

Feasibility Identification and Standardization of Kopi XYZ Financial Report

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Abstract — The contribution of the MSMEs to economic growth is undeniable. Indonesia, one of the largest coffee producer, has developed its local market for selling its one of their agricultural commodity, coffee bean, to the rising generation of coffee drinkers who also seek pleasant ambiance. This paper aims to identify the feasibility and standardize Kopi XYZ financial statement. In addition, the financial report produced by the new system will be a reliable consideration in pursuing a new strategy.

Index Terms — Coffee industry, Financial report, Micro, Small, and Medium Enterprises (MSMEs).

1 INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) have an important and strategic role in national economic development. The contribution of MSMEs in helping the country pursue economic growth targets has been going on for a long time, it is directed to strengthen their contribution to the economy, both in poverty alleviation, job creation and in increasing the added value of the economy that supports high economic growth and sustainable development. (Kementerian Koperasi dan Usaha Kecil dan Menengah Republik Indonesia, 2017) indicated that 99.9 percent or 62,922,617 of the total business in Indonesia are MSMEs, of which 98.70 percent are micro-enterprises.

Indonesia is the fourth largest coffee bean producing country in the world after Brazil, Vietnam and Colombia with an average production of 639 thousand tons per year or around 8 percent of world coffee production. With regard to agricultural commodities, coffee is the fourth largest foreign exchange earner for Indonesia after palm oil, rubber and cocoa. The composition of Indonesian coffee production is 27.16 percent Arabica bean and 72.84 percent Robusta bean. Therefore, approximately 80 percent of exports coffee bean from Indonesia are Robusta bean.

Indonesians are not traditionally big coffee drinkers, but things are beginning to change. The fact that the consumption of processed coffee products in the country increases by an average of more than 7 percent per year, makes the opportunity to develop the coffee processing industry in the country is still quite large. Not only becoming one of the largest coffee producing countries, but Indonesia also gave birth to coffee-drinking cultures that vary from one region to another due to the country rich's diversity. Various coffee cultures and hangouts are a boon to the rising generation of coffee drinkers across the country.

Hanging out in a coffee shop is now an urban lifestyle. They are not looking for a diverse coffee menu only, but the atmosphere. People who came into the café wants to find a new atmosphere to do their work, hang-out with their friends, or just simply wants to relax. Therefore, it is important for the owner of the local coffee shop to think about the hospitality aspect of a coffee shop, that is creating a homey ambiance with edgy interior design.

Kopi XYZ, a local coffee shop, opened its first store in April 2017 at Kebayoran, Jakarta. The owner commits not

only served a cup of coffee that comes from the best quality bean but also offer a good ambiance for supporting its customer needs. The owner realized that the city's

notorious traffic jams worsen, people need a place to spend several hours in a place that has good ambiance to relieve stress, having their favorite coffee with their friends. Kopi XYZ opened its second store in November 2017 at Bumi Serpong Damai, Tangerang. The owner decided to cooperate with his friend, who owned a vape place. However, the owner is not really pleased with his second branch selling performance, since the place is not good for non-smoker person. The second branch customer is now fully segmented into smoker or vaping person. Therefore, it is important to take a precise look at how the business works and find a good fit partner.

In addition, Kopi XYZ is a business that can be easily replicated, so the most important thing that the owner has to do is protecting its reputation since the brand represents its culture, its beliefs and its attitude toward the customers. However, opening a new branch costs a lot, the owner's incapability to access new source of funding makes their business hampered. By far, access to finance is the most important impediment to investment for small firms in Indonesia, based on (OECD, 2012). However, before opening a new branch, it is important for the owner to make sure that their system is ready to be replicated to avoid any potential loss from the new branch in the upcoming future. The fact that Kopi XYZ only makes monthly sales report and cash report that prepared by their operational manager who does not have any financial background make it more difficult to produce a reliable financial report. Therefore, the business coaching program goal is to make sure that Kopi XYZ has already recorded every transaction in the right way, so the profit and loss statement can be constructed. Since a reliable financial report is needed as one decision-making consideration tool. The financial report can help the owner to plan personal financial planning and allow him to enhance the value and future sale-ability of the business. Last but not least, the owner will know the strategic direction to go in.

2 FRAMEWORK

- MSME Internal Analysis
 - Kopi XYZ's business profile
 - Kopi XYZ's organizational structure
 - Kopi XYZ's business process

- Segmenting, Targeting, and Positioning Analysis

It includes process of classifying Kopi XYZ's customers into groups that share common interests, so the business can evaluate a proper strategy based on the group attractiveness to enter the market. Lastly, the business can occupy a clear, and distinctive value to compete with current competitors.

- Marketing Mix Analysis (7Ps)

Marketing mix consists of several variables that Kopi XYZ used to influence their consumer's response. Therefore, those variables are inter-related, which means a decision taken in one of the variables will affect other variables in response.

- Business Model Canvas Analysis

Business Model Canvas is a tool that used by management to describe, design, challenge, invent, and pivot their business model. This tool breaks into nine different segments that show the logic of how a company intends to make money. It includes Customer Segments; Value Propositions; Channels; Customer Relationships; Revenue Streams; Key Resources; Key Activities; Key Partnerships; and Cost Structure.

- MSME External Analysis

- Porter's Five Forces Analysis

Porter's five forces analysis aims to assess the nature of a business industry competitiveness. Therefore, the business will be able to determine the important forces that affect their profitability. Hence, this tool helps to determine the competitive intensity within the industry.

- Strength, Weakness, Opportunities, and Threats (SWOT) Analysis

SWOT analysis used to develop a broader awareness of the business situation that helps both strategic planning and decision making. It also enables a business to reveal positive forces that supposed to be work in line and potential problems that need to be addressed.

- GAP Analysis

After conducting several analyses mentioned before, it can be concluded that there is distinctive condition between the actual to their ideal condition, which then becomes the root of this research.

3 METHODOLOGY

The research object in this study is Kopi XYZ, which engaged in the coffee industry located in South Jakarta, Indonesia. They offered various variants of coffee-based drink, which made from selected coffee beans to maintain its product taste. Kopi XYZ owned by two co-workers who both like to hang out, thus they decided to open their own coffee shop to fulfil their lifestyle. However, they cannot control Kopi XYZ's operation by themselves, so, they hired professional barista who will control Kopi XYZ's daily operation in several aspects, like raw materials availability, and financial report preparation. The owner of Kopi XYZ also employed five others baristas to serve Kopi XYZ's consumers. In the implementation of business coaching process, there are two types of data used, which are primary and secondary data. The primary data obtained through in-depth interview and observation, while secondary data gathered through Kopi XYZ's management, and other parties involved in the business.

- In-depth Interview

In-depth interviews involve an open-ended question which means the target cannot just simply answer the researcher question by yes or no answer, rather they must expound on the topic. It aims to probe for deeper meaning and understanding of the responses. The interview conducted with Kopi XYZ's owner and their operation manager who know exactly about the daily operation of Kopi XYZ.

- Observation

Observation can be called as a process of studying behavioral patterns of research objects and witnessing it as evidence to be studied further. It did not involve any question through the observation process as well as communicate with the Kopi XYZ's employee. The researcher did the observation in Kopi XYZ Kebayoran branch in order to know how the business run throughout the day.

- Internal Data

This secondary data is obtained through Kopi XYZ financial documents that prepared by the operation manager. The data gathered are in the form of monthly sales reports and reports on the use of raw materials.

- External Data

This type of secondary data used to confirm the financial documents gathered from management is stated thoroughly. It includes invoice from Go-Jek and Kopi XYZ's pastry supplier.

After collecting several data types mentioned above, then there are three general steps that should be done when analyzing qualitative data, namely (Malhotra, 2010):

- a. Data Reduction

The data need to be reduced in order to be able to draw a conclusion, thus the researcher needs to make sure that they have clear knowledge of the issues being addressed. Therefore, the researcher can decide which data to singled out from the various data attained.

- b. Data Display

In this stage, researchers develop visual interpretations of data using tools such as diagrams, graphs, or matrices. It provides the researcher a new way of managing and investigating the more textually embedded data.

- c. Conclusion Drawing and Verification

Finally, the researcher considers the meaning of the data analyzed and assesses its implications for existing research questions.

4 FINDINGS

- Segmenting, Targeting, and Positioning Analysis

After conducting the STP analysis, it can be seen that Kopi XYZ still has the opportunity to expand its target consumers, since it can be categorized too narrow because they only targeted 25-40 years old to be their consumers. They can re-determine their target consumer in order to optimize the sales and gain more profit.

- Marketing Mix Analysis (7Ps)

Kopi XYZ's current financial reports indicate that it cannot be used as the owner's consideration in decision-making process since the amount of money received or lost at the end of the month is

not in the same amount appeared in the report. It turned out that there were some errors contained in the recording system which sourced from human error. It found that these errors are coming because of the delayed recapitulation of transactions by operational managers. Therefore, it seems rushed in the preparation, causing the negligence of operational managers not only in the recording system errors but also in preparing reports in the form of PPT files prepared to the owners. In addition, the fact that the operational manager who has not any financial background makes it difficult for him to detect such an error.

- Business Model Canvas Analysis

Based on this tool, it is found that in key activities aspect that the current recording system on its income still used manual method, where it led to hinder the business control system, because under this method the operational manager needs to recapitulate daily sales data in Microsoft Excel one by one at the end of the month. However, because of that method took considerable amount of times, the monthly sales reports that should have been received by the owner at the end of the month always experience a delay due to the unfinished recapitulation by the operational manager.

- Porter's Five Forces Analysis

Based on this analysis, it can be concluded that the industry which Kopi XYZ operates is not attractive anymore. Thus, Kopi XYZ must be able to create value for its customers better than competitors in order to maintain the existence of its business.

- Strength, Weakness, Opportunities, and Threats (SWOT) Analysis

There are several products sold that are not counted in revenue recognition. Therefore, at the end of the month, Kopi XYZ has lower income compared to the original income that the business should have. Furthermore, during this time, the calculation of income through Go-Jek is recognized in accordance with the memories of the barista, so there are many differences in the number of Go-Jek purchases on a monthly basis when compared to the monthly report sent by Go-Jek.

5 CONCLUSION

Based on the results of several tools described above, the researcher tries to assist Kopi XYZ in assessing the feasibility of current financial report and standardize the recording systems in order to produce reliable financial system as consideration in their decision making. In the implementation process, the researcher made several steps in order to make the implementation process runs as targeted, the steps can be seen below:

Purposes	Implementation Steps
Feasibility Identification	Step 1: Construct Kopi XYZ's Profit and Loss Statement

of Kopi XYZ's Financial Report	Step 2: Compare the performance report prepared to the owner and the operational manager's original count file
	Step 3: Check the current recording system
	Step 4: Calculate Go-Jek's Yield Cost
Standardize Kopi XYZ's Financial Report System	Step 5: Establish new recording system and provide new P/L statement template
	Step 6: New system trial
	Step 7: Handover the new system to the Kopi XYZ's owner

After conducting the whole process, the Kopi XYZ owner finally knows the differences between implementing new recording system and their old systems that still contain meaningful mistakes, since the current system that the operational used did not calculate all Kopi XYZ revenues because of the recording system error. Below is the

	P/L Statement	
	Researcher	Operational Manager
Revenue	24,171,800	23,746,201
Cost of Goods Sold	-12,918,382	-12,918,382
Gross Profit	12,341,168	10,827,819
Operational Expense	-2,500,000	-2,500,000
Operational Expense (2)	-1,059,783	-1,059,783
Salary Expense	-4,683,871	-4,683,871
Net Income - July 2018	3,009,764	2,584,165

comparison between both systems:

	P/L Statement	
	Researcher	Operational Manager
Revenue	21,099,650	20,638,300
Cost of Goods Sold	-11,135,864	-11,135,864
Gross Profit	9,963,786	9,502,436
Operational Expense	-2,500,000	-2,500,000
Operational Expense (2)	-403,800	-403,800
Salary Expense	-7,000,000	-7,000,000
Net Income - August 2018	59,986	-401,364

It can be seen from both tables that during the operation, the operational manager produced lower revenue which then affects the net income gathered by the Kopi XYZ. Therefore, a new recording system is needed to produce accurate financial report, not only to know the business's performance but also to help the owner plan strategic direction of their business in the future.

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