Proposed Business Strategy to Increase Sales

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Abstract: Opening a coffee shop is one of Indonesia's most popular business ventures, driven by the nation's growing coffee culture. However, coffee shop owners face challenges in developing effective strategies to sustain their businesses, ensuring consistent revenue, positive customer feedback, and steady product sales. Bagi Kopi has quickly expanded its presence with multiple branches across various cities. Despite its rapid growth, there is a significant disparity in sales performance between branches, with the Yogyakarta branch underperforming compared to Bandung. This study aims to propose a business strategy to boost sales at Bagi Kopi, focusing on the Yogyakarta and Bandung branches. Utilizing a comprehensive root cause analysis through internal and external tools. The study employs a mixed-methods approach, integrating both quantitative data from customer questionnaires and qualitative insights from semi-structured interviews with Bagi Kopi stakeholders. The findings indicate that differences in customer demographics, preferences, and market conditions between Yogyakarta and Bandung significantly impact sales outcomes. Based on these insights, the study proposes targeted strategies for Bagi Kopi in Yogyakarta, focusing on enhancing customer engagement, improving service quality, and leveraging local market opportunities. The proposed strategy includes specific actions such as marketing initiatives, regular staff training, and effective facility management to align the Yogyakarta branch's performance with that of Bandung

Keywords: Business strategy; Coffee shop; Root cause analysis; Sales performance

INTRODUCTION

The coffee shop business in Indonesia is experiencing rapid growth, driven by a rising coffee culture among the population. In 2019 alone, the number of coffee shop outlets in Indonesia exceeded 2,937, highlighting the industry's swift expansion (Toffin & Magazine MIX, 2020). This growth has not only spurred innovation within the industry but also heightened competition among coffee shops, creating both opportunities and challenges for business owners (Putri & Mukti, 2020). One of the critical challenges faced by coffee shop owners is the need to develop effective strategies that ensure sustained revenue growth, positive customer feedback, and consistent sales performance (Dhisasmito & Kumar, 2020).

Despite the industry's overall growth, the Indonesian coffee shop market currently faces a situation where market saturation has led to a decline in sales for many businesses due to intensified competition. For instance, Bagi Kopi, a coffee shop brand founded in Bandung in 2020, has experienced significant disparities in sales performance between its branches. The Yogyakarta branch significantly underperforms compared to the Bandung branch, with sales lagging by up to one-third. This phenomenon raises important questions about the factors influencing such disparities and the strategies required to address them.

Recent studies have highlighted that the success of coffee shops is increasingly dependent on their ability to adapt to local market conditions and customer preferences. Customer satisfaction, a key determinant of business success, is significantly influenced by service quality, product variety, and the overall atmosphere of the coffee shop (Dhisasmito

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& Kumar, 2020). In addition, continuous staff training, a robust online presence, personalized customer communication, and regularly updated marketing strategies have been identified as crucial elements in enhancing customer satisfaction and ensuring a coffee shop's relevance in a competitive and technologically advancing market (Waqanimaravu & Arasanmi, 2020; Hermayanto, 2023; Kholifah et al., 2024). Furthermore, employee performance has been shown to play a critical role in influencing service quality, which directly impacts customer loyalty and repeat business. Specifically, employee performance accounts for up to 37.4% of the variations in service quality, underscoring the importance of investing in human resource development to maintain high service standards (Sukmara et al., 2024). Moreover, product pricing has also been found to be a significant factor in consumer decision-making, with reasonable and affordable pricing encouraging repurchases and fostering customer loyalty (Sinurat et al., 2023).

This study focuses on Bagi Kopi, a brand that exemplifies the challenges faced by coffee shops in adapting to local markets. While extensive literature exists on general strategies to improve business performance, a gap remains in understanding how these strategies can be tailored to address the specific challenges faced by different branches of a business operating in varying local market conditions. This gap is particularly evident in the disparities observed between Bagi Kopi in Yogyakarta and Bandung branches. This study therefore aims to analyze how customer demographics, preferences, and local market conditions influence sales performance at Bagi Kopi in Yogyakarta and Bandung branches. The outcome of this analysis is expected to propose targeted strategies for improving sales at the underperforming Yogyakarta branch, aligning its performance with the more successful Bandung branch. The proposed strategies will include tailored marketing initiatives, regular staff training, and effective facility management, all designed to meet the unique characteristics of the Yogyakarta market.

METHODS

The research methods used were a mixed-methods approach (Reyad et al., 2020), integrating both quantitative data from customer questionnaires and qualitative insights from semi-structured interviews with Bagi Kopi stakeholders. The quantitative data was analyzed using descriptive statistics, cluster analysis, and gap analysis to understand consumer perceptions and behaviors. The qualitative data provided valuable insights through stakeholder interviews, revealing underlying factors affecting sales performance. Interview Results were analyzed using thematic analysis. This method allows researchers to identify, analyze, and report patterns (themes) within data, providing deep insights into employee perceptions and organizational culture (Christou, 2023).

Table 1. Primary Data Collection Methods

Primary Data Collection Methods	Respondents' Criteria	Number of Respondents	Type of Questions
Questionnaire	Customers who have visited BK Coffee at least once and potential customer	206 Respondents	Open-ended and Close-ended questions. 6-points-likert scale
Semi-structured interviews	Bagi Kopi's Stakeholder	5 Respondents	Open-ended question

Source: Data that has been processed by the author (2024)

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The research design is illustrated in the accompanying Figure 1 below. The research design aims to provide a structured overview of how to structure a roadmap to collect, measure, and analyze relevant data. The research design follows a structured approach that includes both primary and secondary data collection methods, utilizing a combination of qualitative and quantitative research techniques.
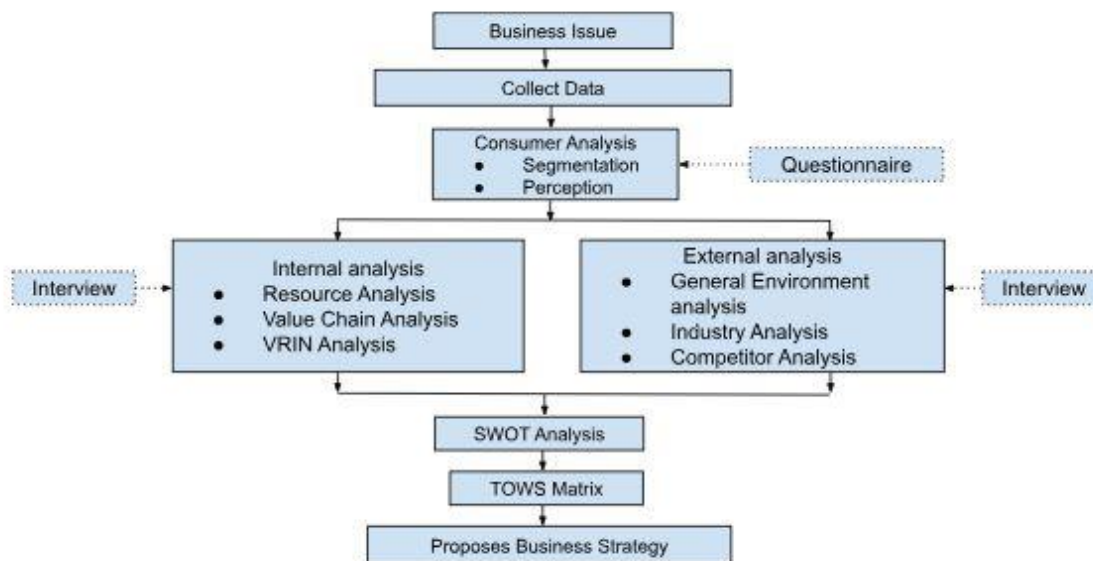

Figure 1. Research Design
Source: Data that has been processed by the author (2024)

The research begins by identifying the core business issue affecting Bagi Kopi's sales in Yogyakarta through interviews with the CEO who is also the owner. Following this, interviews are conducted with employees at Bagi Kopi branches in both Bandung and Yogyakarta to gain deeper insights into the business conditions. Primary data collection also includes a questionnaire survey with 206 respondents, comprising 106 respondents from Bandung and 100 respondents from Yogyakarta. Secondary data is sourced from annual reports and online resources. The external analysis involves the application of Porter's Five Forces model, PESTEL analysis, competitor analysis, and customer analysis to understand the business environment (Hernandez-Mora et al., 2020). Internal analysis encompasses resource analysis to evaluate the company's tangible and intangible assets, value chain analysis to assess internal processes and identify value-adding activities, and VRIN analysis to analyze resources based on their value, rarity, inimitability, and organization. The results from these analyses are used to perform a SWOT analysis and compile a TOWS matrix, which is then utilized to formulate business strategies aimed at improving sales performance at Bagi Kopi Yogyakarta.

The research was conducted in Indonesia, focusing on the cities of Bandung and Yogyakarta, over three months from March to May 2024. The study population consisted of all coffee shop consumers residing in Bandung and Yogyakarta, aged 15-40 years. The research sample was determined using the Slovin formula with a margin of error (e) of 10%, resulting in minimum sample sizes of 97 respondents for Bandung and 98 respondents for

Yogyakarta. The questionnaire was distributed online through social media (Instagram) and at Bagi Kopi outlets in both cities. The questionnaire data was used to segment consumers based on demographic and psychographic factors and to perform a perception analysis to understand consumer views on product and service quality. The questionnaire was structured using a Likert scale of 1-6, where 6 = strongly agree and 1 = strongly disagree (Siregar, 2019). Of the 206 respondents who met the domicile criteria, 51% were from Bandung and 49% were from Yogyakarta. In terms of age, 55% of the respondents were aged 25-35 years, 36% were aged 15-24 years, and 8% were aged 36-45 years.

RESULTS AND DISCUSSION

By collecting data from customer perspectives through questionnaires, businesses can accurately assess performance in various areas and determine which aspects are most important to their customers. IPMA aids in identifying which aspects of service and product offerings are most valued by customers and how well the coffee shop performs in these areas (García-Fernández et al., 2020). Based on data processing results from the questionnaire using IBM SPSS Statistics 29.0 on a total of 206 respondents in Bandung and its surrounding areas (106 respondents) and Kota Yogyakarta and its surrounding areas (100 respondents) the importance-performance matrix analysis for Bagi Kopi in both Bandung and Yogyakarta reveals distinct differences in performance across various attributes. These differences highlight areas where each location excels and where improvements are necessary.
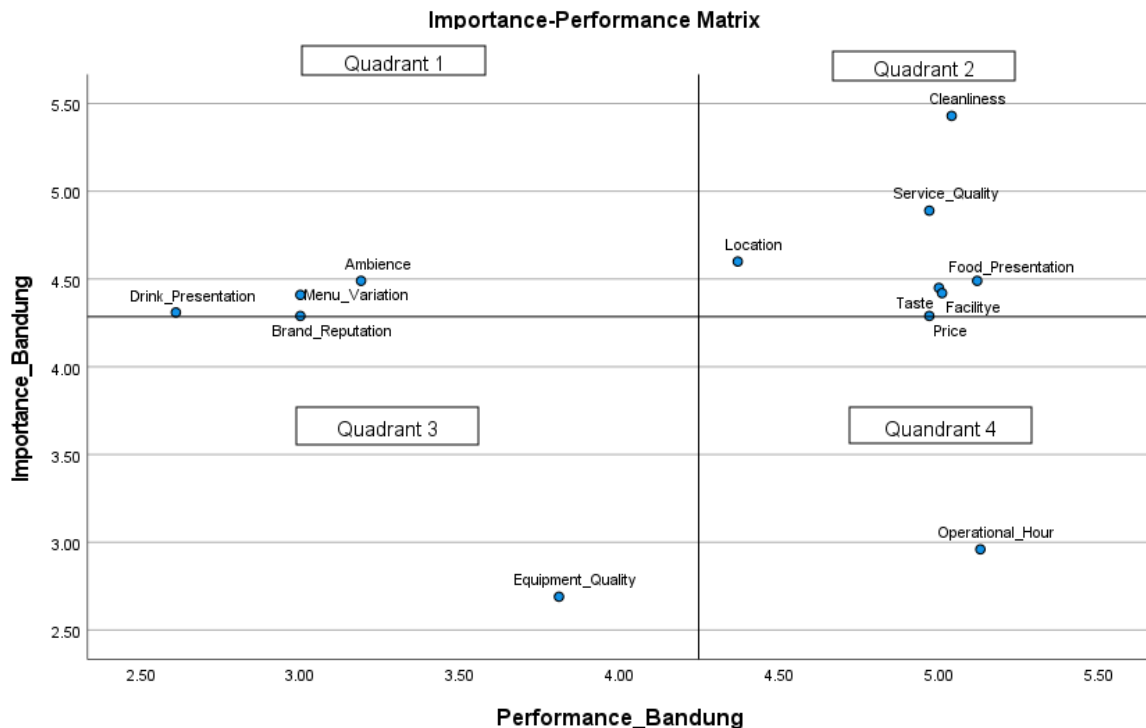

Figure 2. The importance-performance matrix Bagi kopi in Bandung
Source*:* Data that has been processed by the author (2024)

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The performance analysis of Bagi Kopi Bandung identifies critical areas based on their importance and performance. Quadrant 1 highlights high-importance but low-performance areas such as drink presentation, brand reputation, menu variation, and ambiance, necessitating immediate improvements to meet customer expectations. Enhancing visual appeal, marketing efforts, menu diversity, and maintaining a pleasant ambiance are essential steps. Quadrant 2 shows high-importance and high-performance areas like cleanliness, service quality, food presentation, location, taste, facility, and price, indicating strong performance that should be maintained. Quadrant 3, with low importance and low performance, points to equipment quality as an area with room for improvement, although not a priority. Finally, Quadrant 4 shows that operational hours are performing well and meet customer needs, suggesting no changes are necessary in this aspect.
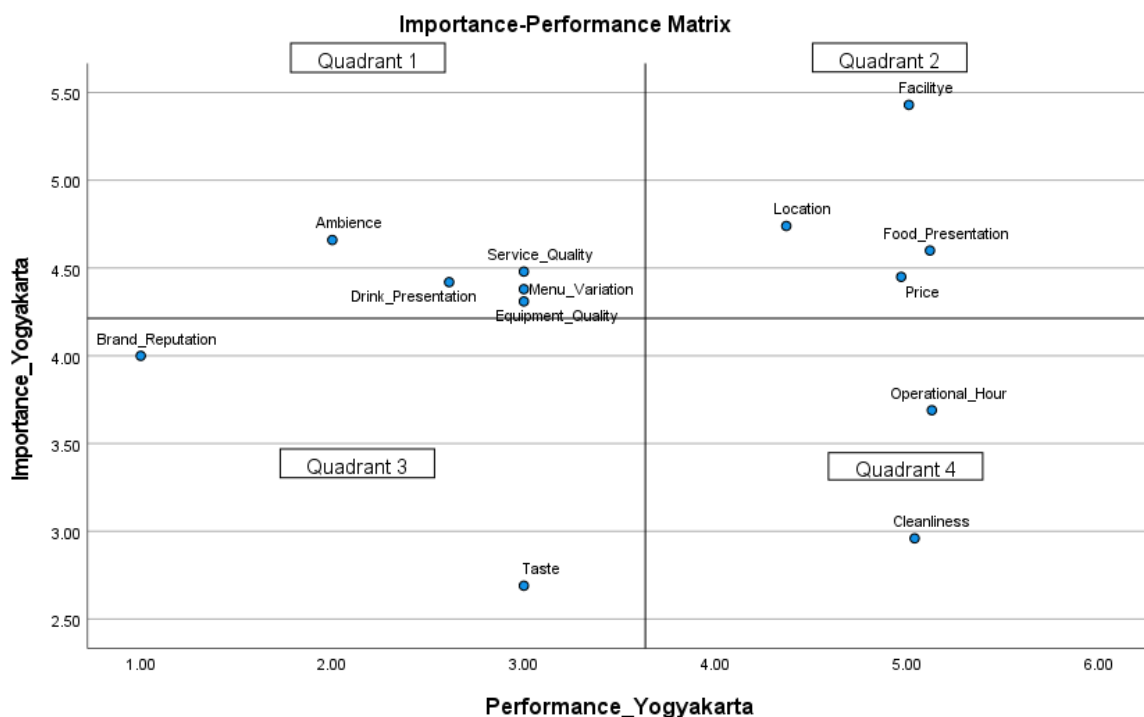

Figure 3. The importance-performance matrix Bagi kopi in Yogyakarta
Source: data that has been processed by the author (2024

The performance analysis of Bagi Kopi Yogyakarta identifies critical areas for improvement and maintenance. Quadrant 1 highlights high-importance but low-performance areas such as ambiance, drink presentation, service quality, menu variation, and equipment quality, requiring enhancements in aesthetic appeal, staff training, menu diversity, and equipment upgrades. Quadrant 2 shows high performance in crucial areas like facilities, location, food presentation, and price, indicating effective management and customer satisfaction, with a need to continue innovating and maintaining high standards. Quadrant 3, with low importance and low performance, includes taste and brand reputation, which can

be improved through seasonal offers and targeted marketing. Quadrant 4 reveals that operational hours and cleanliness are well-managed, suggesting that resources can be reallocated to more critical areas without compromising current performance.

The internal analysis of Bagi Kopi utilizes the Resource-Based View (RBV) framework to evaluate its resources and capabilities, which drive competitive advantage and performance. Tangible resources include robust financial resources, efficient organizational structures, well-equipped facilities, and advanced technology, all contributing to high-quality service delivery and operational efficiency. However, inconsistencies in coffee quality and outdated facilities in the Yogyakarta branches highlight areas for improvement. Human resources are managed through flexible employment schemes, but the lack of ongoing training and high turnover, particularly in Yogyakarta, pose challenges to maintaining service quality. Technologically, Bagi Kopi uses automated coffee machines and a POS system to streamline operations, though customer adaptation to these technologies is still evolving. Intangible resources like brand reputation vary, with Bagi Kopi recognized as an affordable coffee provider in Bandung and Jakarta, but seen as standard in Yogyakarta. Efforts to engage with the community through events aim to bolster the brand's reputation. The organizational culture is still developing, with some staff not fully aligned with company values, particularly in Yogyakarta. Innovation is driven by the R&D and roastery divisions, focusing on new menu development and maintaining raw material quality. Intellectual property aspects like brand registration and Halal certification are in progress to enhance credibility and compliance. Overall, while Bagi Kopi's centralized management ensures consistency, it faces challenges in local responsiveness and employee satisfaction, particularly in the Yogyakarta branches.

The external analysis of Bagi Kopi employs the PESTEL framework to explore various factors influencing its business. Demographically, Bandung and Yogyakarta have large student populations (BPS, 2020). Indonesia's steady growth and low unemployment rates boost disposable incomes, benefiting premium coffee businesses, though inflation remains a challenge (Bugrov et al., 2023). Compliance with national and local regulations on food safety, labor laws, and business permits is crucial (Machida et al., 2022). The rise of digital payment systems affects consumer behavior (Jeyadevi & Duraisamy, 2023). Industry analysis using Porter's Five Forces shows high threats from new entrants, moderate supplier bargaining power, high buyer power, and intense competition, necessitating strong innovation and social media presence (Kusmulyono et al., 2023). Competitor analysis highlights significant rivals like Bento Kopi, Janji Jiwa, and Fore Coffee, which leverage unique strategies such as event services, loyalty programs, and sustainability initiatives.

SWOT

After analyzing the internal and external factors, the author proceeded to conduct a SWOT analysis for Bagi Kopi. Conducting a SWOT analysis provides valuable insights into its strengths, weaknesses, opportunities, and threats, guiding the company in making informed decisions (Puyt et al., 2023). This analysis highlights Bagi Kopi's strategic advantages such as its prime locations, operational efficiency, and competitive pricing, which enhance its market position. Conversely, it also identifies internal challenges like high employee turnover and inconsistent service quality. Externally, Bagi Kopi can capitalize on opportunities such as the growing coffee culture and tourism, while being mindful of threats including strong local competition and regulatory changes. By understanding these factors,

Bagi Kopi can develop strategies to leverage its strengths, address its weaknesses, seize new opportunities, and mitigate potential threats, ensuring sustained growth and success in the competitive coffee shop market.

Table 2. SWOT analysis of Bagi Kopi

Strength	Weakness
Strategic Location	High Employee Turnover
Operational Efficiency	Inconsistent Coffee and Service Quality
Competitive Pricing	Ambiance and Facility Maintenance Issues
	Lower Consumer Income
Opportunity	**Threat**
Tourism Growth	Strong Local Competition
Growing Coffee Culture	Regulatory and Policy Changes
Community Engagement	Inflation and Cost Increases
Digital and Social Media Marketing	Rapid Shifting Consumer Preferences

Source: Data that has been processed by the author (2024)

Business Solution on TOWS Matrix
Attract the Tourist Customer Segment

Strategy: develop an integrated marketing with the community. Bagi Kopi aims to capitalize on its strategic location and operational efficiency by developing an integrated marketing campaign targeting tourists. Partnering with local hotels and tour operators, Bagi Kopi can create exclusive coffee experience packages that highlight its proximity to tourist attractions and university campuses. Regular events like coffee tastings and cultural workshops will attract tourists and engage the local community. A robust social media campaign will promote these packages and events, aiming to increase foot traffic, social media engagement, and customer satisfaction, ultimately boosting sales and solidifying Bagi Kopi's reputation.

Enhance Facility Maintenance and Digital Presence

Strategy: improve customer experience and digital engagement. Bagi Kopi plans to invest in regular maintenance and upgrades for its facilities to create a welcoming environment that encourages longer stays and repeat visits. Concurrently, digital platforms will be utilized to inform customers about these upgrades and new features, fostering engagement and anticipation. Interactive social media campaigns will involve customers in decisions about new decor themes or menu items. Metrics will include improved customer feedback on facility quality, increased social media engagement, and growth in repeat visits, leading to higher sales and customer retention.

Address High Employee Turnover

Strategy: develop a comprehensive training program. To reduce high employee turnover, Bagi Kopi will implement a comprehensive training and development program, along with proactive community engagement initiatives. The training program will offer career growth opportunities and performance incentives, enhancing job satisfaction and loyalty. Community events will boost employee morale and engagement, making them feel valued and part of a larger mission. Metrics include reduced turnover rates, successful

community event participation, and improved customer satisfaction, resulting in better service quality and increased sales.

Utilize Competitive Pricing

Strategy: dynamic pricing by utilizing customer personalization. To compete with local coffee shops, Bagi Kopi will implement dynamic pricing strategies to attract customers during off-peak hours and develop a robust digital loyalty program. Dynamic pricing will involve discounts during slower periods, while the loyalty program will offer personalized rewards based on customer behavior. Managed through a mobile app, this program aims to increase customer acquisition and retention. Metrics include higher customer retention rates, increased sales during off-peak hours, and higher redemption rates of loyalty rewards.

5. Implement Cost-Effective Solutions to Mitigate Rising Costs

Strategy: managing costs by utilizing supplier relationships. Bagi Kopi will implement a comprehensive cost management strategy, including negotiating better rates with suppliers and conducting regular operational audits to identify inefficiencies. Investing in energy-efficient equipment and sustainable practices will reduce long-term costs and appeal to eco-conscious customers. Metrics include reduced operational costs, improved profitability margins, and enhanced sustainability ratings. These measures will free up resources for customer-focused initiatives, improving service quality and attracting a broader customer base, leading to better overall performance and a more resilient business model.

CONCLUSION

Bagi Kopi's internal analysis reveals significant strengths and weaknesses across its branches in Bandung and Yogyakarta. Strengths include strategic locations near universities, operational efficiency with the use of both automatic and manual coffee machines, and competitive pricing. However, the Yogyakarta branches face challenges such as high employee turnover, inconsistent coffee and service quality, and facility maintenance issues. These internal factors contribute to the disparity in customer satisfaction and sales performance between the two locations. The centralized management ensures consistency but struggles with local responsiveness and maintaining employee satisfaction, particularly in Yogyakarta. The research concludes that customers in Bandung perceive Bagi Kopi's products and services to be of higher quality compared to Yogyakarta, due to consistent service delivery and well-maintained facilities, resulting in higher customer satisfaction and loyalty. To address these issues, the study suggests strategies including integrated marketing campaigns targeting tourists and locals, regular facility maintenance, comprehensive training programs to reduce employee turnover, dynamic pricing to attract price-sensitive customers, and cost management through better supplier negotiations. Implementing these strategies with detailed action plans, team responsibilities, and performance monitoring is expected to increase sales, improve customer satisfaction, and enhance overall performance in Yogyakarta, aligning it more closely with the successful model in Bandung.

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