

## Coffee Product Development Strategy at MSME Jagad Raye Using the Canvas Business Model Method

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### Abstract

Pagar Alam City in South Sumatra is a prominent centre for Robusta coffee production, with a plantation area of 8,372 hectares and a production output of 22,519 tons in 2021. The region's coffee has gained recognition nationally and internationally, including participation in Indonesia's Geographical Indication program and winning the Gourmet Medal at the AVPA event in France. However, despite its potential, local Micro, Small, and Medium Enterprises (MSMEs) such as Jagad Raye continue to face significant challenges, including weak marketing strategies, poorly defined market segmentation, and the lack of structured business planning. These limitations are compounded by the unequal benefits of technological advancements, which tend to favour larger enterprises. To overcome these obstacles, this study employs the Business Model Canvas (BMC) as a strategic framework to analyze and develop Jagad Raye's coffee product strategy. Using a qualitative descriptive method, data is collected through literature reviews, field observations, and interviews. The study targets consumers aged 15 to 40, particularly the younger segment, who show high interest in coffee innovation, such as fermented coffee. The research highlights the importance of creating strong value propositions, building customer relationships through direct channels like coffee shops, and utilizing digital platforms for distribution and branding. The study concludes that structured planning and innovation, supported by tools like BMC, can help MSMEs remain competitive and sustainable in domestic and global markets.

**Keywords**— Business Model; Canvas; Msmes; Pagaralam.

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### Introduction

Pagar Alam City is known as one of the main centers of Robusta coffee production in South Sumatra Province, with a total plantation area of 8,372 hectares. The development potential of Robusta coffee in this region is supported by an increase in production, which reached 22,519 tons in 2021 (Badan Pusat Statistik, 2022). Since 2020, Robusta coffee farmers in Pagar Alam have participated in the Indonesian Geographical Indication program, which aims to develop superior varieties of South Sumatran coffee. Robusta coffee from Pagar Alam has also gained international recognition by winning the Gourmet Medal at the AVPA event in France in 2020, thanks to its distinctive flavor (Rosiana, 2020).

The advancement of innovation and technology does not automatically place MSMEs in a favorable position. Due to the diversity of technological domains, each with its specific characteristics, the benefits of adopting innovation and business technologies are not substantially realized by MSMEs. Many technological solutions, such as business intelligence, ERP systems,

and social media, tend to offer greater advantages to large enterprises than to smaller businesses (Benitez et al., 2018).

Jagad Raye MSME is one of the local businesses engaged in coffee production. Although it produces high-quality and distinctive products, this MSME still faces various challenges, such as limited marketing strategies, suboptimal market segmentation, and the absence of a structured business plan. These conditions hinder the enterprise's long-term development potential.

To address these issues, a systematic and integrated approach is needed to design an effective business strategy. The main objective of sustainable business models is to address economic, social, and environmental challenges, and incorporating a risk-based approach into these models can lead to enhanced risk mitigation and improved organizational resilience (Marchese et al., 2018)

One method that can be utilized is the Business Model Canvas (BMC), a strategic planning tool that helps business actors visualize, analyze, and develop their business models through nine key elements. However, the Business Model Canvas cannot represent business model risks, particularly in identifying potential threats and opportunities that could significantly impact the entity's operations, as well as its cost and revenue structures (Wit et al., 2020).

Through this approach, Jagad Raye MSME is expected to create a more effective, innovative, and market-oriented coffee product development strategy. This study aims to analyze the coffee product development strategy of Jagad Raye MSME using the Business Model Canvas approach to enhance business competitiveness and sustainability in the rapidly changing market dynamics.

## Literature Review

Several scholars have previously researched startups utilizing the Business Model Canvas (Muhafi et al., 2024; Rahardja et al., 2020) For example, a study by Nadhira Nurul Muhafi, Nanang Alamsyah, and Reda Rizal titled "Coffee Shop Business Strategy Analysis Using Business Model Canvas Method and Quantitative Strategic Planning Matrix (Case Study: Coffee Shop 'Kopi Dul')" employs various business management strategies, including the Internal Factor Evaluation Matrix (IFE), External Factor Evaluation Matrix (EFE), Internal External Matrix (IE), Strategic Position and Action Evaluation Matrix (SPACE Matrix), Strength Weakness Opportunity Threats (SWOT Matrix), Quantitative Strategic Planning Matrix (QSPM), and Business Model Canvas (BMC) (Nadhira et al., 2020). Likewise, a study by Manuel Brunner and Josef Wolfartsberge, titled "Virtual Reality Enriched Business Model Canvas Building Blocks for enhancing Customer Retention," found that the most critical differentiating aspect of segmentation lies in the customer market. Particularly relevant to this paper are the mass market, niche market, and diversified market segments. Each of these segments possesses unique characteristics regarding quality, delivery speed, customer service level, pricing, and other related factors (Brunner et al., 2020).

This study is pioneering in its emphasis on aligning a structured BMC analysis with the distinctive socio-economic, cultural, and environmental factors surrounding Robusta coffee production in Pagar Alam—a region with internationally recognized coffee quality yet under-leveraged MSME competitiveness. Furthermore, this research introduces an original approach by integrating controlled coffee fermentation (validated at the national level) into the BMC's value proposition element, a dimension scarcely explored in existing MSME strategy models. In addition, the study's dual focus on leveraging both traditional (coffee shops and roasters) and modern (WhatsApp, Instagram) channels to build customer relationships and brand loyalty represents a fresh perspective in MSME business model innovation literature. This combination of localized agricultural practices, digital marketing adaptation, and systematic BMC deployment advances

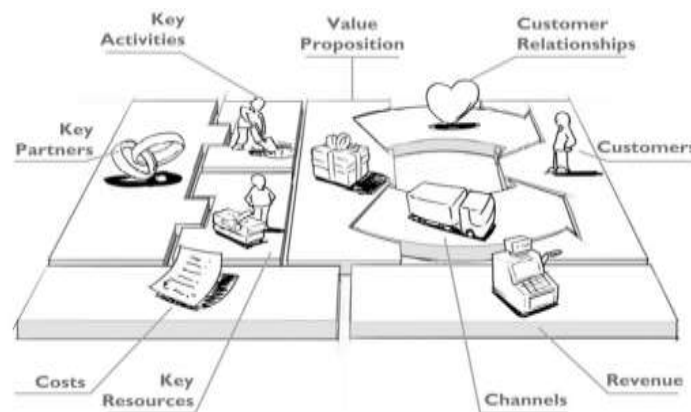
the field by offering a replicable, resilient strategy model for MSMEs in similar rural or emerging market contexts, where high-quality production potential coexists with structural business challenges

## Research Method

This research was conducted in Perahu Dipo Village, South Dempo District, Pagar Alam City. The research site is MSME Jagad Raye, located in the Perahu Dipo Village area. Data collection began in January 2025 and continued until April 2025.

The data collection methods used in this study are divided into two categories: secondary and primary data. Secondary data includes literature reviews, while primary data consists of field observations and interviews.

This study employs a qualitative descriptive approach to analyze the coffee product development strategy of MSME Jagad Raye using the Business Model Canvas (BMC) framework. This method was chosen to gain an in-depth understanding of the internal and external conditions of the business, as well as how each element of the BMC can be utilized to design relevant and sustainable product development strategies.



Picture 1. Business Model Canvas  
 (source: Google).

## Results and Discussion

### Result

Based on the research results, interview findings, and observations conducted by the researcher, it is evident that MSME Jagad Raye has implemented the concept of a business model in its operations using the Business Model Canvas approach. However, in its daily implementation, several aspects need to be evaluated based on the results of the SWOT analysis of the Kadatuan Business. The following is an analysis of the discussion of the results of the research that has been conducted.

**Table 1.** Business Model Canvas Jagad Raye

Source: Owner Jagad Raye

Customer segmentation in this business model is focused on consumers aged 15 to 40 years, with

No.	Business Model Canvas Elements	Indicator details	Information
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a special emphasis on the younger age group. This strategy is considered relevant, considering

1	<i>Customer Segments</i>	Segmentation types and customer characteristics	Consumers aged 15-40 years, especially young people.
2	<i>Value Propositions</i>	More value offered to customers	Coffee processing and processing have previously been researched and tested in the National arena. Both Arabica and Robusta processing.
3	<i>Customer Relationships</i>	The type of relationship a company builds with customers	Coffee Shop, Roaster becomes a marketing place.
4	<i>Channels</i>	Channels to reach channel phases	Coffee Shop, Roaster and coffee shop to consumers.
5	<i>Revenue Streams</i>	Company revenue sources pricing mechanisms	Fermented Arabica 1 kg Rp. 225,000; Fermented Robusta 1 kg Rp. 165,000;.
6	<i>Key Resources</i>	The main types of resources needed	Human resources and post-harvest equipment facilities in the form of sorting tanks, fermentation tanks, pulper machines, drying areas, huller machines, size machines.
7	<i>Key Activities</i>	Types of activities carried out	The process of processing raw coffee materials, namely sorting of coffee beans, fermentation, drying, hulling, coffee bean size, coffee bean sorting, packaging.
8	<i>Key Partnerships</i>	Types of partnership relationships	Online (Whatsapp, Instagram) Coffee Shop, Roaster.
9	<i>Cost Structures</i>	Types of business model costs cost characteristics	Fixed costs (machine maintenance, electricity costs, transportation services, process services, raw materials).

that this age group tends to have a high interest in product innovation, including in coffee consumption trends. Fermented coffee, which offers unique taste characteristics, is considered by the preferences of young consumers who are always looking for new experiences in enjoying coffee. The younger generation is the main consumer in the specialty coffee trend because they are more open to innovation and have purchasing power that matches premium products.

The value proposition offered in this business model lies in the coffee processing process that has gone through research and testing stages at the national level. This provides a guarantee of the quality of the taste and aroma of the final product. The application of innovative fermentation techniques not only improves the sensory characteristics of coffee but also contributes to forming a premium product image that can attract the middle to upper market segment. The controlled fermentation process can increase the complexity of coffee flavors and strengthen product branding as high-quality coffee (Samputra et al., 2025).

Customer relationships are built through the existence of Coffee Shops and Roasters, which not only function as distribution channels but also as points of direct interaction between producers

and consumers. This approach allows for the creation of an authentic consumption experience, which in turn can increase customer loyalty to the product. Direct interaction with customers through coffee shops provides an emotional experience and increases customer retention (Rancati et al., 2024).

The distribution of coffee products primarily utilizes coffee shops, roasters, and retail outlets, which serve both as points of sale and consumption. This direct distribution approach allows better quality control and strengthens the product's position in the specialty coffee market (Malenda et al., 2024). The main source of revenue comes from the sale of fermented Arabica and Robusta coffee, priced at IDR 225,000/kg and IDR 165,000/kg, respectively. These prices reflect the added value from a specialized, high-quality production process, making the products highly competitive in the premium market segment. Key resources supporting the business include skilled labor and post-harvest facilities such as fermentation tanks, pulper and huller machines, and drying equipment. The combination of technological mastery and competent human resources is essential to maintaining production continuity and consistent product quality.

The main activities in this business model include the entire post-harvest process, starting from sorting the beans, fermentation, drying, hulling, sizing, final sorting of the coffee beans, to the packaging process. All of these stages are carried out systematically to ensure stable and sustainable product quality. The right series of post-harvest activities will greatly affect the final quality of the coffee beans (Wibowo et al., 2021).

Strategic partnerships are built through collaboration with digital platforms such as WhatsApp and Instagram, as well as partner networks in the form of Coffee Shops and Roasters. Electronic commerce (e-commerce) is a business model that utilizes electronic networks, especially the internet, as the main medium in conducting transactions. This process includes the activities of buying and selling goods, services, and exchanging information digitally. This synergy plays an important role in expanding market reach, increasing brand visibility, and strengthening the overall business ecosystem. Collaboration with coffee shops and the use of social media are effective strategies in coffee marketing (Wijaya et al., 2025).

The cost structure in this business model is dominated by fixed costs, which include equipment maintenance, electricity costs, transportation, raw materials, and processing services. Efficiency in managing these cost components is an important factor in maintaining profit margins and business continuity. In the coffee processing business, fixed costs play a major role in determining the selling price structure and business feasibility (Anam et al., 2023).

Such innovative behavior allows MSMEs to respond to the continuously evolving customer demands and enhance their competitiveness in both domestic and global markets (Agung Nugroho et al., 2021). MSMEs that demonstrate a willingness to take risks, such as investing in emerging technologies, exploring new markets, and creating innovative products, can substantially enhance their capacity for innovation (Priyana et al., 2023). An organization's ability to innovate allows it to leverage technology for the development of new products, the fulfillment of market demands, and the ability to remain competitive (Rajapathirana et al., 2018).

Offering services to business owners, particularly social media management aimed at assisting them in handling platforms like Instagram and Facebook, is a response to the challenges faced by consumers. These services typically include high-quality product photos designed to attract customer attention, provide pricing that remains affordable for business owners, and maintain the overall quality of the visual content.

## Discussion

Based on research result, the researcher give discussion presents a comprehensive analysis of the strategic implementation of the Business Model Canvas (BMC) in supporting product development and competitive positioning for MSME Jagad Raye. The BMC framework enables the enterprise to integrate key elements such as customer segmentation, value propositions, distribution channels, revenue models, and key resources into a coherent strategy aligned with market demands. The customer segment targeted by Jagad Raye consists of individuals aged 15 to 40 years, particularly youth, who demonstrate high interest in coffee innovations such as fermented coffee. This focus aligns with findings from Rancati et al. (2024), who noted that younger consumers are more open to experiential and premium coffee offerings, creating opportunities for differentiated value creation.

The unique value proposition of Jagad Raye lies in its use of research-tested coffee fermentation techniques, which enhance both flavor complexity and product credibility. As emphasized by Samputra and Alfarizi (2025), controlled fermentation not only improves sensory characteristics but also positions the product within a premium market niche. To build customer relationships, Jagad Raye leverages coffee shops and roasters as both distribution and engagement platforms, fostering brand loyalty through direct interaction—a strategy supported by the customer experience literature (Rancati et al., 2024).

In terms of distribution, Jagad Raye combines physical outlets with digital tools like WhatsApp and Instagram to maximize reach and maintain product quality, following recommendations from Malenda et al. (2024) and Wijaya et al. (2025), who stress the importance of omnichannel strategies for MSME growth. The revenue model is driven by sales of fermented Arabica and Robusta beans, priced according to their added value, with high-quality production justifying premium pricing (Anam et al., 2023). Key resources include skilled human capital and specialized post-harvest tools—factors identified by Wibowo et al. (2021) as critical for maintaining consistent product quality in coffee processing.

Strategic partnerships with coffee shops and digital platforms enhance brand visibility and strengthen the business ecosystem, aligning with insights by Rajapathirana and Hui (2018) and Agung Nugroho et al. (2021), who advocate for innovation and digital integration in MSME strategies. Cost structures are largely fixed and relate to machinery, utilities, and transportation, and must be managed efficiently to preserve profit margins and ensure sustainability (Anam et al., 2023). The BMC framework, despite its limitations in representing risks (Wit & Pylak, 2020), proves instrumental in helping Jagad Raye navigate complex market dynamics by fostering innovation, responsiveness, and strategic clarity. Ultimately, this case illustrates how MSMEs can utilize structured tools like BMC to enhance competitiveness, particularly when innovation, customer engagement, and digital adaptability are prioritized (Priyana & Syam, 2023)

## Conclusion

The implementation of the Business Model Canvas (BMC) in the development strategy of Jagad Raye MSME illustrates a structured and comprehensive approach to enhancing its competitive edge in the specialty coffee market. By focusing on customer segmentation that targets consumers aged 15 to 40, especially those open to innovation and premium products, Jagad Raye strategically aligns its offerings with market trends, particularly through its unique fermented coffee. This value proposition is further strengthened by research-backed processing techniques, ensuring high sensory quality and a premium brand image. Customer relationships are cultivated through interactive platforms such as coffee shops and roasters, which serve not only as distribution channels but also as engagement points that foster loyalty. The distribution strategy, supported by digital platforms and retail outlets, enhances market reach and product visibility. Revenue

generation primarily comes from high-value fermented Arabica and Robusta, highlighting the economic viability of quality-focused production.

Strategic collaborations with digital tools and e-commerce platforms amplify marketing effectiveness and ecosystem strength. Furthermore, efficient cost management—especially of fixed costs—is crucial for maintaining profitability. Overall, Jagad Raye’s innovative and technology-driven approach, supported by a clear business structure, enables it to adapt to changing consumer demands, enhance resilience, and remain competitive both locally and globally.

This study provides scientific contributions in several key areas. First, it demonstrates the practical application of the Business Model Canvas (BMC) framework in MSME product development, particularly in the coffee sector, offering a replicable model for other small enterprises aiming to compete in premium markets. Second, it enriches the literature on MSME innovation by showing how integrating traditional practices (such as coffee fermentation) with structured business tools can enhance value creation and brand positioning. Third, the research highlights the role of digital platforms in strengthening MSME ecosystems, offering empirical evidence on the benefits of combining offline and online channels for customer engagement and market expansion. Finally, the study contributes to strategic management discourse by addressing the adaptability of BMC in contexts where risk representation and dynamic market conditions require continuous innovation and responsiveness.

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