

Proposed Business Strategy for Small and Medium Food Beverage Industry: A Case Study of Ladangkita.id

Aditia Abdurachman and Alvanov Z. Mansoor

ABSTRACT

Indonesia government urges the public to increase their immune system to prevent the spread of the Covid-19 virus by increasing the consumption of healthy food as well as massive vaccination and mobility restriction. The issue creates opportunity for an enterprise named Ladangkita.id focusing in selling healthy agricultural food especially fruits. This paper evaluates the existing business of Ladangkita.id who often experiences problems during the process in order to create a better business strategy. Using two analytical approaches, which are Business Process Analysis and Porter's Five Forces, the authors found that Ladangkita.id operational cost is bigger than its revenue because of their business process and fruit retail business is highly saturated. Blue Ocean Strategy is proposed by the authors for Ladangkita.id. By eliminating activities that less contribute to revenue, reducing variance of fresh fruits but increasing the variance of processed fruits as well as creating a new value of products may create a better and sustainable business for Ladangkita.id.

Keywords: Agricultural Business, Business Process Analysis, Blue Ocean Strategy, Covid-19, Porter's Five Forces.

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I. INTRODUCTION

Indonesian president decided to enforce the Regulations on Handling Corona Virus Diseases 2019 (Covid-19), set from March 31, 2020, as stated in Government Regulation No. 21 of 2020. This policy limits schools, offices, places of worship, public facilities, social culture, and even public transportation% (*Kedutaan Besar Republik Indonesia Di Brussel Merangkap Luksemburg & Uni Eropa Belgia*, n.d.).

Based on data from the Indonesian Central Statistics Agency. During the adaptation period to new habits, the survey results from 1 week that 90 thousand people with differences in gender, education, age, and occupation, found 38.75% said that they rarely left the house. Almost 20,08% use the frequency of leaving the house for work, only 1,47% for social needs, and 3,08 for leisure (Badan Pusat Statistik, 2020).

In addition, the Indonesian Minister of Health for Community Nutrition appealed to the Indonesian people to maintain and improve their immune systems to prevent contracting the Covid-19 virus by exercising regularly, washing their hands, and eating balanced nutritious food, including fruits (Kementerian Kesehatan Republik Indonesia, 2020).

II. BUSINESS ISSUE EXPLORATION

Ladangkita.id is a Small Medium Enterprise business that sells fruit products door to door to the residence in the East of Bandung, using a motorbike. It was founded in 2020 by Aditia Abdurachman, M Fahmi Siregar, and Novriesco

Meiza. As a newcomer in Food and Beverage Industry, especially fresh fruit retailers, Ladangkita.id has to have a specific business strategy to develop a sustainable business. However, various problems often occur during the process, such as unclear job desks on top management, non-performance of financial disabilities, fluctuations in raw material prices from day to day, and the number of sales continuing to decline. The majority of these problems are the number of costs incurred by the company more than the total revenue. Therefore, it is necessary to analyze the existing business ecosystem and find a suitable strategy in order to sustain the enterprise. Ladangkita.id then will create a new business strategy based on business process analysis towards existing operational activities and Porter Five Forces external analysis (see Fig. 1).

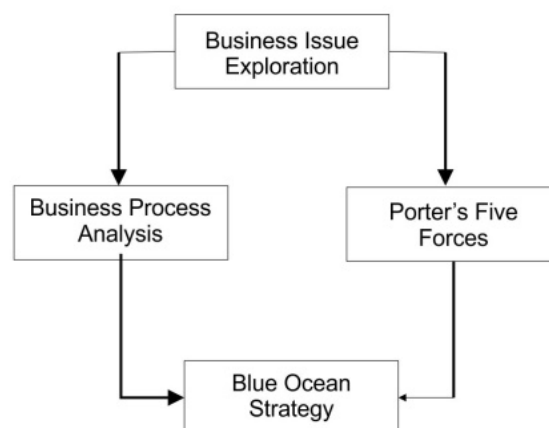


Fig. 1. Conceptual Framework.

TABLE I: BUSINESS PROCESS OF LADANGKITA.ID

Stages	Stakeholder	Problems
Creating Product list	Finance and Marketing manager	Limited budget for purchasing several fruits because highly fluctuated price from the suppliers.
Purchasing raw material (the fruit)	Street peddling fleet and Supply Chain Manager	Vehicle's occasionally must be serviced and creates accidental costs. there is a gap between the quality and quantity of the fruit written in the invoice and that received from the supplier which results in re-sorting the fruit.
Sorting the fruit	Finance and Marketing manager	Many small size and rotten fruit that can't be sold.
Selling	Street peddler fleet and Marketing managers	Vehicle's occasionally must be serviced and creates accidental costs. customers are looking for fruit that is unavailable. Street peddlers raised the selling price above the seller's average price to increase the day's revenue and commissions.
Financial Reporting	Finance and Street peddler fleet	Fruit shrinkage due to ripening or customer's fierce haggle. Street peddler's delay in reporting sales results causes delay in sales recapitulation, next day purchase planning, and purchasing team departure.

A. Business Process Analysis

A business process is a set of business activities put together to create added value for a specific customer or market (Kaniski & Vincek, 2018). In addition, business processes should be based on the way business activity is conducted in a company, which has to generate revenue in order to survive (Chesbrough & Rosenbloom, 2002).

The business process of Ladangkita.id covers all activities from purchasing raw materials to selling activities and creating financial reporting. The following is the basic of the business process of Ladangkita.id that consists of five steps.

The business process starts with creating a product list. the list is seen based on the number of total sales, stock, and durability of the fruit. Based on the list, the fruit purchasing team can calculate the variety and quantity of the fruits. The problem occurred when there was a delay in sales recapitulation from previous sales.

In purchasing materials, Ladangkita.id uses its own tricycle motor or boxcar when we buy raw materials in moderate or large quantities. the vehicles used are not in good condition so they often break down and cause delays in arriving at the warehouse for processing before being distributed to travel sellers. In addition, the breakdown of the vehicle adds to the company's operational costs. Sometimes the quantity and quality of fruit available at the supplier do not match expectations, so the procurement team sometimes improvises by going to another supplier or buying the available fruits but creates uncertainty about the availability of the type and quantity of fruit offered to buyers. After making a purchase and payment, the goods are transported to Ladangkita.id's storage to be sorted.

The goods or fruit that comes is checked for conformity with the purchase receipt before being sorted, washed and divided according to the number of members of the street peddler fleet. The problem that often occurs is the mismatch of fruit size and freshness which results in a reduced quantity of fruit sold by the street peddler fleet. At the end of this step, the management set the base price for each and every fruit available. Unfortunately, the management did not set a fixed price and created a loophole in the pricing strategy which results in the declining purchases in the long run.

In the morning, street peddlers fleet come to Ladangkita.id's storage using their own motorbikes filled

with supplied gasoline and installing the basket and fruit on the motorbikes. After everything is ready, the street peddlers fleet doing fresh fruit selling to the designated residential area and they have to come back around 04.30 PM to report and return the unsold fruits.

On the last step, Ladangkita.id must create financial reporting. All the sales data from the street peddler fleet are collected and calculated. The finance department records all sales data, stock, and cash flow reports. This data becomes the basis for the fruit procurement team to decide which and how many fruits are needed for the next day. Activities are carried out on a daily basis because of the possibility of accelerated fruit ripening which results in the fruit being unable to be sold due to rot or the cash availability for fruit purchases referred to the results of fruit sales on the previous day.

In summary, problems often occur in almost every stage of the business analysis process (see table 1). However, the most significant problem is it results creates a condition that expenses are greater than generated revenue.

B. Porter's Five forces

Porter's Five forces model of a competitive analysis illustrates how the Five competitive forces can be used to explain low profitability and viable entries to an industry (David, 2019). The depicted forces may become a decisive benchmark for long-term strategy development competitive advantages (Herdyanti & Mansoor, 2020). A summary construct of Porter's Five Forces is demonstrated below (Haag & Cummings, 2012)

1) The threat of new entrants

The threat of new entrance or a solid competitive force is generated by low barriers to market entry, nonproprietary products or raw materials, and little government regulation.

Several factors affect how much a threat new entrants may pose, such as barriers to entry (patents, etc.), small capital cost (just need a bike and money just 300 thousand rupiahs) you can make a business, easy to get distribution channels like a fruit farmer whose area is already centralized, easy to imitate the product and sales system. So the level of new entrants into this industry is **HIGH**.

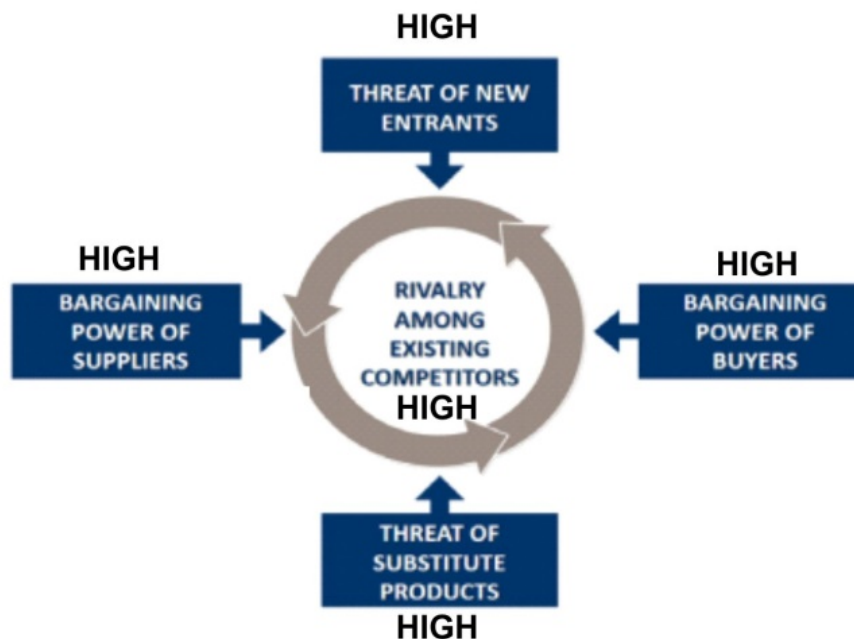


Fig. 2. Porter's Five Forces Analysis of Ladangkita.id.

2) Bargaining power of supplier

Suppliers generate strong supplier forces with necessary, unique products/services and a concentrated supplier market

The high level of this supplier is a farmer. We don't have the option to get the product except for the farmer or middleman. So the Bargaining power of the supplier is **HIGH**.

3) Bargaining power of the buyer

A well-informed buyer generates customer forces, a price-sensitive buyer, and a similar product or service alternative.

The many choices of fruit sellers' similar products and services make buyers more inclined to bargain the price. That has been approved by market analysis from Ladangkita.id's created. So the bargaining power of the buyer is **HIGH**.

4) The threat of substitute product

The threat of substitutes or a strong substitute is generated by price-competitive product or service alternatives.

There are many substitute products. Moreover, it has a more affordable price and service as Juice, Smoothies, Salad, Soft drink with flavour fruit, etc. So, the threat of substitute products is **HIGH**.

The overall Porter's Five Forces analysis is shown in Fig. 2.

III. BUSINESS STRATEGY FORMULATION

A. Blue Ocean Strategy

Blue Ocean Strategy challenges companies to break out of the red ocean of bloody competition by creating uncontested market space that makes the competition irrelevant. Blue ocean strategy is about growing demand and breaking away from the competition. Value innovation is a stepping stone for blue oceans. Value innovation is created in the region where a company's actions favorably affect its cost structure and value proposition to buyers. Cost savings are made by

eliminating and reducing an industry's factors. Buyer value is lifted by raising and creating elements the industry has never been offered. Over time, costs are further reduced as scale economies kick in due to the high sales volumes generated by superior value (Kim & Renee, 2005).

There are four key questions to challenge the industry's strategic logic and business model.

1) Create

Creating value through shifting products from fresh fruit peddling toward processed fruit categories and their variants e.g. frozen sliced fruits, smoothies, and rujak. Based on Porter's Five Forces depicts high rivalry among competitors and shifts to become a substitute product competitor in exchange through creating or adding a new value of the products by making it processed. Sliced fruits become a more attractive and preferable option for customers.

The concept of creating new value and shifting from fresh fruits towards processed fruits is based on a cost-savings framework because may still utilize existing equipment resources and does not require human resources special skills to create those recipes. Processed fruits also have possibilities to be marketed through the online marketplace for wider B2C targets and reach small retailers such as street kiosks that offer fruit-based products or develop consignment systems towards mini stores that have a high flux of customers who consume various beverages such as near sports centers, schools, food districts, and similars as B2B targets.

2) Reduce

Reduce by shifting towards processed fruits. Ladangkita.id could reduce fruit selection in order to focus on a variety of processed fruits. Rather than creating a variety of available fresh fruit options, it is better to develop a wide variety of selected processed fruits as main or customized as well as seasonal products of Ladangkita.id. Developing a consignment system with food and beverages kiosks or stalls can reduce the option of having a place to sell.

3) Raise

Raise by selecting fruit types to be processed, Ladangkita.id could raise the quality of procured fruits and focusing on other operational activities such as maintaining the freshness of selected fresh fruits or processed fruits. Ladangkita.id could improve the service quality through technology-based interaction processes such as online delivery and marketplaces as well as widening the scope of business as a retailer and also supplier for small shops and kiosks around the enterprise's home base.

4) Eliminate

Eliminate through Business Process Analysis, street peddling fleet is obviously costly. Therefore, replacing the street peddling fleet with technology-enabled distribution and marketing channels will also eliminate operational burdens.

Ladangkita.id may create new value through fruit processing and become a substitute products competitor as well as becomes a supplier for enterprises that needs sliced fruits of other processed fruits. The selected fruits is based on the constant supply and non-fluctuated prices from Ladangkita.id purchasing statistics. For example, dragonfruit is one of the best options for selected fruit because a dragon fruit farmer can harvest his fruit for 4 times in one year as much as 300 tons (Wilianto, 2022).

IV. CONCLUSION

In the context of the Covid-19 pandemic, several enterprises can be developed. In terms of conducting and sustaining the business, there are still some actions that must be considered. In Ladangkita.id case study, the authors conclude that:

- a. That the Covid-19 virus infection can be prevented by increasing immunity through the consumption of high-nutrient foods, one of which is fruit. Ladangkita.id wants to seize this opportunity but faces various operational challenges that lead to declining revenue
- b. The results of the Business Process Analysis shows that declining revenue is due to operational cost is higher than the revenue
- c. The results of Porter's Five Forces analysis conclude that fresh fruit retail through street peddling does not have an advantage and needs to be changed
- d. The proposed strategy is to change the value of this business by applying the blue ocean strategy, through creating, reducing, raising, and eliminating several aspects in Ladangkita.id
- e. By creating new value, Ladangkita.id shifts from high rivalry to becoming a substitute products competitor as well as supplying others
- f. Creating new value also reduce the needs to have a wide variety of fresh fruit available but shifts to variance of processed fruit
- g. By reducing the fruit selection, Ladangkita.id could raise the quality control and also raise the marketing scope and scale
- h. Through raising the scope and scale of marketing activities, Ladangkita.id can eliminate the cost

operation that burden the enterprise, especially the street peddler fleet

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