Analysis of Elements Business Model in Coffee Shop

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Abstract
The study aims is to determine the elements of the canvas business model with three focuses, there are customer segment, value proposition and key resources at The Buddy House Coffee & Eatery. The research method used is descriptive qualitative. The data collection technique used is passive participant observation, semi-structured interviews and documentation. The data analysis technique used is data reduction, data display and conclusions and data validation using triangulation. The informants in this study were selected purposive sampling and snowball sampling as many as 3 people there are 1 Head Barista and 2 consumers. The results showed that the targeted customer segments are the middle social class, and the majority of consumer come from outside the area where the coffee shop was located. Meanwhile, for the value proposition element, of the 11 indicators, there are 2 indicators that have not been implemented optimally, there are newness and accessibility. In the key resource element, intellectual indicators must be maximized in terms of creating copyright on products made by The Buddy House Coffee & Eatery.

How to Cite

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INTRODUCTION

Indonesia’s economic conditions are currently quite improving, marked by economic growth increasing by 3.72%. This growth occurred in almost all business fields, including business fields providing accommodation and food and drink, which increased by 21.58% in the second quarter of 2021 (Rizaty, 2021). This increase indicates that more and more people are carrying out business activities in their daily lives.

One of the sectors that supports the economy is Micro, Small and Medium Enterprises (MSMEs), according to (Halim, 2020). Micro, Small and Medium Enterprises are fields that can grow and be stable to support the Indonesian economy and are also a good space and place for employment. In line with what was said by (Wibowo & Sitorus, 2022) that MSMEs have an important role in the national economy. Data from the Central Statistics Agency (BPS) in (Sarfiah et al., 2019) The number of MSMEs is increasing and can create employment opportunities for 85 million to 107 million workers. If we look at the growth process, in 2016 MSME growth increased from 34.64% to 38.81%. Micro, Small and Medium Enterprises are one of the pillars of economic development that greatly contribute to Indonesia. This is proven based on data from the Ministry of Cooperatives and Small and Medium Enterprises in March 2021, that MSMEs are the largest contributor to national Gross Domestic Product (GDP) at 61.07% (Rivai, 2022).

Micro, small and medium enterprises (MSMEs) have three types of sectors, including the culinary sector, fashion sector and agribusiness sector. Of these three types of sectors, the culinary sector is the sector with the largest number, according to the Central Statistics Agency (BPS, 2020) There are 11,223 culinary businesses spread across Indonesia with details total of 8,042 businesses (71.65 percent) were in the form of restaurants or eateries, 269 businesses (2.40 percent) were in the form of catering, and the remaining 2,912 businesses (25.95 percent) were in the other category.

Based on Figure 1, DKI Jakarta is ranked first in the province with the highest number of culinary businesses, namely 5,159 businesses in 2020, followed by West Java with 1,414 businesses and East Java with 821 businesses.

With the emergence of many culinary businesses in Jakarta, business competition is getting tighter, different advantages are needed from each business for business continuity. This depends on the business owner creating innovations according to what consumers need and current conditions, so that the company will have its own characteristics compared to others. One proof of the proliferation of contemporary culinary businesses is the spread of coffee shops in the city of Jakarta.

Coffee is one of Indonesia’s high potentials. Data from the Central Statistics

Figure 1. Province with the most culinary businesses Source: BPS, 2020

Figure 2. Coffee Consumption in Indonesia Source: DataIndonesia.id Note: in a thousand bags of 60kg
Coffee production in Indonesia increased 3.12 percent to 786.19 thousand tons.

According to data (International Coffee Organization (ICO), 2021), coffee consumption in Indonesia reached 5 million 60 kilogram bags in the 2020/2021 period, this data shows that the 2020-2021 period is the highest coffee consumption compared to previous years.

For Indonesian people, both young and old, consuming coffee has become a daily habit. In the past, people consumed coffee only in simple stalls or warung (coffee shops) with simple equipment and using instant coffee, but as time progressed, coffee shops emerged that carried contemporary themes such as cozy style, industrial, etc. which suited their lifestyle. Society, especially young people. This is in accordance with research conducted by (Ramli, 2022) that the culture of “hanging out” in coffee shops has become a habit and pleasure for young people to spend their free time and gather with friends and relatives. Seeing this phenomenon and the rise of coffee shops in the Jakarta area has resulted in very tight competition in the coffee business, where coffee shop owners compete to provide comfortable facilities that suit people’s lifestyles with the aim of increasing profits. In line with that said the Head of Marketing of PT Toffin Indonesia, Ario Fajar, who is a distributor of coffee machines, that the growth of coffee shops continues to soar, it is projected that there will be 1,500 coffee shops spread across Jakarta and its surroundings (Prasetyo, 2020).

So the competition that occurs becomes quite tight. Close competition in running a business requires business people to be able to manage and determine the business model to be used over a long period of time. The business model itself is a plan that is formed as a whole with the aim of generating profits from a business, as stated (Hermawan & Pravitarsari, 2013) A business model is how a company creates added value in the world of work. In business models there are three groups of categories in understanding the term business model according to (Geissdoerfer et al., 2018) namely 1) Model, this model category defines a business model as an organizational system model 2) Abstract concept, this abstract concept defines a business model as abstract characteristics or characteristics of an organizational unit 3) Reduction of scope, this category defines a business model by aligning the terms in individual elements from another expert’s definition or trimming them to achieve a particular way. For this reason, in this research, the researcher chose to discuss business models from the third point, namely the category of reducing coverage of business model elements and aligning terms taken from experts.

The term business model originally came from the information and communication technology sector which was used as part of the introduction of data processing systems, over time the concept of business models was linked to economics (cf. Kley, 2011) in (Doleski, 2015). A business model is a way to analyze and develop a planned business. A business model is simplified into several elements, namely value creation, securing competitive advantage and generating revenue (Doleski, 2015). In Indonesia itself, business models are generally known nationally starting with the publication of the book Business Model Generation in 2010 by Osterwalder & Pigneur and then interpreted into Indonesian in 2012. In their book (Osterwalder & Pigneur, 2012) explaining a business model is how an organization describes its rationale for creating, delivering and capturing value. There are 9 (nine) elements, namely customer segments, value proposition, channels, customer relationships, revenue streams, key resources, key activities, key partnerships and cost structure.

As time goes by, business models are getting simpler in line with (Geissdoerfer et al., 2018) that the business model is simplified into value proposition, value creation and delivery. Strengthened by (Lindgardt et al., 2013) A business model consists of two essential elements—the value proposition and the operating model—each of which has three subelements. In the explanation, it is said that the business model consists of two important
elements, namely the value proposition and the operating model, each of which has three sub elements. The value proposition is divided into three sub, namely target segments, product or service offering, revenue model and the operating model is divided into three sub, namely value chain, cost model and organization.

There are other definitions regarding business models. According to (Gassman et al., 2016) is a comprehensive description of how a company creates and determines value, by determining 4 (four) elements, namely customers (Who), value proposition (What), value chain (How) and profit mechanism (Why). Strengthened by (Johnson, 2018) a business model is a method used by an organization to prevent threats from competitors by encouraging internal company innovation, consisting of 4 (four) elements, namely customer value proposition, key resources, key processes and profit formula.

Several opinions expressed by experts can be synthesized that a business model is a company’s way and description of how to create, provide and determine the value that will be given to consumers by determining several elements consisting of Customer Segments, Value Proposition and Key Resources.

A business model is an important part for a business to be able to develop by paying attention to several elements. The current business model is an important and strong design for a company, this is in line with the statement (Madani, 2021) that the business model is a striking scheme among other business management schemes. According to (Ramdhan, 2016) in his book entitled Startup Business Model, he states that one of the important knowledge in managing a business is knowing the business model. A business model can make a business different and superior to competitors compared to product innovation. A Boston Consulting study shows that companies that innovate business models within 5 (five) years will be 6% more profitable than companies that only innovate products.

The location of the research was the Coffee Shop The Buddy House Coffee & Eatery. The reason for choosing this location is because this Coffee Shop has a spacious building and complete facilities, but in reality it experiences obstacles in achieving optimum sales compared to other coffee shops with business locations that are not too large.

Figure 3. Location The Buddy House Coffee & Eatery
Source: Instagram The Buddy House Coffee & Eatery

Buddy House Coffee & Eatery, they must design the right business model in order to increase their competitiveness and be able to organize and manage their business effectively. Therefore, the focus of this research is derived from the canvas business model which is more specific to customer segments, value proposition and key resources. The focus of this research was chosen because problems related to consumer needs are the main problems that must be resolved immediately. These three elements can form and distribute the value of the products offered and play an important role in the continuity of The Buddy House Coffee & Eatery because customer segments can provide an overview of the classification of customers who visit so that the value offered can be in accordance with customer needs, the value proposition can provide value and
benefits that provide solutions to customers and key resources which are the main resources in running a business that function as the root for creating and offering value that can strengthen the position of The Buddy House Coffee & Eatery and improve the quality of good service in order to obtain customer satisfaction. Based on this description, the aim of this research is to analyze the business model with three focuses (customer segments, value proposition and key resources) at The Buddy House Coffee & Eatery.

METHODS

The research method used a qualitative approach. The qualitative method is a method that focuses more on in-depth data and must use the body’s senses such as sight, hearing and feeling to be able to interpret the speech and body language of the informant (firmansyah 2021). Qualitative research focuses on phenomena involving humans carried out in their natural, comprehensive, developing and interpretative order (sarosa, 2021). This research uses descriptive qualitative research, according to(Sugiyono, 2018)This type of descriptive research is research that describes the condition of the object according to the actual situation when the research was carried out.

The types of data used are primary data and secondary data. Primary data was obtained directly from interviews with research subjects and secondary data was obtained from books, theses, journals and trusted sites.

Data collection was carried out using interview methods, passive observation, triangulation of techniques and sources. The interviews conducted were semi-structured interviews, where the process is more flexible and can change according to the opinions expressed by the sources by digging up information related to three main points, namely the targeted customer segment, the value proposition offered to consumers and the key resources owned by The Buddy House Coffee & Eatery. The data collection technique used was purposive sampling and snowball sampling by interviewing 3 sources consisting of 1 Head Bar (head barista), and 2 customers of The Buddy House Coffee & Eatery. The consideration in choosing sources in this research is to choose parties who know about The Buddy House Coffee & Eatery business model, one of which is the Head Bar (Head Barista) who knows exactly the Value Proposition presented to consumers. Then other informants were taken from 2 consumers who came to the coffee shop who had criteria, namely, consumers who had made repeat orders and consumers who came more than 3 times.

In data analysis techniques, researchers using model analysis techniques Miles and Huberman in (Kurniasih et al., 2021) where there are three paths in qualitative data analysis, namely (1) Data reduction is the first step in the process of selecting, summarizing and simplifying information on things that are considered important. If data is found that is not in accordance with the focus being studied, the data will be reduced or sorted; (2) Data display, is a presentation of data that has been obtained, this data display is a further process when the data has been reduced. The form of presentation can be in the form of narrative text, graphs, charts, or matrices; (3) Conclusion, is the final step in the qualitative data analysis process. This conclusion is drawn continuously throughout the research process.

RESULTS AND DISCUSSION

The Buddy House Coffee & Eatery

The Buddy House Coffee & Eatery is the coffee shops in East Jakarta. Coffee shop This has been established for approximately 2 years. This coffee shop offers a classic theme from every corner, which makes it attractive. Apart from that, the meaning of the name The Buddy House was born from the philosophy of a house which is like a house which is used as a placeto give consumers a break while relieving fatigue from routines that drain their mind and energy. The following is the logo for The Buddy House coffee & Eatery.
The products sold are not only coffee, but non-coffee products are available for consumers who don’t like coffee, which are paired with several accompanying menus and light snacks. The selling prices are quite varied, starting from IDR 20,000 – IDR 30,000. The Buddy House Coffee & Eatery has a spacious area consisting of 3 floors, the 1st floor is the ground floor area, the 2nd floor is the office and the 3rd floor is the rooftop area. Apart from selling products, you can increase your income by utilizing the spacious space of The Buddy House Coffee & Eatery. This exact location on the 3rd floor is often rented out for birthday events, weddings, workshops, etc. This makes this coffee shop different from the others.

In this section, we discuss the three focus elements of the business model found in The Buddy House Coffee & Eatery coffee shop as follows.

**Customer Segments**

Customer segment describes a group of people or institutions that a company wants to reach. According to (Dewayana & Wibowo, 2022) the main aim of conducting customer segments is to see how customer characteristics can provide interpretation to the company. Segmentation indicators by (Firmansyah, 2019) namely demographics, psychographics, behavior and decision making.

Customer segments The Buddy House Coffee & Eatery Based on age, consumers are dominated by the 21-25 year old group with gender dominated by men. This is in accordance with research (As’ad & Mulyo Aji, 2020) regarding the difference in the number of male and female consumers in coffee shops in the city of Bondowoso with 120 respondents, male consumers dominate at 77.5% and women at 22.5%.

Based on geographical location, the choice of location is appropriate, strategic and is near schools and other workplaces in accordance with the purpose of the business name, where this coffee shop wants consumers to consider this place of business as a home to relax and calm their minds. However, according to the results of the interviews conducted, the majority of consumers who came were not from the location around this coffee shop but were dominated by consumers from outside the area. This is of course the task of coffee shop owners to maximize targeting of consumers around the coffee shop location by carrying out attractive promotions to attract local consumers. The income of consumers who visit The Buddy House Coffee & Eatery ranges from 1,000,000 million – 4,000,000 million.

This consumer psychographic aspect is divided into several categories based on lifestyle and personality. Based on the frequency of consumer visits to coffee shops, 1 - 3 times a week, with an average intensity of drinking coffee 3 - 5 times or you could say every day, this is due to the influence of culture and lifestyle according to opinion (Selvi & Ningrum, 2020) that lifestyle greatly influences purchasing decisions. The majority of consumers visit The Buddy House Coffee & Eatery in the afternoon and evening, according to interviews with consumers, they usually visit at 18.00 and above. This is in line with the head bar’s statement that peak hours range from 17.00 – 21.00. The majority of consumers spend approximately IDR 60,000 for one visit. From the results of these interviews it can be concluded that the social class that domi-
nates consumers of The Buddy House Coffee & Eatery is the middle social class with the majority interested in drinking coffee.

Determining this market segment must be done carefully, choosing the right market segmentation will have an effect on forming the right value proposition.

**Value Proposition**

Value proposition is a block where a company seeks solutions to customer problems and satisfies customer needs by creating and providing value. The value provided must have its own specificity or privilege compared to other competitors (Fitriani & Sultan, 2019). According to Osterwalder & Pigneur, 2012 in his book entitled Business Model Generation, divides several elements that support the formation of added value (value proposition), namely (1) Novelty; (2) performance; (3) customization; (4) work completion; (5) design; (6) brand; (7) price; (8) cost reduction; (9) risk reduction; (10) access; and (11) convenience.

Newness, The Buddy House Coffee & Eatery products have strong characteristics compared to coffee shops in the surrounding area. The novelty of this coffee shop’s products can be seen from the menu choices, one of which is Pink Buddy (non coffee). Pink Buddy is made from kombucha, a fermented tea that is rich in antioxidants and probiotics. This menu is still very rare in other coffee shops. The best seller on the coffee menu is creamy buddy, which is a combination of coffee and brown sugar. The Buddy House Coffee & Eatery always innovates once a month, both in the beverage and food categories. In 2021, The Buddy House Coffee & Eatery will issue The Buddy Card, which is a member card for consumers who get buy 1 get 1 benefits and discounts on the 5th visit. However, the implementation of the buddy card only lasted 1 year and was not implemented again the following year. This is very unfortunate, because according to information obtained from consumers, the majority want buddy cards because they can get lots of discounts and promos.

Performance, the performance element in the value proposition implemented by The Buddy House Coffee & Eatery coffee shop is through collaboration with companies. The results of the interview showed that currently the Buddy House Coffee & Eatery is collaborating with the Wuling car company in the Wuling Pevs 2023 event by providing coffee drinks from The Buddy House Coffee & Eatery. This will certainly add good value to the coffee shop, in line with (Aji Bramantyo et al., 2017) that the better the product’s ability to solve a problem, the better the value created.

Customization, having employees with good qualifications, one of which is expertise in making latte art, supports this coffee shop in making drinks, especially coffee, where customers can customize the latte art according to the desired image. This gives coffee shops advantages.

Getting the job done, Completion of work The Buddy House Coffee & Eatery becomes a colleague for consumers by helping in providing coffee drinks especially for various events such as birthdays, seminars, even weddings. The buddy house coffee & eatery also actively collaborates with other cafes that provide food.

Design, The design of the place seems simple, dynamic and strong but still emphasizes its aesthetic aura. The interior design, layout of goods and spots that can be used as photo spots for visiting consumers make the activity feel comfortable. The results of interviews obtained from the consumer’s perspective show that the place provided by The Buddy House coffee & eatery fulfills consumer desires both in terms of location, design, facilities and cleanliness. Because consumers need a comfortable place to spend time or relax.

Brand/Status (Brand/Status) Judging from the logo used as a business identity, it is quite simple and easy to remember. Even
though the brand name uses a foreign language which may be difficult for some people to pronounce, because there is a picture of the shape of a house, it will be easier for people who see it to remember it.

Prices, the prices implemented by The Buddy House Coffee & Eatery are strictly adjusted to customer conditions and the environment. The head bar of this coffee shop said that the prices applied were relatively cheap, ranging from IDR 20,000 to IDR 30,000, with good quality and competitiveness. This price determination is carried out very carefully by considering expenses for raw materials and equipment used.

Cost Reduction, The Buddy House Coffee & Eatery has different types of discounts with certain conditions. This coffee shop provides discounts to commemorate major holidays, discounts every time a new menu is launched every month. This does not reduce the quality of taste provided to customers. From a consumer’s perspective, implementing promos or discounts every day is what is the attraction of The Buddy House Coffee & Eatery

Risk reduction, With the services provided, adequate employee expertise and complete facilities available in making drinks, consumers can minimize many risks such as inappropriate taste of the drinks provided, delays in serving and errors that occur.

Access (Accessibility), Accessibility to order products at the buddy house coffee & eatery can be done directly at the bar table and online can be accessed at Grabfood and Gofood. However, there is a drawback, namely that this coffee shop has not implemented an online ordering system on the website when coming in person, this causes quite long queues when conditions are busy, this is in accordance with the wishes of customers who visit, where this coffee shop must have an ordering system via the website to reduce queue at the bar table.

(Convenience/Usability), The buddy house coffee & eatery tries to provide comfort to customers by providing live music, a comfortable room design for relaxing, free wifi and a spacious area consisting of indoor and outdoor. From the results of interviews conducted with consumers, it is in accordance with the availability of facilities at this coffee shop which provide comfort.

Key Resources

Key Resources are assets that are necessary and required in running a business. This main resource allows a business to provide a value proposition or added value, gain market share, gain income and profits. According to (Osterwalder & Pigneur, 2012) Key resources can be formed from several points, namely (1) facilities; (2) intellectual; (3) people; (4) finance; (5) technology; and (6) distribution channels.

Facilities, are supports that can make the work carried out easier and more successful. The Buddy House Coffee & Eatery has several facilities to support work activities. The facilities owned by The Buddy House Coffee & Eatery are espresso machines, large & small coffee grinders and other coffee equipment, a spacious place consisting of 3 floors, The 1st floor is the ground floor area, the 2nd floor is the office and the 3rd floor is the rooftop area, the 3rd floor is often used for birthday parties, weddings and workshops, live music, free WiFi and adequate tables and chairs for relaxing and doing assignments. In accordance with the business being run, namely a coffee shop, the facility that is often used is a coffee machine to make ordered drinks. All of the facilities are in good condition, however other supporting coffee machines were damaged but did not hinder the production of consumer orders and really support business activities at The Buddy House Coffee & Eatery.

Intellectual, The intellectual side of The Buddy House Coffee Shop can be seen from its fame. With the ability to collaborate with other companies or cafes, the Buddy House Coffee & Eatery coffee shop brand has be-
come widely known. However, it is a shame that this coffee shop does not have copyright for some of the products it makes.

Human in The Buddy House Coffee & Eatery currently has 4 employees consisting of 1 person as head bar, 1 barista and 2 people in the kitchen. The number of 4 employees is sufficient because they have good quality and are experts in their respective fields because during the recruitment process the main qualifications are the ability to make coffee, latte art skills, understanding the use of all types of coffee machines. However, this does not rule out the possibility for applicants who do not have experience in the world of coffee, because The Buddy House Coffee & Eatery will provide training in coffee making over time. This is done to improve the quality of The Buddy House Coffee & Eatery employees.

Financially, The Buddy House Coffee & Eatery in the process of forming this business requires quite a large amount of funds to rent a building from PT Roemah Noesantara every year, funds to purchase a coffee machine and other equipment which is quite expensive. The Buddy House Coffee & Eatery's source of income comes from sales and renting out space for birthday parties, weddings and workshops. The recording of financial income and expenses at this coffee shop is well systemized by the owner.

Technology, use and mastery of technology at The Buddy House Coffee & Eatery can be categorized as good because the process of making coffee uses a machine, payment is made in cash or cashless and online-based marketing via Instagram, Tiktok, Facebook Grabfood and Gofood.

Distribution channel, The Buddy House Coffee & Eatery obtains beans or coffee beans from Fugol Coffee Roaster suppliers which are then processed into various types of coffee drinks available at The Buddy House Coffee & Eatery. The distribution channels applied to consumers are a promotion system via social media, products are obtained directly through shops or outlets and indirectly The Buddy House Coffee & Eatery partners with ride hailing applications.

**Managerial Implications**

Based on the research results, the managerial implications that can be given or recommended to coffee shops in terms of improving business strategies are as follows, (1) expanding market reach by carrying out and optimizing marketing via social media to increase sales. One way is to try to endorse public figures or implement a bundle menu into an attractive offer for consumers; (2) looking for newness to increase customers’ desire to buy back the products being sold by innovating products and looking for references through food and beverage products both from within the country and abroad; (3) reapplying the buddy card or membership card as an attraction to increase sales; (4) establishing good relationships with business partners to add value so that business collaboration can be sustainable; (5) maintaining quality but still at an affordable price in order to compete; (6) conducting internal company evaluations to improve professionalism.

**CONCLUSION**

Based on the results of the discussion, it can be concluded that the customer segment targeted by The Buddy House Coffee & Eatery is students, workers, etc. This is in accordance with the reality of the establishment location which is close to schools, campuses and shops. that the social status of consumers who come is middle class. However, there is a need to develop market reach in the customer segment element of The Buddy House Coffee & Eatery, especially to consumers who come from the area around the coffee shop. In the value proposition element, from 11 (eleven) there are 2 (two) indicators that have not been implemented optimally, namely novelty and access. The thing that consumers really regret about the newness indicators that are recommended is the reintroduction of The Buddy Card which is a distinctive feature that is different from the coffee shops in the vicinity
and the implementation of dine-in orders via the website during peak hours. so that there is no build up of queues at the cashier’s desk. In the key resources element, the recommended improvements are the creation of copyright for products made by the coffee shop and the addition of employees specifically for content creators.

Limitations and suggestions

Suggestions regarding the Company are to maximize the content on The Buddy House Coffee & Eatery’s Instagram and TikTok accounts to expand the product promotion area and re-apply member cards to provide attractive offers. For further research, you can add a research focus to the canvas business model and expand the coffee shop research location so that the research results can be generalized to a wider scope.

The limitation of this research is that it only uses three research focuses, namely customer segment, value proposition and key resources. and the research location only took one coffee shop to be studied and analyzed.

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