

## MODIFICATION OF BUSINESS STRATEGY THROUGH THE APPLICATION OF CIRCULAR ECONOMY IN COFFEE SHOP BUSINESS UNITS IN PONTIANAK CITY: CASE STUDY OF FOUR COFFEE SHOPS

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### Abstract:

**Background:** The increasing number of coffee shops in Pontianak every year makes competition even tighter. These conditions require the development of alternative strategies, especially by adopting environmentally based strategies.

**Purpose:** This study aims to analyze the choice of modern coffee shop strategy, to analyze strategy development by adding the circular economy concept to it, and to analyze the sustainability of the circular economy-based strategy that will be implemented.

**Design/methodology/approach:** This study uses qualitative research with interactive analysis techniques and SWOT analysis to develop the strategies. The respondents of this study are four coffee shop owners. The study was conducted for six months in May – November 2023.

**Findings/Result:** The study reveals that although all four coffee shops have a low understanding of circular economy-based strategies, they have unintentionally implemented some of these practices. The main priority of the identified strategies is to increase awareness of the circular economy. These strategies are then developed by integrating elements like eco-friendly packaging, recycled materials, and digital technology.

**Conclusion:** Modern coffee shops in Pontianak are shaped by the owners' diverse backgrounds and focus on sustainability. Koffiestelsel, Segitiga Coffee, Saca Coffee, and Tumbuh Coffee each take different approaches to eco-friendly practices. A SWOT analysis suggests strategies at three levels: corporate, business, and functional.

**Originality/value (state of the art):** This study explore the implementation circular economy concept on business strategy especially in smaller scale business.

**Keywords:** environmental, modern coffee shop, strategy development, sustainability, SWOT analysis

### How to Cite:

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## INTRODUCTION

Coffee is one of the industrial sectors that is developing in Indonesia. Indonesia is the third largest coffee producer in the world with total production reaching 794.8 thousand tons in 2022 and a growth rate of 1.1 percent (Finaka and Nurhanisah, 2023). In 2023, coffee exports were valued at around USD 916.58 million, fueled by global demand and Indonesia's varied coffee production, which includes both robusta and arabica beans (Badan Pusat Statistik, 2024).

A potential coffee industry sub-sector is ready-to-drink processed coffee products. The growth of this sub-sector is propelled by Indonesia's substantial coffee consumption, totaling 372,000 tons in 2023 (Erlina, 2024). The majority of micro, small and medium scale companies sell ready-to-drink coffee through coffee shops. Therefore, the number of coffee shops in Indonesia continues to increase along with the increasing level of coffee consumption in Indonesia. According to the Indonesian Coffee and Chocolate Entrepreneurs Association (APKCI), it is projected that Indonesia will reach a total of 10,000 coffee shops by 2023 (Ernanto, 2023).

The development of coffee shops in Indonesia is leading to a modern concept with the number of coffee shops reaching 10,000 outlets in big cities in Indonesia (Mone, 2023). Competition in the modern coffee shop business is getting tighter as the number of modern coffee shops increases, especially in small towns. Developing strategies is needed to win the competition and also maintain business in the long term. The use of digital marketing is one of the most widely used by coffee shop entrepreneurs to attract new consumers or maintain consumer loyalty (Ariyani and Septiani, 2022).

Another strategic approach that is an alternative is an environment-based strategy. The environmentally based strategy refers to the concept of green business. Green business is considered capable of providing benefits to humans from an economic, social and environmental perspective (Effiong and Singhal, 2014). The environmentally based strategies fit into the broader circular economy concept. The circular economy can also be associated with sustainable development (Velenturf and Purnell, 2021). The circular economy enables businesses to to optimize

resource use, extend product longevity, and apply materials more effectively (Potting et al. 2017). Thus, strategies related to the circular economy can include raw material sourcing, design, manufacturing, distribution and sales, consumption and use, collection and disposal, recycling and recovery, remanufacturing, and circular inputs (Kalmykova, Sadagopan and Rosado, 2018). Alternative strategies include industrial symbiosis, extending product life, and utilizing digital technology to promote circularity (Salvador et al. 2021). Technology can also aid in waste control, such as through applications that serve as intermediaries between business units and waste management companies (Injesus, Retnaningsih and Suhendi, 2024). The breadth of the circular economy concept requires deeper study to explore its application in business strategy. Studies on implementing a circular economy are still limited to handling and processing waste which leads to zero waste (Alfakihuddin and Paratih, 2022). The development of a circular economy in Indonesia has been put into practice through various concepts, including zero-waste initiatives and using food waste as bioenergy (Kurniawan et al. 2021; Suhartini et al. 2022). Developing a strategy based on the circular economy can offer benefits like revenue growth, enhanced collaboration, improved quality, reduced production costs, minimized environmental impact, and increased competitive advantage (Khaw-ngern et al. 2021) the take-make-use-throw approach. However, transition to a more circular economy can be challenging due to the untenable assumptions. It is viewed as a strategy enabling the 'decoupling' of resource use from economic growth, but there are still questions whether the CE can decouple resource use from economic growth. The purpose of this article is to study the evolution of the circular economy and the synthesis of the 10Rs hierarchy, to examine the circular economy roadmap and to review the strategies of 9Rs and the benefits of circular economy. Documentary study and literature review were used for data collection. It is found that the history of circular economy started as early as before World War II, known as closed economy. Then, the concept of circular economy evolved to CE 1.0, CE 2.0, and CE 3.0 since 2010 onward. Although 10R hierarchy (from R0-R9). Another advantage of implementing a circular economy strategy is cost reduction through reducing and reusing materials, as well as generating additional revenue by developing new products (Siregar and Binangkit, 2021).

Meanwhile, studies on strategies for implementing a circular economy in modern coffee shops are still within the scope of the concept of reduce, reuse and recycle (Madepo, 2022; Purnomo and Munggaran, 2023). The development of an environment-based strategy for modern coffee shops in Indonesia was pioneered by Starbucks through Greener Nusantara (Amadea, 2018). Modern coffee shops have adopted environmentally friendly packaging as a standard practice for implementing a circular economy (Istiqomah et al. 2022).

One of the cities with the largest number of coffee shops in Indonesia is Pontianak, West Kalimantan. Known as the City of a Thousand Coffee Shops, Pontianak City has more than 800 coffee shops, both with traditional and modern concepts, spread throughout the city (Dedi, 2019, 2023). Even though it has been impacted by COVID-19, the number of coffee shops in Pontianak is expected to continue to increase. According to the Mayor of Pontianak, Edi Rusdi Kamtono, the level of coffee consumption in Pontianak reaches 500 kilograms per day with 90 percent of the coffee beans imported from outside West Kalimantan (Dedi, 2023).

The increasing number of coffee shops in Pontianak every year makes competition even tighter. These conditions mean that modern coffee shops require additional strategies considering that the prices offered by traditional coffee shops are cheaper. Strategy development that leads to the exploration of circular economy concepts can be carried out and developed by modern coffee shops in Pontianak. Strategies can be directed at increasing efficiency, especially in the use of existing resources (Chateau and Mavroeidi, 2020). In addition, the government can promote the implementation of a circular economy in a city through urban development planning (Bolger and Doyon, 2019).

The differences in the ages of modern coffee shops and also how owners adopt and develop strategies are interesting phenomena to explore especially by using circular economy-based strategy. Several factors can drive progress, including social norms, responses to technological developments, and the company's ability to innovate (Mondal, Singh and Gupta, 2023). To see the dynamics that occur in strategy development, research on developing business strategies by implementing a circular economy needs to be carried out.

The coffee shops that are the objects of this study are Segitiga Coffee, Koffiestelsel, Tumbuh Coffee, and Saca Coffee. The four coffee shops are located in Pontianak with a business age of four to nine years. This study explores the strategic approaches and progress of both newer and older coffee shops. The aim of this research is to analyze the choice of modern coffee shop strategy, to analyze strategy development by adding the circular economy concept to it, and to analyze the sustainability of the circular economy-based strategy that will be implemented.

## METHODS

The research method used in this research is a descriptive qualitative method. Qualitative research is research that includes various interpretation techniques that attempt to explain the phenomena that occur (Cooper and Schindler, 2014). The sampling method used in this research is the purposive sampling method (Sugiyono, 2015).

The study was conducted in four coffee shops in Pontianak City. The four coffee shops are selected primarily due to the distinct approaches they take in their strategic decisions. Additionally, variations in age can suggest their preparedness for adopting strategies, especially those focused on a circular economy. The research was conducted for six months in May – November 2023. The data collection method in this research is by using interviews and observation. The interviews with sources were conducted in two phases. The first phase aimed to assess their understanding of the circular economy. In the second phase, the interviews explored the sources' backgrounds, target consumers, strategic orientations, and the implementation of circular economy strategies.

In addition to interviews, this research also incorporates observations. Observations were conducted at the coffee shop under study to assess the implementation of existing strategies. The findings from these observations are taken into account when developing strategies based on circular economy principles for coffee shops.

Qualitative data analysis utilizes interactive techniques pioneered by Miles et al. (2014). The process includes several key steps: first, gathering primary data through verbatim transcripts of interviews with four sources;

second, reducing and categorizing data according to each source's strategy; third, displaying the data; fourth, drawing conclusions presented in a table organized by source categories.

These conclusions serve as a basis for recommending adjustments and developing strategies aligned with circular economy principles (Kalmykova, Sadagopan and Rosado, 2018; Salvador et al. 2021). The strategic elements utilized in this study are raw material sourcing, design, manufacturing, distribution and sales, consumption and use, collection and disposal, recycling and recovery, remanufacturing, and circular inputs. Additional elements of the strategy involve establishing strategic partnerships, industrial symbiosis and incorporating technology. The strategies was formulated through SWOT analysis, integrating circular economy principles tailored to the circumstances of the two categories of coffee shops.

## RESULTS

### Driving Factors and Main Customer

Referring to Figure 1, the first stage in this study is determine the driving factors for each coffee shop owner. In starting a business, the drive of the business owner is a key determinant. These drivers often stem from the reasons behind the business's creation and

development. Table 1 presents the varying backgrounds of each coffee shop according to its age. Business owners build their stories around their experiences, interests, and dreams. Each modern coffee shop owner in this research has a unique background. However, the four modern coffee shop owners share a common interest in the coffee culture of Pontianak. These motivations form the foundation for each owner's strategy in developing their modern coffee shops.

The interview findings displayed in Table 2 indicate that coffee shop owners are driven by different factors when launching their businesses. In 2014, the owner of Koffiestelsel recognized a business opportunity in Pontianak City, where modern coffee shops were still few, limiting consumer options. The owner of Segitiga Coffee believes that there is a strong coffee culture in the city, noting that coffee prices in shops are relatively lower than other beverages. In contrast, the owner of Saca Coffee finds the coffee shop business intriguing and worth developing. Additionally, the owner of Tumbuh Coffee views coffee as an integral part of life in Pontianak. Consumers are a factor that determines the sustainability of a business. Identifying potential consumers will direct a business to develop targeted strategies. The biggest consumers of coffee shops in Pontianak are young people who work as pupils and students. The four modern coffee shops studied have the same main consumer category, namely students and university students.

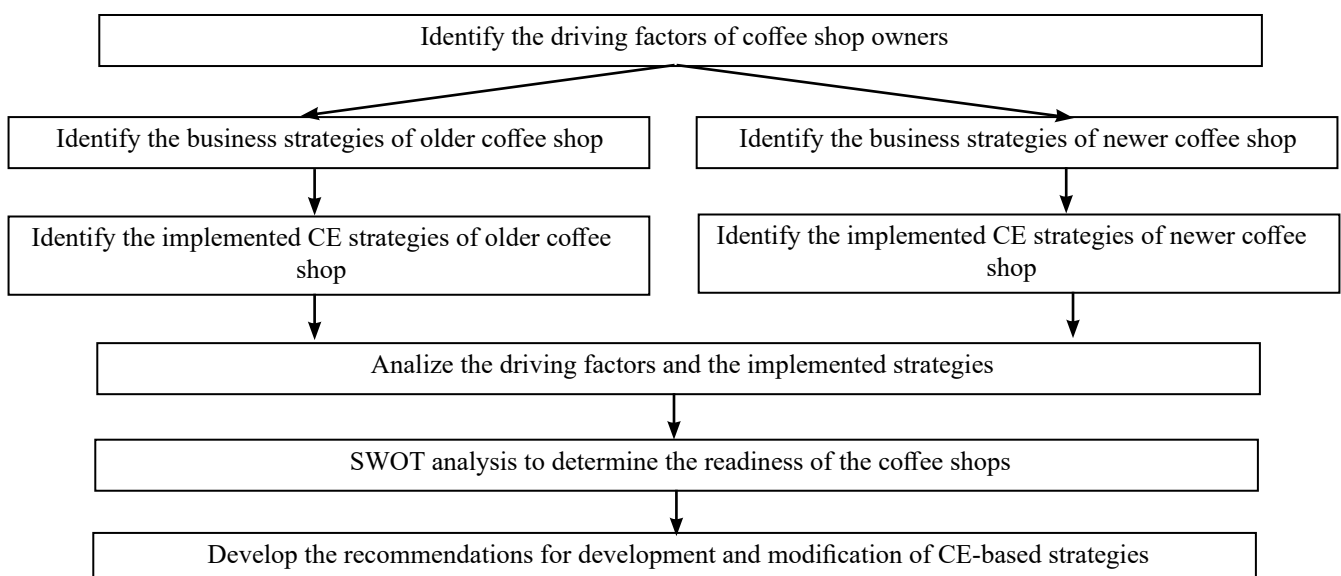


Figure 1. Research framework

Table 1. List of Sources

No.	Name of source	Coffee shop	Business Age
CSI	Owner	Koffiestelsel	9 years
CS2	Owner	Segitiga Coffee	8 years
CS3	Owner	Saca Coffee	3 years
CS4	Owner	Tumbuh Coffee	2 years

Table 2. Driving factors and main customers

Coffee Shop	Driving Factors	Main Customers
Koffiestelsel	Not many choices of modern coffee shops	Age over 25 years Workers Students
Segitiga Coffee	Coffee culture in Pontianak Coffee is cheaper than other drinks	Workers Students
Saca Coffee	Interesting coffee shop business process	Students who like coffee with milk
Tumbuh Coffee	Coffee is a part of life	Students Workers Families Middle-class economy

Saca Coffee, which is located in the Educational Area, has the majority of student consumers from nearby universities, such as Tanjungpura University and Muhammadiyah University of Pontianak. Tumbuh Coffee with two outlets, on Jalan MT. Haryono and also at Gaia Mall, have a similar proportion of consumers with the largest consumers being students and university students.

Tumbuh Coffee targets different consumers at Gaia Mall outlets with the main target being families. Koffiestelsel started the business with the largest consumers being students and university students. However, as time went by, Koffiestelsel found it difficult to regenerate consumers. Currently, the proportion of Koffiestelsel consumers is dominated by workers aged 25 years and over. A similar condition occurred in Segitiga Coffee, with the largest consumers being students during the initial business opening period. In its development, Segitiga Coffee directed its strategy to capture opportunities from working consumers.

### Strategic Approach and Implemented Circular Economy Strategies

Referring to Figure 1, the second stage in this study is identify the strategic approach and implemented circular economy strategy. Being in a market with a high level of density makes the role of strategy development very crucial. Each business owner with

his or her background tries to develop a strategy that suits the target consumer. In the modern coffee shop industry, the strategies that appear on the surface have similar characteristics to each other. However, each modern coffee shop has a different approach. The age of the business also describes how the modern coffee shop develops its strategies, especially to win the competition.

One potential strategy is the adoption of a circular economy. However, this concept is still relatively new to industries in Pontianak, including the modern coffee shop sector. While business owners are aware of the idea, their understanding remains limited. Most modern coffee shop owners in this study associate the circular economy mainly with the “reduce, reuse, and recycle” (3R) principles. The strategic approach and implemented of the circular economy are displayed in Table 3.

#### Koffiestelsel

Koffiestelsel have been in operation for over eight years, experiencing various stages of business development, from the initial launch to the challenges posed by the COVID-19 pandemic between 2020 and 2022. Koffiestelsel began in 2014, during a time when modern coffee shops were scarce in Pontianak. This lack of competition was a key motivation for starting Koffiestelsel. Capitalizing on the available

opportunities, Koffiestelsel offered both machine-made and manually brewed coffee, and introduced unique menu items like the Ponticcino. In addition to product innovation, Koffiestelsel prioritized internal company development, a strategy that the owner believes has been crucial to its enduring success.

The owner of Koffiestelsel does not fully grasp the concept of the circular economy but believes he is contributing to it by reusing leftover production materials. Koffiestelsel has integrated several circular economy concepts into its business operations. The owner once created a flower vase display from leftover milk cartons and uses coffee grounds to absorb unpleasant odors in the outlet. Currently, the owner is researching ways to turn excess brewed coffee into jam. Additionally, Koffiestelsel repurposes wood scraps to create furniture.

### Segitiga Coffee

Segitiga Coffee, like Koffiestelsel, began operations around the same time and has also navigated the challenges of the COVID-19 pandemic, which significantly impacted the business. Fueled by a curiosity about coffee, the owner of Segitiga Coffee sought to create a space for exchanging information, drawing inspiration from modern coffee shops in larger cities. Segitiga Coffee features a unique concept, using recycled materials for tables and chairs. Their menu includes both machine-brewed and manually brewed coffee. Over time, Segitiga Coffee adopted the slogan “Kopi Kamek Kopi Indonesia” to emphasize their commitment to promoting authentic Indonesian coffee. The owner believes that focusing on internal development and strengthening the company has been vital to the business’s longevity and success.

Table 3. Implemented strategies by the coffee shops

Coffee Shop	Existing Business Strategies	Implemented Circular Economy Strategies
Koffiestelsel	<ul style="list-style-type: none"> <li>• One of the pioneer of coffee shop which using coffee machine and slow brew coffee</li> <li>• Authentic menus</li> <li>• Service focused development</li> </ul>	<ul style="list-style-type: none"> <li>• Recycle plastic containers left over from milk packaging</li> <li>• Utilization of coffee grounds for air freshener</li> <li>• Use of digital technology to reduce paper use</li> <li>• Use of environmentally friendly plastic packaging</li> </ul>
Segitiga Coffee	<ul style="list-style-type: none"> <li>• Industrial interior design using recycle materials</li> <li>• Positioned as information center for coffee in Pontianak with tagline “Kopi Kamek Kopi Indonesia”</li> <li>• One of the pioneer of coffee shop which using coffee machine and slow brew coffee</li> <li>• Internal development</li> </ul>	<ul style="list-style-type: none"> <li>• Use of wood and iron scraps for furniture</li> <li>• Utilization of coffee grounds for air freshener</li> <li>• Recycle furniture that is not suitable for use</li> <li>• Use of digital technology to reduce paper use</li> <li>• Use of environmentally friendly plastic packaging</li> </ul>
Saca Coffee	<ul style="list-style-type: none"> <li>• Clean and cozy place to study and working</li> <li>• Authentic menus</li> </ul>	<ul style="list-style-type: none"> <li>• Utilization of coffee grounds for air freshener</li> <li>• Use of digital technology to reduce paper use</li> <li>• Use of environmentally friendly plastic packaging</li> </ul>
Tumbuh Coffee	<ul style="list-style-type: none"> <li>• Clean and cozy place to study, working, and family gathering</li> <li>• Authentic menu</li> <li>• Collaborated with other businesses to provide food menu</li> <li>• Internal development focused on service and system</li> </ul>	<ul style="list-style-type: none"> <li>• Utilization of coffee grounds for air freshener</li> <li>• Use of digital technology to reduce paper use</li> <li>• Use of environmentally friendly plastic packaging</li> </ul>

The owner of Segitiga Coffee associates the circular economy with sustainability, linking it to both ecosystems and the economy. Segitiga Coffee has embraced the circular economy concept from its inception. This includes using reclaimed materials like wood and iron to create chairs and tables that contribute to its industrial aesthetic. Iron products are also repurposed as ornaments to enhance this theme. Additionally, Segitiga Coffee employs environmentally friendly packaging that decomposes quickly. The owners have adopted digital technology for internal reporting, significantly reducing paper usage.

### Saca Coffee

Saca Coffee was established in August 2020, just as the pandemic began impacting Pontianak, and implemented measures to ensure a clean and safe environment for its customers. Situated in the education area, the coffee shop provides a space for completing assignments, working, and hosting virtual meetings, attracting individuals in need of a dependable venue during the pandemic. The owner, who has a geology background, added a unique twist by naming menu items after cardinal directions WEST, EAST, SOUTH, and NORTH which has added a distinctive element to the coffee shops's brand recognition. Although unfamiliar with the term circular economy, the owner interprets it as an economic system that cycles. Saca Coffee has introduced eco-friendly packaging and minimized the use of plastic straws, with plans to repurpose coffee grounds into a new product.

### Tumbuh Coffee

Tumbuh Coffee's approach is very similar to Saca Coffee's. Established in April 2021, Tumbuh Coffee aimed to create an outdoor space for activities, understanding that people were becoming tired of staying indoors during the COVID-19 pandemic. By 2022, the business had expanded, opening a second location at Gaia Mall to cater to different customer groups, such as professionals and families. The owner emphasizes the importance of strengthening the company internally to ensure a consistent and well-rounded strategy, which distinguishes Tumbuh Coffee from other modern coffee shop. Although unfamiliar with the concept of a circular economy, the owner believes it relates to economic calculations. As a result, Tumbuh Coffee adopts eco-friendly practices similar

to Saca Coffee, such as using sustainable packaging and repurposing leftover coffee grounds into other materials.

Modern coffee shops that have been operating for over eight years are in a stronger position to advance circular economy-based strategies, thanks to their strategic planning and implementation experience. This readiness is demonstrated by their actions and sustained commitment to these initiatives. The owners of Koffiestelsel and Segitiga Coffee see the circular economy as adding value, particularly in terms of efficiency and enhancing their company's image. However, they acknowledge that maintaining consistent implementation is difficult if the strategy has not been fully developed internally.

Conversely, the owners of Saca Coffee and Tumbuh Coffee feel that circular economy-based strategies cannot be fully optimized at this time due to their limited understanding of the concept. However, they remain open to adopting this approach in the future. They highlight the need for collaboration with other stakeholders, including local government and joint efforts from other coffee shop owners, to effectively develop and implement circular economy strategies.

### Developing Circular Economy Strategies

Based on the conditions and strategies already in place, circular economy-focused strategies can be developed and adapted for the four modern coffee shops. These strategies are formulated through a SWOT analysis, which assesses each coffee shop's strengths and weaknesses in relation to the market's opportunities and threats. The strategy was formulated by incorporating components based on the circular economy, including raw material sourcing, design, manufacturing, distribution and sales, consumption and usage, collection and disposal, recycling and recovery, remanufacturing, and circular inputs (Kalmykova, Sadagopan and Rosado, 2018). Furthermore, Salvador et al. (2021) proposed additional aspects such as strategic partnerships, industrial symbiosis, and the integration of technology. The outcome provides strategic recommendations that the coffee shops can customize based on their specific capabilities and readiness to implement the strategies. Consequently, the recommendations focus on enhancing the existing strategies outlined in Table 4.

Table 4. Coffee Shop SWOT Matrix

	Strength (S)	Weakness (W)
	<ol style="list-style-type: none"> <li>Clean and cozy place to study and working</li> <li>Authentic menus that use unique name</li> <li>Internal development focused on service and system</li> <li>Use of digital technology to reduce paper use</li> <li>Use of environmentally friendly packaging</li> <li>Industrial interior design using recycle materials</li> </ol>	<ol style="list-style-type: none"> <li>Little experience in facing challenges</li> <li>Monotonous strategy</li> <li>Strategy implementation costs are not projected</li> <li>Low understanding of circular economy or green innovation</li> <li>Lack of strategy to regenerate customers</li> <li>No free internet connection for customers</li> </ol>
Opportunity (O)	S-O Strategies	W-O Strategies
<ol style="list-style-type: none"> <li>Changes in people's behavior</li> <li>Strong market base for the coffee industry</li> <li>Increased concern for the environment</li> <li>Trend of using eco-friendly comodities</li> </ol>	<ol style="list-style-type: none"> <li>Promote the sustainable and environmentally-friendly space (S1,S4,S5,S6: O3,O4)</li> <li>Capitalize on behavior shifts for eco-friendly spaces and products (S1,S4,S6: O1,O3,O4)</li> <li>Create a tech-driven and sustainable customer experience (S3,S4,S5: O1,O3)</li> <li>Brand as a sustainability leader in the coffee industry (S5,S6: O2,O3,O4)</li> </ol>	<ol style="list-style-type: none"> <li>Develop green innovation and circular economy knowledge (W4: O3,O4)</li> <li>Create a dynamic and evolving customer engagement strategy (W2,W5: O1,O2)</li> <li>Plan and project costs for strategy implementation (W3: O2, O3)</li> <li>Adapt to changing consumer preferences and behavior (W1,W5: O1,O3)</li> <li>Introduce eco-friendly initiatives to differentiate in the coffee market (W4: O3,O4)</li> </ol>
Threat (T)	S-T Strategies	W-T Strategies
<ol style="list-style-type: none"> <li>The number of coffee shops continues to increase</li> <li>The high price of coffee beans</li> <li>Low buying power from customers</li> <li>Creative strategies from competitors</li> </ol>	<ol style="list-style-type: none"> <li>Differentiate through a unique and authentic experience (S1,S2: T1,T4)</li> <li>Enhance efficiency to combat high coffee bean prices (S3,S4: T2)</li> <li>Create value for cost-conscious customers (S5,S6: T3)</li> <li>Sustainability as a competitive edge (S5,S6: T1,T4)</li> </ol>	<ol style="list-style-type: none"> <li>Manage costs and improve operational efficiency (W3: T2,T3)</li> <li>Create value-driven offers to overcome price sensitivity (W3,W4: T2,T3)</li> <li>Develop a strong brand identity to resist competitive pressures (W2: T1,T4)</li> <li>Diversify revenue streams to mitigate market saturation and pricing challenges (W1,W3, T1,T2,T3)</li> </ol>

### S-O Strategies

First strategy is promote the sustainable and environmentally-friendly space (S1,S4,S5,S6: O3,O4). The coffee shops can take advantage of their clean, cozy space, eco-friendly packaging, and recycled material design to attract customers who care about sustainability (Kalmykova, Sadagopan and Rosado, 2018).

Second strategy is capitalize on behavior shifts for eco-friendly spaces and products (S1,S4,S6: O1,O3,O4). As people become more environmentally conscious and prefer eco-friendly products, coffee shops can highlight their digital technology and use of recycled materials (Salvador et al. 2021).

Third strategy is create a tech-driven and sustainable customer experience (S3,S4,S5: O1,O3). Coffee shops can prioritize improving their services and systems to create a smooth, tech-driven experience with a focus on sustainability.



Fourth strategy is brand their coffee shops as a sustainability leader in the coffee industry (S5,S6: O2,O3,O4). Coffee shops can showcase their circular economy practices in their branding efforts to position themselves as leaders in sustainability within the coffee industry.

#### W-O Strategies

First strategy is develop green innovation and circular economy knowledge (W4: O3,O4). Coffee shops can invest in development programs and partner with other stakeholders to enhance the process (Salvador et al. 2021).

Second strategy is create a dynamic and evolving customer engagement strategy (W2,W5: O1,O2). Introduce seasonal or limited-time menu items, loyalty programs, and events based on customer preferences.

Third strategy is plan and project costs for strategy implementation (W3: O2,O3). Coffee shops can perform a detailed cost analysis and budget for future strategies, particularly to adopt cost-effective circular economy practices.

Fourth strategy is adapt to changing consumer preferences and behavior (W1,W5: O1,O3). Coffee shops can launch promotions that focus on sustainability to draw in customers who are environmentally aware and create feedback systems to better anticipate their needs.

Fifth strategy is introduce eco-friendly initiatives to differentiate in the coffee market (W4: O3,O4). Coffee shops take advantage of the eco-friendly trend by starting reusable cup programs and partnering with local suppliers that offer sustainable products (Kalmykova, Sadagopan and Rosado, 2018; Salvador et al. 2021).

#### S-T Strategies

First strategy is differentiate through a unique and authentic experience (S1,S2: T1,T4). Coffee shops can create a brand narrative around the story behind their menu and their eco-conscious, welcoming environment to stand out from competitors.

Second strategy is enhance efficiency to combat high coffee bean prices (S3,S4: T2). Coffee shops can focus on internal service and system development to improve operational efficiency and reduce waste with efficient

ordering systems and inventory tracking (Salvador et al. 2021).

Third strategy is create value for cost-conscious customers (S5,S6: T3). Coffee shops can offer promotions or discounts that highlight the eco-friendly elements and consider introducing affordable, sustainable menu options for budget-conscious customers.

Fourth strategy is make sustainability as a competitive edge (S5,S6: T1,T4). Coffee shops can emphasize their sustainability efforts to appeal to eco-conscious consumers and market these strengths heavily, positioning their brand as a leader in sustainability (Kalmykova, Sadagopan and Rosado, 2018).

#### W-T Strategies

First strategy is manage costs and improve operational efficiency (W3: T2,T3). Coffee shops can introduce cost-saving measures, including reducing waste through improved resource management.

Second strategy is create value-driven offers to overcome price sensitivity (W3,W4: T2,T3). Coffee shops can focus on developing value-driven offers that do not heavily rely on price competition.

Third strategy is develop a strong brand identity to resist competitive pressures (W2: T1,T4). Coffee shops can build a strong and differentiated brand identity that goes beyond coffee quality alone by continually refreshing brand's narrative to stay relevant (Kalmykova, Sadagopan and Rosado, 2018; Salvador et al. 2021).

Fourth strategy is diversify revenue streams to mitigate market saturation and pricing challenges (W1,W3, T1,T2,T3). Coffee shops can offer eco-friendly products, hosting events, or selling merchandise that in line with circular economy strategy.

The strategies identified from the SWOT analysis can be understood based on the priority levels of each coffee shop's applied strategies. Coffee shops with a solid understanding and experience in strategy development, like Segitiga Coffee and Koffiestelsel, can implement multiple strategies across corporate, business, and functional levels. In contrast, Saca Coffee and Tumbuh Coffee focus more on business and functional level strategies to bolster their market position.

Strategy implementation can occur in stages, depending on the readiness of each coffee shop. Strategies related to product design, distribution and sales, consumption and usage, collection and disposal, and remanufacturing are generally simpler to implement (Kalmykova, Sadagopan and Rosado, 2018). Simultaneously, the four coffee shops could explore forming partnerships, especially with stakeholders who can aid in the implementation of circular economy-based strategies, including suppliers, government agencies, and other involved parties (Salvador et al. 2021). If coffee shops consider technology an essential aspect of developing a circular economy strategy, they should prioritize strategies that enhance and deliver unique experiences to consumers. This might include developing apps, engaging with digital media, automating processes, and utilizing other technological advancements to increase efficiency in business operations (Salvador et al. 2021; Liu et al. 2022).

### Managerial Implications

Research findings indicate that modern coffee shops in Pontianak have adopted the circular economy concept. Established coffee shops have a strong foundation for developing circular economy-based strategies, with some strategies becoming their hallmark. Newer coffee shops often adopt commonly used strategies, such as eco-friendly packaging. However, limited understanding hinders optimal exploration and implementation of these strategies into business practices. Clear regulations on the circular economy would encourage coffee shop owners to fully embrace these strategies. Additionally, collaboration with other industrial sectors is crucial for creating a supportive ecosystem for the circular economy. Through partnerships with various stakeholders, it is hoped that circular economy-based strategies will flourish and potentially be adopted by other business units.

## CONCLUSIONS AND RECOMMENDATIONS

### Conclusions

The establishment of modern coffee shops in Pontianak is primarily driven by the diverse backgrounds, experiences, and interests of the owners. The distinct approaches taken by Koffiestelsel, Segitiga Coffee, Saca Coffee, and Tumbuh Coffee reflect their individual interpretations and applications of circular economy

principles, especially in sustainable practices like using recycled materials and eco-friendly packaging. Based on a SWOT analysis, strategies can be applied across three strategic levels: corporate, business, and functional. At the corporate level, one potential strategy is to develop a dynamic and evolving customer engagement approach. At the business level, a key strategy could involve capitalizing on behavioral shifts towards eco-friendly spaces and products. On the functional level, creating a tech-driven and sustainable customer experience could be a valuable strategy. Each of the four coffee shops can adapt these strategies based on their unique tendencies and readiness, resulting in different development paths for each business.

### Recommendations

This research has limitations because of the broad nature of the circular economy. It only examines circular economy practices in modern coffee shops in Pontianak based on their strategies. As a result, the findings cannot be generalized as representative of most coffee shops in the area. Exploring other aspects of circular economy implementation could be a compelling area for future study. Additionally, the extent of circular economy knowledge impacts the effectiveness of strategy implementation. Future research should focus on assessing circular economy literacy, particularly among owners of modern business establishments.

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