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# Financial Literation Analysis, Marketing Strategies, and Institutional Models of Coffee Farming Creation

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## Abstract

Coffee is one of Indonesia's leading commodities that has opportunities in the domestic and international markets. Processed coffee drinks are now increasingly favored by people from various circles, so that the growth of national coffee consumption continues to increase. However, the fate of coffee farmers is not directly proportional to the trend of increasing Indonesian people's coffee consumption. The purpose of this study was to analyze financial literacy and coffee marketing strategies as well as the institutional model of coffee farming in Jember Regency, especially cooperative of KSU Ketakasi. The research methodology used is explanatory research. This study was carried out at some stages: field studies/surveys (to uncover and unravel the problems of coffee farming), analysis of marketing strategy, and analysis of business institutional models. The research results showed that; (a) the level of financial literacy in accessing financing sources is still very low; (b) the *mudharaba* and *musyarakah* financing scheme is more appropriate for KSU Ketakasi to finance coffee farmers; and (c) KSU Ketakasi has implemented a marketing mix consisting of product, promotion, price, and location. In addition, KSU Ketakasi has established a cooperative to accommodate the harvest of coffee from farmers and sell it to buyers. Although the institutional body is still simple, KSU Ketakasi has been able to contribute to Jember Regency in the form of foreign exchange for the local government.

**Keywords:** Coffee, KSU Ketakasi, Financial Literation, Marketing Strategy, Institutional Model

## 1. INTRODUCTION

Coffee is one of Indonesia's leading commodities in the plantation subsector that has opportunities in both domestic and international market. Data retrieved from Export Product Dynamics (EPD) show that there are three countries, including Indonesia, which have lost opportunities to be able to trade with other countries, especially coffee products (Rahardjo et al., 2020). As one of the largest coffee producers in the world, Indonesia has a wide variety of products with quality recognized in the international market. According to statistical data from the International Coffee Organization (ICO), Indonesia is the 4th largest coffee producing country after Brazil, Vietnam, and Colombia (Widiyani, 2020). However, it turns out that there are still gaps found between the growth of national coffee consumption and the level of coffee production in Indonesia in the last five years.

Various efforts to achieve the welfare of rural communities must be encouraged by developing various potentials of rural communities, utilizing various available resources, and optimizing the results. Therefore, those efforts must lead to and rely on the welfare of rural communities by developing the agro-industrial sector through the creation of sustainable agricultural businesses. This will have an impact on increasing the welfare of farmers, optimizing the land use, opening the new job opportunities in the village, decreasing the urbanization rate, and increasing the village government's original income. In Jember Regency, the amount of Arabica coffee production is 237 tons with a land area of 735 hectares, while the amount of Robusta coffee is 3,120 tons with a land area of 5,608 hectares. Coffee produced in Jember Regency has its own advantages as

it has managed to penetrate the international market. Coffee farmers must be innovative by creating added value through establishment of a food processing business, such as making coffee the daily drink of the community. Currently, various types of coffee have emerged, including mochaccino, cappuccino, etc. In addition, various kinds of coffee-based drinks include black coffee, espresso, latte, cafe au lait, *caffè macchiato*, etc.

The integration of the flagship program of the New Regent of Jember Regency, namely one village one product, and the advantage of the large productivity of coffee farming and business opportunities made from coffee in Jember Regency encouraged researchers to conduct research aiming to develop marketing strategies for coffee farming and find institutional models for the creation of coffee farming businesses.

Financial literacy is also a very important part, especially in accessing financing sources. According to Suryaningsih and Sumani (2019); Sumani and Roziq (2020), that financial literacy can improve the performance and welfare of SMEs.

Coffee marketing activities of KSU Ketakasi have a very important role to create a cycle that allows to maintain the survival of the organization. In addition, marketing activities are carried out to achieve the expected organizational goals. Many people think of marketing as a sales activity, but it is only a small part of marketing. Activities in marketing products include marketers make decisions and use various rules to get a positive response from target customers. McCarthy (1968), Lovelock and Wright (2002), and Armstrong (2018) have classified most of these rules into Product, Price, Place, and Promotion which are commonly called Marketing Mix.

Moreover, a good institutional model can support the sustainability of an organization. Institutional strengthening will be able to provide more values for coffee farmers who are under

the auspices of KSU Ketakasi. Coffee farmers' institutions contribute greatly to increasing the independence and welfare of farmers (Anantanyu, 2011). This is because institutions have very strong ties to the technosocial conditions of farmers (Suradisastira, 2008). However, the condition that occurs is that coffee farmers' institutions are still very weak, making the bargaining position of farmers weak.

## 2. METHODOLOGY

This study uses survey and exploratory research method. It was carried out in a district in Jember Regency using the triangulation method. The research stages include field studies/surveys (to uncover and unravel the problems of coffee farming), analysis of marketing strategy, and analysis of business institutional models. Research at this stage is expected to produce alternatives to various businesses made from coffee, foster a business spirit, and eventually be able to create coffee farmer entrepreneurs.

The types of data used in this study are primary and secondary data. Primary data in this study are respondents' perceptions/opinions of business alternatives made from coffee, business financing, and business marketing. Meanwhile, secondary data in this study are the development of coffee farmers, data on coffee production and its costs, data on sales volume and income of coffee farmers, data on business production made from coffee and its costs, data on sales volume, and business income made from coffee.

The data collected are analyzed in a qualitative descriptive-exploratory manner. A descriptive-exploratory qualitative approach is used to describe and explain the problems of coffee farming. Data analysis includes the analysis of feasibility of a coffee-based business and financing as well as the feasibility of a coffee-based business. The second analysis uses a focus group discussion approach where the process is very participatory by involving coffee farmers, financial institutions, the Agriculture and Cooperatives and SMEs offices, and entrepreneurship experts in the field of coffee-based businesses. FGD features the process of sharing information, clarifying document reviews, and interviews. As a result, it will increase the knowledge of FGD participants on business opportunities. FGDs can be conducted by internal parties to promote advantages of discussions and more open exploration. However, it can also be done by external parties to promote more objective assessment.

The data collected are tested for validity and reliability by means of triangulation where data from documents and interviews are confirmed with each other. It is expected that the results of the analysis reflect the real conditions, problems, and facts to encourage and create coffee farming entrepreneurs. Data analysis methods using the Miles and Huberman approach include: (1) data collection, (2) data reduction, (3) data display, and (d) conclusion drawing/verification.

## 3. RESULT AND DISCUSSION

Establishing a business, both small and large, must make an initial step plan, i.e., strategy. Strategy is needed because it is able to produce positive results from what has been planned. The strategy must be supported by the creativity of business actors. They must be able to utilize and use natural resources to the fullest. In addition, they need to collaborate with local governments in establishing businesses to make it easier for local or international investors to invest.

The steps in determining the marketing strategy include setting market segmentation, market target, market position, and marketing mix. KSU Ketakasi has determined its market segmentation, i.e., export. The chairman of KSU Ketakasi, Mr.

Yusron, explained that Robusta and Arabica coffees produced by KSU Ketakasi have been exported to European countries, especially Germany, since 2010. KSU Ketakasi differentiates export products from local products. Export products are based on international standards and in accordance with the relatively high demand of about 628 tons. Meanwhile, the local market demand is relatively small, around 8-10 tons. Furthermore, the target market for KSU Ketakasi coffee is the local and international market. The local market includes all people in Jember, East Java, and all over Indonesia. The target markets for KSU Ketakasi coffee in the international market are the European countries, especially Germany, and counties in America continent.

Beside market segmentation and target market, it is important to determine market position. It aims to build and communicate the competitive advantages of products in the market into the minds of consumers (win mindshare). The market positioning strategy consists of basic attributes (high price or low price), product class, and user class (Thana, 2017). KSU Ketakasi Coffee market determination has advantages that distinguish it from other competitors, such as delivery service. If consumers need assistance in shipping goods, they will be assisted in delivery. In addition, the prices of green beans and roast beans are cheaper than other products.

KSU Ketakasi's marketing strategy is also analyzed based on the marketing mix including product, price, promotion, and place. The following are the results of the analysis carried out by researchers in the field:

- a. Product. Product is the main strategy in the marketing mix. The other three marketing mixes relate to the company's products. Logo distinguishes one product from another. The logo of Kopi KSU Ketakasi is made more colorful to attract the attention of potential consumers with the aim of mastering mindshare. Kopi KSU Ketakasi has lower price than other stores, has quality assurance, and offers right to return goods. Even if it does not determine the price in nominal terms, it is a reasonable profit in trading.
- b. Price. Price is the amount of money that consumers pay to get a product. Kasmir and Jakfar (2013) stated that the purpose of pricing is to survive, maximize profits, enlarge market-share, product quality, and competition. The price set by KSU Ketakasi coffee has been adjusted for maintenance costs, raw material costs, sorting costs, and roasting costs. Kopi KSU Ketakasi sets a profit margin of 40% in accordance with the quality of the price of raw materials.
- c. Promotion. The promotion component consists of public relations, personal selling, sales promotion, and advertising. The results of the interview with Mr. Yusron (Chairman of KSU Ketakasi) show that the promotions carried out are as follows:
  1. Personal selling. It introduces and provides an explanation of the coffee produced by KSU Ketakasi directly at coffee shops in Jember and its surroundings. If consumers are interested, they will be given a discount without reducing the number of products offered.
  2. Advertising. KSU Ketakasi promotes its coffee on social media such as on [Produkumkmjember.co.id](http://Produkumkmjember.co.id), Instagram (@ketakasi\_coffe), and facebook (ketakasi\_coffe\_robusta).
  - a. Place. Place/distribution channel is a strategy that is closely related in distributing goods or services to consumers. Kopi KSU Ketakasi chooses distribution channels through exporters located in Surabaya and distribution channels in Jember and surrounding areas. In addition, the Ketakasi coffee distribution channel has also penetrated cafes in the capital city of Jakarta. Financial literacy is also a very important part, especially in

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accessing financing sources. According to Suryaningsih and Sumani (2019); Sumani and Roziq (2020), that financial literacy can improve the performance and welfare of SMEs. The financial literacy of coffee farmers of KSU Ketakasi members is still very low, based on tracking results, only at the level of 45%, assessed from the aspect of financial knowledge, financial attitude, and financial awareness. Thus, it is necessary for the synergy of stakeholders related to financial literacy, known as the Quadruple Helix (QH). The importance of QH according to Carayannis and Campbell (2009) is that the policies and practices of government, universities, and industry, as well as civil society, interact intelligently, effectively, and efficiently. The results of the FGD involving coffee farmers, KSU Ketakasi management, practitioners, local governments, and universities that the sharia financing model is more appropriate. The results showed that financial literacy specifically for Islamic financing was only at the level of 12%.

The Islamic financing model developed by Roziq et al. (2019) can be used as an option, namely a combination of mudharaba and musyarakah financing. This mudharabah financing is fully funded by KSU Ketakasi. However, this mudharaba financing is very risky for KSU Ketakasi because the business capital needs of coffee farmers are 100% funded by KSU Ketakasi. Musyarakah financing will be provided by KSU Ketakasi to coffee farmers if they want to develop their business. In this financing, KSU Ketakasi and coffee farmers contribute to the capital and participate in managing the business together. The risk of musyarakah financing is smaller than mudharaba

financing but is less flexible when KSU Ketakasi is involved in managing this business.

Agriculture cannot resist the presence of commercial capitalist forces. In the village area, industrial values have emerged which are also accompanied by the inclusion of urban values. The existence of commercial capitalist power, which directly results in dependence, leads the village towards changes in the ecological and socio-economic environment. In such conditions, there are local farmers who want to survive as farmers must be able to adapt.

Local coffee farmers strengthen networks to solve problems related to the world of farmers. The informal network that is built has several functions, namely:

1. as a source of information on issues related to the agriculture of local coffee farmers, and
2. as a place to help each other in everything (financial and social-related issues).

KSU Ketakasi as a sociopreneur (social business) has social goals and trades in a competitive market with the hope of being able to provide benefits for the welfare of coffee farmers. In general, the stakeholders involved in KSU Ketakasi can be described in the philosophy of five (5) flows that are interconnected with one another, namely: Coffee Farmers, Processing Machines, Roasters, Business Actors, Coffee Connoisseurs. If coffee connoisseurs say no, it means that there has been a problem with one or several previous stakeholders, and vice versa. Figure 1 shows the philosophy of the five streams that are interconnected with one another.

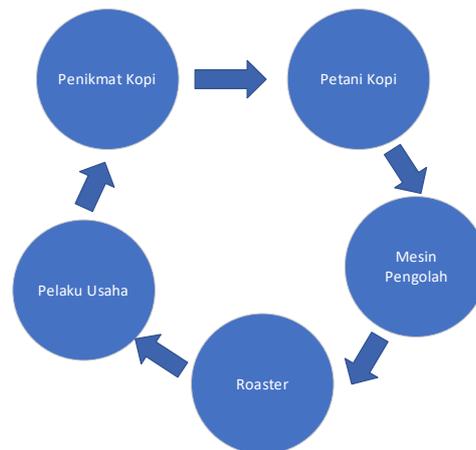


Figure 1: The Philosophy of the Five Flows that are interconnected

The principle of a new business model is needed by KSU Ketakasi to support the growth and development of the institution. KSU Ketakasi needs to use the sociopreneur concept, namely doing good, making money, and changing the world. Social entrepreneurship will not be sustainable if there is no circulation of money in it (Helmi, 2017). Stakeholders involved can fully support. KSU Ketakasi raise awareness of all parties in optimizing the potential of Jember Regency's natural resources. It is good for planting coffee plants which can be managed with effective cooperation and policies to do well (doing good). Furthermore, the benefits obtained are the integration of all lines of development. The coffee farmers will receive price stability (making money) and provide access to new alternative jobs for young people. Then, the KSU Ketakasi

program is able to answer the demand of the international market which is in line with the establishment of KSU Ketakasi (changing the world).

Mulyawan (2010) stated that a prototype management information system is developed according to the need for information that can help complete tasks or achieve goals more quickly and effectively. The prototype cycle is the final analytical tool in a network of methodologies used to continuously design, test, and evaluate business models in order to evolve. Lundy et al. (2014) stated that the prototype cycle is a system development method that can test and evaluate a product or system repeatedly so that it can be developed. Figure 2 shows the prototype cycle of KSU Ketakasi's new business institutional model.

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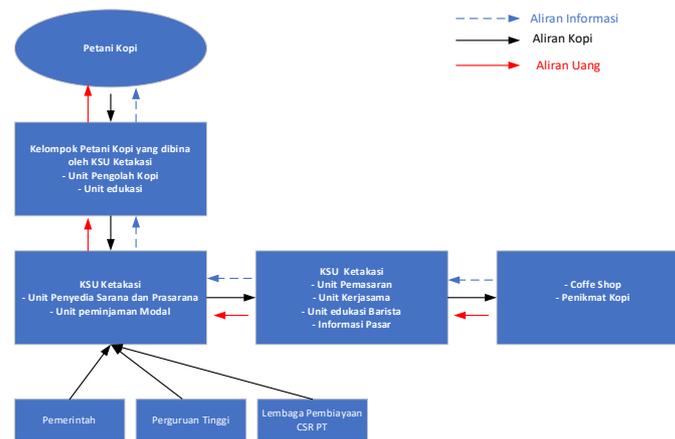


Figure 2: Prototype cycle of KSU Ketakasi's new business institutional model

## 4. CONCLUSION

KSU Ketakasi's marketing strategy was analyzed based on the marketing mix (product, price, promotion, and place). KSU Ketakasi's products are Robusta and Arabica coffee typical of Jember Regency. The coffee has been exported to the European countries, especially Germany. The price of the coffee can also compete with similar coffees. The affordable price makes their coffee is known among the people of Jember and its surroundings. Promotions are carried out through social media utilizing the technology 4.0. A strategic place to develop coffee and improve the welfare of coffee farmers becomes a powerful weapon for KSU Ketakasi to develop even better.

The principle of a new business model is needed by KSU Ketakasi to support the growth and development of the institution. They need to use the sociopreneur concept, namely doing good, making money, changing the world. Stakeholders involved can fully support. KSU Ketakasi raise awareness of all parties in optimizing the potential of Jember Regency's natural resources. It is good for planting coffee plants which can be managed with effective cooperation. In addition, it is necessary to strengthen Islamic-based financial literacy.

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