

Research Article

Product Upgrading Analysis of Instant Coffee Industry: A Case Study of Kapal Api Group

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Received 13 September 2021; Revised 1 January 2022; Accepted 6 January 2022; Published Online 13 January 2022

Abstract

Kapal Api Group as the lead firm of the coffee industry in Indonesia has become one of the main players in the global value chain. This achievement cannot be separated from the upgrading strategy implemented by Kapal Api from upstream to downstream. This research examines the global value chain of PT Kapal Api Global by analyzing the upgrading strategy that focuses on functional upgrading and intersectoral upgrading. Besides that, this research also further reviews how the company synergizes with government and non-governmental actors, as well as explores the implementation of domestic and international norms at PT Kapal Api Global. Through all the information and data obtained, the authors also provide four upgrading solutions or recommendations that can be implemented by PT Kapal Api Global in the future, such as product innovation and expansion, involvement of cultural elements, marketing strategies abroad, and cooperation with non-governmental organizations.

Keywords: Instant coffee industry; Kapal Api; Global Value Chain; Upgrading

Introduction

Essentially, coffee is one of the most potential commodities to be traded in the world, and Indonesia is the 6th largest coffee consumer in the world after Russia. In addition to being one of the countries that consume the highest coffee in the world, Indonesia is also the 4th largest coffee-producing country in the world. Based on these facts, it can be understood that coffee is one of the plantation commodities that has an important role in supporting the Indonesian economy. Citing Sudjarmoko (2013), coffee commodities have six main contributions to the national economy, namely: (1) as a source of foreign exchange for the country; (2) a source of farmers' income; (3) job creation; (4) regional development; (5) a driver of agribusiness and agro-industry; and (6) an advocate for environmental conservation. In 2004, foreign exchange earnings from coffee

commodities generated an export value of 251 million US dollars or 10.1% of the export value of all agricultural commodities, or 0.5% of non-oil and gas exports or 0.4% of the total export value (AEKI, 2005 in Kustiari, 2007). As a leading export commodity, coffee is one of the plantation products that is widely traded in the world market. The volume of Indonesian coffee exports up to mid-2013 was recorded at 448.6 thousand tons with a value of 1,249.5 million US dollars (Sudjarmoko, 2013).

Referring to the development of coffee commodities that have important contribution to the national economy, the authors focused the discussion of this research on the lead firm of the coffee industry in Indonesia, namely Kapal Api. The authors found the Kapal Api case study interesting because Kapal Api is a coffee producer that has been around for almost a century in Indonesia. Not only is it successful in the Indonesian domestic market, but Kapal Api Global products are also widely circulated in the international market. In other words, the authors believe that the Kapal Api Group (PT Kapal Api Global) certainly has a strong business strategy and value chain analysis, considering that Kapal Api has come a long way since 1927 to eventually become a lead firm in the development of the coffee industry in Indonesia, and successfully flapped its wings in the international market.

Departing from the superiority of the Kapal Api Group (PT Kapal Api Global), this research focuses on analyzing the global value chain of PT Kapal Api Global by looking at the series of activities carried out when forming products from upstream to downstream, which involve a combination of physical transformation stages and inputs from various activities that support consumer and disposal activities. More specifically, the authors also analyzed the upgrading strategy implemented by Kapal Api in carrying out innovations in order to increase the company's competitiveness in the global market. Related to this, the authors observe the changes and improvements that occur in the production process as well as Kapal Api's response to innovation developments from competitors. In addition, the authors also review the implementation of domestic and international norms within the company and provide recommendations or upgrading solutions that can be applied to improve the company's competitiveness in the future.

Literature Review

Previous studies about the coffee industry have been carried out by several other researchers and institutions. The first article is from Mangku Purnomo, Yayuk Yuliati, Agustina Shinta and Fitria Dina Riana (2021) titled, 'Developing Coffee Culture Among Indonesia's Middle-Class: A Case Study in A Coffee-Producing Country'. This research analyzes how the extraordinary development of the global coffee franchise, Starbucks, has influenced local coffee culture, particularly the middle class, which characterizes an alternative lifestyle for dynamic and consumptive individuals who are looking for free time and a new identity. More precisely, there has been a process of affirming local coffee values and culture in the coffee business. However, the owners are selectively encouraging some parts of Western culture, such as new coffee processing and serving techniques. In terms of management practices, the shift to a more localized environment will largely define their standards. This article describes how local coffee culture has responded to the popular culture introduced by Starbucks and other similar modern coffee shops in the last ten years. The local coffee culture adopts Western culture in terms of product standardization, processing techniques, and several menus. As for business practice, local coffee shops in Indonesia prefer to develop a more local style — they upgrade small and simple traditional coffee shops into relatively modern but localized coffee shops called "*kedai*" or coffee shops.

In addition, business owners, coffee lovers, and coffee activists are also developing fairer business values compared to global coffee shop chains, which they consider exploitative. The business model established by local coffee shops is very different from that of international coffee shop chains. Consumers are overcome with the feeling that drinking coffee at Starbucks guarantees the best taste and quality of coffee. Local coffee shops counter this view by assuring customers that drinking coffee is not only about taste, but also about being fair to the people who grow the coffee being drunk. Thus, local coffee consumers are more likely to reject the

mainstream values developed by international coffee shops than to force local coffee shops to follow them. The booming coffee culture among the Indonesian middle class is different from the customs in other countries, such as Japan, China, and European countries. Although not growing rapidly, the local coffee culture still dominates and even articulates the local coffee business.

The next article is from Intan Hamdan-Livramento, Luis Samper, Daniele Giovannucci, Luciana Marques Vieira, and Calestous Juma (2018) with the title, 'A Perfect Brew: Leveraging Intangible Capital to Move up the Coffee Value Chain'. Based on the article, coffee is one of the most productive agricultural commodities and a source of income for nearly 26 million farmers in more than 50 developing countries. It is a commodity produced in the Global South, driven by the Global North. As such, the global coffee value chain is heavily influenced by consumers in these high-rise countries. The newer consumption patterns are triggering a change in the coffee business model. This paper examines how new preferences for coffee consumption are reshaping the global chain, and how these changes offer coffee farmers opportunities to earn more income by catering to these new consumption trends. It provides important insights into how agrarian economies should invest and cultivate their intangible assets to increase their value chain participation and increase their competitiveness in international trade. A focus on upstream activities in the coffee value chain helps increase the incomes of both upstream and downstream participants. The implementation of the experiential market business strategy in other market segments creates further opportunities for upstream coffee players to increase their revenue primarily by leveraging their brands. That will successfully correlate with the extent of consumer recognition and awareness of these brands.

Finally, Patel-Campillo (2010) in their article entitled, 'Transforming Global Commodity Chains: Actor Strategies, Regulation, and Competitive Relations in the Dutch Cut Flower Sector' emphasize that GVC governance will not run well without a combined strategy of the actors, in this case, companies that run GVC, and regulations or policies issued by the government. In this case, without alignment between the strategies carried out by corporate actors and government policies, the existing GVC governance will not work well, so upgrading becomes a difficult thing to do. Therefore, in this paper, we are trying to analyze how Kapal Api Group as one of the largest coffee companies in Indonesia expand and upgrade its value chain. The analysis will be focused on how effective the strategies are used by Kapal Api group to upgrade its value chain.

Methods

1. Descriptive Qualitative Method

In general, this paper will conduct research with descriptive research. The purpose of descriptive research is to describe a phenomenon and its characteristics. This research is more concerned with what rather than how or why something has occurred. Therefore, observation and survey tools are often used to collect data (Gall, et al., 2007). Qualitative research is more holistic than quantitative research and often involves a rich collection of data from multiple sources to gain a deeper understanding of individual participants, including their opinions, perspectives, and attitudes. Qualitative research collects data qualitatively, and the method of analysis is also qualitative. Qualitative research often involves exploring inductive data to identify recurring themes, patterns or concepts and then describing and interpreting those categories.

2. Global Value Chain

In general, Global Value Chain (GVC) is a concept that describes a production system that is spread to several locations to produce the highest level of efficiency and greater profits in each part of the production system. In this case, GVC contains a series of activities needed to deliver a product or service starting from the conceptual stage, production, to delivery to the final consumer, as well as disposal activities after use (Kaplinsky, 1999; Cattaneo, et al., 2013, in Nurdianti, 2013, et al., 2015). Furthermore, the use of the term 'chain' in 'global value

chains' shows a focus on the vertical relationship between buyers and suppliers and the movement of goods or services from producers to consumers (Arfani, 2021).

3. Upgrading

Broadly speaking, upgrading is the industry's ability to carry out innovations to increase the competitiveness of companies in the global market by making changes and improvements in the production process and responding to innovation developments from competitors. Citing Arfani (2021), there are two types of upgrading, namely static upgrading, which aims to provide something unique to the product so that the product is difficult to imitate and can last a long time, and dynamic upgrading, which aims to provide a strategy so that the company could improve competitiveness dynamically and constantly. Referring to the upgrading concept that has been described, the authors focus on the analysis of this research portfolio on dynamic upgrading which includes functional and intersectoral upgrading.

Functional upgrading talks about increasing the value of goods by changing the activities within a company or by changing its position in the GVC. Citing marketlinks (n.d), there are two ways to functional upgrading, namely: (1) changing all processes within the company so that it changes the chain structure; or (2) producer groups undertake production development to achieve higher product value. In this case, functional upgrading in the value chain can include the development of design, production, branding, and marketing (Arfani, 2021). Different from the prior, intersectoral upgrading talks about the company's ability to move to a new GVC or produce different products (Arfani, 2021). In other words, intersectoral upgrading talks about the entry of a company into a new value chain or industry by using the knowledge gained through the production of other products (marketlinks, n.d). Intersectoral upgrading generally requires several upgrading strategies carried out concurrently or sequentially to enter a new value chain or industry successfully. Intersectoral upgrading is very important because it facilitates the achievement of more skills, knowledge, or technology for new products from a company.

Result and Analysis

1. The Journey of Kapal Api Group

Kapal Api Group's coffee journey began in 1927 when three brothers, Go Soe Loet, Go Bi Tjong, and Go Soe Bin established a coffee frying factory in Surabaya, called Kopi Bubuk Hap Hoo Tjan. The Hap Hoo Tjan Coffee Powder products are then sold around the Tanjung Perak Port by targeting the market share of sailors and people around the port (finansialku, 2019). Over time, the quality of Hap Hoo Tjan's Coffee Powder products made this coffee company grow rapidly. The success of Hap Hoo Tjan's Coffee Powder in attracting the hearts of consumers made this business continue to grow, and Go Soe Loet's three children—Soedomo, Indra, and Soetikno, supported in marketing the coffee product.

The target market for Hap Hoo Tjan's Coffee Powder, namely people around the port, inspired Soedomo to form a small company that produces coffee with the symbol of a fire ship that reflects new hope, fighting spirit, and technological progress. Soedomo then managed to create his own small company while still supporting the development of Hap Hoo Tjan's Coffee Powder factory. However, along the way, Goe Soe Loet and his two brothers broke up the partnership and Goe Soe Loet gained a share in the coffee frying factory, and continued the coffee production while being supported by his three children (finansialku, 2019). Gradually, sales of Hap Hoo Tjan's Coffee Powder declined until they went out of business in the 1980s.

Armed with the experience gained through supporting his father, Soedomo continued his journey to develop the wings of the Kapal Api coffee company. Along with the increasing consumption of Indonesian coffee, Kapal Api coffee was also growing rapidly. Then, in 1985, Kapal Api coffee succeeded in expanding to various countries and entering foreign markets - starting with the invasion of products to Saudi Arabia, and continuing with

exports to Hong Kong, Malaysia, and Taiwan markets in 1987 (finansialku, 2019). Currently, Kapal Api (PT Santos Jaya Abadi) is still growing and is part of PT Kapal Api Global which oversees seven business units, namely: (1) PT Santos Jaya Abadi; (2) PT Sulotco Jaya Abadi; (3) PT Agel Langgeng; (4) PT Excelso Multi Rasa; (5) PT Fastrata Buana; (6) PT Santos Premium Creamer; and (7) PT Weiss Tech.

2. Functional Upgrading Analysis

2.1. Design

2.1.1. Packaging Design

As a lead firm that strives to bring added value to its products, PT Kapal Api Global once had the innovation to issue thematic packaging designs in the form of infographics containing brief information about coffee. In addition to providing information to the public, the thematic design innovation also indirectly supports PT Kapal Api Global's ambition in framing itself as a leading company in the coffee industry in Indonesia. Two thematic packages found by the authors include "Kaldi, the Inventor of Coffee," which tells the history or the initial discovery of coffee and "*Habiskan Kopi 3 Reservoir* (Finish 3 Reservoirs of Coffee)" which provides facts about the number of coffee consumption in Indonesia, which has reached 8.6 billion liters of coffee per year or three times the volume of the Jatiluhur Reservoir—the largest dam in Indonesia.

In addition to thematic designs, it can be observed that the packaging design for each Kapal Api Group product is always adjusted with the intended target market. In this case, note that Kapal Api products mainly target youth and old people with middle economic status. Therefore, Kapal Api products are designed as simple as possible with dark colors and only contain a logo and product description. In addition to simple illustration designs, Kapal Api products also have various product sizes. This is so that the target or consumer can choose according to their needs.

The next Kapal Api Group product that can be observed in its packaging design is the Good Day product. Related to this, Good Day product designs tend to be more colorful and have 'quirky' fonts or letters. The choice of Good Day product design, which has a cheerful and positive ambiance, is in accordance with Good Day's target market, that are urban youth who tend to consume coffee as part of their lifestyle. In addition, this packaging design is also in accordance with the tagline carried by Good Day products, namely, "*Karena hidup punya banyak rasa* (Because life has a variety of flavors)" and "*Kopi Good Day punya banyak rasa untuk harimu!* (Good Day Coffee offers many flavors for your day)". In addition, Good Day products also provide instant coffee in bottles with an easy-to-grip design that allows consumers to consume this product directly while carrying out daily activities.

2.1.2. Outlet Design

The authors observed that the Kapal Api Group (PT Kapal Api Global) also has added value related to its efforts to pay attention to its coffee outlets, in order to always be in line with the intended target market. Related to this, the Kapal Api Group has two products that have coffee outlets, namely Kapal Api and Excelso, each having their respective market segments. More specifically, Kapal Api outlets target a wider range of consumers with high mobility, thus most of their outlets are located in crowded centers and are designed simply, such as at stations or shopping centers. The majority of Kapal Api coffee outlets are usually in the form of a booth or small coffee corner measuring 3x3 meters. In fact, to date, Kapal Api coffee outlets have grown to 350 outlets spread not only in Indonesia, but also in the Philippines and Myanmar (Sikah, 2017). One of the Kapal Api outlets in Indonesia can be seen at Jatibaru Tanah Abang, which is located not far from Tanah Abang station. The Kapal Api outlet carries a ready-to-go concept so that it can be in line with the hustle and bustle of urban communities passing by at the Tanah Abang station (Hidayat, 2018).

Unlike the Kapal Api coffee shop, which accommodates people who are on the move, PT Kapal Api Global

I also has the Excelso coffee shop that doesn't really care about the fast-paced and high-mobility urban lifestyle. This is because Excelso targets executives, young professionals, business people, and families from the upper-middle class. Therefore, Excelso outlets tend to be designed to make consumers able to linger in these outlets, thus Excelso outlets tend to look like they are inseparable from a luxurious and elegant impression (Hidayat, 2019).

2.2. Production

From the upstream side, coffee bean producers are the main means of production. In this case, the use of superior and quality coffee beans has an important role in increasing production and yield quality. The selection of Arabica and Robusta coffee beans is carried out with a strict selection because only the best coffee beans will produce the best taste. After getting the selected coffee beans, the coffee beans will go through a mixing and roasting process. This roasting process will then determine the character, aroma, and taste of the coffee. In the process, the selected coffee beans will be put into a special roasting machine to be roasted at a temperature of 200 degrees Celsius for 15 minutes to reduce the water content contained in the coffee beans. Because the lower the water content, the stronger the aroma of the coffee released. After going through the roasting process and being cooled in a special machine, the coffee beans will then go through a grinding process. The grinding process is carried out with high-tech machines to separate coarse and fine coffee grounds. These fine coffee beans will then be packaged and marketed to the public under the Kapal Api brand.

In the production process, Kapal Api provides various flavors, such as: (1) Kapal Api Special, which is pure coffee; (2) Kapal Api Special Mix, which is a combination of special Kapal Api coffee with sugar; (3) Susu Api Ship consisting of coffee, sugar, and milk; (4) Mocha Fire Ship consisting of coffee, sugar, milk, and chocolate; (5) Grande Fire Ship which consists of coffee, sugar, and creamer; (6) Kapal Api Susu Ginseng which consists of coffee, sugar, milk, ginseng extract, and (7) Kapal Api Api Mantap (Atmojo, n.d). The number of available flavors is expected to make consumers able to adjust to their respective tastes, which then has implications for efforts to increase consumer satisfaction with Kapal Api products. Besides taste variants, Kapal Api products also have packaging variants with various sizes that can be adapted to consumer needs, ranging from 25-gram packages for one drink to 425-gram economical packaging (Atmojo, n.d).

The taste and aroma of Kapal Api coffee, which have been maintained for generations, made Kapal Api coffee always have a place in the tongues and hearts of the Indonesian people. This can be proven through various awards and certificates won by the management of PT Santos Jaya Abadi as a manufacturer or producer of Kapal Api coffee, including the Indonesian Customer Satisfaction Award (2001-2007), The Most Powerful Distribution System (2006-2007), Indonesian Best Brand Award (2002-2007), Indonesian Original Production Award (2006), Packaging Consumer Branding Award (2005), Indonesia Good Design Selection (2002), Kapal Api Top Brand Award (2000-2007), Indonesian Trademark (2003), ISO 9001:2000, Hazard Analysis and Critical Control Point (HACCP), and Good Manufacturing Practice (GMP) (Atmojo, n.d).

Finally, the producer of Kapal Api also implements a pricing strategy based on the goal of the maximum market share (Atmojo, n.d). In this context, to become the market leader and achieve the largest possible market share, Kapal Api must apply competitive prices to its competitors. In implementing this strategy, PT Santos Jaya Abadi sets prices that tend to be more commensurate with quality than its competitors. Besides maintaining the quality of coffee products, beverage, and food products from other business units under the auspices of PT Kapal Api Global, they are also very concerned about their quality.

2.3. Branding

The success of Kapal Api Global cannot be separated from the attractive and targeted branding for each of its products. This can be seen from differences in the brand image built on each Kapal Api product, which does have a different target market, such as Excelso, Good Day, and Kapal Api. Differentiation in creating a brand image is very important because it will affect how consumers see and are then attracted or carried away by the narrative conveyed by the product (Atmojo, n.d).

The flagship product of Kapal Api is, of course, Kapal Api coffee. Kapal Api is a black coffee product that is dubbed as a heritage brand in Indonesia. Kapal Api is known to have a very strong brand image with a very catchy tagline, namely "*Secangkir semangat untuk Indonesia* (A cup of vigor for Indonesia)" and "*Jelas lebih enak!* (Clearly, it is tastier)". The two taglines are not mere nonsense, but Kapal Api has been known for a long time as authentic Indonesian coffee with a very strong taste and distinctive aroma. Therefore, this coffee product has been favored by Indonesian coffee lovers for ages, reaching across the older generation, the elderly, and the younger generation (Perdana, 2016).

Furthermore, the formation of branding is also related to the efforts to create emotional benefits. This can be proven through one of Kapal Api's taglines, namely, "*Secangkir Semangat untuk Indonesia*" which gives confidence that drinking a cup of Kapal Api will give you enthusiasm to conduct any activity (Atmojo, n.d). In addition to maintaining the taste and aroma, Kapal Api also relies on various campaigns that involve social activities. As an illustration, the tagline "*Secangkir Semangat untuk Indonesia*" was once involved in collecting 10,000 books that were donated to various schools throughout Indonesia (Perdana, 2016). In addition, Kapal Api is also actively sponsoring various events favored by young people, such as being the main sponsor of East Java's *Liga 3*, which was a football league eventually referred to as the Kapal Api League (PSSI Jawa Timur, 2018), sponsoring *Persebaya Surabaya* (Persebaya, 2020), and efforts to embrace various influencers such as popular artists and singers to form a brand image as a suitable coffee for the younger generation (Perdana, 2016).

The branding of Kapal Api products can also be seen in Excelso, which has the highest target market out of all the coffee products in the Kapal Api Group. Referring to the official website for best brand awards, Superbrands (2018), Excelso is stated as a business unit that targets the market of business people, young professionals, and upper-middle-class families with an age range of 21-41 years. With this target market, the brand, which has more than 140 outlets throughout Indonesia, seeks to create an image as a premium cafe that is suitable for business people and young professionals to use, whether for just chatting, meeting clients, or also being a place to gather with family. Carrying the tagline, "*The finest Indonesian coffee*", Excelso tries to create its image as an exclusive and best café outlet by serving selected coffee products, which are the best products produced by Indonesian coffee plantations (Superbrands, 2018). In addition, the making process is also carried out in the best way without giving a mixture that can reduce the quality created through the tagline.

Finally, there is a product from the Kapal Api Group, which is deliberately aimed at the millennial generation namely Good Day, with the tagline, "*Karena hidup punya banyak rasa*". Good Day coffee products form a branding that is very suitable for the younger generation because the tagline is adapted to the many flavor variants that are so closely related to the millennial generation. The creation of the brand image is carried out through a large-scale campaign, which is generally carried out through digital media and uses influencers who are favored by the millennial generation. As a result of the tagline and campaigns carried out, Good Day won the Indonesia Digital Popular Brand Award in 2020 by having more than 280 thousand supporters on social media (Aryanto, 2020).

2.4. Marketing

2.4.1. Above the Line (ATL)

Above the Line (ATL) marketing strategy refers to marketing activities aimed at the public or the wider community. In other words, ATL marketing strategy does not have a specific target group, thus the media used for ATL marketing activities must be able to attract broad attention, such as through billboards, banners, and advertisements on electronic media. The implementation of Kapal Api's ATL marketing strategy can be seen through Kapal Api's product advertisements on billboards on major roads or television advertisements.

2.4.2. Below the Line (BTL)

In contrast to the ATL marketing strategy, the Below the Line (BTL) marketing strategy refers to a marketing strategy that has a specific target group so that its marketing activities are more in line with the product targets or target consumers of the brand. BTL marketing strategy is usually also known as direct marketing which aims to keep existing customers loyal and attract the attention of potential consumers. One of the BTL strategies that are often carried out by Kapal Api is to become an event sponsor that has a suitable target market and build booths at events that have a lot of visitors with the aim of bringing products closer to consumers.

2.4.3. Out of Home (OOH)

In accordance with its literal meaning, Out of Home (OOH) marketing activities are carried out by targeting people who are outside the home. OOH marketing strategies are usually carried out to increase brand awareness and reach a wider target market. Through these definitions and objectives, the authors understand that OOH marketing strategies are usually found in public facilities such as park benches, bus stops, and stadiums, as shown in Figure 1.



Figure 1. Kapal Api advertising on the sidelines of the R. Soedarsono Stadium, Bangil
Source: persebaya.id (2018)

2.4.4. Digital

In general, digital marketing is a product marketing effort using digital media and Internet networks. One of the advantages of digital marketing compared to traditional marketing lies in the ease of reaching a wider target market, speed of information dissemination at a more efficient cost, and enabling the use of two-way communication with potential customers.

In this context, the authors observed that Kapal Api Global marketing activities using digital media were divided into three groups. First, the Kapal Api online store, which is a website for selling Kapal Api products that can be accessed at <https://excelso-coffee.com>, <https://www.kapalapistore.com>, and <https://ubrukopi.com>. Second, factory outlets, namely a website selling Kapal Api products which are managed by PT Santos Jaya Abadi as a subsidiary of PT Kapal Api Global, namely <http://www.santosjayaabadi.co.id/FACTORYOUTLET/>—the buying and selling transactions listed on the website are only reserved for employees of PT Santos Jaya Abadi with the aim that employees can enjoy the results of their own hard work. Third, the use of e-commerce platforms through official online stores on several e-commerce applications in Indonesia, such as Tokopedia, Shopee, and Lazada.

According to the latest data reported by Kompas (2021), Kapal Api coffee occupied the first position as the best-selling coffee in the marketplace in January 2021 with a total of 22,349 transactions. In this regard, Shopee is the most frequently used platform and managed to reap 62% of the total transactions of Kapal Api coffee, followed by Tokopedia by 38%. This indirectly proves that the product marketing efforts using digital media carried out by Kapal Api have implications for reaching a wider market more easily and efficiently.

2.4.5. Synergy of Marketing Activities

Quoting Atmojo (n.d), in carrying out marketing activities, Kapal Api implements a marketing strategy that includes segmentation, targeting or selecting targets, and positioning. First, related to segmentation, Kapal Api classifies Indonesian coffee consumers into various groups based on factors: (1) the geographic-demographic covering the region, gender, income, occupation, and age; (2) psychographic which includes higher resources and lower resources; and (3) behavior that includes occasions, user status, loyalty status, and attitude. Second, related to targeting, Kapal Api determines the target market with multiple segments that are tailored to the segmentation and conditions of consumers in the field. Finally, after determining the segmentation and target market, Kapal Api performs positioning by deciding the type of product to be introduced and invested in consumers. In this case, Kapal Api also includes a brand positioning in the form of a slogan to make it easier for the target market to remember.

The Chief Operating Officer of PT Kapal Api Global, Ihsan Mulia Putri, stated that in implementing the marketing strategy, Kapal Api carried out Integrated Marketing Communication (IMC) which allows the company to coordinate various communication channels to send clear, consistent, and convincing messages to consumers. In this context, the implementation of each marketing strategy is always adjusted to the needs and is complementary to each other. Besides, the authors observe that Kapal Api also conducts holistic campaigns, both ATL, BTL, distribution, social responsibility marketing, or utilizing new media that are widely used in the market.

3. Intersectional Upgrading Analysis

Intersectoral upgrading talks about the company's ability to be able to produce different products or move to a new GVC. This statement can be illustrated through the journey of PT Kapal Api Global, which started from the work of PT Santos Jaya Abadi as a Kapal Api coffee manufacturing company. Kapal Api's ability to maintain its image and product quality has made the Kapal Api company successfully expand to a new GVC by producing different products, such as creamer produced by PT Santos Premium Krimer; as well as biscuits and candy produced by PT Agel Langgeng. Besides developing product manufacturing companies, Kapal Api also develops companies from upstream to downstream, such as by establishing PT Sulotco Jaya Abadi which oversees the Sulotco plantation to produce quality coffee beans, especially Kalosi Toraja coffee, Kalosi Celebes coffee, and Kopi Luwak by implementing organic farming methods to maintain the balance and preservation of the natural environment and microclimate around the mountains of Rante Karua; PT Fastrata Buana (FASTANA) which handles the sales and distribution of Kapal Api Group products to customers; PT Weiss Tech as a

technology development unit; and PT Excelso Multi Rasa which has grown to become one of the most well-known and recognized coffee shop brands in Indonesia (Kapal Api Global, n.d).

More specifically on upgrading the distribution sector, Kapal Api has PT Fastrata Buana (FASTANA) who is responsible for the distribution of Kapal Api products. In relations to this, PT Fastrata Buana has the ability to reach all of Indonesia and currently has distributed products to approximately 400,000 outlets in Indonesia (Kapal Api Global, n.d). In its distribution activities, there are three strategies implemented by PT Fastrata Buana. First, the network strategy implemented by providing more than 250 support units spread throughout Indonesia and equipped with high-tech vehicles with the aim that the distribution process can be carried out quickly and make this company one step ahead of competitors. Second, a strategy in the field of technology using various kinds of cutting-edge technologies applied so that the distribution process can run quickly and precisely. Third, a delivery strategy that emphasizes how PT Fastrata Buana is responsible for distributing Kapal Api's main products throughout Indonesia and is responsible so that people throughout Indonesia can find and enjoy Kapal Api products easily.

Furthermore, the distribution channel of Kapal Api products continues to be developed to reach the smallest sectors in society so that Kapal Api products can be found anywhere, such as large wholesalers, wholesalers, semi-wholesalers, retailers, small retailers, kiosks, small shops, and canteens. In addition, the distribution network of PT Fastrata Buana continues to be developed. Until today, there are 1 head office, 56 branch offices, 18 stock points, 59 satellites, 21 messes, 21 additional messes, and 138 sub-distributors. This distribution activity is also supported by 2000 logistics, 2000 salesmen, 500,000 outlets, and 900,000 operational vehicles, which are entirely owned by PT Fastrata Buana.

Apart from being supported by a strong and effective distribution network, Kapal Api also has a push and pull strategy. Quoting Atmojo (n.d), the push strategy was implemented by placing Kapal Api products as display items on strategic and easy-to-reach shelves with easily visible banners. In addition, the producers of Kapal Api also ask the channel to always ensure the availability of their products for consumers. On the other hand, the pull strategy that attracts attention is carried out by taking steps such as giving packaged gift coupons and bonuses for purchases of a certain amount (Atmojo, n.d).

4. Actor Synergy

When reviewing a series of company activities from upstream to downstream, it is also important to look at the relationship or synergy with other actors. This aims to observe the extent to which the company is able to maintain good relations with other parties to collaborate to support common interests. In this context, the authors explored the synergy between PT Kapal Api Global and external parties, namely government and non-governmental actors.

4.1. Company Relations with the Government

The Central Bureau of Statistics (BPS) 2018 data shows that nearly 70% of Papuans work in the agricultural sector (Badan Pusat Statistik Papua Province, 2019). To make coffee a superior product from Papua, stakeholder involvement is needed in identifying Papuan superior commodities, roadmaps and strategic plans for development, marketing, infrastructure development, assistance to farmers, as well as detailed action plans from upstream to downstream (Kompas, 2019). Through this opportunity, PT Santos Jaya Abadi was encouraged by the central government through the National Resilience Council to open a coffee plantation industry in Keerom Regency (Pemerintah Provinsi Papua, n.d). According to the Secretary-General of the National Defense Council, Major General TNI Doni Mardono, this work program is expected to help improve the economy of Papua Province through the coffee plantation industry, considering that the Dutch East Indies Government has left the remnants of coffee processing in the Central Highlands of Papua (Pemerintah Provinsi Papua, n.d).

The good relationship between the government and the next Kapal Api can be seen through the collaboration between the Creative Economy Agency of the Republic of Indonesia (Bekraf) and Kapal Api through sociopreneurship or a social entrepreneurship movement titled "*Secangkir Semangat*" with the tagline *#buatnyataunjukmu* which was launched in May 2018 (Setiawan, 2019). The *Secangkir Semangat #buatnyataunjukmu* program is carried out through a series of business incubation activities aimed at fostering and accelerating the success of business development through a series of capital or activities followed by partnership support or fostering other business elements. The head of Bekraf, Triawan Munaf, said that the wave of sociopreneurship revival could be marked through national economic growth and the country's socio-economic problems (Setiawan, 2019).

Furthermore, PT Santos Jaya Abadi also collaborates with the Environment and Hygiene Service through the Creative Ecopreneur program with the tagline "Green Mission and Empowerment" (Susanto, 2019). The Creative Ecopreneur program is carried out through empowering women in Bringinbendo Village, Sambibulu, Gilang, Taman District, Sidoarjo; the women of Persit Koramil Taman; women from Banjarnegara; and employees of PT Santos Jaya Abadi to change plastic or sachet materials that were initially useless into crafts that are creative, beautiful, environmentally friendly, and of sale value (Susanto, 2019). In addition to training, PT Santos Jaya Abadi also provided assistance in marketing through exhibitions in major cities in Indonesia and making handicrafts as company souvenirs (Susanto, 2019).

Furthermore, a subsidiary of PT Kapal Api Global, PT Sulotco Jaya Abadi, also visited Landak Regency on February 27, 2020, to invest in Landak Regency with the aim of making it one of the largest coffee centers in Indonesia (Kusuma, 2020). This intention was well received by the Landak Regent. Both parties have worked together to prepare land for the downstream industry using Robusta coffee beans which are considered suitable for the climatic and soil conditions of Landak Regency (Kusuma, 2020).

4.2. Company Relations with Non-Governmental Actors

In addition to synergizing with the government, PT Kapal Api Global also collaborates with various non-governmental parties. Basically, establishing synergy and good relations with non-governmental actors is also important because this will trigger collaboration and mutual support for interests. For example, in order to face the development of the ASEAN Economic Community, Kapal Api continues to strive to increase its brand equity in the national market. One of the steps taken by PT Kapal Api Global to support these interests was to establish a partnership with Citilink Airlines in 2015. In this partnership, Kapal Api was allowed to put its logo on a unit of Citilink's Airbus A320 fuselage for 1.5 years and the aircraft flies in 25 cities in Indonesia (Sutianto, 2015; Simbolon, 2015). Not only that, Kapal Api also serves coffee for every flight of the national Low-Cost Carrier (LCC).

Second, PT Kapal Api Global also collaborated with the game company Real Flight Simulator (RFS) by displaying Citilink's selected aircraft that embed the Kapal Api advertisement. This collaboration is considered advantageous for Kapal Api because RFS is a game that can be played in a global multiplayer setting by visiting airports around the world (Konyoha, 2020). This certainly helps in introducing and marketing Kapal Api products to the wider community. Last, PT Kapal Api Global has also collaborated with the largest packaged beverage producer in China, namely Hangzhou Wahana Group Ltd., since January 18, 2021. This collaboration is carried out through the production of drinks with Indonesian flavors, which is expected to encourage these beverage productions in the Chinese market (Ayu, 2021).

5. Implementation of Domestic and International Norms

The authors underline that PT Kapal Api Global always strives to implement domestic and international norms. In this regard, PT Kapal Api Global strives to implement fair trade norms that refer to a critique of the historical

inequalities inherent in international trade and the belief that trade can be made fairer. This idea is increasingly linked to a series of concrete initiatives that challenge global inequalities and create more egalitarian commodity networks, connecting marginalized producers in the global south with progressive consumers in the global north (Reynolds and Bennet, 2015). At PT Kapal Api Global, one of the implementations of fair trade can be seen from the opportunity obtained by PT Kapal Api Global as a company from the Global South to sell its products to countries in the Global North. Not only that, PT Kapal Api Global also tries to implement fair trade norms in the internal scope where PT Kapal Api Global always tries to ensure the welfare of its employees. In this case, Kapal Api often gives its employees funds to grow crops, raise goats, cows, buffalo, or pigs, as part of its Corporate Social Responsibility (CSR) program for the coffee plantation workers owned by Kapal Api in Toraja, South Sulawesi.

Next, within the scope of domestic norms, PT Kapal Api Global continues to uphold the values and norms of nationalism. Since the beginning of the company's establishment, Kapal Api has tried to juxtapose its coffee brand with its national identity, namely as a coffee product with Indonesian flavors. The values and norms adopted by Kapal Api can be found in its activities, both on an internal and external scale. In addition to that, the concept of nationalism is also contained in marketing strategies or advertisements made by Kapal Api, such as the advertisement with the theme "*Secangkir Semangat untuk Indonesia*" made in 2011. The advertisement displays Indonesian culture and implies the presence of Kapal Api in the lives of Indonesian people over time—which indirectly juxtaposes Kapal Api and the identity of the Indonesian nation (Salerino, 2012). Another example can also be seen from how Kapal Api displays the spirit of independence on Indonesian Independence Day in its publications in various media. In this regard, Kapal Api presents the splendor of independence through commemorative advertisements, which are published both on the national television channel and on Kapal Api's YouTube channel. In addition, publications related to independence are also uploaded by Kapal Api through social media platforms such as Kapal Api's official Facebook and Instagram pages.

In addition to the marketing strategies, other forms of implementing nationalism values and norms are also realized through Kapal Api's support for badminton, which has placed it as a national sports icon through the sponsorship of the All-Indonesian Badminton Association (PBSI) (Tumengkol, 2021). Furthermore, PT Kapal Api Global also gave encouragement and support to more than 5000 employees of PT Santos Jaya Abadi for disabled athletes who competed to represent Indonesia in Asia through healthy walks, gymnastics, and music events. Launching the latest news released by *duta.co* (2021), the value of nationalism and empathy was also shown by Kapal Api through the assistance of One Billion Rupiah given to the families of the victims of the sunken Nanggala 402 Submarine with 53 crew members who were hailed as national heroes. On the agenda, Kapal Api also directly stated its support for activities in the Eastern Fleet.

6. Upgrading Recommendation

Over time, the upgrading process for the company is still needed to maintain its existence and increase competitiveness, even though the company has achieved superiority. Referring to the statement, the authors observed four solutions or recommendations that could be implemented by PT Kapal Api Global and/or the seven business units within it in the future. Related to this, the authors have at least three solutions or recommendations for upgrading that can be carried out by PT Kapal Api Global in the future.

6.1. Product Innovation and Expansion

In order to expand its domestic market share, Kapal Api should be able to build contemporary coffee outlets that sell instant coffee ready for consumption. It is intended that Kapal Api products can be enjoyed by the wider community along with the increasing interest in coffee consumption among young people. Unlike the previous Kapal Api outlets, contemporary coffee outlets can be created by providing a more interesting atmosphere and a more varied menu. Furthermore, instant coffee shop innovation also allows many

parties to consume Kapal Api products in a more practical way. This is certainly very suitable for people with a lot of activity and high mobility. In addition, the Kapal Api instant coffee shop is also expected to be in line with the tagline "*Secangkir Semangat untuk Indonesia*" which illustrates that consuming Kapal Api products will give enthusiasm to carry out daily activities and support native coffee products in the country. Additionally, the existence of instant coffee outlets also has a different target market from Excelso, considering that Excelso does not pay attention to a fast-paced and high-mobility lifestyle because Excelso targets young professionals, business people, and upper-middle-class families.

On top of innovation in the domestic market, Kapal Api should also start paying attention to product innovation in foreign markets. Kapal Api is still having difficulty penetrating the European market to date because it is unable to compete with other coffees originating from Latin America. In relations to this, PT Kapal Api Global should be able to continue to read the market potential and tastes of the European community who prefer Arabica coffee to Robusta.

The taste of European people who prefer Arabica coffee is a challenge for PT Kapal Api Global because Indonesia is a country that has difficulty growing Arabica coffee plants due to geographical, natural, or human factors. Currently, about 1000 hectares of land in Toraja belonging to Kapal Api are mostly planted with Robusta coffee, Arabica coffee is usually purchased in Aceh and then exported to Japan (Rasjid, 2012). Therefore, if Kapal Api wishes to expand its market share in Europe, Kapal Api needs to make extra efforts to provide products that suit European tastes, namely Arabica coffee. Thus, PT Kapal Api Global through PT Sulotco Jaya Abadi can expand its land to Aceh to produce Arabica coffee beans or collaborate with Arabica coffee farmers in Aceh with a mechanism that can be discussed according to mutual agreement. The authors consider that securing the supply of Arabica coffee, especially in Gayo, Aceh, is crucial considering that this type of coffee is the only Geographical Indication (GI) product that is protected in Europe or has a European GI (Kapal Api Global, 2021). If the supply of Arabica coffee beans is fulfilled, Kapal Api can easily produce coffee that is in accordance with the preferences of the European community so that Kapal Api can penetrate stronger products in the European market.

6.2. Cultural Element Engagement

To further deepen efforts in building an image as a genuine Indonesian product, Kapal Api can try to involve regional tourism visions and missions by incorporating elements into Kapal Api's upgrading strategy. As an illustration, PT Kapal Api Global through PT Excelso Multi Rasa can include elements of the Joglo house at Excelso outlets in Jogja or serve a selection of regional specialties. This scheme can carry out the concept, "Traditional Food of the Day" or making it a "signature drink or signature food". At the same time, Kapal Api can also collaborate with regional MSMEs to sell regional specialties. In addition to strengthening the branding of native Indonesian products, this will also have an impact on efforts to encourage regional MSMEs, simply to introduce culture to foreign tourists who are visiting Excelso or preserve regional uniqueness.

6.3. Overseas Marketing Strategy

For marketing abroad, Kapal Api is still using conventional marketing so far by distributing products through authorized distributors in the destination country. Therefore, to increase the market segmentation of Kapal Api abroad, the authors consider that Kapal Api needs to take a digital marketing approach as has been implemented domestically. Currently, Kapal Api's official account on Instagram only contains content that focuses on the domestic community. In other words, until now, the authors have not encountered a social media platform that is a marketing medium for Kapal Api products abroad.

As an innovation, PT Kapal Api Global should be able to attract people in the destination country through

social media that is widely used in the country to introduce Kapal Api products more broadly, especially in countries that have been dominated by other brands. In this regard, Kapal Api can follow the development of social media platforms that are currently popular in destination countries, such as Douyin (TikTok) in China. In addition, marketing activities through digital media should also adapt to culture, language, and market interests so that they can increase awareness of Kapal Api products and have an impact on expanding market share abroad.

6.4. Collaboration with Non-Governmental Organization (NGOs)

As we all know, Kapal Api is a company that always strives to build synergy and good relations with various parties, including non-governmental actors. However, the authors consider that Kapal Api should consider increasing cooperation with Non-Governmental Organizations (NGOs). This is because NGOs can assist in conducting advocacy campaigns for the community (Aruman, 2016). In carrying out actions or campaigns, NGOs generally can make good use of social media networks and conventional media. In addition to assisting in the dissemination of actions or campaigns, NGOs can also assist in formulating policy recommendations based on observations, experiments, or interviews with people related to the issues raised. In addition, cooperation with NGOs will certainly bring companies closer to the community because they invite public support.

Conclusion

Through the research that has been carried out, the authors highlight that the dynamics of the global economy and international trade are not only regulated by a combination of dependence on free markets and intergovernmental organization rules, but also concerns the wider global network and how a company can compete with various competitors, changes, and improvements to make its product better. In relations to this, the authors focused on studying the product upgrading analysis of PT Kapal Api Global as the lead firm in the Indonesian instant coffee industry because Kapal Api has widely contributed to the development of coffee commodities - having implications towards the Indonesian economy for almost a century.

Furthermore, the product upgrading analysis carried out has facilitated the authors to explore a series of activities or steps taken by PT Kapal Api Global in forming a product from upstream to downstream by involving a combination of physical transformation stages and inputs from various activities that support it until it reaches its destination, the consumer's hands and disposal activities. More specifically, the authors emphasized that PT Kapal Api Global has a tendency to increase the company's competitiveness in the global market, particularly in functional upgrading which includes the process of design, production, branding, and marketing, as well as intersectoral upgrading.

In addition to reviewing aspects of upgrading or added value that make Kapal Api superior to its competitors, the authors also look at the relationship or synergy with other actors. In this case, the authors found that PT Kapal Api Global has been able to maintain good relations and collaborate with other actors to support common interests through various programs, both with government and non-governmental actors. In addition, the authors also found that PT Kapal Api Global has made efforts in implementing fair trade norms and nationalism in various company activities.

Even though Kapal Api has been empowered, the upgrading process still certainly needs to continuously innovate and maintain competitiveness. Therefore, at the end of this article, the authors provide four recommendations for upgrading strategies that can be considered by Kapal Api in the future, namely carrying out innovations that have implications for product expansion efforts, involving cultural elements, optimizing marketing strategies abroad, as well as establishing more partnerships.

Acknowledgements

The authors received no financial support for this research.

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