

EVALUATION BUSINESS STRATEGY NEIRA COFFE SHOP USING BUSINESS MODEL CANVAS APPROACH

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Abstract

The high competition in the coffee shop business and promising opportunities make Neira coffee shops able to adapt and develop their business. This study aims to evaluate the business strategy of the Neira coffee shop with a canvas model business approach as well as to design a new business model through five porter analysis and SWOT analysis including identification of internal and external factors. This research is a descriptive qualitative research with indept interview method. The results of this research show that the development of a business model in seven blocks on the canvas business model, namely the development of the customer segment is a type of professional worker or entrepreneur. In Customer Relationship, the development obtained is push notification email/ WhatsApp; Revenue Streams development is a consignment fee; Key Resources development is a customer database; Key Activity development is a continuous online promotion; Key Partnership development is namely partnering with bakery shops; and development on the Cost Structure is the cost of developing innovation.

Keywords : Business model canvas, SWOT Analysis, five porter's Analysis

Introduction

The habit of drinking coffee is now no longer a necessity and enduring drowsiness, but a lifestyle. For some Indonesians drinking coffee is a trend, even among the younger generation, drinking coffee is a moodbooster, making them more dynamic and inspiring in carrying out their daily activities. In addition, drinking coffee can be beneficial for health. Consuming coffee has beneficial effects on a number of chronic diseases, including cancer, and cardiovascular, metabolic, and neurological conditions. (Grosso et al., 2017)

Indonesia is in the top 10 countries with the highest level of coffee consumption in the world. This is as stated by the International Coffee Organization (ICO) in the World

Coffee Consumption 2018/2019, the total coffee consumption in Indonesia has continued to increase almost 4 times since 1990, equivalent to 4.8 million 60 kg bags. Meanwhile, the largest consumption in the world is the countries that are members of the European Union with a consumption of 44 million more than 60 kg bags

The development of coffee shops in Indonesia has experienced at least four periods of development. Starting from a traditional coffee shop or coffee shop that provides types of Ready to drink coffee with instant coffee powder to a coffee shop start up with the Coffee To-Go concept. The results of research by TOFFIN, a company providing business solutions in the form of goods and services in the

HOREKA industry (Hotels, Restaurants and Cafes), in Indonesia, together with MIX MarComm Magazine SWA Media Group shows the number of coffee shops in Indonesia in August 2019 reached more than 2950 outlets, an increase almost three times compared to 2016 which was only around 1000. This increase has at least made the competition for coffee shops even fiercer

Based on the results of interviews with Neira Coffee management, it was stated that they will continue to plan to continue to grow by targeting an increase in the number of outlets in several areas of East Java, especially Surabaya. The number of outlets that are targeted by the end of 2020 is 50 outlets, but until now only 25 outlets have been running. When compared to its competitors, established in the same year, Janji Jiwa already has 500 outlets, Kulo 300 Outlets and Fore 100 Outlets.

The existence of changes in market conditions and situations as well as the economy where the market is growing, technology changes and new competitors are emerging one of the reasons for the need to evaluate existing business strategies to suit company goals. Neira Coffee Management realizes that to support business growth today requires the right steps with a massive and appropriate business strategy to encourage increased income. Increased income and promising business prospects will be a consideration for potential investors. According to Berns (2016), the two most cited criteria for an investor are the expected return and the perceived risk of the person concerned.

Business competition in the coffee shop sector is very tight and demands to continue to increase creativity. Creativity will generate ideas and uniqueness that can attract customers, thus to produce a creative business, innovation is needed in order to

produce excellence and be able to face business competition that exists today and future.

Literatur review

One step in determining the appropriate business strategy to increase revenue is by innovating the business model. Amit and Zott (2012) assert that business model innovation can provide significant opportunities both during periods of rapid economic growth and during times of turmoil. Innovative business models can create new markets or enable companies to create and take advantage of new opportunities in existing markets.

Business model innovation is very important in achieving success in the present and the future, in a rapidly changing and increasingly complex environmental condition, so company leaders need to understand when to adapt to business models and how to implement changes (Giesen et al., 2010)

According to Magretta (2002), a business model was created to make it easier for company owners or organizations as well as professionals in designing and abstracting a business and then implementing it in a real way. According to Saraswati et al (2014), Understanding the business model is seen from its components, namely the business model consisting of product components, benefits, income, consumers, assets, knowledge, connections, structure and governance. According to Osterwalder and Pigneur (2012), a business model describes the rationale for how organizations create, deliver and capture value. The approach to understanding a business model is a business model canvas where the canvas business model is the same language for describing, visualizing, assessing and changing the business model.

According to research conducted by Blank (2013), the canvas business model is able to provide a more comprehensive and holistic perspective from all company stakeholders effectively and efficiently. This is what underlies this research, namely evaluating the business strategies that have been carried out by Neira Coffee Shop at this time. Osterwalder and Pigneur (2012) have developed a canvas model business concept and simplified it into Nine Building Blocks consisting of: Customer Segments, Value Proportions, Channels, Customer Relationship, Revenue Stream, Key Resources, Key Activity, Key Partnership and Cost Structure.

Research methods

The research approach used in this research is descriptive qualitative research. Descriptive research tries to paint a picture of a particular situation by answering the question of who, what, when, where and how, namely describing the situation in the development of the Neira coffee shop business. Determination of informants is done by using purposive sampling technique, where the sampling is done deliberately based on special characteristics in accordance with the research objectives so that it is expected to answer the research problem. Data sources were obtained from primary data and secondary data. The data collection technique used was in-depth interview and documentation.

The stages of data analysis carried out in this study were based on Osterwalder and Pigneur (2012), which consisted of: a) Mobilize; In this stage, the identification of the problem and determination of research is carried out, namely obtaining a canvas business model for the development of Neira Coffee; b) Understand; At this stage, external and internal analysis is carried out to get an initial picture of Neira Coffee. External environmental analysis was

conducted through Porter's five forces consisting of; suppliers, competitors, stakeholders, new entrants and substitute products. Meanwhile, internal analysis uses a SWOT analysis approach to determine your strengths, weaknesses, opportunities and threats. The results of the analysis are used to deepen the mapping of the block elements in obtaining the Neira Coffee canvas business model; c) Design; At this stage, the core of the research is carried out by combining data and analysis to be mapped in the nine blocks of the canvas model elements obtained through interviews with internal and external parties.

Result and Discussion

Customer Segment

Neira Coffee customers are segmented. The customer segment covers all ages, but the main segment of Neira coffee is young people.

Value Propositions

Specifically, Kopi Neira charges a low price considering their target customer segment. Besides that, Neira Coffee also takes raw materials directly from main suppliers and does not use third parties, this is what makes the production price lower. In terms of quality here, Neira Coffee uses quality control for every raw material ordered from home industry partners, because the raw materials used are some of the imports, sometimes Neira Coffee experiences delays in the supply of raw materials when demand soars, however, Neira Coffee still tries to provide services optimal by increasing warehouse stock updates that are integrated with the sales system. Coffee Neira always tries its best to give a good image with the attraction of presenting coffee products with cowboy hats and also Baristas providing

information about coffee during the manufacturing process to customers.

Channels

The distribution channel owned by Kopi Neira uses its own. Products are obtained directly through outlets that are spread out and Indirectly, Kopi Neira partners with ride hailing applications such as Gofood and Grabfood. However, online sales have not been able to compete with offline sales.

Customer Relationships

Just like coffee shops in general, in maintaining its customers, Kopi Neira holds live music for certain dates to pamper its customers. Neira Coffee also collaborates with communities. Consistent use of social media to provide information on the latest developments and benefits of discount programs for members so that customers remain loyal and loyal.

Revenue Streams

Neira coffee revenue comes from offline and online revenue. To go offline includes selling products directly through distributed outlets, selling raw materials to partner outlets. As for online sales, revenue is obtained through the Gofood and Grabfood food delivery applications. Neira Coffee also benefits from the sale of raw materials to its partners and the proceeds from joint ventures to investors

Key Resources

Main resources owned by Kopi Neira are tangible resources which include outlet stores, equipment, sales systems, raw materials, suppliers. Meanwhile, intangibles include brands

Key Activities

Based on the quote from the interview with the CEO / owner, it can be seen that the key activities of Neira Coffee include

production activities, customer service and selling raw materials to partners.

Key Partnership

The main partners of Kopi Neira are the home industry for processing powder raw materials, local farmers for selected coffee raw materials, online gofood and grabfood platforms, POS Spots for cashier systems and non-cash payments such as BCA, Gopay, Ovo, Shopeepay

Cost Structure

The cost structure of Neira coffee adopts a low cost or value driven approach. Costs of purchasing raw materials, promotional costs, fixed costs such as wages for labor and operational costs such as coffee shops in general

<u>Key Partners</u> Home Industry Local farmer Payment cashless: BCA, Ovo, Gopay, Shopeepay SPOTS POS	<u>Key Activities</u> Production Supplies raw material Customer Service <u>Key Resource</u> Store, Equipment, Human resources, raw materials, finance resources, suppliers Merk	<u>Value Proposition</u> Good Quality Affordable Price Proses Image	<u>Customer Relationships</u> Community Sosial media Member card <u>Channels</u> Offline Store Online platform: GoFood, GrabFood	<u>Customer Segments</u> College student, young people with purchasing power under 50rb
<u>Cost Structure</u> Raw material cost Labor Cost, Operating cost Marketing Cost		<u>Revenue Streams</u> Sales of product Sales of raw material Joint venture investor		

Figure 1. Business Model Canvas Existing Neira Coffe Shop

Five Porter's Analysis

Analysis of the industrial competition environment was carried out using a model of Michael Porter's five competitive forces, namely the threat of new entrants, bargaining power of suppliers, bargaining power of customers, threats of substituted products, and competition among existing competitors and described as follows

Threat of New Entrants

The threat of newcomers to Kopi Neira is quite high. The opportunities that exist in the coffee shop business or coffee shop are still wide open. New coffee shops that have sprung up do not require too much capital, only with a capital of 10-20 million, a simple coffee shop can run. If the existing companies have a bad brand, they can easily be displaced by new brands that could be more famous, with the internet / social media making it easy for newcomers to this business to promote their products. The barrier to product differentiation is quite high because the more the product is different or unique, the more curious consumers are and want to try it.

Bargaining Power of Suppliers

Neira Coffee supplies powder raw materials from home industry partners and coffee raw materials directly from farmers. Neira Coffee has regular suppliers and has good relationships so that the bargaining power of suppliers can be minimized, this makes Neira Coffee never change suppliers because it maintains the availability of raw materials, maintains existing quality.

Bargaining Power of Buyers

The bargaining power of buyers is very strong, because the number of alternative choices of coffee shops, restaurants or restaurants in the city of Surabaya is very large, so the offer is high and consumers are free to choose the coffee shop according to their wishes. Neira Coffee tries to follow consumer desires by increasing creativity, product innovation and improving service quality as well as improving supporting facilities for consumer convenience. Consideration of the price offered is quite affordable with high quality taste so that customers do not switch to another place.

Threat of Substitute Products or Services

The threat of substitute or substitution products is quite strong. The threat comes from beverage shops that offer strong brands of distinctive drinks and varied menus such as Cincau Station, Chat Time. The large number of consumer choices for beverage products will have an impact on reducing the number of Neira Coffee consumers

Rivalry Among Existing Competitors

Rivalry between existing competitors takes many forms, including discount prices, new product introductions, advertising campaigns and service improvements. High competition will limit an industry's profits. The level of competition between coffee shops in the city of Surabaya tends to be competitive. This can be seen from the number of cafes, restaurants and restaurants that are increasing every year in the city of Surabaya.

SWOT analysis

SWOT analysis is obtained by identifying the company's internal and external factors. Internal factor analysis obtained includes the strengths and weaknesses of the company. These strategic factors were obtained through internal party interviews, namely; power; Strategic location, Quality Products, Affordable Prices, Process, Image. weakness; Packaging design; Labor; Management; Promotion. While the analysis of external factors obtained includes opportunities and threats. These strategic factors were obtained through interviews with external parties, namely; opportunities; Wide market share; Online Food Delivery Application Platform; Lifestyle trends; Social media. Threats include; Similar Business Feelings, More interesting flavors; Strong coffee shop brands; Increase in raw material prices.

The SWOT matrix analysis is the concrete steps that Neira Coffee should take to continue producing beverage products. This analysis produces various alternative strategies. There are four main strategies that can be suggested, namely the SO, ST, WO and WT strategies which are described as follows:

(a) SO Strategy - Expanding market share; The existence of opportunities such as coffee is one of the main commodities in Indonesia which is in great demand. Everyone, from various ages, social status, gender, this makes the coffee shop market wide. Neira Coffee can take advantage of these opportunities by using its strengths, for example quality products, affordable prices, service processes and a good image. Improve service quality; To continue to improve the quality of service, Neira Coffee can take advantage of its strengths such as the appearance of a barista wearing a cowboy hat and the process of serving drinks using throwing techniques to seize opportunities, namely through social media as a means of information introducing coffee shop outlets to netizens for the latest things

(b) WO Strategy-Repairing strategy of packaging; Product packaging has various functions including protecting the product, as a buyer attraction, differentiator from other products, promotional tools and a source of information for a product. The packaging used for the Neira Coffee drink is simple, only using screen printing plastic cups with plain plastic opp seals with a less attractive design. If this product is sold to a wider market segment both offline and online, it will be difficult to compete with other products that already have it. more attractive packaging. Therefore, it is necessary to repair the packaging. Adding a management team; The limited number of function managers is very influential on the

development of Neira Coffee business. Multiple positions will result in activity that is not optimal. If you want to reach a wider market, Kopi Neira needs to add a management team so that the business process becomes easier. Recruiting qualified workers; Some of the workforce owned by Kopi Neira are students. It often happens that workers do not enter and hinder the coffee shop operations. For this reason, if Kopi Neira wants to expand and develop its business, qualified workers who are focused on work are needed

(c) ST Strategy - Developing new products / variants; By utilizing the strengths that are owned, namely quality products and locations, the strategy that can be used is to develop the product. The objective of this strategy is to reduce threats from similar businesses that have more attractive variants or more innovative products.

Maintain good relationships with customers; With competitive business competition and coffee shops with strong brands, a strategy is needed for Neira Coffee to continue to maintain good relationships with customers.

(d) WT Strategy - Improving Promotion; Strategies to improve promotion continuously to minimize the threat of coffee shops that have strong brands, more attractive variations of flavours. With this strategy, it is hoped that customers will be more loyal and the emergence of new customers. Maintain the value provided to customers; by utilizing the strengths owned such as quality products, affordable prices, good service will increase customer satisfaction so that it will reduce threats in business competition

Development Business Model

Canvas Customer segment

Based on interviews with experts, it can be seen that the customer for the processed

coffee shop segment comes from generation Z with an age range of 10-24 years and generation Y (25-39 years). In that age range, work as a student, student to worker / entrepreneur. meanwhile, they spend less than 200,000 for coffee per month on average. This type of work is different from the Kopi Neira customer segment so that it can be taken into consideration for developing a business model canvas.

Value Proposition

Quality and price are the main attractions for customers to decide to buy Neira Coffee. Good waiter processes to barista attributes are able to steal the attention of customers such as trowing attractions and cowboy hats.

Channels

To reach new online customer segments, namely employees, students, entrepreneurs and students, the best recommended Neira Coffee channels are to maximize sales through online platforms by providing attractive promos or bundle packages. This is based on expert interviews that the z and y generations are very aware of technology, they buy products through online applications.

Customer Relationship

Based on the development of channels and also the customer segment, the type of relationship that can be suggested for Neira Coffee so that the customer segment will buy processed coffee products again is push notification email/ WhatsApp sourced from customer database This type of relationship is not owned by Kopi Neira's customer relationship so that it can be used as a canvas model business development.

Revenue Stream

Based on interviews with experts, it can be seen that one source of coffee shop acceptance is the consignment fee by collaborating with food businesses. So the coffee shop does not only serve drinks but also provides food that is supplied by the food business at below market prices so that it can be used as a canvas model business development.

Key Resources

Based on the development of customer relationships in the form of push notification email / whatsapp, a customer database is required. This type of resource is not owned by Kopi Neira so that it can be used as a development for the canvas business model.

Key Activities

Based on the development of channels for online customers that the use of technology is closely related to generation Z and Y,

especially beverage ordering via the delivery message application. Meanwhile, the composition of Neira Coffee's online sales is still small, accounting for 30% of all sales. So it is necessary to develop a canvas business model for key activities, which is a continuous online promo

Key Partnership

Based on the development of the revenue stream, the key partnership development is to partner with a cake shop / bakery. The result of this collaboration can of course be a complement to the Neira Coffee shop which only serves beverage products.

Cost Structure

If you look at the eight variables above, the cost structure that will increase is the cost of business development, such as processing customer databases.

<p><u>Key Partners</u> Home Industry Local Farmer Payment cashless: BCA, Ovo, Gopay, Shopeepay SPOTS POS Bakery Shop</p>	<p><u>Key Activities</u> Production Supplies raw material Customer Service Continuous Promo</p>	<p><u>Value Proposition</u> Good Quality Affordable price Proses Image</p>	<p><u>Customer Relationships</u> Community Social media Member card Push notification email/ whatsapp</p>	<p><u>Customer Segment</u> College student, young people with purchasing power under 50rb Workers entrepreneur</p>
<p><u>Key Resource</u> Store, Equipment, Human resources, raw materials, finance resources, suppliers Merk Database customers</p>			<p><u>Channels</u> Offline Store Online platform: GoFood, GrabFood</p>	
<p><u>Cost Structure</u> Raw material cost Labor Cost, Operating cost Marketing Cost Inovation Cost</p>			<p><u>Revenue Streams</u> Sales of product Sales of raw material Joint venture investor Fee konsinyasi</p>	

Figure 2. Development Business Model Canvas Neira Coffe Shop

Conclusion

Based on the results of the analysis and discussion in the previous chapters, it can be concluded that the preparation of the Coffee Neira business model development requires several improvements to its business model, namely the addition of seven blocks to the canvas business model, including Customer Segment - in this element there is a development, namely the type of worker profession. or self-employed; Customer Relationship - in this element there is development, namely push notification email / whatsapp; Revenue Streams - in this element there is development, namely consignment fees; Key Resources - in this element there is development, namely the customer database; Key Activity - in this element there is a development, namely continuous online promotion; Key Partnership - in this element there is development, namely partnering with a bakery shop; Cost Structure - in this element there is development, namely the cost of developing innovation

Suggestion

Based on the results of the research above, the implications in this study are recommendations for developing a canvas business model that can be used as a business strategy in developing a business for Neira Coffee. The limitation in this study is the minimal number of respondents in this study which allows less description of the existing business model and the business model development design so that the direction for further research is expected to increase the number of respondents through questionnaires so that more information can be obtained in designing a canvas business model. the new one

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