



DEVELOPMENT OF SANGGABUANA COFFEE PRODUCT INNOVATION THROUGH PRODUCT DIVERSIFICATION (CASE STUDY IN BUMDES BUANAMEKAR BUSINESS IN MEKARBUANA VILLAGE, KARAWANG)

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ABSTRACT

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This study aims to determine the application of a diversification strategy with the development of innovation in Sanggabuana coffee products. This study used in-depth interviews, observation, and documentation studies and analyzed using technical and source triangulation. The study results were obtained to apply a diversification strategy focused on concentric diversification by producing new product outputs based on the raw material of KoSa as a coffee flavouring in desserts with the types of Pudding Kopi and Bolu Kopi, scrubs, and air fresheners. Furthermore, Bumdes can maximize e-commerce marketing.

Keywords: innovation, product diversification strategy, concentric diversification

INTRODUCTION

The rapid development of competition in the business world, especially in developing countries, makes every company must have a superior strategy. Developing a business by providing innovative products is undoubtedly one of the efforts so that the business can continue and develop. Diversification is a good choice for companies when companies face intense competition and rapid market growth.

Sanggabuana Coffee is a trademark issued by Bumdes Buana Mekar, which is one of the businesses owned by Bumdes in Mekarbuana Village, Tegalwaru District, Karawang Regency. Sanggabuana Coffee or KoSa is a type of Robusta coffee that grows on Mount Sanggabuana Loji Karawang.

Bumdes Buana Mekar issues coffee products with two types of packaging: plain and premium. For premium packaging, two flavours of processed coffee are



produced, premium coffee and Jambe coffee. Premium coffee does not have a mixture of other pure ingredients as a black coffee product, while areca nut coffee combines black coffee and mashed areca nut.

Based on the information obtained from Bumdes, the sale of KoSa has not been maximized; in fact, many Karawang residents need to learn that this coffee product exists. Moreover, not all consumers like or consume coffee, especially this type of black coffee. Bumdes needs to develop innovation through the diversification of processed coffee products to introduce and expand the market share of KoSa consumers so that coffee connoisseurs and other consumers can enjoy coffee with other types of products.

Product innovation is one of the efforts to build business sustainability and the ability to compete in the market. Yusuf Limbongan, in his previous research (Proceedings of the National Seminar: 2020) with the title Development of an Arabica Coffee Innovation System to support Toraja tourism development, stated that innovation through the division of business clusters can provide business opportunities in developing other business developments.

Giyah Yulianti (JAMSI: 2022), in Innovation through Diversification of Collaborative-Participatory Based Semarang Typical Batik Products from Academics and Communities, emphasizes training in marketing management, finance, and business management. The introduction of designs and motifs and colouring must be more attractive because the initial problem was not being creative in designing batik motifs and colouring, which was less attractive. So it is essential to have product innovation.

The main problem in this research is the marketing of KoSa, which is not well known by the public, both coffee lovers and ordinary people, both from the people of Karawang and those outside Karawang. So the purpose of this research is to develop KoSa through diversification and innovation of processed coffee products. Diversification is carried out through concentric diversification, where products are produced from existing products but are developed through product manufacturing innovations such as desserts, scrubs, and coffee fragrances and by using e-commerce marketing. What is certain is that the results of this product diversification can be enjoyed not only by coffee lovers but also by all consumers who want to taste both the aroma of the coffee and the coffee products so that the ultimate goal of KoSa sales can be increased which of course has a positive effect both for coffee farmers in Loji Karawang, BumDes as KoSa managers and SMEs who work together to develop this KoSa diversification.

LITERATURE REVIEW

Definition of Product Diversification

"Product diversification as part of the product strategy offered by product development and services offered by the company, by offering new products in this case, means the number of additions, colors, models and sizes". Meanwhile, Agus Hermawan (2016) defines a *product diversification strategy* as an effort to expand the types of goods to be sold and is a company strategy to increase market penetration. Fandy Tjiptono (2016) defines a *product diversification strategy* as an

effort to find and develop products or markets. New or both in pursuit of growth, increased sales, profitability and flexibility.

Based on some of the definitions put forward by the experts above, it can be concluded that the product diversification strategy is a marketing strategy program by adding new product lines with new market segments, products to be sold in the form of goods and services aim to expand market share in increasing sales and market penetration.

The product diversification strategy is not only in the form of the diversity of goods and services produced or produced in a manufacturing industry or producer business. Product diversification also includes selling goods and services provided by business entities acting as distributors. This also aims to increase the competitiveness, sales and income of the business entity concerned to meet market needs in the face of increasingly fierce competition.

Product is a vital object that influences the company's success in bringing in a profit or profit that will maintain the company's operational activities and financial health. A product can be offered to a market to satisfy a need or want. Through products, producers can indulge consumers. Because of the product, it will be known how much satisfaction and need for the product is in consumer life (Agus Hermawan: 2012.) In producing company products, it should follow consumers' needs and desires. Some marketing experts express their opinion about the meaning of the product. According to Kotler and Armstrong, a product can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need.

A product can be offered to a market to satisfy a need or want. Through products, producers can pamper consumers. Because of the product, it will be known how much satisfaction and need for the product is in the consumer's life.

From the definition above, the product attracts companies offered to consumers to achieve company goals. Companies carry out production to produce products that will be offered to consumers. To attract consumers and beat competitors, companies are expected to have products that are different from other competitors.

Benefits of Product Diversification Strategy

Diversification is needed to increase the competitiveness of national and international markets. In the short term, one of the visions in product diversification is to bring a variety of market products to fill the domestic market. Product diversification aims to increase sales volume or quantity which impacts competition in the market and can be carried out by companies already at the maturity stage. With product diversification, a company will not depend on one product type. However, the company can also rely on other products because if one type of product experiences a decline, it can be overcome with other products. The benefits of a product diversification strategy include the following: Revive sales growth from sluggish products, Meet the changing needs and desires of customers, Match new offers from competitors, Meet the needs of specific segments.

Meanwhile, according to Tjiptono (2016), the benefits of product diversification are:

The company can deploy at total capacity because it does not depend on one product type.

Maximizing profits using company expansion and new inventions that are profitable for potential customers.

The company does not depend on just one market by holding product diversification.

Implementation of Product Diversification Strategy

The product diversification strategy is carried out to focus on marketing strategies in developing new products and markets and increasing competitiveness in facing market competition which will impact company profits. According to Tjiptono (2016), the implementation of a product diversification strategy has three forms or ways of adapting to company needs, namely as follows:

Concentric Diversification

Where the new products introduced have links or relationships in terms of marketing and technology with existing products.

Horizontal Diversification

Where companies add new products that are not related to existing products but are sold to the same customers.

Conglomerate Diversification

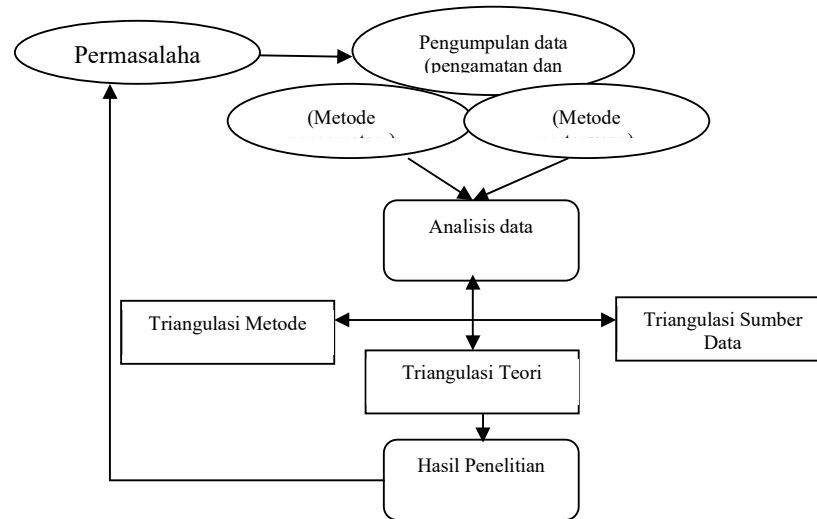
Where the products produced are entirely new and have no relationship in terms of marketing or technology with existing products and are sold to different customers.

Innovation as organizational change. Innovation includes creativity in creating new products, services, ideas or new processes. Innovation can be interpreted as adapting products, services, ideas, or processes existing within the organization or those developed from outside the organization. In general, innovation means the process of adopting "something" new by anyone who adopts it and as a process of creating new products (Lena Elitan: 2019).

METHOD

Types of research

The design of this study uses qualitative methods, which are described in the conceptual framework below.



Gambar 1. Kerangka Pemikiran

Research Target/Subject

The object of this study is Bumdes Buana Mekar, located in the village Mekarbuana, Tegalwaru District, Karawang Regency.

Data collection technique

The data collection method in this study used the observation method, in-depth interviews with BUMDES administrators, documentation and literature studies and was analyzed using technical triangulation and source triangulation.

Data analysis technique

Analysis using technical triangulation and data source triangulation. According to Sugiyono (2011), qualitative data processing techniques can combine various existing data collection techniques and data sources. The use of triangulation is to track dissimilarities between data obtained from one informant (the informant) and other informants. The triangulation technique includes three things: method triangulation, data source triangulation and theory triangulation.

RESULTS AND DISCUSSION

BumDes BuanaMekar needs to improve in marketing KoSa (Sanggabuana Coffee). The research results are in the form of a classification of phenomena that lead to the identification of themes related to applying a product diversification strategy. The diversification is done by making desserts in the form of coffee pudding and coffee cakes, scrubs, and air fresheners and maximizing marketing through e-commerce. The reason for implementing a diversification strategy must be carried out because it is to fulfil consumer desires for new products and varied market tastes. Thus, the results of the research are the opinion (of Fandy Tjiptono, 2015) which explains that in outline, the diversification strategy is developed with various objectives, including.

Increase development if the existing market or product has reached a maturity session in the Product Life Cycle (Cycle Product Life), Protecting stability by spreading the risk of profit fluctuations, Increasing credibility in the capital market.

The diversification strategy carried out by BumDes Buanamekar was implemented to increase KoSa sales, both in terms of KoSa sales in the form of packaged coffee products and after-product innovations in the form of coffee pudding, steamed cakes, scrubs and air fresheners. Of course, this has been done through mini-research where at first, the researchers carried out the service by conducting training and mentoring in the manufacture of these innovative products. Then BumDes, together with MSMEs in Mekarbuana Village, tried to market these innovative products. In this case, of course, in terms of diversification, BumDes has created a concentric diversification strategy. Making this new product aims to find out that the new product can survive in dominating the market share, and the new product is expected to increase sales volume

The diversification strategy was chosen to accelerate business development, increase the company's ability to create profits, capture market opportunities, increase company competitiveness in the industry, accelerate company growth, increase the efficiency of resource allocation, and the company's ability to become implement companies.

Based on the theory from Tjiptono (2016) regarding diversification, the right form of diversification strategy in determining the development of Vocabulary is a concentric diversification strategy which is indicated to be appropriate for use in facing market competition because it is in accordance with market needs and current company conditions. The goal that really underlies the concentric diversification strategy is to minimize the existence of a risk or the possibilities that occur in a company. If there is a product with new innovations produced, it will make consumers more interested and consume it. In addition, this concentric diversification strategy can provide many product choices that have been produced by the company. Due to the growing development of technology and information, consumers will be more selective in choosing the products offered by the company.

The innovations produced in this study are in line with the theory of Tjiptono (2016) in the form of concentric diversification, where the new products introduced have a connection or relationship in terms of marketing and technology with existing products. In this case, innovation is taken from the same material but made with different variances.



Gambar 2: Hasil Diversifikasi Konsentris
Bolu Kopi dan Puding Kopi

Product innovation is creating new products that can meet the needs and desires of consumers so that there is an interest in buying these products, which is expected to be realized through purchasing decisions. Product innovation must create a sustainable competitive advantage in a rapidly changing environment and towards a global market. Product innovation success requires a match between the process and the enabling environment. Besides that, the success of the innovation implemented must be continuous rather than carried out incidentally.

BumDes promotion intensity uses advertising through electronic media, social media, print media, banners, and posters. Kosa marketing through direct marketing has been carried out through the coffee shop, and then with this new product which has been added to BumDes sales in collaboration with MSMEs by offering and informing consumers about new products with sales promotions face to face directly with consumers. Digital marketing through marketplaces or e-commerce is also carried out by BumDes, who register their product sales through the Shopee application.

CONCLUSIONS AND IMPLICATIONS

The concentric diversification strategy was chosen by creating product innovations from processed coffee. Several products were successfully created through a mini-research and dedication process first carried out by researchers, then at the end created, coffee pudding, coffee cake, scrubs and air freshener products. Promotions that are continuously carried out, both online and direct promotions offered to consumers, are expected to be able to increase interest and sales. That's how intense marketing is carried out either through direct marketing or marketplace marketing.

It is necessary to improve further research to find out the increase in sales volume after product innovation has been successfully created so that this concentric diversification strategy is declared successful for BumDes Buanamekar.

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