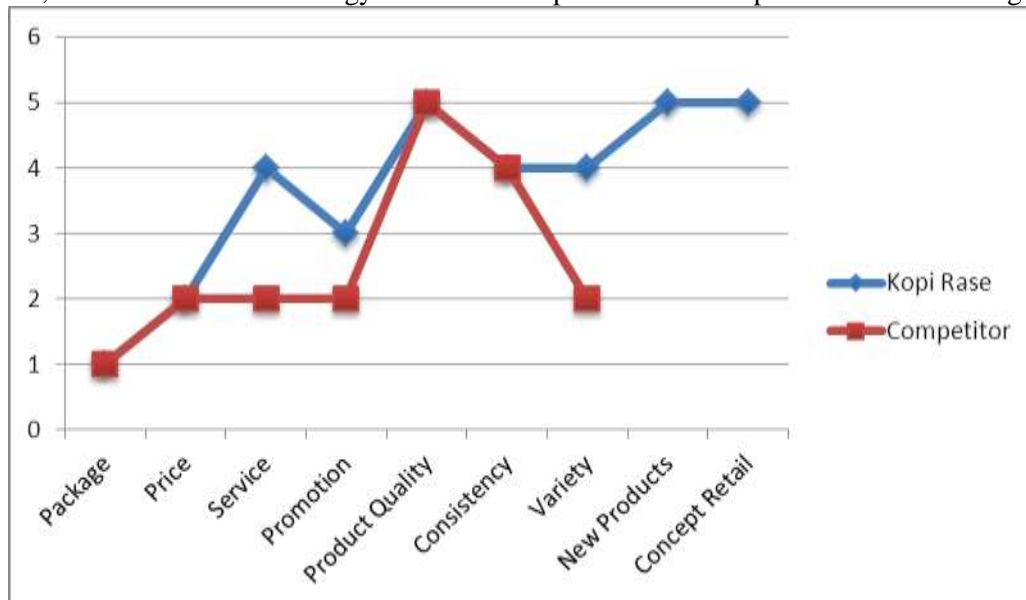


Figure 3. New Strategy Canvas

From the Figures 3., shows there is a change in every factor. There is none to be eliminated, promotion and variety is decreased, consistency and services should be increased, and creates new products also concept retail.

DISCUSSION

After collecting data and doing observation on Kopi Rase and competitors in Malang, is done mapping a new Business Model Canvas which then drawn a Strategy Canvas of Kopi Rase and competitors. As a result of analysis, can be taken a real direction of strategy that can be implemented by UD Jaya Baru in order to developing business. Old business model still running normally without interruption. Kopi Rase still producing use recent design and sells directly by stores. Factors to be reduced is variety of the package and promotion. Factors to be increased is consistency and services. Factors to be created is new products and concept retail. All of those factors considered important in this industry. Some of the factors considered inefficient and ineffective such as, promotion continuously. Some of the factors considered to be relatively more important such as, consistency. And there is a factor that needed to be created in order to compete and create opportunities in the market.

Finally the Business Model Canvas can be readjusted as shown in Figure 5. The new Business Model Canvas can be used as guidance for owners to implement new strategy








<p><i>Key Partners</i> </p> <p>Supplier Kopi dan Petani Kopi Supplier Kemasan Jasa Bank Jasa Perawatan Mesin Perusahaan Logistik Media Iklan Jasa Desain Grafis, Store dan Konsep Kemasan</p>	<p><i>Key Activities</i> </p> <p>Pembelian Kopi - Seleksi Kopi Produksi Pengemasan Pengiriman Stocking Display Produk Promosi</p> <p><i>Key Resources</i> </p> <p>Mesin-mesin Gedung Karyawan Mobil Operasional Merek Dagang Izin DepKes Display Store</p>	<p><i>Value Proposition</i> </p> <p>Kopi Amstirdam Malang Kemasan Beragam dan Unik Tingkat Penggilingan Beragam Kesegaran Produk Varietas Kopi yang Ditawarkan Beragam</p>	<p><i>Customer Relationships</i> </p> <p>Personal Assistant</p> <p><i>Channels</i> </p> <p>UD Jaya Baru - (Produksi) Reseller-reseller Display Store</p>	<p><i>Customer Segments</i> </p> <p>Ekonomi Menengah Ke Atas Turis dan Wisatawan di Kota Malang Masyarakat Pecinta Kopi Ekonomi Menengah Ke Bawah Pelanggan Tetap</p>
<p><i>Cost Structure</i></p> <p>B. Bahan Baku, B. TKL, B. TKTL Biaya Penyusutan Biaya Administrasi Biaya Pemasaran Tunjangan Karyawan Biaya Display Store</p>		<p><i>Revenue Streams</i></p> <p>Penjualan Kopi Penjualan Aktiva Tetap Pendapatan Bunga Bank Pendapatan Bunga Kredit Piutang Usaha</p>		

Figure 4. New Business Model Canvas

CONCLUSION

Business owner can consider the strategy for Kopi Rase using the result:

1. Old business model still run with modification on it as
 - a. Promotion and variety should be reduced
 - b. Consistency and service should be increase
 - c. Creating new product and concept retail
2. Adding new product and new business concept for blue ocean market in Malang
3. Change from old Business Model Canvas which is retail manufactur to premium business concept.

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