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ECONOMIC ANALYSIS OF MARKETING PERFORMANCES AT LEDUG COFFEE INDONESIA

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Abstract

This study aims to 1) Know the channel pattern and marketing function of Ledug Coffee Indonesia, 2) Analyze the marketing margin of Ledug Coffee Indonesia, and 3) Analyze the level of marketing efficiency of Ledug Coffee Indonesia. Using the snowball sampling technique, 4 agents and 9 retailers were found to find out the marketing channel chain. The data analysis used was marketing margin, K/B ratio, and producer share. The results of this study indicate that there are three marketing channels: channel I (producer-retailer-end consumer), channel II (producer-agent-retailer-end consumer), and channel III (producer-end consumer). The smallest marketing margin is owned by marketing channel III, on the robusta IDR 2,000 / kg type and Arabica IDR 85,000 / kg. Marketing channels that have the most efficient level of efficiency is channel III because efficiency indicators show that all hands are efficient.

***Keywords**: Margin, Marketing Channel, Efficiency, Ledug Coffee Indonesia*

INTRODUCTION

Indonesian coffee has great potential in the development of the coffee processing industry because it is a country that can produce or produce the third largest coffee in the world after Brazil and Vietnam, with a production of 11.85 million / bag (ICO, 2021). Pasuruan Regency is one of the areas in East Java with coffee production; one of the sub-districts with the second highest production is the Prigen sub-district, with a show of 183.27 tons (BPS, 2020).

Price fluctuations at any time become a significant problem in the marketing system. Often, farmers and producers experience losses due to price fluctuations because it is challenging to schedule coffee sales, and marketing intermediaries can manipulate price information to get higher profits (Friska, 2022). The marketing system in agricultural commodities aims to distribute products to consumers and benefit from consumer satisfaction. Pratiwi (2019) states that the marketing system is supported by several interdependent organizations in the distribution process, from producers to end consumers, called marketing channels. The number of marketing institutions involved will affect the length of the marketing channel and the marketing functions performed, increasing marketing costs.

Marketing efficiency is one aspect of marketing to improve the distribution of goods from producers to consumers. In marketing efficiency, it will be seen that there is a difference in the Price received by producers and paid by end consumers, as well as the feasibility of income received by producers for the commodities produced. The lower the costs incurred by the marketing system, the more efficient and the lower the marketing margin. Low marketing margins will increase producer income and produce relatively low consumer prices. Marketing is considered efficient if 2 things are fulfilled: delivering results from producers to consumers at affordable prices and providing a fair share of the total Price paid by the final consumer for all parties involved in the production process (Sudana, 2020). So, efficient marketing will benefit business actors involved in the production and final sales processes (Nuriati, 2019).

This research will discuss the products of Ledug Coffee Indonesia, which have problems with a less-than-optimal marketing distribution system. The need for product recognition among the public indicates this. So, researchers researched to analyze the margins and marketing efficiency of Ledug Coffee Indonesia in existing marketing channels. This research can provide suggestions regarding what marketing efficiency improvements need to be made by Ledug Coffee Indonesia.

The same research has been conducted by Nurlaila, Syafrial, and Meitasari (2023), that there are indications of marketing constraints found by producers, such as high marketing margins and long marketing channels, that can cause inefficient marketing activities. The longer the marketing channel, the more marketing institutions are involved so that it will impact the more excellent value of marketing margins. This situation can affect inefficient marketing activities. Coffee is an agricultural commodity that also experiences price fluctuations due to the drying process that is hampered by weather, demand for coffee sensitive to quality and moisture content, weak infrastructure, inadequate facilities, and the length of the marketing chain (Friska, 2022). it is necessary to increase the added value of coffee by processing it.

Andri's research (2021) shows that efficiency analysis also uses operational efficiency indicators. The explanation of the marketing margin indicator is used to determine the price difference at the producer level to the final consumer, which is indicated by the price difference in each marketing institution. The price difference is also caused by differences in marketing costs incurred by marketing institutions according to the functions performed. Producer share shows that the higher the percentage value the producer receives, the more efficient the marketing will be. Another indicator in determining marketing efficiency is the ratio of profits and costs; this analysis determines the distribution of profits and costs obtained. This ratio shows the value of the Profit received compared to the marketing costs incurred by each marketing institution. This research shows that the shortest channel length is the most efficient marketing channel.

Fadmawaty's (2021) research shows that agricultural commodities require various processing before their products reach consumers. Then, the marketing institution becomes an intermediary to distribute products that can provide added value to products and consumer satisfaction by carrying out marketing activities. This research shows that marketing could have been more efficient, as seen from the high marketing margins, uneven distribution of margins, low K/B ratio, and low producer share.

METHOD

This research was conducted at Ledug Coffee Indonesia, located in the Prigen sub-district, Pasuruan district. The population of this study is all marketing institutions involved in the distribution of Ledug Coffee with sampling using the snowball sampling method. The samples found were 13,

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divided into 9 retailers and 4 agents. This research method is quantitatively descriptive. Data analysis is used in marketing channel mapping, marketing margin, marketing cost, K/B ratio, producer share, and marketing efficiency index. The analysis is used for indicators of marketing efficiency in marketing channels led by Ledug Coffee Indonesia. The data analysis used in this study is using the following formula.

Marketing Margin

Margin and margin distribution can be efficient if the amount of Profit obtained by each marketing institution is evenly distributed and proportional to ≤ 50%. If the distribution value is > 50%, it is considered inefficient. The lowest marketing margin indicates an efficient marketing margin. (Kandeeban & Prabhavathi, 2017)

$$Mj = Psi - Pbi$$

Description:

Mj = Marketing margin

Psi = Selling price from marketing institutions (IDR/kg)

Pbi = Purchase price from marketing institutions (IDR/kg)

K/B Ratio

Marketing costs are the actual costs incurred, such as handling, assembly, transportation, storage, and other costs incurred for secondary services in bringing products from manufacturers to consumers. The Profit over loss ratio (K/B ratio) of marketing is used to see the distribution of Profit over marketing costs incurred by marketing institutions (Seokartawi, 2002). If the K/B ratio is> 1, marketing activities are profitable, and vice versa.

$$\text{K/B Ratio} = \frac{\Pi i}{Ci}$$

Description:

Πi = Profit of i-th marketing institution

Ci = The i-th marketing cost (IDR/kg)

Producer Share

Producer share is used to determine the share of Price received by producers from the Price paid by final consumers. The higher the producer share, the better the market performance from the producer side. The criteria for knowing that marketing is considered efficient if each marketing channel has a low percentage value of marketing margin and a high percentage value of producer share (Abasimel, 2020). If the producer share received by producers is less than 50%, it means that marketing is not yet efficient, while if the producer share of producers is > 50%, marketing is said to be efficient.

$$P_s = \frac{P_P}{C_P} \text{ x } 100\%$$

Description:

P_S = Producer share (%)

P_P = Price received by producers (IDR)

C_P = Price paid by consumers (IDR)

Marketing Efficiency

Marketing Efficiency Index Method by Shepherd, which measures the level of efficiency by looking at the comparison between prices at the consumer level and marketing costs. The efficiency index can show the level of marketing efficiency. The higher the marketing efficiency ratio, the higher the level of marketing efficiency. (Anindita, 2017)

$$ME = \frac{Pc}{Tc} - 1$$

Description:

ME = Marketing Efficiency

Pc = Price paid by final consumers (IDR/kg)

Tc = Total marketing costs at the marketing institution level (IDR/kg)

RESULTS AND DISCUSSION

Analysis of Marketing Channels and Functions

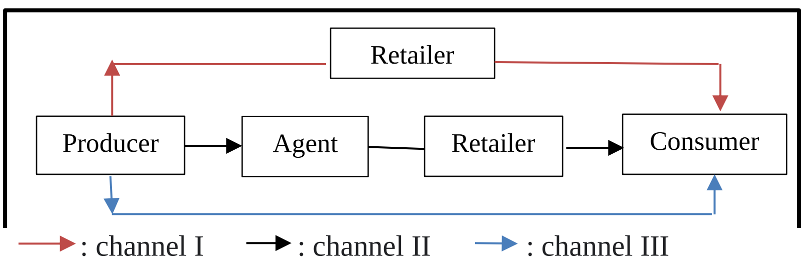

Figure 1. Marketing Channel of Ledug Coffee Indonesia

Source: Primary Data (2023)

The marketing channel for distributing Ledug Coffee Indonesia products in Pasuruan involves producers and several marketing institutions. The institutions involved are agents and retailers. Figure 1 shows three marketing channels for Ledug Coffee Indonesia products. Marketing channel I (producer - retailer - consumer). Marketing channel II (producer - agent - retailer - consumer). Marketing channel III (producer - consumer). Zero-level channels or direct marketing channels belong to marketing channel III. One-level marketing channels belong to marketing channel I. Two level marketing channels belong to marketing channel II.

Table 1. Marketing Function of Ledug Coffee Indonesia Marketing Organization

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Marketing Function	**Activity**	**I**	**II**		**III**
		Retailer	**Agents**	**Retailer**	**Producer**
Exchange	Sales	√	√	√	√
	Purchasing	√	√	√	-
Physical	Transportation	√	-	√	√
	Storage	-	-	√	√
	Processing	-	-	√	√
Facility	Standardization/Grading	-	-	-	√
	Market Information	-	√	-	√
	Financing	√	-	√	√
	Risk Management	-	√	-	√

√ : doing activities -: inactivity

Source: Primary Data (2023)

In marketing channel I, the average retailer only performs sales, purchasing, transportation, and financing activities. In channel II, the average agent performs sales, purchasing, information, and risk management activities. Meanwhile, retailers perform exchange, physical, and financing functions. In channel III, producers have performed all marketing functions in their marketing activities. The marketing function carried out by each marketing agency is different depending on the needs of each marketing agency. According to (Dhanti, 2015), the implementation of a good marketing function is related to marketing activities that can be used to achieve effective and efficient marketing.

Marketing Margin Analysis

Table 2 Marketing Margin Analysis of Ledug Coffee Indonesia Robusta

No	**Description**	**Marketing Channel Of Robusta Ledug Coffee**					
		I		**II**		**III**	
		Price (IDR)	**Share (%)**	**Price (IDR)**	**Share (%)**	**Price (IDR)**	**Share (%)**
1	**Producer**		8		6		100
	Selling Price	120.000		120.000		120.000	
	Purchase Price	118.000		118.000		118.000	
	Marketing Margin	2.000		2.000		2.000	
2	**Agent**				63		
	Selling Price	-		139.250		-	
	Purchase Price	-		120.000		-	
	Marketing Margin	-		19.250		-	
3	**Retailer**		92		31		
	Selling Price	144.000		148.750		-	
	Purchase Price	120.000		139.250		-	
	Marketing Margin	24.000		9.500		-	
	Total Margin	26.000	100	30.750	100	2.000	100

Source: Primary Data Processing Results (2023)

Based on the table above, It is known that the most significant marketing margin and share are owned by retailers as intermediaries in channel I of robusta ledug coffee products, namely IDR

24.000/kg and a share of 92%. The lowest total margin is received by marketing channel III with a margin of IDR 2.000/kg and a share of 100%.

Table 3. Marketing Margin Analysis of Ledug Coffee Indoensia Arabika

No	**Description**	**Marketing Channel Of Robusta Ledug Coffee**					
		I		**II**		**III**	
		Price (IDR)	**Share (%)**	**Price (IDR)**	**Share (%)**	**Price (IDR)**	**Share (%)**
1	**Producer**		72		72		100
	Selling Price	215.000		215.000		215.000	
	Purchase Price	130.000		130.000		130.000	
	Marketing Margin	85.000		2.000		85.000	
2	**Agent**				18		
	Selling Price	-		237.000		-	
	Purchase Price	-		215.000		-	
	Marketing Margin	-		22.000		-	
3	**Retailer**		28		10		
	Selling Price	248.000		248.750		-	
	Purchase Price	215.000		237.000		-	
	Marketing Margin	33.000		11.750		-	
	Total Margin	118.000	100	118.750	100	85.000	100

Source: Primary Data Processing Results (2023)

Based on the table above, It is known that the most significant margin value on robusta ledug coffee products is owned by producers in each marketing channel with a margin of IDR 85.000/kg and a share in channels I and II of 72% in channels III of 100%. The most significant total margin is owned by marketing channel II of IDR 118.750/kg.

Analysis of Marketing Cost

Table 4. Marketing Costs of Marketing Channels

Marketing Channels	Total Profit (IDR)	Total Marketing Cost (IDR)	K/B Ratio
I	606.000	76.500	7,92
II	812.500	78.375	10,37
III	400.000	40.000	10

Source: Primary Data Processing Results (2023)

Based on the table above, analysis of Profit over marketing cost or K/B ratio shows that all marketing channels have a K/B ratio > 1 and are said to be efficient. Marketing channel II has the most significant K/B ratio, with a score of 10.37.

Analysis of Producer Share

Table 5. Producer Share of Marketing Channel

Arabika Ledug Coffee			
Marketing Channels	**Price at Producer Level (IDR)**	**Price at Consumer Level (IDR)**	**Producer Share (%)**
I	215.000	248.000	87

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II	215.000	248.750	86
III	215.000	215.000	100
Robusta Ledug Coffee			
Marketing Channels	**Price at Producer Level (IDR)**	**Price at Consumer Level (IDR)**	**Producer Share (%)**
I	120.000	144.000	83
II	120.000	148.750	81
III	120.000	120.000	100

Source: Primary Data Processing Results (2023)

Based on the table above, the producer share level of all marketing institutions for robusta and arabica ledug coffee has a percentage of > 50%, which is likely efficient. Marketing channel III on arabica dan robusta ledug coffee has the highest percentage at 100%.

Analysis of Marketing Efficiency

Table 6. Marketing Efficiency Analysis of Ledug Robusta Coffee

Marketing Channels	Consumer Price (IDR)	Total Marketing Cost (IDR)	Level of Marketing Efficiency
I	144.000	76.500	0,88
II	148.750	78.375	0,90
III	120.000	40.000	2,00

Source: Primary Data Processing Results (2023)

Based on the table above, It is known that the level of marketing efficiency based on the calculation of prices at the consumer level and total marketing costs shows that the highest level of marketing efficiency is owned by marketing channel III on Ledug Robusta coffee at 2,00

Table 7. Marketing Efficiency Analysis of Ledug Arabika Coffee

Marketing Channels	Consumer Price (IDR)	Total Marketing Cost (IDR)	Level of Marketing Efficiency
I	248.000	76.500	2,24
II	248.750	78.375	2,17
III	215.000	40.000	4,38

Source: Primary Data Processing Results (2023)

Based on the table above, It is known that the marketing channel with the highest level of marketing efficiency, with a value of 4.38, is owned by marketing channel III on the type of Ledug Arabica coffee. The level of marketing efficiency based on Shepherd's method index is calculated to see the level of marketing efficiency based on the Price of Ledug Coffee products of Arabica and Robusta types compared to marketing costs in each marketing institution.

Differences in Marketing Margins of Robusta and Arabica Types of Ledug Coffee

This marketing margin analysis was conducted on two Ledug Specialty Coffee products: Arabica and Robusta. Because these two coffee types have different selling prices received by end consumers at each marketing institution, they have different marketing margin values. The purchase price of robusta and arabica ledug coffee is calculated based on the costs incurred by producers in producing ledug coffee. The selling price at the producer level shows robusta ledug coffee for IDR 120.000/kg and arabica ledug coffee for IDR 215.000/kg.

The marketing channel in robusta type ledug coffee shows the lowest marketing margin in channel III with a total margin value of IDR 2.000/kg and a margin distribution of 100%. In the arabica type of ledug coffee, the marketing channel with the lowest margin value is owned by channel III with a total margin of IDR 85.000/kg and a margin distribution of 100%. This study's results align with research from Waluyo T (2020) that direct marketing to end consumers has a 100% margin distribution because there are no other intermediaries in the marketing channel. So, the distribution of margins received by producers is large, and the total margin is smaller than other marketing channels.

Marketing channel II on the robusta ledug coffee has a total margin of IDR 30.750/kg, and on the type of arabica ledug coffee has a total margin of IDR 118.750/kg, so the more significant the margin will show inefficient marketing. In line with the statement of Sudiadyana (2015) that the greater the amount of margin, the more inefficient the channel will be, and vice versa.

Marketing Cost and Profit to Cost Ratio of Ledug Coffee

Hasil dari analisis biaya pemasaran menunjukkan pada jenis kopi ledug arabika dan robusta mempunyai biaya pemasaran yang sama dalam pengeluaran biaya pemasarannya. Total biaya pemasaran tertinggi terdapat pada saluran pemasaran II dengan harga Rp 78.375/kg dilihat dari pengeluaran biaya pengemasan dan biaya pengangkutan produk. Total keuntungan tertinggi dimiliki oleh saluran pemasaran II dengan total keuntungan Rp 812.500/kg. Rasio keuntungan atas biaya ini dihitung berdasarkan perbandingan total keuntungan dibagi total biaya pemasaran.

The results of this study show that the profit ratio value of all marketing channels is efficient. Because the ratio of Profit over cost (K/B) in all marketing channels is> and The K/B ratio of channel II shows the highest value because some agents do not incur marketing costs, the total costs incurred compared to the benefits obtained are significant. Indicates that the Profit over cost in each marketing channel is evenly distributed. High marketing costs are also in line with the activities of the marketing function carried out by marketing agencies. This statement aligns with research from Welly M (2020) that all marketing channels show an even distribution of profits seen from the value of the K/B ratio, which is> 1.

Producer Share on Robusta and Arabika Type of Ledug Coffee

The results of the producer share analysis show that all marketing channels in robusta and arabica ledug coffee types are efficient with a percentage of > 50%. The highest producer share percentage in robusta and arabica ledug coffee types is in marketing channel III at 100% because marketing is only

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through Ledug Coffee producers or direct marketing to consumers. According to Hoque (2018), the less the involvement of intermediary traders, the greater the share received by producers or producers.

IChannel II of robusta ledug coffee has the lowest producer share with a percentage of 81%, and marketing channel II of arabica ledug coffee has the lowest producer share with 86% because the second channel is the most extended marketing channel.

Marketing Efficiency Ledug Coffee Robusta

The highest level of marketing efficiency is in marketing channel III, with an efficiency level ratio of 2.00. This efficiency level shows that marketing channel III only goes through producers so that the Price received by consumers is lower than other marketing channels. This study's efficiency level is also seen from 3 indicators of marketing margin analysis, producer share, and K/B ratio. All marketing channels have been efficient. It is by the criteria for marketing efficiency indicators, namely if > 2 indicators such as marketing margins, producer share, and Profit over cost are efficient. The marketing channel is said to be efficient. The most efficient marketing channel is Marketing Channel III because it is a direct marketing channel. Channel III is efficient in all efficiency indicators used as a reference.

Marketing Efficiency Ledug Coffee Arabika

The highest level of marketing efficiency is shown in marketing channel III. The efficiency index in channel III is 4.38, so the channel is said to be efficient because the higher the marketing efficiency index value, the more efficient the marketing channel is in carrying out the marketing. The level of marketing efficiency at Ledug Coffee Indonesia is influenced by three indicators: marketing margin, producer share, and Profit over cost. The most efficient marketing channel is Marketing Channel III because it is a direct marketing channel.

CONCLUSION

Based on the analysis of the results and discussion, it can be concluded that Ledug Coffee Indonesia has three marketing channels: channel I consists of producers - retailers - consumers, channel II consists of producers - agents - retailers - consumers and Channel III consists of producers - consumers with only a few marketing institutions that have performed all marketing functions. Marketing margin analysis shows the lowest margin is in channel III with a total margin of ledug robusta coffee type of IDR 2000/kg and ledug arabica coffee of IDR 85,000/kg. The efficiency level based on marketing margin indicators, K/B ratio, and producer share shows that channel III, ledug robusta, and arabica coffee types are the most efficient.

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