

DESIGNING A BUSINESS MODEL WITH A BLUE OCEAN STRATEGY APPROACH IN RENGGANIS COFFEE CUP & ROASTERY JEMBER

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ABSTRACT

The coffee business model has evolved significantly and is now being explored by small and medium enterprises (SMEs), one of which is Rengganis Coffee Cup & Roastery. The owner faces challenges with the ideal business model to maintain its existence amid competition from similar businesses. The aim of this research is to identify the current position of Rengganis Coffee Cup & Roastery, analyze the business model currently in use, and develop an appropriate business model canvas using the blue ocean strategy approach. The method employed is qualitative, utilizing snowball sampling technique. The results of the study indicate that, with the blue ocean strategy approach, there are two elements that need improvement channels and key resources and three elements that need to be created customer segment, value proposition, and key activities. By adopting this blue ocean strategy, Rengganis Coffee Cup & Roastery can create an uncontested market space, making the competition irrelevant.

Keywords: Rengganis Coffee Cup & Roastery, business model canvas, blue ocean strategy

INTRODUCTION

The business world has made remarkable strides in this era of globalization, which is still in its early stages. This has led to an increase in intense competition among companies. As a result, business actors are required to develop and implement business strategies not only to sustain and grow their businesses but also to compete for market share and successfully capture and maintain control over each existing market segment. This is because a successful business strategy is the key to achieving competitive advantage and business success.

Jember Regency is one of the top coffee and cocoa producing regions in Indonesia, which is why the only Indonesian Coffee and Cocoa Research Center is located in Jenggawah Jember and is owned by PTPN XII East Java. In addition to cultivating coffee and cocoa plants, the produce is also processed into various products such as beverages, snacks, candies, and even soap.

Coffee has always been a favorite, and this is closely related to the coffee-drinking culture that has been ingrained in Indonesian society. Moreover, the coffee business trend has developed significantly, ranging from well-known brands to street vendors. According to ICO Chairman Iman Pambagyo, "Indonesia's per capita coffee consumption during the coffee year from October 2018 to September 2019 reached 1.13 kg/year, making Indonesia the 5th highest in global coffee consumption share at 2.9%."

Today, coffee drinking culture is also packaged in very modern ways to attract younger generations to become coffee enthusiasts. This includes combining various coffee variants into a range of coffee beverages such as Mocha Latte, Cappuccino, Espresso, Frappe, Americano, and more. To produce coffee with the best flavor, the beans must go through various processing stages, starting from the cultivation stage with careful attention to ensuring that the beans are perfectly ripened when harvested. After harvesting, the beans undergo sorting, drying, and roasting processes, with precise control of moisture, light, water, and temperature to produce coffee with unique and distinctive flavors.

Coffee business models have also evolved and are now being explored by small and medium enterprises (SMEs), one of which is Rengganis Coffee Cup & Roastery, developed in 2016 by Ahmad Budi Santoso, S.E. (owner). The business vision of Rengganis Coffee Cup & Roastery is "to create high-integrity coffee products, ensuring quality, quantity, and continuity, so as to become a national-class local brand." To realize this vision, the partners have participated in various training and certifications in the coffee field, from bean selection processes to coffee bean management and the creation of various processed coffee products.

The owner of Rengganis Coffee Cup & Roastery faces a changing and unpredictable environment, requiring them to meet a Customer Value Proposition that differentiates them from competitors and to determine what the company should do to create something new or innovative, and, if necessary, to capitalize on existing opportunities. The current business model that can foster new innovations is through the Business Model Canvas.

The Business Model Canvas is a business model that outlines the fundamental idea of how a business creates, delivers, and captures value for the company, brand, or trademark, and the resources within it. The Business Model Canvas helps a business to reassess all activities undertaken by the company that impact its operations, and to determine whether the company's vision and mission need to be reviewed for adaptability, both concerning revenue activities and cost activities. The Business Model Canvas concept serves as a shared point of view for all members of an organization,

allowing them to illustrate and manipulate the business model to create alternative strategic policies that enable the strategy to be more adaptive to changes.

The Business Model Canvas also aids a business in identifying each element associated with the business, namely: customer segments, value propositions, channels, customer relationships, revenue streams, key resources, key activities, key partnerships, and cost structure. By focusing on these nine elements within the Business Model Canvas, planners and decision-makers in the company can see the logical connections between business components, thus generating value for both customers and the company (Osterwalder and Pigneur, 2010).



Figure 2.1. The Concept of Nine Elements of the Business Model Canvas

The Business Model Canvas is illustrated through nine fundamental building blocks that demonstrate the logic of how a company intends to generate profit. These nine blocks cover four main areas of business: customers, offerings, infrastructure, and financial viability (Kinasih, 2018).

Rengganis Coffee Cup & Roastery faces challenges with the ideal business model to maintain its existence amid competition from similar businesses. The owner is striving to find a business model that fits the enterprise while enabling continuous improvement to innovate both products and services, ensuring competitiveness and adaptability in the culinary market.

According to Kim and Mauborgne (2005), there are two types of business environments: red ocean and blue ocean. The red ocean represents current market competition, while the blue ocean involves creating new market space where competition becomes irrelevant. In the red ocean, industry boundaries are defined and accepted, and the rules of competition are known. Companies compete to outperform their rivals to capture a larger share of existing demand. As the market space becomes more crowded, profit and growth prospects diminish.

Blue Ocean Strategy is a method for revisiting value propositions and business models, as well as exploring new customer segments. The Business Model Canvas complements Blue Ocean Strategy by providing a visual “big picture” that helps us understand how changes in one part of the business model can affect other components. To achieve value innovation, Kim and Mauborgne (2005) propose an analytical tool called the Four Actions Framework.

The concept of Blue Ocean Strategy, according to W. Chan Kim and Renee Mauborgne (2005), is “How to create untapped market space that can generate demand and offer highly profitable growth opportunities. Essentially, it is about how to compete more intelligently by creatively reading the competition, developing strategies, and implementing systematic frameworks to create a blue ocean.”

The definition provided above explains that Blue Ocean Strategy is not about winning competition but about escaping the competitive world by creating new market space and making competitors and competition irrelevant. Blue Ocean Strategy is a substantive theory in this research. It refers to strategies aimed at creating new, uncontested market spaces with minimal competition. This is achieved by generating and reaching new demand that competitors have not yet considered. Essentially, Blue Ocean Strategy involves outpacing competitors through innovative product features that have been overlooked by rivals, often differing from what is currently available in the market. In this study, competing businesses are those producing similar products to those of Rengganis Coffee Cup & Roastery, as mentioned in the previous paragraph.

METHOD

Based on the search and type of data needed by the researcher, the research method used in this study is qualitative. According to Creswell (2008), qualitative research is a type of research that heavily relies on information from subjects/participants within a broad scope, addresses general questions, involves data collection primarily consisting of text (words) from participants, and involves explaining and analyzing these words in a subjective manner.

Given the aim of this research, an exploratory method is used to discover something new, such as grouping phenomena or specific facts about the research subject, because the nature of exploratory research is to map an object relatively in-depth. This involves using foundational data necessary for further research or decision-making.

Based on the data needs of the researcher in this study, the snowball sampling technique is employed. Snowball sampling, or chain referral sampling, is defined as a non-probability sampling technique where the sample is rare or hard to find. It is a sampling method where existing subjects provide referrals to recruit the necessary sample for the research study.

Data collection methods in this study include observation, in-depth interviews, literature review, and documentation. Data analysis in this study utilizes the Interactive Model of Analysis, which involves three components: data reduction, data presentation, and conclusion drawing or verification.

RESULT

The initial stage in determining the business model by identifying the current business model of Rengganis Coffee Cup & Roastery is with the nine-element approach of the Business Model Canvas.

Customer Segments

Customer Segments are a group of different people or organizations that a company aims to achieve and serve customers consisting of the core of each business model. Without customers (who can provide profits), no company can survive for a long time. Rengganis Coffee Cup & Roastery creates value for a segmented group of customers, which is different from other cafes even though they are both engaged in food and beverage, but Rengganis Coffee Cup & Roastery aims at how consumers buy the products and services offered as a lifestyle. More broadly, Rengganis Coffee Cup & Roastery offers food and beverage products that are different from those offered by other cafes.

Value Proposition

Value Proposition is the reason that makes customers choose products and services at the company. The proportion of value that Rengganis Coffee Cup & Roastery gives to customers is in terms of good product performance, namely quality food and beverage products where the product has a five-star taste but a street price. This means that customers get a high product taste where the food and beverage products have gone through several times of quality control so that the products that customers get are really able to meet expectations but at an affordable price.

Channels

Channels are elements that express how an organization communicates with its segment customers and convey the value proposition that the company has. So far, Rengganis Coffee Cup & Roastery has used sales channels directly to its customers with outlets that are strategically located, convenient and easy to reach for its customers.

Customer Relationship

Customer Relationships aims to acquire new customers, find ways to retain existing customers and offer old and new products or services to existing customers. The type of relationship that Rengganis Coffee Cup & Roastery expects is the type of relationship that the company has built so far. The type of relationship applied is with the Personal Approach model, which is to build good relationships with influencers, celebrities and young figures who are widely known among millennials. This relationship with customers is also strengthened by dedicated personnel who provide customers with the opportunity to provide input on taste or anything related to customer needs.

Revenue Streams

Revenue Streams describe how an organization earns money from each existing customer segment. The value that Rengganis Coffee Cup & Roastery offers has a business model that involves two different types of revenue streams:

- Recurring revenue generated from payments from customers who purchase Rengganis Coffee Cup & Roastery food and beverage products.
- Other income generated from the activities of the events that were followed.

Key Resources

Key resources allow companies to create and offer a Value Proposition, market reach, maintain relationships with Customer Segments, and earn revenue. The main resource of Rengganis Coffee Cup & Roastery is physically in the form of a café and roastery located in Tanggul district, Jember regency, East Java which is strategically located at the main junction of the Tanggul and is easily reached from all directions. In addition, it also has intellectual property in the form of a trademark that is in the process of registering IPR.

Key Activities

Rengganis Coffee Cup & Roastery chose the location of the embankment as the place of its activities because in addition to the original domicile of the owner, it is also close to its own coffee plantation as the main raw material for its business. Likewise, raw materials for other food and beverage products are very easy to get. The embankment is also considered a place that has good potential to develop the food and beverage business, considering the large number of millennials who are the main customers.

Key Partnership

Key Partnerships are a very important element, because indeed no organization or company can run without cooperating with other parties, including Rengganis Coffee Cup & Roastery. Rengganis Coffee Cup & Roastery's main partners are with local coffee farmers. Because even though they have their own coffee plantation, they have not been able to meet the needs of cafes, so they still need coffee products from other farmers. In addition, Rengganis Coffee Cup & Roastery also establishes partnerships with related agencies such as the Jember Regency Cooperatives and Micro Enterprises Office, the Jember Regency Industry and Trade Office, banks and several universities in Jember.

Cost Structure

All businesses that operate under a business model need a cost structure. Cost structure is any form of cost incurred by a company to run a business model. In determining its operating cost structure, Rengganis Coffee Cup & Roastery uses the following structure:

- Fixed cost; employee salaries, space rental costs, equipment procurement and maintenance, etc.
- Variable cost; Raw material costs, promotional costs, production costs (electricity, water, etc.).
- Economies of scale; operational efficiency, better technology, and savings in purchasing raw materials in bulk.

Based on the results of further in-depth interviews that have been conducted, the current business description of Rengganis Coffee Cup & Roastery is as follows:

1. Company Values

Value Propositions

Strength

- Businesses have a Value Proposition that aligns with customer needs
- Businesses have a Proportion of Value that has a strong network impact
- Customers are very satisfied between products and services

Weakness

- The company's value proposition still does not have strong synergy between products and services
- Less than optimal the human resource management

Opportunity

- Optimize the resources owned to be able to create high-standard and unique products so as to increase transactions
- Must be able to optimize digital marketing facilities to the maximum so that customers can easily reach and get the company's products

Threats

- The inability to upgrade tools and develop human resources is a vital part of the company's sustainability because superior human resources are able to maximize the company's program programs
- Competitors threaten to offer cheaper prices or value

2. Cost/Revenue

Revenue Streams

Strength

- The company profits from a sufficient margin
- Company revenue is predictable
- A company's revenue stream can be diversified because it is not from a single revenue stream
- The company has a recurring revenue stream and often gets repeat purchases
- Continuous revenue flow of the company

Weakness

- The company doesn't charge extra for what customers actually want to pay
- The pricing mechanism that the company sets is not too much for profit margins

Opportunity

- The company is able to replace revenue from a single transaction with recurring revenue
- The company has not set additional fees for other elements
- The company has cross-selling opportunities internally or with partners
- Companies still have other ways to create or add to other revenue streams
- The company is able to increase prices

Threats

- A company's margins are threatened by competitors as competitors set cheaper prices
- A company's Revenue Flow may be lost in the future if it is not managed properly

Cost Structure

Strength

- Expenses incurred and company income are predictable
- Companies benefit from economies of scale

Weakness

- The company's cost structure is not in line with the company's business model
- Company operations are less efficient from a cost point of view

Opportunity

- The company is still able to reduce costs by looking for investors

Threats

- Receivables costs are threatening and difficult for factories to predict
- The cost of capital loans threatens to grow faster than income

3. Infrastructure

Key Resources

Strength

- The main resources that a company has are difficult for people to imitate
- The company utilizes the right amount of key resources

Weakness

- The need for resources is difficult to predict in the current period

Opportunity

- Companies can still use cheaper resources for the same results
- The company can get the main resources obtained from partners
- The company is still able to explore key resources
- The company has intellectual property value that is not used for anything else

Threats

- The company faces disruptions in the supply of certain resources
- The quality of corporate resources is threatened to weaken

Key Activities

Strength

- Key activities that companies have are difficult to replicate

Weakness

- Companies carry out key activities less effectively and efficiently
- The quality of the implementation run by the company is good because everything is still manual
- The balance between in-house versus outsourcing is less than ideal

Opportunity

- Companies are able to standardize key activities by creating SOPs
- The company is able to improve effectiveness and efficiency in general
- Companies can leverage IT to support increased efficiency

Threats

- Key activities that can be disrupted
- The quality of the company's activities can be threatened

Key partnership

Strength

- The company focuses on and works with distributor and supplier partners
- The company enjoys good working relationships with distributor partners

Weakness

- The company still has limited communication on partnership integration

Opportunity

- Companies have the opportunity to outsource
- Collaboration with partners can still help companies focus on their core business
- There are still opportunities for cross-selling with distributor partners

- Improved integration channels with partners help companies reach customers
- Distributor partners complete the proportion of the company's value

Threats

- The company could be in danger of losing one of its partners
- Possibility of corporate partners collaborating with competitors

4. Customer Relations

Customer Segment

Strength

- Low customer turnover rate against the company
- The company's customer base is well segmented

Weakness

- Companies are less able to get new customers

Opportunity

- Companies can still benefit from a growing market
- The company has the opportunity to serve new customer segments
- The company serves customers better through better segmentation

Threats

- Competitors threaten the company's market share
- Likelihood of customers moving
- The company is unable to increase competition in the existing market

Channels

Strength

- Company-owned channels provide economic scope
- The channels that the company owns according to the existing customer segments

Weakness

- Company-owned channels are less effective and efficient
- Customers are quite difficult to see the company's channel
- The channels owned by the company are not well integrated
- Weak channel coverage among customers

Opportunity

- Companies can improve the efficiency and effectiveness of the channel
- Companies integrate channels better
- Companies find new partnership channels
- The company increases margins by serving customers directly
- Companies better align channels and customer segments

Threats

- Competitors could threaten the company's channels
- Corporate channels are in danger of becoming irrelevant to customers

Customer Relationship

Strength

- The company's customer relationships are still strong
- The quality of the relationship really matches the customer segment
- Relationships bind customers through low moving costs

Weakness

- The company's product brands are still less strong than competitors

Opportunity

- The company has the potential to improve customer follow-up
- Companies can strengthen relationships with customers
- Companies are able to improve personalization

- The company recognizes and releases unfavorable customers
- Companies need to synchronize multiple relationships

Threats

- A company's customer relationship could be at risk of deteriorating

DISCUSSION

Redesign Bisnis Model Canvas dengan Pendekatan Blue Ocean Strategy

Blue Ocean Strategy is a method for reassessing value propositions and business models while exploring new customer segments. By combining the Blue Ocean Strategy tools with the Business Model Canvas, a comprehensive overview is provided to reassess each element of the Business Model Canvas that has been identified for Rengganis Coffee Cup & Roastery.

Four-Step Framework Method

From the results of the Business Model Canvas and SWOT identification, there are four key questions that question the logic of the industrial strategy and business model that has been formed to reformulate the company's business model with the largest factor in Rengganis Coffee Cup & Roastery as follows:

1. What factors are considered to already exist in the industry that must be eliminated?
The results of the study show that no element will be eliminated yet, so it must be maintained.
2. What factors should be reduced to a little below industry standards?
The results of the study did not find any elements that were reduced and even continuous improvement steps had to be added.
3. Which factors should be raised above industry standards?

Customer Segment

Recruited new customers; by penetrating through product diversification so that it will bring in new customers.

Channels

Segmented; increase cooperation with related agencies for benchmarking, use of the company's website with the addition of more massive online sales features and need to upload content related to Rengganis Coffee Cup & Roastery as often as possible.

Key Resources

Intellectual property; Stronger brand branding by adding promotional channels in mainstream media and often participating in events as a source of growth.

4. What factors had to be created that the industry never offered?

Customer Segment

Segmented; creating exclusive and prestigious customer segments.

Value Proposition

Newness; creating food & beverage products that are affordable and contemporary for millennials.

Key Activities

Platform; Creating a subsidiary in the field of food & beverage raw materials

Future Business Model Canvas Rengganis Coffee Cup & Roastery

The Business Model Canvas complements the Blue Ocean Strategy by providing a visual "big picture" of the nine elements of the business that helps us to understand how changes in a part of the business model will affect the components that generate new value. From the results of this study, an overview of the future business model of the Rengganis Coffee Cup & Roastery canvas was obtained as follows:

Raise (element to upgrade)

Channels

Segmented; adding cooperation with related agencies and influencers known among millennials for benchmarking, the use of the company's website with the addition of more massive online sales features and the need to upload content related to Rengganis Coffee Cup & Roastery as often as possible so that it can become an adaptive food & beverage business in responding to the market so quickly and instantly without any distance and time constraints with online sales methods.

Key Resources

Stronger brand branding by increasing channels and frequency of promotions in mainstream media and often participating in events to be more widely known. The addition of qualified human resources in their fields needs to be done to improve service professionalism.

Create (element to be created)

Customer Segment

Creating an exclusive and prestigious customer segment when becoming a customer at Rengganis Coffee Cup & Roastery and creating an image as a loyal customer. One way is to give a member card. With this member card, in addition to being able to be used as a discount at the time of transaction, it can also create their image as a loyal customer.

Value Proposition

Newness; That is to create diverse and contemporary food & beverage product creations but at affordable prices. This can be done periodically considering the many creations of food & beverage products so that it will still attract customers to always wait for the latest products.

Key Activities

Platform; Creating a subsidiary in the field of raw materials for food & beverage products. One example is by opening a coffee product processing business which is the main raw material for Rengganis Coffee Cup & Roastery products. Why is the role of this subsidiary so important? Because this can be an alternative source of income and a source of new business growth for Rengganis Coffee Cup & Roastery. The taste of this coffee can also be determined from the way it is processed post-harvest. If Rengganis Coffee Cup & Roastery processes its own coffee products, the taste and quality of its coffee can be maintained in accordance with the standards desired by its customers and the availability of raw materials for its main products is maintained. In fact, it is not impossible that other parties will also buy this coffee raw material from Rengganis Coffee Cup & Roastery.

CONCLUSION

The results of this study can be used as an analysis of the industry structure, market share and business strategy planning of Rengganis Coffee Cup & Roastery. It can also be used to find out the company's current position, the company's internal and external conditions, how the company's competitiveness is in the midst of many competitors for food & beverage products, as well as determine the right strategy and proposed strategies that can be carried out by Rengganis Coffee Cup & Roastery, where this can be used as a long-term step but still be adaptive. With this blue ocean approach, Rengganis Coffee Cup & Roastery can create a market space without competitors and leave the competition irrelevant.

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