

Coffee Export Marketing Strategy in North Sumatra Province During the COVID-19 Pandemic

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ABSTRACT

The purpose of this research is to analyze coffee export marketing strategy in North Sumatra Province during the coronavirus disease 2019 (COVID-19) pandemic. This study uses a descriptive research method with a qualitative approach. The research is conducted in North Sumatra Province. Data collection techniques in this study used literature study, observation, and documentation. Data analysis uses strengths, weaknesses, opportunities, and threats (SWOT) analysis. The internal factors of strength affecting coffee export in North Sumatra Province are physicality and quality, timely delivery, potential exporters, and networking as well as the internal factors of weakness, namely promotion, capital, and pricing policies. The external factors of opportunity, namely licenses, regular consumers, and export tariffs as well as the external factors of threat, namely prices, demand, the role of government, competitors, and the condition of the coronavirus disease 2019 (COVID-19).

Keywords: Coffee Export, Marketing Strategy, COVID-19 Pandemic, SWOT Analysis

INTRODUCTION

The agricultural sector has a fairly important role in economic activity in Indonesia, this can be seen from its contribution to gross domestic product which is quite large, namely around 12.72 percent in 2019 or third place after the manufacturing sector and wholesale and retail trade (19.70 percent), as well as car and motorcycle repair (13.01 percent). One of the sub-sectors that has quite a large potential is the

plantation sub-sector. The contribution of the plantation sub-sector in 2019 amounted to 3.27 percent of total gross domestic product and 25.71 percent of the agriculture, forestry and fisheries sectors or was in first place in this sector. This sub-sector is a provider of raw materials for the industrial sector, absorbs labor, and generates foreign exchange (Badan Pusat Statistik, 2020).

Coffee is one of the plantation commodities that has an important role in economic activities in Indonesia. Coffee is also one of Indonesia's export commodities which is quite important as a foreign exchange earner besides oil and gas. In addition to the increasingly open export opportunities, the domestic coffee market is still quite large. Indonesia is one of the coffee bean producing and exporting countries in the world. Indonesia is known as the second largest producer in Asia with a coffee growing area of more than 1 million hectares. Globally, since 2013 according to the International Coffee Organization (ICO), Indonesia is the fourth largest coffee bean producing country in the world, after Brazil, Vietnam, and Colombia (International Coffee Organization, 2017).

Most of Indonesia's coffee production is exported to foreign countries and the rest is marketed domestically. Indonesia's natural coffee exports reach five continents, namely Asia, Africa, Australia, America, and Europe with the main share in Europe. In 2019, the top five importing countries for Indonesian natural coffee were the United

States, Malaysia, Italy, Egypt, and Japan. The export volume to the United States reached 58.67 thousand tons or 16.34 percent of Indonesia's total coffee export volume with a value of US\$ 253.87 million. The second rank is Malaysia, with an export volume of 36.90 thousand tons or 10.28 percent of the total volume of Indonesian coffee with a value of US\$ 62.94 million. The third rank is Italy, with an export volume of 35.45 thousand tons or 9.87 percent of the total volume of Indonesian coffee exports with a value of US\$ 60.35 million. Ranked fourth is Egypt with an export volume of 34.29 thousand tons or around 9.55 percent of Indonesia's total coffee export volume with a value of US\$ 59.06 million. Fifth place is Japan with an export volume of 25.59 thousand tons or 7.13 percent of the total natural coffee export volume with a value of US\$ 68.57 million.

Based on data from the Central Bureau of Statistics, Indonesia's export volume as of April 2019 reached 94.5 thousand tonnes with a value of US\$259.5 million. Meanwhile, in 2018, the export volume was 280 thousand tons, a decrease of 40 percent compared to the previous year. The 2018 export value also decreased from US\$1.2 billion to US\$817.8 million.

In 2019, North Sumatra Province coffee export volume reached 61,676 tons worth US\$337.293 million. The decline in export volume and value was the result of the coronavirus disease 2019 (COVID-19) pandemic which has hit globally, including the largest coffee importing country, North Sumatra Province, such as the United States, Japan, and the People's Republic of China. Arabica coffee exports through Belawan Port in 2020 based on certificates of origin reached 49,031 tons worth US\$237.054 million. Arabica exports in 2020 decreased compared to 2019 which reached 58,674 tons worth US\$327,580 million. The arabica type has always dominated North Sumatra Province coffee exports in line with the less robusta production. From the explanation above, it can be seen how the decline in

coffee exports from North Sumatra Province or marketing was hampered due to the COVID-19 pandemic.

Coffee produced from various regions in Indonesia is an effort to meet the needs of the domestic and international markets. Fulfillment of domestic coffee supply or production can be carried out through an analysis of each member of the supply chain that forms a supply chain network (Jatmiko, 2012). In this case the involvement and role of marketing actors is very important starting from producers, intermediaries, processors, to exporters. In marketing channels, there are differences in margins in each marketing agency. This is shown by the existence of price disparities in the marketing chain (Afliana, 2018).

Coffee marketing in North Sumatra Province is carried out from producers (farmers), collectors, processors, to exporters. Generally, coffee originating from North Sumatra Province is exported to Europe and the United States. However, in the process of marketing coffee to these countries, coffee exporters in North Sumatra Province experienced obstacles. These obstacles include tariffs, non-tariffs, quality standards, administrative requirements and difficulties in finding buyers for new exporters. Meanwhile, other obstacles faced by exporters when marketing coffee to the United States include government policy barriers, high tariffs and marketing, plus the uncertain world trade due to the COVID-19 pandemic. Therefore, the efforts made by Indonesian exporters in marketing coffee to the international market can be through importer representatives in Indonesia or through foreign trade representatives in the destination country (Kotler and Armstrong, 2015).

The purpose of this research is to analyze coffee export marketing strategy in North Sumatra Province during the coronavirus disease 2019 (COVID-19) pandemic.

RESEARCH METHODS

This study uses a descriptive research method with a qualitative approach. This

descriptive research is also called a feasibility study which intends to obtain initial data. Descriptive research is studying problems in society and the procedures that apply in society and certain situations, including relationships, activities, attitudes, views, and ongoing processes and the effects of a phenomenon (Umar, 2010). Research with descriptive methods is usually done through observation, interviews, and case studies to describe behavior rather than using data that can be analyzed statistically.

The steps taken in carrying out descriptive research, namely:

1. Choose and formulate a problem.
2. Determine the purpose of the research that will be carried out.
3. The aim of this research is to develop a coffee export development strategy.
4. Formulation of a theoretical framework or frame of mind.
5. Tracing the sources of literature.
6. Conduct fieldwork to collect data.

The research is conducted in North Sumatra Province. The search for data is carried out so that the data obtained for this study is proven correct. And the data obtained will be used in solving problems in the research process.

Data collection techniques in research use several instruments or tools that can be used as data collectors so that data is more accurate. Data collection techniques are the most strategic steps in research, because the main objective of research is to obtain data (Sugiyono, 2017). Data collection techniques in this study used literature study, observation, and documentation.

1.Literature Study

Collecting data through literature, journals, internet, and reading both text books or papers related to the research topic.

2.Observation

The observation method is a way of collecting data based on direct observation of the physical symptoms of the research object. This technique is carried out to collect data by conducting research and

direct observation at the research location. In this case the researcher will observe 5 North Sumatra Province coffee exporters who will be sampled in the study.

3.Documentation

Collecting documents in the form of writing, pictures or monumental works from someone. Written documents in the form of diaries, life histories, stories, biographies, policy regulations, and others. Pictorial documents, namely photos, sketches, live drawings, and others. In this case the data was taken from the Statistics Office of North Sumatra Province and Indonesia.

Data analysis uses strengths, weaknesses, opportunities, and threats (SWOT) analysis. The use of SWOT analysis is carried out to analyze the internal factors of entrepreneurs in industrial areas so that they know what factors are their strengths and weaknesses (Rangkuti, 2015). In addition to analyzing internal factors, an analysis of external factors was also carried out to find out the opportunities and threats faced in order to increase competitiveness. Based on the results of the SWOT analysis, selected policy alternatives are obtained in making strategic decisions. In conducting a SWOT analysis, the stages of the activities carried out are as follows (Rangkuti, 2017):

1. Identification of Internal and External Factors.
2. Preparation of Questionnaires.
3. Data Analysis.

RESULTS

Company Overview

The Indonesian Coffee Exporters Association (AEKI) was established as a sense of togetherness in uniting the steps of coffee exporters to answer the government's problems in taking part in the coffee trading system, which since 1969 the International Coffee Organization (ICO) has implemented quotas for its members.

That the coffee plant that thrives in Persada Nusantara is a gift from God Almighty that needs to be preserved and transformed into a competitive and sustainable coffee commodity agribusiness, so as to increase

the welfare of all business actors in the coffee sector from upstream to downstream and increase their contribution to the economy that in accordance with the mandate and spirit of the 1945 Constitution, especially Article 33, in order to create a coffee society that has the capabilities referred to above, business relations based on kinship between coffee companies need to be well established so as to create a conducive business climate; stimulate all business actors and be able to encourage national coffee growth and increase the country's foreign exchange earnings.

That in order to maintain conducive business relations, a reliable professional organization is needed as a means of facilitating communication, aligning vision and mission, and increasing professionalism according to the demands of developments in the global era to face various obstacles, challenges which are at the same time opportunities. Thanks to the Grace of God Almighty and driven by a lofty desire to achieve the ideals of creating a coffee society that is prosperous and able to contribute to the national economy and earn the country's foreign exchange, Indonesian coffee companies are determined to become part of AEKI. With the development of the national coffee processing industry, the name has become the Association of Indonesian Coffee Exporters and Industries (AEKI) which can accommodate all Indonesian coffee companies from upstream to downstream.

AEKI is a forum for all exporting companies, coffee processing industry companies and other Indonesian coffee companies which are based on Pancasila and the 1945 Constitution. AEKI is not bound and attached to any political party or group.

AEKI's goal is to create a coffee society that is prosperous, resilient and able to contribute to the development of the national economy.

AEKI Main Duties:

1. Direct members to be professional and have a good image.

2. Provide protection and fight for the interests of members.
3. Helping the government's efforts to increase the knowledge and skills of farmers and other business actors in the field of coffee.
4. Provide opinions and suggestions to the government and other institutions in making decisions on national coffee policies.
5. Establish and foster cooperation with related agencies/institutions in the field of coffee both at home and abroad.

Strengths, Weaknesses, Opportunities, and Threats (SWOT) Analysis

Strengths, weaknesses, opportunities, and threats (SWOT) is an identification of various factors systematically to formulate corporate strategy. SWOT analysis is based on logic which is carried out to maximize strengths and opportunities, but simultaneously can minimize weaknesses and threats. The emergence of internal and external factors needs to be identified and then assessed the variables which are strengths and weaknesses, as well as opportunities and threats for the company (Rangkuti, 2011).

The first stage is to identify company factors, namely internal and external factors. The purpose of internal factor identification is to identify the strengths and weaknesses of the company, while the identification of external factors is to develop a limited list of opportunities that the company can take advantage of and threats that must be avoided. Identification of internal and external factors is based on the results of data collection carried out by observation, interviews, and collection of company documents.

The second stage is an analysis of internal and external factors using the internal strategic factors analysis summary (IFAS) matrix and external strategic factors analysis summary (EFAS) matrix. This stage is carried out after identifying internal and external factors in the company. The purpose of doing this factor analysis is to

provide an assessment of the weight and rating of each strategic factor. The steps in preparing the IFAS matrix are as follows:

IFAS:

- a. Arrange in column 1 the strengths and weaknesses according to the internal factors that have been identified previously.
- b. Give each factor a weight in column 2, from 1.0 (very important) to 0.0 (not important).
- c. Calculate the rating (in column 3) for each factor by giving a scale ranging from 4 (outstanding) to 1 (poor) based on the influence of the factor on the condition of the company concerned. Giving a rating value for the strength factor is positive (a greater chance is given a +4 rating, but if the opportunity is small, it is given a +1 rating). Giving a rating of weakness is the opposite. For example, if the value of weakness is very large, the rating is 1. Conversely, if the value of the threat is small, the rating is 4.
- d. Multiply the weight in column 2 with the rating in column 3, to get the weighting factor in column 4. The result is a weighted score for each factor whose value varies from 4.0 (outstanding) to 1.0 (poor).
- e. Add up the weighted scores (in column 4), to obtain the total weighted scores for the company concerned. This total value shows how a particular company reacts to its internal strategic factors.

EFAS:

- a. Arrange in column 1 the opportunities and threats according to the internal factors that have been identified previously.

- b. Give weight to each of these factors on a scale ranging from 1.0 (most important) to 0.0 (not important), based on the influence of these factors on the company's strategic position (all these weights cannot exceed a total score of 1, 00).

- c. Calculate the rating (in column 3) for each factor by giving a scale ranging from 4 (outstanding) to 1 (poor), based on the influence of these factors on the condition of the company concerned. Positive variables (all variables included in the strength category) are given a value of +1 to +4 (very good) by comparing the industry average or with the main competitors. While variables that are negative are the opposite.

- d. Multiply the weight in column 2 with the rating in column 3, to get the weighting factor in column 4. The result is a weighted score for each factor whose value varies from 4.0 (outsading) to 0.0 (poor).

- e. Add up the weighted scores (in column 4), to obtain the total weighted for the company concerned.

The third stage is a SWOT analysis. The first step in this analysis is to use the SWOT matrix. The SWOT matrix is an important matching tool that helps companies develop four types of strategies, namely S-O strategy, W-O strategy, S-T strategy, and W-T strategy. SWOT analysis was carried out using a cartesian diagram that refers to the IFAS and EFAS matrices. The SWOT diagram can determine the position of the company so that it can determine the right strategy for the company.

Table 1. The Internal Factors

Strength		Weakness	
S1	Physicality Conditions and Coffee Quality of North Sumatra Province	W1	North Sumatra Province Coffee Promotion
S2	Timely Delivery of North Sumatra Province Coffee to the Importing Country	W2	The Amount of Capital Owned by the Exporter
S3	Potential Exporters in Reaching Importer Countries	W3	Pricing Policy
S4	Networking		

Table 2. The External Factors

Opportunity		Threat	
O1	Have an Export License	T1	Selling Price of Coffee
O2	There are Regular Customers	T2	North Sumatra Province Coffee Demand Overseas
		T3	The Role of Government in Supporting Exports
O3	Determination of Export Tariffs	T4	There is Competition in Supporting Export Activities
		T5	Pandemic COVID-19 Conditions

The internal factors of strength affecting coffee export in North Sumatra Province are

physicality and quality, timely delivery, potential exporters, and networking as well

as the internal factors of weakness, namely promotion, capital, and pricing policies. The external factors of opportunity, namely licenses, regular consumers, and export tariffs as well as the external factors of threat, namely prices, demand, the role of government, competitors, and the condition of the coronavirus disease 2019 (COVID-19).

The strategy for developing coffee export in North Sumatra Province is to retain regular consumers by obtaining good physical and quality coffee, utilizing existing permits to make it easier for exporters to reach importing countries, increasing capital by optimizing demand from regular consumers, increasing the quantity of coffee with good quality for increasing demand and selling prices, establishing cooperation with competing countries to increase demand by relying on the physical condition and good quality of coffee, and increasing the role of government and demand in supporting promotion implementation and access to capital assistance.

CONCLUSION AND SUGGESTION

The internal factors of strength affecting coffee export in North Sumatra Province are physicality and quality, timely delivery, potential exporters, and networking as well as the internal factors of weakness, namely promotion, capital, and pricing policies. The external factors of opportunity, namely licenses, regular consumers, and export tariffs as well as the external factors of threat, namely prices, demand, the role of government, competitors, and the condition of the coronavirus disease 2019 (COVID-19). Some of the suggestions given to coffee exporters are to expand the market share of coffee to other countries so they don't depend on just one country, are able to maintain and maintain existing markets by always maintaining trade relations with export destination countries, and need to there is a diversification of products made from coffee, so that added value is obtained

and is able to become a new superior product at this time and in the future. The government must pay attention to the great potential of Arabica Coffee in the form of policy support in accessing capital assistance, ease in obtaining permits that are more efficient, and supporting the promotion of North Sumatra Coffee in foreign markets.

Declaration by Authors

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