

## **Investigating the Competitive Advantage in the Green Bean Coffee Supplying Company Business: PT Trio Lestari**

Marcel Adinegara, Jacob Donald Tan

Faculty of Economics and Business, Universitas Pelita Harapan, Tangerang, Indonesia

### **ABSTRACT**

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. Reflecting on the high demand coffee beans in the agriculture side of the business especially in Indonesia, it is somehow an old fashioned and less talked about however a very interesting case on how the sector has been struggling to achieve a consistent growth and success. In recent years especially has been tough for the business because of predicted uncontrollable climate change and newcomers coming into the business. The researchers are using PT Trio Lestari as a respective case study to analyze the businesses' sector current state and how its competitive advantage work in the challenges that the agriculture industry and its competitions has to offer. This research uses qualitative method with objective data collection and interviews with the subjects in various fields starting from its respective owners, employees and to their business partners. The findings of this research are the latent variables that contributes into the competitive advantage of the company such as Entrepreneurial Journey Experiences, Personal Level B2B Partner's Trust, Trustworthy Company Reputation, Good Relationship and Working Environment for Employees, The Sense of Familiness, Competitive Product Pricing, Convenience in Transactions and Services. The study will allow other potential research to dig deeper on the agricultural sector of the coffee business.

**Keywords:** agriculture; green bean; competitive advantage; case study

### **INTRODUCTION**

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)

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). In spite many of the obstacles and problems surrounding the business and corporations, it is correspondingly quite easy for new competitors to enter and fit in because of the increasing demand and price point to individually start their own green bean business. In the agriculture section of coffee green bean business, which is the upstream of the business, the commodity is on its most important part where the harvest of the product is happening and developing.

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). This 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 recommended further research of competitive advantages because it is still lacking.

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, who 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 have 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. 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,

Thus the research questions for this study is as follow:

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?

## **LITERATURE REVIEW**

### **Family Business**

The lack of a clear, measurable, agreed-upon definition of a family business presents a challenge in quantifying their collective impact. Researchers have developed a spectrum to define a family business, ranging from broad to narrow. John Davis, a family business expert, analyzed multiple definitions in the early 2000s. He classified the definitions into two categories: which is a structural and process definitions. The structural definition of a family business focuses on ownership and management arrangements, such as majority ownership by family members. The process definition centers on the level of family involvement and influence on business policies, as well as the desire to maintain family control in the business (Birdthistle & Hales, 2023). The key to understanding family business is the level of family involvement. Litz (1995) states that a firm is considered a family firm if management and ownership are concentrated in the family unit and family members seek to maintain or enhance the family's increasing presence in business activities (Efendi et al., 2021).

Family businesses have met the challenges of digitalization because the decision-making process is not time consuming due to the nature of business organization. The study claims are in his 2019 Deloitte study of a sample of 575 family businesses in 52 countries facing the challenges of digital transformation in all areas of business. (Ferraro et al., 2021). The development of family business in Indonesia has an opportunity and quite big

possibility to still prosper and germinate time to time which is the GDP rate in Indonesia (Gross Domestic Product) has proven and revealed that the annual growth number is in the range of 5.8-6.4% which is identical to the one of Netherlands and Turkey (Zaki et al., 2018). According to 2010 data from the Indonesian Institute of Business and Corporate Governance, more than 95 percent of Indonesian companies are owned and controlled by more than one family. This means that family businesses make the greatest contribution to the country's economic development. (Oktavia et al., 2020).

One of the significant major keys to a consistently successful family business exists in the leadership that the director and its supervisor present and demonstrate to its workers over the years, civilization and good culture maintains a recognizable essential aspect in the success of an organization in the business world. Corporations take an extraordinarily distinct approach to creating quality labor cultures and environments. For some companies, the quality of their work culture has never been more meaningful. However, it is very important so that employees can better serve their customers. Furthermore, a culture of quality leads to great harmony in the workplace. (Oktavia et al., 2020).

### **Competitive Advantage**

A competitive advantage is a competitive strategy that is difficult for competitors to imitate. Competing products do not have the opportunity to capture the attention of consumers as they consist of creating sustainably produced products that are truly unique to the region. (Farida et al. 2022). The concept of company's competitive advantage was refined using common strategies and methods proposed in previous studies. Indicators that reveal competitive advantage variables include value, rarity, inimitability, and organization. The VRIO analysis is a framework for evaluating a company's internal resources and capabilities to determine its potential for sustainable competitive advantage. These are the key factors that determine the value of a resource or capability and its potential to provide a sustainable competitive advantage. It helps companies identify their strengths and weaknesses and develop strategies to leverage their strengths and address their weaknesses (Akhtar et al. 2023). If a company can gain an edge in any of these three general strategies, it will gain a competitive advantage. Competitive advantage can be understood by looking at the business a company generates from various activities such as design, production, marketing, delivery and sales support. Competitive advantage is there for such an important role in which an organization has to have to consistently striving to outperform its competition. (Farida et al. 2022).

## **METHODOLOGY**

The researchers will be demonstrating and explaining deeper about the research paradigm and the research strategies as well as the research design that will be utilized for this research. Where the location of the researchers is quite far from PT Trio Lestari's location, so the research will be respectfully done online. The researchers will use the method of qualitative research such as data collection techniques which will incorporate interviews, observations, and field notes. These methods help researchers analyze data and develop model theories. Discussions with affected individuals also provide information about PT Trio Lestari. In the respective chapter, furthermore, will be

examining data from informants in PT Trio Lestari as well as validity, reliability, and objectivity.

Research strategy as seen in Figure 1 aims to generate generalizations about distributions and associations between personal traits and social phenomena. Inductive research methods derive generalizations from observations of specific events. Begins with a specific statement and ends with a general statement. Argues for observations based on facts, not preconceived notions. Nature reveals itself to the receptive mind. Science starts with observation, which leads to knowledge. Reality directly affects the senses, and sensory experiences correspond to the objects experienced. Promises to expand knowledge beyond experience by making extra claims (Lanka et al., 2021).

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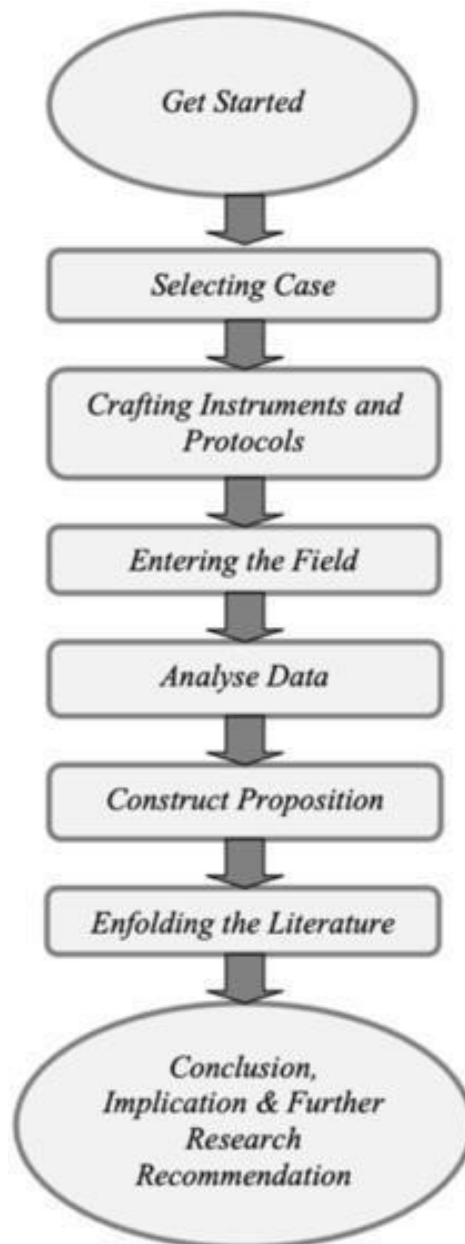


Figure 1: Research Design Illustration, adapted from Eisenhardt (1989)

According to Eisenhardt (1989) there are a lot of methodology and ways to acquire data other than using observations and interviews. In this study, the researchers will use semi – structural interview, indirect observation because of the unavailability to attend a face-to-face interview. And last but not least is also to obtain field notes.

**Table 1. List of Interviews**

<b>Name</b>	<b>Position</b>	<b>Age</b>	<b>Detail</b>
Mr. Martinus	Founder	65–70	Mr. Martinus is one of the co-founders of PT Trio Lestari and is the CEO of the company, he had a lot of experiences in the agricultural coffee business and has been running and been through lots of ups and downs of the business for almost 40 years.
Mrs. Maria	Founder	60–65	Mrs. Maria is the co - founder of PT Trio Lestari and she is the wife of Mr. Martinus, she has been helping the business and monitoring product transaction and company's cash flows, she has years of experiences which allows her to have some understanding towards the agricultural coffee business.
Mr. Eric	Officer	25–30	Mr. Eric is one of the workers in PT Trio Lestari he is working on the product curation, and making sure the product is in the company's condition standard for the product to be ready to be in transaction.
Mr. Yongki	Business Partner	25–30	Mr. Yongki is one of the most loyal and Long-time partners of PT Trio Lestari which he is collecting the freshly produced coffee cherry primarily on the north side which is later processed into green beans from coffee farmers which later he will bring the product to PT Trio Lestari.
Mr. Thomas	Business Partner	20–25	Mr. Thomas is one of longtime business Partner and also the buyer/customers of PT Trio Lestari which has a local coffee grounds production company which PT Trio Lestari is supplying its coffee.

## FINDINGS AND DISCUSSION

The researchers went over the latent variables induced from PT Trio Lestari's founders, workers, and partners. After the analysis of latent variables, the researchers will construct propositions that formed the mini-model theory, demonstrating the contributions of the latent variables to competitive advantages.

### **Proposition 1 (P1): Entrepreneurial Journey Experiences (V1) contributes to the Competitive Advantage (V8)**

The founder of PT Trio Lestari acknowledges the importance and big part of having a lot of good and as well as bad experiences combined that in the agriculture business it is very crucial and it plays a big part on growing and make the business to become what it is now. Especially in B2B business where products are coming in with a large amount. It is noteworthy to help choose a good quality coffee, in sortations. Having a pair of experienced eyes make the business more and more efficient in operating, negotiations, and transactions agreement.

*“Experience also has a big part and is important for us to know which coffee beans is better and which not to accept.. These type of knowledge we’ve got from our experiences... so I believe that could be one of our competitive advantage.” – Maria (PT Trio Lestari Co-Founder)*

### **Proposition 2 (P2): Personal Level B2B Partner’s Trust (V2) contributes to the Competitive Advantage (V8)**

Both Mr. Martinus and Mrs. Maria as well as Mr. Eric as an officer all has the same agreement on how the trusts that is built within the relationship with PT Trio Lestari’s business partners has been one of the main factors why the business has been operating so efficient and has been evolving and maturing to what it is today. This is proven by the interview that has been held by the researchers asking about how the trust that the company has built with their business partner whether it is another business owner or coffee green bean collector, they are all have the same amount of impact and their trust with the company has been built upon great relationship. And has help the company gather resources and help with PT Trio Lestari’s financial growth.

*“We are prioritizing so that these people, our business have their trust on us, that what we sell to our partners if we say the quality is A, then what they will receive is A. the same as the partners that are selling their commodity to us...” - Maria (PT Trio Lestari Co-Founder)*

### **Proposition 3 (P3): Trustworthy Company’s Reputation (V3) contributes to Competitive Advantage (V8)**

Company’s Reputation is key in the green bean agriculture business, still also correlated into experiences and partner’s trust, without great experience the company’s reputation would not be as good. And also great reputation helps draw more quality partners. Allowing new and more potential new ones to come work with PT Trio Lestari.

*“We as an established company we have to hold tight to our principles and our reputation that we have built.” – Maria (PT Trio Lestari Co-Founder)*

**Proposition 4 (P4): Good Relationship and Working Environment for Employees (V4) contributes to the Competitive Advantages (V8)**

In growing and sustaining every business it comes with making a good relationship with people around the company, whether it is to the workers and also with the business partners. Which has the main purpose so that people around PT Trio Lestari has that sense of feeling of safe and convenient.

*“in my opinion also why my partner is so loyal and trust the company to me is because I have built a good working environment and great relationship and also helping them to achieve their success” - Martinus (PT Trio Lestari Co-Founder)*

*“I strongly believe we get all of our coffee from these farmers because we cultivate them... we have to established a very good relationship.” – Eric (PT Trio Lestari Officer)*

**Proposition 5 (P5): The Sense of Familiness (V5) contributes to the Competitive Advantage (V8)**

Togetherness is the driving force behind a coffee bean supplying company's competitive advantage. Collaboration among employees, business partners, and allows for quick market adaption. And also make them the sense of feeling at home. This collaborative environment develops loyalty, excellent customer service, and high product quality, establishing PT Trio Lestari as a more sustainable company and its leader to be more known for its kind approach.

*“There is also an aspect of togetherness, because it has been a long time. Also if there's a special occasion or else we try to also appreciate them by helping them (business partners)” – Maria (PT Trio Lestari Co-Founder)*

**Proposition 6 (P6): Competitive Product Pricing (V6) contributes to the Competitive Advantages (V8)**

Competitive product price gives a company an advantage by attracting and retaining customers. Especially the ones that are PT Trio Lestari is supplying their beans into, the fact that these people have to resell makes it crucial to them to have a much better price point which is competitive and suits them. When PT Trio Lestari offers its products at competitive pricing in comparison to its competitors, it attracts more buyers. This technique is very helpful in the sales and assists PT Trio Lestari in adapting to market changes and outperforming its competitors, securing its position as a top choice for its customers.

*“It is basically the good product pricing for me.. Mr. Martinus is a very fair guy... he does not want to take advantage of his business partners... he told me if the price is down he will sell it as it is by following the commodity price condition” – Yongki (PT Trio Lestari Business Partner)*



**Proposition 7 (P7): Convenience in Transactions and Services (V7) contributes to the Competitive Advantages (V8)**

Making transactions more convenient is a huge benefit for PT Trio Lestari. Their business partners are more likely to return to do business and make it simple have them to fuel for acquiring the green beans for the company’s sustainability. Providing simple and great negotiation options and guaranteeing a smooth agreement in transaction procedure fosters trust. It saves time for both the PT Trio Lestari and its business partners whether it is the business owner or the coffee collectors. It also making things proceed faster and more efficiently. This ease of use distinguishes PT Trio Lestari from competitors who may have more difficult time in negotiating or having an agreement in the process of a transaction.

*“First thing that comes to mind is that I feel convenient and I feel at home while doing business and transactions with Mr. Martinus... it is very simple and not complicated... that is the most important thing to me as a coffee collector.” – Thomas*

**CONCLUSION**

Following an analysis of the obtained data, the researchers determined that there are various characteristics or variables that are critical for PT Trio Lestari's competitive advantage. As noted in the presented findings, the number of latent variables created by the analysis is 7 variables with 7 propositions.

The researchers’ statements can be validated further by another researcher who may be able to provide additional in-depth insights on each of the latent variables. Because competitive advantage is such a crucial component to understand when establishing a company, having this research as one of the references allows the upper management to make better decisions when deciding on the future agenda. This research also helps PT Trio Lestari continues its longevity and becoming the market leader in the industry because they are involved in the process since the beginning, hopefully allowing them to execute better and better in their future endeavors. Academicians could make use of the data and latent variables collected and analyzed by the researchers as a new perspective in writing future study on the competitive advantage of a company in the agriculture industry.

There are several limitations that occurs in the process of the research completion which is of the limited time duration and the interview and data collection were unfortunately held in the busy season of the business causing the process to be cut short caused of the company's priorities and urgency matters. PT Trio Lestari is a company that which its location is with all due respect located in very remote location resulting for some data collection to be lost in translations. Thus, for further analysis and research probably could be held in a closer location and be extended to other similar companies to achieve further insights.

Therefore, the researchers are recommending on making further research in another company in the same market segment and other company in the same industry.

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