

CHAPTER 1

INTRODUCTION

1.1. Research Background

In nearly all over the world whether it is in Indonesia, or other portions of the globe's nation, since the late 1990s, family businesses have become and evolved into a hot topic on a social level, especially in Indonesia. Today, family businesses are one of the factors and are one of the most important elements influencing the Indonesian economy. Family businesses also play a significant role in job creation and innovation (Oktavia et al., 2020) On top of that, an era, a period where the public is thriving, evolving, and constructing a lot of new yet fresh new tech-related and startup businesses, The agriculture sector particularly the green bean (coffee beans) industry is still one of the most anticipated sectors in Indonesia. Coffee green bean is a farmstead commodity that has been very supportive towards the Indonesian national economy because it is more resilient to economic crisis compared to other sectors and also can increase employment opportunities for the agriculturalist and those that are less fortunate. This commodity has been estimated to be a source of income for more or less 1.84 million souls that are living in a small region, in addition approximately 1 million families are very dependent on this commodity which can contribute a sizable amount of foreign exchange. The Indonesian Ministry of Trade has made coffee one of the ten main commodities of the country's economy (Lahasan et al., 2022)

1.2. Phenomenon Gap

For the analytical procedure, there is an adopted quick method that seeks the added value obtained by processing coffee stalks (cherry red) into coffee beans (green beans). The value added measured is the value added resulting from the processing of coffee stems (cherry red) into coffee beans (green beans) (Lubis et al., 2022). As of June 1, 2017, Indonesia was the world's third largest coffee exporter with a total export volume of 1.2 million bags, while domestic coffee consumption in 2015/2016 made it the second largest exporter by total export volume. 1.2 million bags. This follows Brazil's coffee consumption of 4.5 million bags. Robusta accounts for 90% of domestic coffee raw material production, and Arabica accounts for the remaining 10% and it is still slowly growing to this day. (Lahasan et al., 2022).

Hence, looking at this type of development and growth in the industry is very impressive primarily through 2020-2021 where is when the pandemic was overtaking the world. The coffee production is does not drop drastically, but with all of this natural abnormality that is beyond control that happens in recent years such as heavy rains and climate change resulting in some crop failure. This research will operate and explore deeper into the research.

Around this time of the year, where the world is currently healing through covid pandemic, still almost in all the parts of the world the coffee commodity has been a people's favorite. However, increased fertilizer costs and weather-hit crops are projected to cause a global shortage in coffee production this year, which will drive up prices, but Indonesian growers are unlikely to benefit. As a result, global coffee prices have risen since the start of the year and are predicted to climb further due to production constraints in Brazil, Vietnam and other major producing countries, capping

supplies to the global market. Higher coffee prices tend to push demand for robusta, a relatively cheap type of coffee, as producers seek to prevent too steep a price hike for coffee consumers according to (Belinda, 2023).

The plantation used to produce 800-1,000 tonnes of coffee, but recent harvests only yielded 500-600 tonnes due to increased rainfall. Indonesian coffee production at 9. In 2023/24, the USDA reports an 18% yoy decrease in 7 million bags. Excessive rainfall negatively impacts cherry development, reducing yields in key robusta-producing regions. Indonesian green bean exports to decrease by 32% yoy in 2023/24 to 5 million bags, with 2 million bags of lower exportable supplies, per USDA data. (Belinda, 2023). Back in 1980, Indonesian coffee exports were 238,677 tons and by 2016 it increased to 412,370 tons. Green beans make up 97% of the exported coffee. Which is quite a major difference in growth compared to few recent years. 1% and the rest is processed form (roasted and powdered) as much as 2.9%. Most of the exported coffee was Robusta with 76.7%, while Arabica made up 23.3% (Habibulah et al., 2023).

So, the production is getting lesser and lesser but on the other hand the demands keep increasing. This segment in or division in particular with the business has been dealing with a lot of problems around the world, doesn't matter what types of coffee there is, whether it's arabica or robusta. El Nino threatens Indonesian coffee production, causing low output and record-high prices. Indonesia's lower coffee production, mainly of robusta beans, may boost prices further, already up 40% in 2023 and hitting a record in June. Carlos Mera from Rabobank predicts El Nino in Indonesia causing drought, leading to decreased coffee production in 2024/25. Indonesia's

weather agency (BMKG) reported that El Nino is affecting over two-thirds of the country, including key coffee regions like Java and parts of Sumatra (Kurniawati & Thukral, 2023)

1.3. Research Gap

The well – produced green bean coffee business has been about the crops requiring to have a specific environmental conditions to grow and be developed in a good condition, the research on coffee green beans development is most on climate change which are continuously changing. While variation was found between studies, findings highlight that coffee quality is vulnerable to changes in light exposure, altitude, water stress, temperature, carbon dioxide, and nutrient management.

Research gaps were found regarding the effects of shifts in carbon dioxide, water stress, and temperature on the directionality (increase, decrease, or non-linear) of coffee quality and how this varies with location, elevation, and management conditions, (Ahmed et al., 2021). Which also affects the coffee production that is impacting on the supply demand where new individuals starting to get into the business which creates more demands. Most importantly the author recommends further research of competitive advantages because it is still lacking.

1.4. Research Problems

PT. Trio Lestari is a family business that is operating in the agribusiness industry that is focusing on supplying good quality green beans (unroasted coffee beans) and distributing them to potential customers and buyers such as coffee exporters, coffee bean processing companies also some big name's coffee factories such as Torabika and Indocafe. The owner and CEO of PT. Trio Lestari Mr. Martinus who is very experienced and proficient in this industry for almost 40 years, and his skill and mastery were obtained through his late father and father-in-law, which

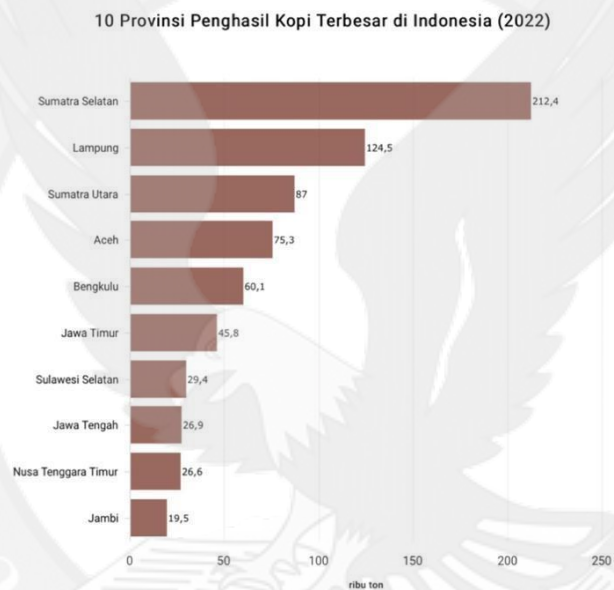


Figure 1.1 Table of 10 Biggest Coffee Producers in Indonesia

Also had worked in this industry for so many years in the past. PT. Trio Lestari was established around the year of 1988 in a small town in Bengkulu located near South Sumatra. Because of the opportunity that is been shown and found out way back when the demand needs, and the competitors is still low in numbers and the business itself was very promising. PT. Trio Lestari is focusing only on selling a good quality Robusta green bean which in Indonesia especially on Sumatra Island the total coffee crops that is produced is one of the highest in Indonesia consistently until recent year, so it's very supportive and fit well into the business.

Hence, although coffee crops in Sumatra has been flourishing in many years, according to Mr. Martinus in these past 4 years there has been some production shortage happening with the green bean coffee production that is caused by the excessive weather abnormality, heavy downpour resulting in inconsistent production and crop failure and lots of newcomers in the business, With all this happening, while the demand from exporters and factory is still high, with insufficient and low supply causing the coffee prices to grow higher which also pushes the capital and experiencing an increase in cost prices.

1.5. Research Question

1. What are the strategic factors that contributes to the competitive advantage of the Green Bean Coffee Business in PT. Trio Lestari
2. How are these strategic factors implemented by PT. Trio Lestari to achieve a competitive advantage in the agriculture industry?

1.6. Research Objectives

The main objective of this study is to find out the need for research on the competitive advantages of the green bean coffee business in the agriculture industry. The purpose and objective of this study is to best comprehend the competitive advantages of PT. Trio Lestari, which assembles PT. Trio Lestari is one of the most successful green bean business companies in Indonesia and how that competitive advantage could translate into the become a respective challenge to the company.

Furthermore, this study will correspondingly help those who want a better comprehension of the geography of the green bean business in Indonesia from a more meticulous and through

perspective or case opinion. Last but not least this study will help benefit the PT. Trio Lestari as they go forward on their competitive advantages novel.

1.7. Significance of the Study

The study will be a great benefit to the following:

1. Writer

Writing this work allows the author to apply the knowledge he acquired while studying at the university. As a result, the author gains a deeper knowledge of the topics discussed and gains a deeper understanding.

2. Future Researchers

The data provided will provide future researchers with information on how corporate governance through financial performance impacts corporate value. The results will help future researchers understand how to better research the subject.

3. Businesspeople in the same Industry

The study of this paper is hoped to support the decision-making processes of related Managers and owners. Furthermore, this result will provide those people with a new perspective regarding the mentioned issues.

1.8. Systematic Discussion

The research paper is systematically divided into five chapters as follows:

CHAPTER I INTRODUCTION

This chapter presents sub-chapters including background, research questions, research objectives, research significance, limitations, and systematic discussion.

CHAPTER II LITERATURE REVIEW

This chapter will first discuss in detail its basic concept definition, related literature review, conceptual framework, and hypothesis development.

CHAPTER III METHODOLOGY

This chapter will state in detail what method of research is being used. This includes the population and sample, the qualitative model approach, the operational variable definition, and collecting data through interview observations and field notes

CHAPTER IV RESULTS AND DISCUSSION

This chapter will discuss the result and the findings of the research on the impact of sales performance and consumer behavior involvement towards purchasing decision performance with a qualitative approach.

CHAPTER V CONCLUSION

This chapter consists of a conclusion and suggestion from the result and discussion preceding this chapter, along with recommend actions for future researches.