



# **Lokagate: Bringing Local Indonesia Taste in the Emerging Coffee Trend Business Strategy Planning**

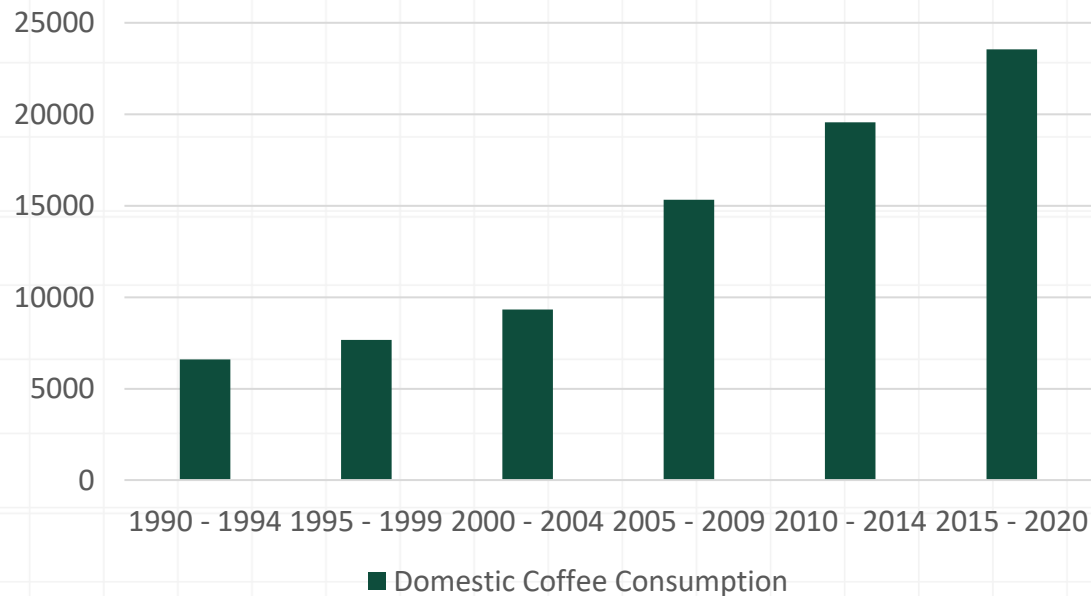
*Management Competition 2021 - UAJY*

Team AntiGBF

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# As an emerging instant powder coffee brand, Lokalate is currently facing challenges to enter the domestic coffee market

Domestic Coffee Consumption



- › Indonesia's domestic coffee consumption has almost quadrupled since 1990, reaching the equivalent of **4.8 million 60-kilogram bags of coffee in 2019/2020** (Statista, 2020)
- › **Lokalate** bring **Indonesia's authentic flavour** in coffee since the consumption of domestic coffee is currently **growing at a 13.9% rate per year** (Dahwilani, 2019)
- › Due to the pandemic, Lokalate is struggling to increase its **brand awareness** to enter the coffee market



Promotion and distribution of Lokalate's products are facing enormous challenges during the pandemic

# Lokate is facing low growth in both marketing and sales

## Key Issues on Lokate low growth in marketing and sales



### Ineffective digital marketing strategies

Instagram as one of core digital marketing platform currently has **0.68% engagement rate** which is **below the average** engagement rate of 2.43% (Phlanx.com).



### Limited distribution channels due to pandemic

Lokate's mainly distributed through supermarkets and coffee shops. However, the COVID19 pandemic has forced many offline distribution channels to be closed and people are moving into **online** grocery shopping.

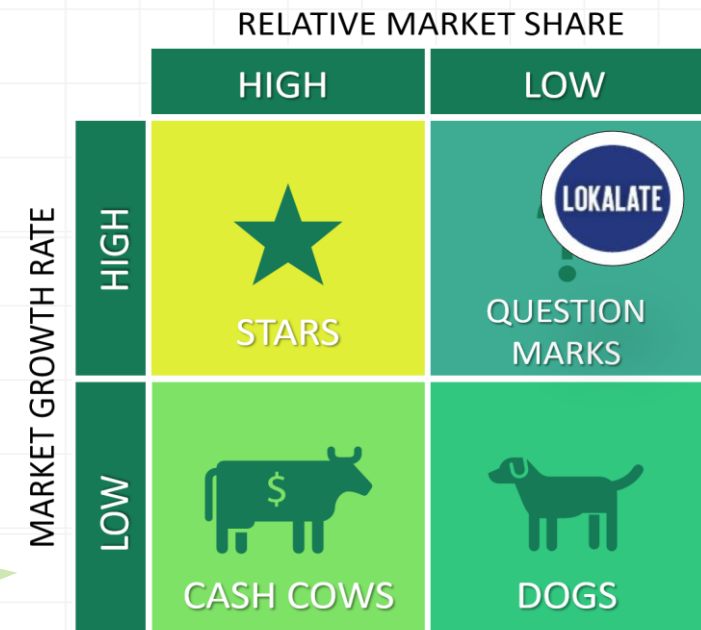
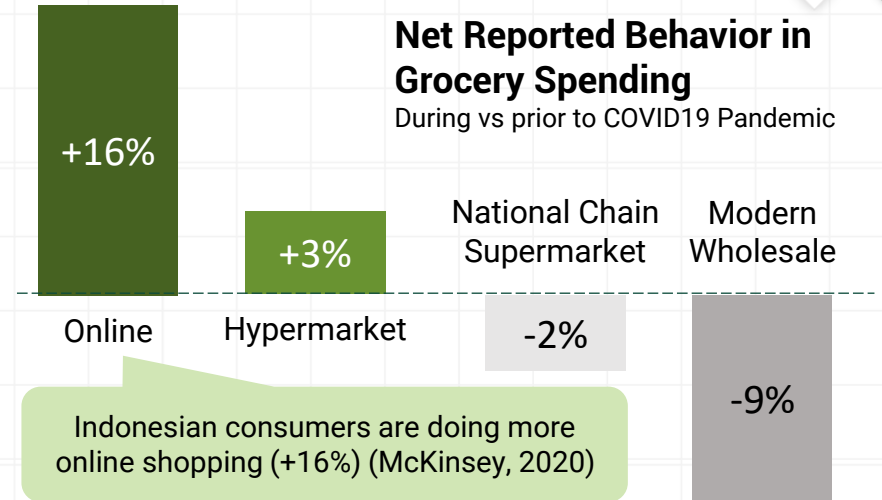


### Threat from other coffee products

Many new coffee brands pop up which provide fresh Ready to Drink coffee at affordable prices to be taken home or away. In 2018, the **retail sales volume of RTD Coffee** Indonesia was almost **120 million liters** (Widiati, 2020).

On the BCG Matrix, Lokate is on the Question Mark category so they need to acquire new competitor

## Net Reported Behavior in Grocery Spending During vs prior to COVID19 Pandemic



# Lokagate needs to get their customer experience its UVP to increase brand awareness and develop new product variants to sustain sales in the long run

## Short Term Strategy

Focus on increasing brand awareness to new customers and get them to experience Lokagate unique value.

### Operational:

Expanding sales channel through co-branding strategy with local Kekinian Coffee Shop.

### Marketing and Sales:

Viral content strategy and user generated content to boost engagement rate in a short period.

## Long Term Strategy

Develop new product variants and acquire competitors to further grow Lokagate market share and sustain sales.

### Operational:

Develop new product variants through customer generated insights. Acquire competitors to develop new products.

### Marketing and Sales:

Promote the new variants through current existing sales channels and marketing channels with high engagement rate.



# Stimulating engagement and purchase intention through digital marketing campaign and brand partnership with *Kekinian* Coffeeshop in 8 months

## Short Term Strategies

### Increasing purchase intention through brand partnership with *Kekinian* Coffeeshop

- › Milk-coffee product is currently **on trend** among targeted market
- › Recommended brand partner is Kopi Kenangan with **6 Millions** sales per month
- › Collaborate in inventing healthy coffee product will help Lokalate increase potential customers' purchase intention through promoting product quality

### Catching market interest through engaging digital activities

- › **#Lokreasi challenge** that encourage participants to invent unique and healthy Lokalate creation and promote it through their social media account
- › **Viral Instagram content** strategy through humorous **Si Ngantuk** short movies on Instagram that talks about college students' daily problems as results of sleepiness



### Targeted Audiences

- › 15-26 years old
- › Low-to-middle economic class
- › High school and college students
- › Behaviors: really like coffee, willing to try new things, follow consumption trends, tech savvy (use Instagram as one of most used media social)

# To retain and grow the markets, Lokalate should develop new product variants and acquire local coffee shop

## Long Term Strategies

### Product variants development

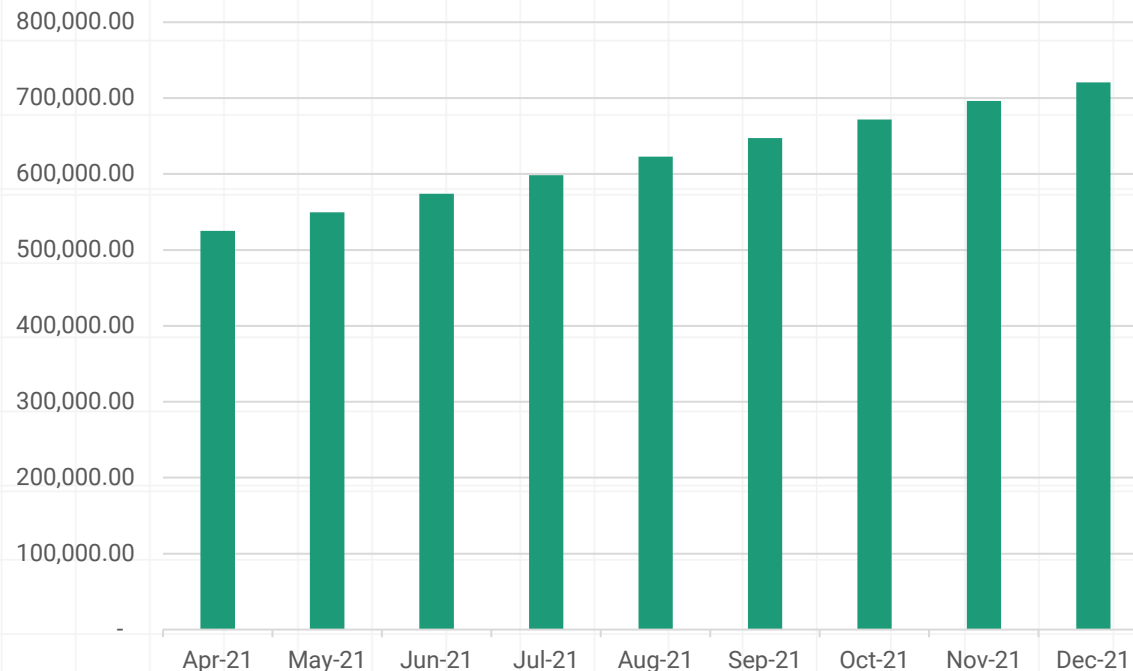
- › **Add more Lokalate product variants** (new taste) using #LoKreasi recipe challenge idea and based on customer preferences using long term market survey in order to keep customers' hype on consuming Lokalate products
- › **Continue co-branding activities with other Nutrifood business units** which already have high brand assets, such as: low-sugar fruit-taste coffee by Lokalate x Tropicana Slim to support promoting diabetes prevention for Indonesian Z generation

### Acquire *Kekinian* local Coffee Shop

- › The next step to further improve product variations, **acquiring low-cost online ordering coffee shop** (e.x Fore) will support customer retention rate while reducing competition intensity in coffee industry as Lokalate will also enter coffee shop segment
- › Acquisition will be followed by offline stores to **provide comfortable *tempat nongkrong*** for Indonesian Z generation as manifestation of riding the market share strategy

# Implementing co-branding and UGC marketing contents will be able to generate sales up to 5.6 million products in 9 months

Kopi Kenangan x Lokate Collaboration Product Sales by 2021



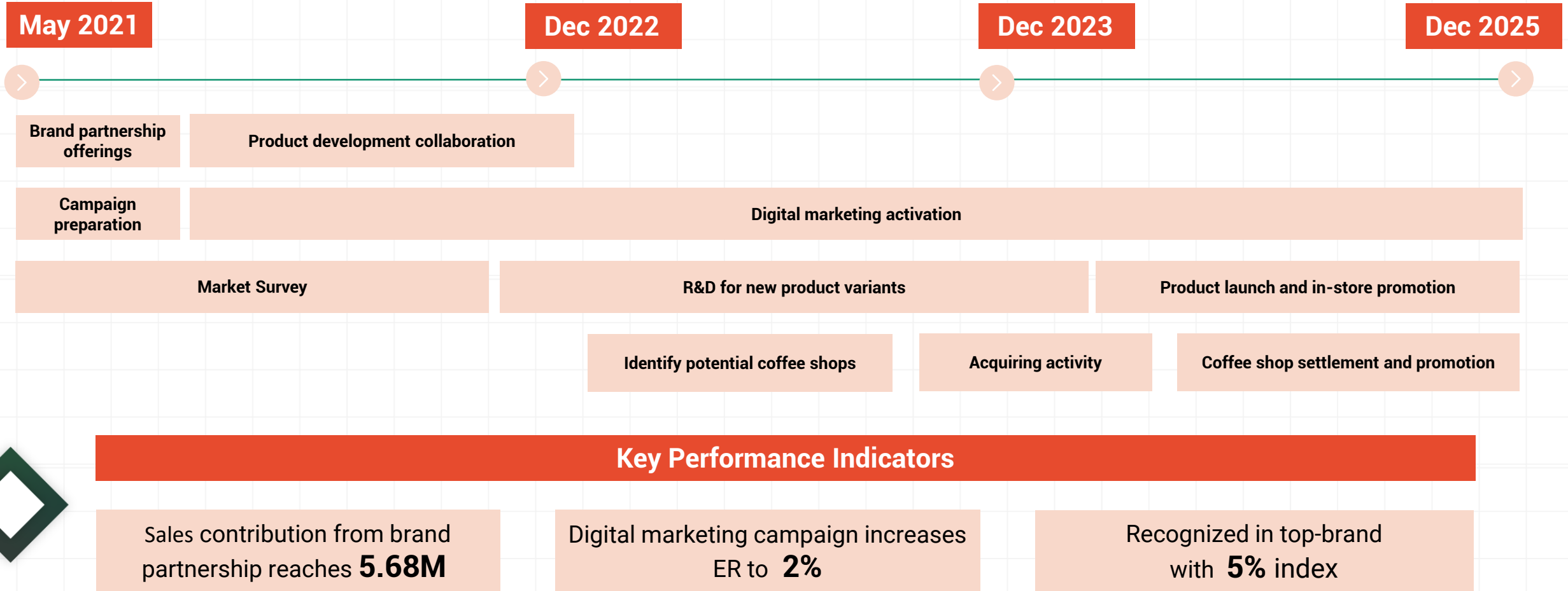
- › By implementing co-branding partnerships, in example with Kopi Kenangan, would **generate collaboration product sales up to 5.6 million products**.
- › **600 million active users** of Kopi Kenangan will be engaged with Lokate products, increasing engagement rate and brand awareness.
- › **1.32%** engagement rate improvement through digital activities strategies **#Lokreasi challenge** and **Viral Instagram content**.

# Risk and Mitigation

Risk	Mitigation
Lokagate customer might be confused of multiple choices under one brand partnership	Lokagate should reallocate its budget to further introduce the product using in store promotion.
Some Kekinian coffee shop might have different values on preserving the authentic Indonesian flavors	Lokagate should design a brand new marketing approach with both its value and the co-brands are facilitated.
Co-brand customer did not aware of the co-branding program	Lokagate should partner with the co-brand to establish collaboration marketing, allocating more budget to gain attention from their customer.



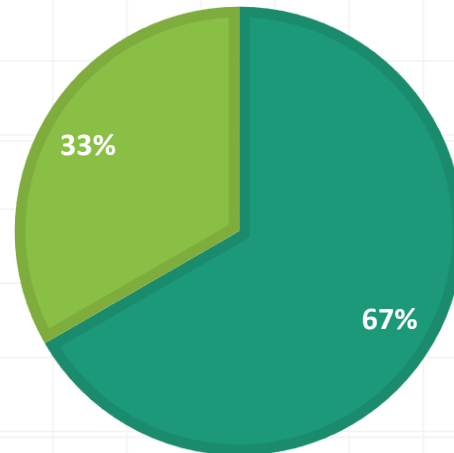
# Implementation will start from May 2021 until the end of 2025



# Budget Planning for Implementation Plan

## SHORT TERM STRATEGIES BUDGET

■ Brand partnership   ■ Digital Marketing activation



Activities	Budget (In Rupiah)
Brand partnership (product development)	500 Millions
Digital marketing campaign activation	250 Millions
R&D for product development	850 Millions
In store promotion	10 Billion
Local coffee shop acquisition	500 Billion
Offline coffee shop settlement and promotion	1.2 Trillions
TOTAL	1.212 Trillions

**We recommend Lokalate to implementing co-branding and UGC marketing contents to further increase brand awareness and develop new product variants and acquire competitor to further grow Lokalate market share and sustain sales.**



### Fast Growth



- › 5.68 million collaboration products sales generated in just 9 months.



### High Engagement



- › Potential 600 million active users engagement through co-branding.
- › **1.32%** engagement rate improvement through **#Lokreasi challenge** and **Viral Instagram content**.



### High Gain



- › Exponential market growth through competitor acquisition.
- › New product variations through acquired brand asset.

A photograph of a white ceramic cup of coffee with steam rising from it, placed on a white saucer. The cup and saucer are surrounded by a large pile of dark brown coffee beans. To the left, a portion of a burlap sack is visible. The entire scene is set on a light-colored wooden surface. The word "Appendix" is overlaid in a large, white, sans-serif font, centered horizontally and partially overlapping the coffee cup and beans. A thin white vertical line is positioned to the left of the text.

# Appendix

## INSTAGRAM ENGAGEMENT CALCULATOR



@lokalate



18,120 Followers



@lokalate

ENGAGEMENT RATE

**0.62%**

Average Interactions per post

**118** likes

**4** comments

### Average Engagement Rate on Instagram

Number of Followers

Average ER

>1M

1.97%

100K - 1M

2.05%

20K - 100K

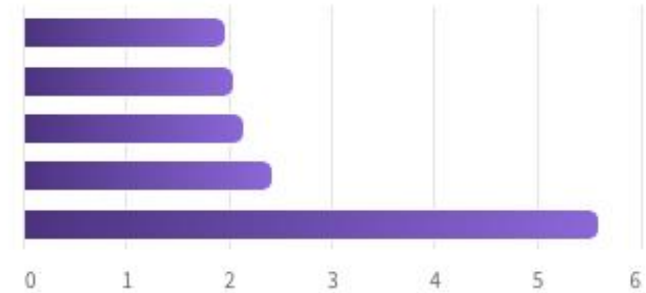
2.15%

5K - 20K

2.43%

1K - 5K

5.60%







“A varying menu is very important in order to reach all types of consumers and can attract new consumers. Even though ice coffee-milk is still a mainstay, you have to see that with the consumer presentation of 60 per cent, as many as 20 per cent is original coffee consumers and the other 20 per cent is other menu consumers,” according to James Prananto, COO of Kopi Kenangan.

Source

<https://nowjakarta.co.id/dining/culinary-talk/the-emerging-business-of-coffee-shops-in-indonesia>



## Tabel Perhitungan Solutions Impact – Lokalate x Kopi Kenangan

Tahun	Sales Produk Kolaborasi Total Semua Gerai	Growth 20 Gerai Per bulan	Jumlah Gerai
Apr-21	525,190.84	1,221.37	430.00
May-21	549,618.32	1,221.37	450.00
Jun-21	574,045.80	1,221.37	470.00
Jul-21	598,473.28	1,221.37	490.00
Aug-21	622,900.76	1,221.37	510.00
Sep-21	647,328.24	1,221.37	530.00
Oct-21	671,755.73	1,221.37	550.00
Nov-21	696,183.21	1,221.37	570.00
Dec-21	720,610.69	1,221.37	590.00
Total	5,606,106.87		

Growth Kopi Kenangan	20 Gerai/bulan average
Gerai per bulan Oct-19	131 gerai
Gerai Per bulan Jan-21	430 gerai

Sales per bulan	50 produk coffee setiap bulan, per gerai	4 Variasi produk lokalate
2,000,000.00	40,000.00	160,000.00
15,267.18	305.34	1,221.37
6,564,885.50	131,297.71	525,190.84