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DEVELOPMENT STRATEGIES OF ORGANIC RICE BUSINESS AT FARMER-OWNED ENTERPRISE, PENGAYOM TANI SEJAGAD INC, WONOGIRI

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ABSTRACT

Organic rice is believed to have many benefits for the body and the environment. Although the market opportunity for organic rice is good, it faces marketing problems. Hence, organic rice consumers are still limited. This study aims to formulate a strategy in the organic rice industry. The research method used is a combination research method, using Cohran test analysis tools and blue ocean strategy. The results showed that competition in the organic rice industry is in a red ocean. The recommended strategic innovation is to implement educational marketing methods, provide bulk organic rice, make alternative packaging bigger, collaborate with health consultants and implement a cashback system for farmers.

KEY WORDS

Blue ocean strategy, Cohran test, canvas strategy, marketing, organic rice.

Indonesia is one of the countries that have agreed on the concept of Sustainable Development (SDG's). Indonesia's commitment to realizing the SDGs is strengthened by Presidential Regulation Number 59 of 2017 concerning the Implementation of Achieving the Sustainable Development Goals. SDG's contains seventeen sustainable development goals, one of the targets in these goals is to implement optimal agricultural practices from upstream to downstream as well as to have a positive impact on humans and nature. One way to achieve this goal is through organic farming. The results of the study (Purwasasmita, 2014; Widodo, Rina Kamardiani, & Rahayu, 2016) explain that organic rice is a product that is healthy, free from harmful substances, tastier and more nutritious. The benefits are also felt by farmers, (Njeru, 2015) organic farmers in Nembure realize the positive benefits of running organic farming which are manifested in increased production and environmental conservation. However, the challenge is in the marketing and certification aspects. Another challenge (Sutanto, 2002) is the limited potential of the domestic market in certain circles.

The government themselves issued the Order of the Minister of Agriculture in 2013 concerning the Organic Agriculture System and SNI 6729 of 2016 concerning the Organic Agriculture System, the two regulations become basic references in organic farming practices. The aim is to provide guarantee and protection to the public from the circulation of organic products which do not meet the requirements. Thus, certification by an authorized institution is required to ensure its organization.

Studies on organic rice have been done previously. Several studies have focused on the consumer's perspective of organic rice (Hartati & Putri, 2016; Idaman, Yulianti, & Retnaningsih, 2012; Widodo et al., 2016), as well as from the perspective of producers (Hanifah, Wibowo, & Setyowati, 2016; Zulkifli, 2017). The novelty presented in this study combines the point of view of consumers and producers, so that consumer preferences are in line with the strategic steps taken from producers. This harmony is expected to increase consumption of organic rice. Based on the description of the problems that have been discussed, this study aims to formulate a strategy for developing an organic rice business at Farmer-owned Enterprise, Pengayom Tani Sejagad Inc.

METHODS OF RESEARCH

The research method which is used is a combination research method. (Sugiyono, 2016) explains that the combination research method is a research method that combines

qualitative and quantitative methods to be used together in a study, so that the data obtained is more comprehensive, valid, reliable and objective.

The location of the research was purposely determined at Farmer-owned Enterprise, Pengayom Tani Sejagad Inc, located in Wonogiri, with some considerations that the amount of organic rice production reaches 1,930 tons per year and it was currently making many improvements in the production sector, it would be better if these improvements were accompanied by the downstream sector, especially in the creation of new market space. Mayrowani (2012) concluded that the advantages of organic farming are better than conventional farming, especially if the production and marketing are integrated.

Overall, this study uses blue ocean strategy analysis. However, it begins with the depiction of the strategy canvas. The strategy canvas is a diagnostic framework as well as an action to build a good blue ocean strategy. Through the strategy canvas it is possible to understand what factors are used as a competitive arena and what consumers get (Kim & Maugborne, 2005).

Figure 1 – Strategy Canvas (Source : Kim & Maugborne, 2005)

Strategy canvas depiction on the horizontal axis uses the Cohran test. (Durianto, Sugiarto & Sitinjak, 2001) states that the Cohran Test is used to determine the significance and to select the factors which form the basis of consumers in purchasing decisions. In this case, the purchase refers to organic rice. The following is the Cohran test formula:

$$Q = \frac{C(C-1) \sum x^2 - (C-1)N^2}{CN - \sum Ri^2}$$

Where: Q = Validity index; Cj = Number of column of “YES” answers; C = The amount of variables; N = Total amount; Ri = Number of rows of “YES” answers.

If the $Q > X^2$ table is obtained, then H_0 is rejected. This means, there must be a reduction in the factors tested by looking at the smallest C number. If $Q < X^2$ is obtained, then H_0 is accepted. This means that the factors tested were significant influencing consumers in buying organic rice. Based on the literature search, 15 factors were determined that influenced the community in purchasing organic rice so that these factors were used as competition factors. These factors are marked with the letters of the alphabet to ease the analysis.

Table 1 – Consideration Factors in buying organic rice

Mark	Factor	Mark	Factor
A	Price	I	Family/friends' recommendation
B	Better nutritional content	J	The market availability (continuity)
C	Product information in the package	K	Easiness of obtaining the product
D	Participation in the environment	L	Better smell
E	Making the body healthy	M	Product's durability/does not stale quickly
F	Lifestyle	N	Following trends
G	Better taste	O	Guarantee of product's originality (certificate/label)
H	Government's recommendation		

Source: Literature search.

Meanwhile, on the vertical axis, respondents were asked to provide an assessment of the factors of competition with an assessment score of 1 on low performance and 10 on high performance. The data used were primary data obtained from questionnaires given to Organic Central Java (OCJ) rice consumers (Farmer-owned Enterprise products of. Pengayom Tani Sejagad Inc), Berasmu consumers (competitors) and to non-organic rice consumers. There were 13 respondents each for organic rice and 15 respondents for non-consumers. Therefore, the total number of respondents was 41 people. (Irianto & Mardikanto, 2011) provide tips in determining the number of samples, determining the number of samples according to the analytical tool used. For non-parametric statistical analysis, a minimum of 30 samples can be determined.

The formulation of an organic rice business development strategy uses blue ocean strategy analysis. (Kim & Maugborne, 2005) blue ocean strategy gives a challenge to companies to get out of intense competition by creating a market space that has no competitors, so that the word competition is irrelevant. The blue ocean strategy consists of two stages, namely formulation and testing. The blue ocean strategy formulation stage uses two analytical tools, namely a six-path framework and a four-step planning process, while at the testing stage, it is analyzed by three criteria for a good strategy and running a sequence of strategies. The data used is in the form of primary data which were obtained from interviews with the directors of Farmer-Owned Enterprise Pengayom Tani Sejagad Inc.

RESULTS AND DISCUSSION

Based on the results of the Cochran test above, it is known that the factors H, N, I and F are eliminated because the value of Q is higher than X^2 . So that it eliminates four factors, namely: Lifestyle, government recommendations, family or friends' recommendations and following trends.

Table 2 – Results of Cochran Test

Measurement number	C	N	ΣRi^2	ΣCj^2	Q	$v=(C-1)$	A	$x^2_{table} = x^2(a,v)$	Description	Elimination
1	15	436	4734	14540	217.09	14	0,05	23,68	H0 rejected $Q > x^2$	FACTOR H
2	14	430	4596	14504	165.75	13	0,05	22.36	H0 rejected $Q > x^2$	FACTOR N
3	13	422	4410	14440	107.46	12	0,05	21.02	H0 rejected $Q > x^2$	FACTOR I
4	12	409	4145	14271	57.25	11	0,05	19.67	H0 rejected $Q > x^2$	FACTOR F
5	11	390	3776	13910	17.70	10	0,05	18.30	H0 accepted $Q < x^2$	

Source: Primary Data Analysis, 2019

The overall results from the eliminated and unexplained factors are shown in the following table:

Table 3 – Factors of Public's Considerations in Buying Organic Rice

Mark	Competition Factors
	Before Cochran Test
	After Cochran Test
A	Price
B	Better nutritional content
C	Product information in the package
D	Participation in the environment preservation
E	Making the body healthy
F	Lifestyle
G	Better taste
H	Government's recommendation
I	Family/friends' recommendation
J	The market availability (continuity)
K	Easiness of obtaining the product
L	Better smell
M	Product's durability/does not stale quickly
N	Following trends
O	Guarantee of product's originality (certificate/label)

Source: Literature search and primary data analysis, 2019.

Working performance assessment is carried out to determine the level of company performance against competitive factors that will be placed on the vertical axis in the strategy canvas. This performance assessment then becomes a graph called the Value Curve. Based on the results of the analysis, the results are as follows:

Table 4 – Working performance assessment on competition factors

Organic Rice Brand	Competition Factors										
	A	B	C	D	E	G	J	K	L	M	O
OCJ	6.69	9.23	8.23	7.85	9.31	8.54	7.15	8.38	8.38	8.08	6.69
Berasmu	7.69	9.08	8.69	9.23	9.23	6.77	5.62	7.31	5.85	7.77	7.69

Source: Primary data analysis, 2019.

Based on the analysis above, an overview of the current strategy canvas is obtained as follows:

Figure 2 – Strategy canvas of organic rice industry (Source: Primary Data Analysis, 2019)

Rice is a daily food for the community; in this case it is conventional rice. Thus, conventional rice is an alternative industry to organic rice. (Widodo et al., 2016) stated that organic rice not only can be utilized for primary needs but also can be utilized for health investment. Conventional rice consumers are part of non-consumers whose patterns need to be studied in order to become consumers. Carrying out more educational marketing must be done in order to influence the public mindset to switch to consuming organic rice. (Widodo et al., 2016) The market for organic rice can be expanded by increasing awareness of the positive impacts of organic agriculture. Observing alternative industries also means looking at complementary industries which have the same function but different forms. Complementary products in this case are brown and black organic rice where consumers who want nutritional and health benefits can have more choices in order to meet their needs.

Blue ocean strategy provides an overview of understanding the factors that determine consumers' decisions to move from one group to another. In this factor, it is explained that, in general, manufacturers only focus on their market segments, for example luxury cars focusing only on beating other luxury cars. Often the competition focuses on the same group. In agriculture, organic rice producers focus on competing and even beating other organic rice producers even though there is a market opportunity for non-organic rice consumers in the form of a larger number of consumers. Another strategic group are the conventional rice consumers who have a large market potential. In this case, it is how to be able to identify various factors so that conventional rice consumers switch to organic rice. The reasons to not switching to organic rice are due to higher prices and affordability or easiness forgetting organic rice. In line with research done by (Idaman et al., 2012), the relatively high price and

the difficult availability of organic rice on the market will inhibit or reduce interest in buying organic rice.

The price of OCJ organic rice is already competitive with other organic rice. Even the selling price in supermarkets is IDR 26,000 / kg, which is already cheaper than other organic rice. Farmer-Owned Enterprise Management Pengayom Tani Sejagad Inc explained that the formation of the highest price for organic rice is the cost of certification and the cost of packaging (plastic). At least there are several ways to further reduce prices, namely by selling bulk (without plastic) or increasing packaging with a weight of 5 kg.

So far, organic rice products are more commonly found in supermarkets because the market share for organic rice has been the middle to upper middle income people. The Blue Ocean strategy tries to come up with a way to be able to identify various factors so that conventional rice consumers switch to organic rice. The paradigm that organic rice is far from the reach of the community must be changed by adding outlets in minimarkets that are close to the community. At least the community has known organic rice products in advance so that the brand does not feel strange. Or companies can open online sales services through e commerce.

Observing the chain of buyers gives an idea of who, both groups and individuals, has not been well identified as the final consumer of organic rice. Knowing that organic rice consumers expect benefits in the form of health and therapy, the implications offered are targeting groups related, such as hospitals, doctors and health consultants. These groups are people who are trusted by the community as a reference in handling their health problems. (Stefani, Nurmalina, & Rifin, 2017) efforts to develop black rice require market guarantees for production results. This can be done by cooperating continuously, both with government agencies and with distributors who have been the market for the production of black rice.

One of the problems that occur when buying organic rice is rice lice. Organic rice is easier to infest with lice because chemicals are not used from cultivation to post harvest. Farmer-owned Enterprise, Pengayom Tani Sejagad Inc needs to provide complementary services. There are several steps that can be suggested, the easiest one is to provide additional information or links on the packaging regarding the procedure for storing organic rice. The next one is the consumer complaint service and even the after-sales service provided to consumers.

The cashback program for farmers at least opens up emotional space among buyers. A certain percentage of the profits obtained from the sale of OCJ organic rice will be channeled back to the farmer groups assisted by Farmer-Owned Enterprise Pengayom Tani Sejagad Inc, as in the cashback scheme for farmers. It also opens the barrier between consumers and farmers, where consumers everywhere can monitor every rupiah spent to buy OCJ organic rice which will be distributed back to farmers so that it can help in the aspect of farmers' welfare.

There was a trend in Europe a few years ago to consume organic food. Usually, over time, this trend will bloom in Indonesia, so that a strong market will be created. Thus, in preparing for this matter, Farmer-Owned Enterprise Pengayom Tani Sejagad Inc must continue to maintain and even improve the quality of its products.

Four-step planning process. The elimination scheme means erasing factors that have been the subjects of competition. There are no factors which need to be eliminated from the 11 factors which have been the public's considerations in buying organic rice. Other research results from consumers' perspectives emphasize on those factors becoming important in considerations of purchasing organic rice. In the other hand, from those 11 factors, there are also several factors which are related to SNI 6729 2013 about Organic Agriculture System, so that they must be obeyed.

The rhythm of competition that is too strong can cause companies to over-provide services to consumers, thereby increasing the cost structure. The strategic canvas for the organic rice industry shows that the majority of OCJ's organic rice, as a whole, is already superior compared to its competitors even though the difference in value is small. Intense competition exists only on a few factors. Seeing this advantage, it would be unfortunate if

OCJ's organic rice decreased its performance in any factor. Thus, no factors need to be reduced.

There are at least four factors which need to be increased, namely; better nutritional content, health factors for the body, information in the packaging, and the factor of easiness for obtaining goods. The factor of better nutritional content in organic rice ranks the highest of all factors considered when purchasing organic rice. This needs to be a concern for producers to maintain and even increase the quality of these factors.

The health factor for the body is the main benefit that people expect in consuming organic rice. This is proven from the value curve of this factor. Both OCJ and *Berasmu* score highly. Public awareness of healthy living is an important asset so that OCJ will further strengthen healthy organic rice products. The third factor is the information in the package. This factor is important because people need a lot of information about organic rice, even information about cashback to farmers. Therefore, the packaging factor needs to be improved. To make it easier to provide information, companies can provide links or barcodes that connect to websites and social media where the platform contains a lot of information. The last factor, the easiness for obtaining goods, is a reason that often arises why people are reluctant to consume organic rice apart from its price. Apart from entering supermarkets, expansion to minimarkets is also necessary because by doing so, organic rice is considered closer to the community and to have a large quantity. Using online media is also an alternative in expanding marketing reach.

Finding completely new sources of value for buyers and creating new demand and changing industry strategic determination means creating new factors that were not in the previous competition. Above, various alternatives in reconstructing market boundaries have been described, in this way producing five new factors that need to be created. Some of the new factors include:

- Educational Marketing Method;
- Providing bulks of organic rice;
- Creating packaging size alternatives;
- Establishing partnerships with health consultants;
- Applying cashback system for farmers.

Blue Ocean Strategy Testing. The company must focus on what is prioritized in carrying out its strategy and the focus must be shown through the value curve. This strategy is focused on four things, namely factors of better nutritional content, health factors for the body, information in packaging and the factor of easiness for obtaining goods.

When a company is significantly reactive in its industrial competition, it often loses its uniqueness. Companies need to make a breakthrough in the flow of competition by creating new indicators in competition that competitors are unable to follow. Based on the six-path framework and four-step planning process, new factors have been selected in the strategy to create a new indicator space. The five factors are:

- Educational Marketing Method;
- Providing bulks of organic rice;
- Creating packaging size alternatives;
- Establishing partnerships with health consultants;
- Applying cashback system for farmers.

A good strategy has a clear-cut and compelling tagline. A good tagline must not only deliver a clear message but also advertise an offering truthfully, or else customers will lose trust and interest. The company has a vision of becoming *A Quality and Beneficial Organic Food Producer for the Community and the Environment*, the company's image is clearly illustrated through this vision. Therefore, apart from being in line with the company's vision, the motto also accommodates the various results of the analyzes that have been carried out. Based on these considerations, the tagline that can be applied is: "OCJ organic rice: healthy community, strong farmers!".

Running a sequence of strategies. Testing utility means testing whether the product has removed the difficulties and obstacles in enjoying the product. One of the obstacles that

the community complained about was the easiness of obtaining organic rice products, this is an important point and must be fixed. Easiness for obtaining products can be done by establishing partnerships with outlets close to the community, such as, minimarkets, and on the other hand, selling products with e-commerce facilities.

Selling organic rice is not much different from selling information. Meanwhile, on the other hand, OCJ's organic rice packaging factor is 80% open and only leaves 20% space. This little space cannot include a lot of information, so what needs to be done is to improve the performance of online platforms, both social media and websites. This online platform includes at least a variety of information about organic rice cultivation to post-harvest, its benefits for consumers and the environment, how to store organic rice and the benefits that farmers get from every kilogram of organic rice purchased by the community.

The price of OCJ organic rice has reached Rp. 26,000, - / kg in the retail market. This nominal price is clearly not a cheap price to redeem one kilogram of rice. Based on observations done by researchers in comparing the price per kilogram of organic rice in the retail market, OCJ's organic rice is still cheaper than organic rice products with other brands. Many of the companies that created blue oceans were able to attract consumers from other industries, consumers who used products that had the same function but in a different form. This means that if rice is only used to meet carbohydrate needs, organic rice is dealing with conventional rice, not dealing with the price of other organic rice. The price of conventional rice varies depending on the quality of the rice, let's say Rp. 13,000 / kg, so the margin with organic rice is still far away. Several methods have been described in the previous analysis, namely by selling bulk rice and selling rice in 5 kg packages.

Financing has two main levers, namely streamlining and cost innovation, while the second lever is partnering. Several ways of reducing costs have been discussed, such as by selling rice in bulk and in larger packages. The second lever is to collaborate with strategic partners. There are several strategic partners that can at least be considered for cooperation, including related agencies, minimarket outlets, parties who are competent in health and e-commerce platforms.

An unmatched business model may not be sufficient to guarantee the commercial success of the blue ocean idea. By definition, a blue ocean-based business model threatens the status quo and therefore can invite fear and resistance from a company's three main stakeholders: employees, business partners, and the general public. This means that the company must be able to convince the three parties that the current strategic innovation is for mutual progress.

The fear of employees about new strategies is whether they are able to work with a system that could be new or even in other words, increase the work of employees. Some of the results of the analysis highlight how to use social media and e-commerce, this means that it requires updating for employees who will be struggling in these fields. One of the strengths of the Farmer-Owned Enterprise Pengayom Tani Sejagad Inc conveyed by the operational manager is that almost all of its workers are still young so they are not rigid about the various innovations that are applied.

CONCLUSION

The results showed that competition in the organic rice industry is in a red ocean. Factors of public's considerations in buying organic rice are price, better nutritional content, product information in the package, participation in the environment preservation, making the body healthy, lifestyle, better taste, government's recommendation, family/friends' recommendation, the market availability (continuity), easiness of obtaining the product, better smell, product's durability/does not stale quickly, following trends and guarantee of product's originality (certificate/label).

The formulation and testing of a blue ocean strategy uses the following analytical tools:

- Six-path Framework. The innovations found in this method are, Educational Marketing Method, Providing bulks of organic rice, Creating packaging size alternatives, Establishing partnerships with health consultants, Applying cashback system for farmers;

- Four-step planning process. The four-step framework deals with the questions of eliminate, reduce, raise and create on the various factors that influence the purchase of organic rice. There are no factors which need to be eliminated and erased from the 11 factors which have been the public's considerations in buying organic rice, because every factor is important. The factors that must be improved are better nutritional content, health factors for the body, information in the packaging, and the factor of easiness for obtaining goods. And the last step is to implement educational marketing methods, provide bulk organic rice, make alternative packaging bigger, collaborate with health consultants and implement a cashback system for farmers;
- This strategy is focused on four things, namely factors of better nutritional content, health factors for the body, information in packaging and the factor of easiness for obtaining goods. New factors must be implemented in order to avoid market competition. the tagline that can be applied is: OCJ organic rice: healthy community, strong farmers;
- The utilities obtained by consumers are easy access to OCJ organic rice and access to lots of information. Strategic pricing must be able to compete with conventional rice. Target financing is carried out by focusing on several competitive factors and removing several factors and establishing partnerships with strategic parties. Adopting a new strategy will not be difficult because the average company employee is still young.

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