

# CHAPTER 1

## INTRODUCTION

### 1.1 Background

According to Rista astari rusdin, (2021), the influence brought by the era of globalization is that with the development of information and communication technology comes inevitability and the world becomes small called "*Global Village*" where "The World Becomes Without Borders", John Naisbitt, (2002). The relationship with Indonesia's development is that with globalization, local products are not only marketed in Indonesia but can be marketed to other countries in the world so that these products will be more developed. This means competition not only at the local level but will be wider and tighter to reach the whole world to survive.

Indonesia as an agricultural country, no longer doubts its produce. One of them is coffee. Coffee is one of the plantation commodities that has an important role in economic activities in Indonesia. Coffee is the fourth largest foreign exchange earner for Indonesia after palm oil, rubber and cocoa. In addition, it is also a provider of employment and a source of income for coffee farmers and other parties involved in the coffee marketing chain. Coffee as a plantation crop is one of the attractive commodities for many countries, especially developing countries, because coffee plantations provide high employment opportunities and can generate foreign exchange that is indispensable for national development Rea Efraim Purba, (2011).

According to Lili Suriati, (2021), the development of the agricultural sector in Indonesia has greatly benefited from the results of the development efforts that have been achieved so far. This is undeniable considering that Indonesia has a very large capital wealth of natural resources, thus providing opportunities for the development of agricultural businesses, one of which is plantation crops, especially coffee plants, which are one of the plantation commodities that are widely cultivated by farmers and private companies. This is because this commodity has high economic value and is a good strategy to increase farmers' income and can even increase the country's foreign exchange.

Coffee is an important commodity in the plantation sub-sector, because it plays an important role in the national economy as a source of foreign exchange. This can be seen from this commodity that is able to penetrate the international market as an export commodity. Indonesia's coffee exports occupy the 3rd position in the world after Vietnam and Brazil with an export volume of 11,950,000 bags. Coffee is the main tropical commodity traded worldwide, accounting for half of total tropical commodity exports.

The world's popularity and appeal to coffee, mainly because of its unique taste and is supported by historical, traditional, social and economic interests Ayelign, (2013). In addition, coffee development is also contained in data Central Bureau of Statistics, (2015) which states that The development of coffee in Indonesia has increased quite rapidly, in 2007 coffee production reached around 676.5 thousand tons and in 2013 coffee production reached around 691.16 thousand tons. So that coffee production in Indonesia from 2007-2013 increased by around 2.17% and after that Central Statistics Agency, (2020), noted, Indonesian coffee production has tended to increase in the last five years. Indonesia produced 663.8 thousand tons of coffee in 2016. decreased by 0.47% when compared to 2018.

However, coffee production rose again by 1.31% to 762.38 thousand tons in 2020. When viewed from the status of its exploitation, smallholder plantations have the most production capacity in 2020, namely 757, 3 thousand tons. The proportion reaches 99.3% of the total coffee production in Indonesia. Notes that coffee production in Indonesia will reach 774.6 thousand tons in 2021. This value has increased by 2.75% from the previous year which amounted to 753.9 thousand tons.

According to the 2023 Indonesian Statistics report from Central Bureau Statistics, (2023), Indonesia's coffee production will reach 794.8 thousand tons in 2022, an increase of around 1.1% compared to the previous year (year-on-year/yoy). The volume of national coffee production has also consistently increased every year since 2020. 2022 South Sumatra is the largest coffee-producing province, namely 212.4 thousand tons or 26.72% of the total national coffee production where the most Robusta is in the South Sumatra region. The

Bukit Barisan region is a center for South Sumatra's coffee production, such as Pagar Alam, Lahat, Muara Enim, Empat Lawang, Ogan Komering Ulu, and Musi Rawas. The next largest producer after South Sumatra is Lampung, with production of 124.5 thousand tons. Then production in North Sumatra was 87 thousand tons and Aceh was 75.3 thousand tons. Related to this, it is necessary to have a strategy in marketing coffee that is more appropriate in order to further increase the added value of coffee products in sales, so that the company's position benefits market can be increased or maintained.

The success of coffee agribusiness requires the support of all parties involved in the production process, coffee processing, and marketing of coffee commodities. Efforts to improve coffee productivity and quality continue to be carried out so that coffee competitiveness in Indonesia can compete in the world market (Rahardjo, 2012). This is in accordance with Reni's opinion, (2012), that marketing strategy is a form of plan that is unraveled in the field of marketing. To obtain optimal results, this marketing strategy has a broad scope in the field of marketing including strategies in dealing with competition, pricing strategies, product strategies, service strategies and so on.

Meanwhile, according to (Bambang, 2015), who suggests that significantly coffee bean production in Indonesia continues to increase, but the quality of coffee processing produced is generally still low. Therefore, to obtain good quality coffee beans, proper post-harvest handling is needed by doing each stage correctly. When viewed from the type of coffee cultivated, robusta coffee dominates Indonesian coffee production in 2017. Of Indonesia 2 coffee production of 668.68 thousand tonnes, as much as 72.35% or 483.82 thousand tonnes is robusta coffee while the remaining 27.65% or 184.86 thousand tons. is Arabica coffee. (Center for Agricultural Data and Information Systems 2018).

When viewed from the type of coffee cultivated, robusta coffee dominates Indonesian coffee production. In 2019, Indonesia's coffee production was 760.96 thousand tons, 72.66% or 531.56 thousand tons was robusta coffee, while the remaining 27.34% or 200.06 thousand tons was Arabica coffee. (Data Center and Information System Agriculture 2020).

Indonesian coffee production in 2020 is still dominated by Robusta coffee with a share of 70.15%, the remaining 29.85% is Arabica coffee. In terms of exploitation, 98.85% is cultivated by smallholders (PR) or contributes to coffee production reaching 745.61 thousand tons of the total national coffee production which reached 753.94 thousand tons. (Center for Agricultural Data and Information).

However, the problems that are often faced in realizing coffee marketing are the high level of prices received and the marketing agencies involved in it and how to optimize publications through networks owned by management, members, and supporting elements to expand market share. Therefore, a strategy is needed to realize efficient marketing in marketing the coffee business in order to be able to compete in the global market.



**Figure 1.1 Image Product Ayeng Coffee Muntai Village**  
*Source: Processed data 2023*

The selection of the right strategy in the marketing process will greatly affect the achievement of industry goals. In this case, the coffee business in Muntai Village must implement marketing strategies to increase sales, for that a marketing strategy is needed for the coffee business in Muntai Village.

Based on the described background and problem, this study will examine **“Analysis of Marketing Strategy to Increase Coffee Business Sales in Muntai Village Case Study at Ayeng Coffee”**.

## **1.2 Formulation of the Problem**

Based on the background of the problems above, the formulation of the problem in this study is as follows:

1. How can the Ayeng coffee business identify the right marketing strategy to increase its sales?
2. What factors influence the success of implementing marketing strategies in increasing sales?

### **1.3 Purpose of the Study**

Based on the background of the problems described earlier, the researcher has the following research objectives:

1. To find out the marketing strategy in increasing sales of coffee business in Muntai village.
2. To find out what marketing strategy is most appropriate to increase sales volume in the coffee business in Muntai village.

### **1.4 Significance of the Study**

This research can make benefits in adding this insight as follows:

1. Analyze effective marketing strategies to be implemented in increasing the income of the Ayeng coffee business in Muntai village.
2. Identify the factors that influence the success of implementing marketing strategies in increasing sales of the Ayeng coffee business in Muntai village.

### **1.5 Scope and Limitation of the Problem**

#### **1.5.1 Scope of the Study**

1. Analyze the marketing strategies used by the Ayeng coffee business in Muntai Village.
2. Focus on efforts to increase sales volume of Ayeng coffee products.
3. Involves evaluating internal aspects of the business, including product quality, price, and customer service.

#### **1.5.2 Limitation of the Study**

1. Limiting research time to a certain period to keep data up to date.
2. Does not cover external factors that may influence marketing, such as general changes in government regulations.

3. Does not include other marketing variables such as tourism promotions or partnerships with local businesses, unless they are directly related to increasing sales of Ayeng coffee.

## **1.6 Writing System**

### **CHAPTER I : INTRODUCTION**

In Chapter 1, explaining the background of the problem, which becomes problem identification, problem formulation, research objectives, research benefits, research scope, and problem boundaries and report writing systematics.

### **CHAPTER II: LITERATURE REVIEW**

In Chapter II, explains the relevant studies that form the basis of previous research, the theories underlying the topic in the thesis title, there is also a literature review that explains previous research, theoretical basis and framework.

### **CHAPTER III: RESEARCH METHODOLOGY**

In Chapter III, the methods and types of research, research subjects and research objects are explained. Location and object of research, type and source of data, population and sample, sampling technique, data collection technique, data processing technique, type of research, research schedule and budget.

### **CHAPTER IV : RESULT AND DISCUSSION**

In Chapter IV, explains the Results and Discussion, explains the research results, discusses the research results obtained and the limitations of the research.

### **CHAPTER V : CONCLUSIONS AND SUGGESTIONS**

In Chapter V, explaining Conclusions and Suggestions, explaining the conclusions and suggestions of the research that has been conducted.