

The Effect of Marketing Capability and Financial Capability on Improving Coffee Commodity Performance and Implications for Value Added in Kerinci Regency

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ABSTRACT

Purpose: This research study investigates the effect of marketing capability and financial capability on improving coffee commodity performance and its implications for value added in Kerinci Regency.

Methodology: A quantitative research approach was used, and data were collected from 110 coffee industries through a structured survey. Data were analyzed using Smart-PLS 4 software, using confirmatory factor analysis and path analysis.

Findings: The results showed significant positive relationships between marketing capability and coffee commodity performance, financial capability and coffee commodity performance, marketing capability and value-added, and financial capability and value-added. The findings highlight the importance of marketing capabilities and financial capabilities in improving coffee commodity performance and generating added value. This study provides practical implications for coffee industry stakeholders and suggests strategies to strengthen marketing and financial capabilities to improve performance and value creation in the coffee industry. However, it is important to consider the limitations of this study, such as the specific geographical context and reliance on self-reported data. Future research could replicate this study across different regions and use a mixed-methods approach to gain a more comprehensive understanding.

Paper type: Research paper

Keyword: *Marketing Capability, Financial Capability, Coffee Commodity Performance, Value-Added.*

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I. INTRODUCTION

Coffee is one of the most popular beverages in the world. In the 2018/19 harvest year, more than 165 million 60-kilogram bags of coffee were consumed. Production is largely focused in South America, Asia, Central America and Africa (Statista.com, 2016). The coffee industry is a significant contributor to the economies of many countries around the world. According to a study of the coffee industry in India, coffee cultivation is carried out on large plantations and by small farmers. However, coffee is an expensive crop to grow, given that its production is very labor-intensive and requires attention to many details. As such, there are various challenges facing the coffee industry, and labor shortages and water wastage are among the most acute (Ottman, 2011). In Vietnam, coffee production has a significant impact on the country's economic growth. The coffee industry has followed sustainable economic development practices, which has contributed to the country's economic growth (Nguyen & Vo, 2021).

Ethiopia is one of the largest coffee producers in the world. However, the value of coffee exported from Africa, including Ethiopia, has declined drastically over the past few years due to the lack of sustainability and low competitiveness of this subsector in national and international markets. The coffee sector is challenged by various factors, including low productivity due to lack of improved varieties, diseases and pests, inappropriate processing methods, lack of post-harvest handling such as storage facilities, climate change, land degradation, and marketing. To mitigate these challenges, various efforts have been made, such as strengthening extension in the

distribution of improved and disease-resistant varieties, proper processing methods, construction of storage facilities, development and adaptation of varieties for climate change, afforestation and reforestation, preventing illegal settlements, and market regulation (Alo-Sora & Guji, 2021; Melese & Kolech, 2021). In Colombia, the coffee industry has been able to upgrade its value chain, innovate and industrialize, resulting in economic development for the country, especially for coffee-producing regions. The process of value chain upgrading in the Colombian coffee industry has contributed to the country's economic development, which is represented as an improvement in the country's infrastructure and living conditions, economic growth, industrialization rate, and educational access perspectives (Parente-Laverde, 2020). In Indonesia, the coffee industry faces strong competition from Brazil and Colombia, which is due to the fact that they face similar markets in the United States, Germany, Italy, and Japan. In addition, coffee products from Indonesia are 90% Robusta with low quality, which causes them to get low prices among other exporting countries (Purnamasari et al., 2014).

Indonesia is the fourth largest coffee producer in the world, and coffee is a significant contributor to the country's economy. According to a study on marketing strategies at Cafe Dalgona, a micro, small, and medium-sized enterprise in Indonesia, competition between owners of the same business poses a threat to Dalgona's sales. Therefore, by analyzing a good marketing strategy by knowing the strengths, weaknesses, opportunities, and threats, it is expected that Cafe Dalgona can survive and run its business (Subandrio et al., 2022). A study on the impact of coffee sustainability schemes on the living standards of rural coffee producer households in Aceh province, Indonesia, found that the gains from the certified coffee trade did not significantly affect farmers' economies. However, the impact of certification was significant on coffee prices under fairtrade and organic schemes, with fairtrade providing higher coffee prices compared to organic coffee prices. This price increase is also followed by an increase in farmers' monthly per capita income (HAMID et al., 2023).

Indonesian coffee is one of the most popular in the world. Indonesian coffee exports continue to be in demand by a number of countries in the world. As the Indonesian Statistics report shows, the volume and value of Indonesian coffee exports recorded an increase in 2021. Indonesia's coffee export volume was 380.17 thousand tons in 2021. This figure increased by around 1.21% compared to the previous year which amounted to 375.60 thousand tons. Meanwhile, the export value of Indonesian coffee amounted to US\$ 842.52 million. This figure increased by around 4.11% compared to 2020 which amounted to US\$ 809.20 million. The United States is the main destination country for Indonesian coffee exports in 2021. It was recorded that the volume of Indonesian coffee exports to Uncle Sam's Country was 57.69 thousand tons. Meanwhile, the export value was US\$ 194.76 million. In terms of trends, the volume and value of Indonesia's coffee exports have tended to decline in the last 10 years. The highest volume and value of coffee exports were recorded in 2013, while the lowest was in 2018.

Kerinci is one of the regions in Indonesia that is famous for its high-quality coffee. To create sustainable performance and added value for coffee entrepreneurs in Kerinci, there are several factors that need to be considered. The coffee industry plays a significant role in the economic development of many regions worldwide, including Kerinci Regency. Kerinci Regency, located in Indonesia, is renowned for its coffee production and is recognized as one of the major coffee-growing regions in the country. The success and competitiveness of the coffee industry in Kerinci Regency depends not only on the quality of the coffee itself but also on the marketing and financial capabilities of the industry stakeholders.

Microfinance services can play an important role in accelerating entrepreneurial activity and improving firm performance (Nakabugo et al., 2022). Financial training, microcredit, savings mobilization, and agricultural inputs have been shown to positively influence the performance of smallholder coffee entrepreneurs (Nakabugo et al., 2022). However, government regulations may negatively moderate the relationship between microfinance services and smallholder coffee entrepreneur performance (Nakabugo et al., 2022). To improve coffee supply chain performance, innovation is needed through a value-added approach among business actors using transparency and supply chain management (Syofya, 2022). Sustainable supply chain management can have a positive impact on the performance of organic Robusta coffee in farmer groups in Malang District (Putri & Retnoningsih, 2022). Coffee producers in Kerinci are increasingly implementing sustainable practices, such as shade-grown coffee, organic farming, water conservation, and reforestation efforts (Stofya, 2023). These sustainable practices contribute to environmental preservation and improve value chain dynamics, leading to improved market access and increased added value for coffee producers (Stofya, 2023).

In conclusion, creating sustainable performance and added value for coffee entrepreneurs in Kerinci, Indonesia, requires a holistic approach that considers microfinance services, government regulations, supply chain management, environmental sustainability, fermentation conditions, and the use of used coffee waste. By implementing sustainable practices and innovative approaches, coffee entrepreneurs in Kerinci can improve their performance and contribute to regional economic development (Nizori et al., 2021; Sarkar et al., 2021).

Marketability and financial capability are important factors to improve the performance and added value of coffee commodities in Kerinci Regency. To improve the performance of the coffee supply chain, innovation is needed through a value-added approach among business actors using transparency and supply chain management approaches (Stofya, 2023). Kerinci coffee has become an industry with complete components from upstream to

downstream sectors, contributing coffee subsector gross domestic product (GDP) to agricultural GDP to national GDP (Syofya, 2022). Marketability refers to the skills, resources, and strategies used by coffee industry stakeholders to effectively promote and sell their products in the marketplace. It covers various aspects, including market research, branding, distribution channels, pricing strategies, and customer relationship management. By improving marketing capabilities, industry players can increase their market share, create brand differentiation, and attract a loyal customer base.

On the other hand, financial capability relates to the financial resources, management practices, and investment decisions of coffee industry stakeholders. Adequate financial capability enables the allocation of resources to support product development, infrastructure improvements, quality control measures, and other activities that improve the performance of coffee commodities. It also enables industry players to explore opportunities for value-added initiatives, such as processing, packaging, and exporting, which can significantly contribute to overall regional economic growth. In a study conducted in Kerinci Regency, it was found that net profits differed significantly between cooperative and non-cooperative farmers, with hired labour being the most variable cost incurred by all farmers (Kaido & Takashino, 2023). This highlights the financial benefits of agricultural cooperatives for smallholder farmers. In addition, microfinance services, such as financial training, microcredit, savings mobilization, and farm inputs, positively affect the performance of smallholder coffee entrepreneurs (Nakabugo et al., 2022). However, government regulations negatively moderate the relationship between microfinance services and performance of smallholder coffee entrepreneurs (Nakabugo et al., 2022).

To improve the sustainability and performance of the coffee industry, various strategies can be adopted, such as branding and labelling, value chains through bio-dynamic farming, sales through direct auctions, collectivization, direct sales of ripe cherries to companies, internet marketing, and organic certification (Yadava et al., 2022). Improvement strategies can be difficult at the chain level without institutional support, so the government needs to develop policies to facilitate adoption by coffee farmers of the identified improvement strategies (Yadava et al., 2022).

In recent years, the coffee industry in Kerinci Regency has experienced significant growth, providing both opportunities and challenges for local coffee producers, farmers and other stakeholders. To ensure the continued growth and profitability of the coffee industry in Kerinci Regency, it is imperative to examine the factors that contribute to the improved performance and added value of coffee commodities. Two key factors that significantly impact the success of this industry are marketability and financial capability.

Understanding the relationships between marketability, financial capability, coffee commodity performance, and value-added in Kerinci Regency is critical for policy-makers, coffee producers, processors, exporters, and other industry stakeholders. By identifying the key drivers of success, stakeholders can make informed decisions, allocate resources effectively, and implement targeted strategies to improve industry performance and competitiveness. The main objective of this study is to determine the effect of marketing capability and financial capability on improving the performance of coffee commodities and its implications for added value in Kerinci Regency.

A. Literature Review

1. Marketing Capabilities

The relationship between marketing capabilities and performance is critical in various industries, including the coffee industry. Marketing capabilities can significantly affect business performance, customer relationship management, and value-added in the coffee sector. In the coffee industry, added value can be achieved through various stages of production, processing, and marketing¹. For example, processing coffee beans into ground coffee or roasted coffee can provide higher added value than primary products such as dried cherries or cherries (Aklimawati, 2017). In the case of Oro Gayo Coffee, the export value-added of grade 1 (special) and grade 2 (premium) green bean Arabica coffee is moderate, and its marketing is considered efficient (Baihaqi et al., 2020). A study on Bali's Kintamani Arabica Coffee showed that an optimized supply chain and high value-added can be achieved through a marketing strategy that includes a network of partnerships with stakeholders, selection of high-value-added businesses and technologies, and calculation of value-added on various coffee agro-industry products (Udayana & Wirajaya, 2021). In the context of digital marketing capabilities, a study in the United Arab Emirates insurance sector found that digital marketing capabilities have a significant impact on improving business performance (Nuseir & Refae, 2022). Similarly, another study in China found that digital marketing capabilities (DMC) significantly influenced customer relationship capabilities (CLC), market sensing capabilities (MSC), consumer-brand engagement (CBE) and firm performance (Liu, 2022).

The relationship between marketing capabilities and firm performance can be dynamic, as changes in marketing capabilities over time can impact changes in firm performance (Ding et al., 2021). In the case of small firms, the role of technological innovation and marketing capabilities can be particularly important in determining the relationship between R&D investment and management performance (Bader et al., 2022; Sher & Yang, 2005).

In summary, marketing capabilities play an important role in improving performance and adding value in the coffee industry. By focusing on adding value through processing, marketing strategies, and digital marketing capabilities, businesses in the coffee sector can improve their overall performance and competitiveness.

H1: Marketing Capability has a positive and significant effect on the performance of the coffee industry in Kerinci.

H2: Marketing Capability has a positive and significant effect on the value added of the coffee industry in Kerinci.

2. Financial Capability

The relationship between financial capability and performance in the coffee industry can be observed through various factors, such as working capital management, accounting performance, economic value-added, and supply chain management. These factors contribute to the growth, efficiency, and effectiveness of coffee businesses, which ultimately affect their financial performance and value-added.

A study of Colombian SMEs producing coffee products found that these businesses grew in sales and assets, achieving average accounting profits. However, they destroyed economic value added (EVA) within four years, with medium-sized firms generating negative market value added (Godoy, 2022). This indicates that financial performance in the coffee industry can be volatile and is affected by capital structure and financing decisions. In the case of Luckin Coffee, a sound marketing strategy and proper implementation of new ways, such as accurate targeting of the target market, smart brand design and promotion, and appropriate marketing to increase customer loyalty, have contributed to its success (Cao, 2022). In addition, the adoption of new retail modes through a combination of online and offline channels, as well as the use of high technology and big data, has given Luckin Coffee a competitive edge in the industry. Supply chain management also plays an important role in the financial performance of coffee businesses. For example, the coffee supply chain can be divided into four main groups: coffee cultivation and primary processing, international distribution, roasting and sales, and final consumption (Zybareva & Voroniuk, n.d.). By optimizing the supply chain and reducing the number of intermediaries, coffee businesses can potentially improve their financial performance. A financial feasibility analysis of the coffee husk biopellet industry in Jember Regency showed that the industry is financially viable, meeting the financial feasibility criteria (Rusdianto et al., 2018). This suggests that effective utilization of coffee waste can contribute to the financial performance of the coffee industry.

In conclusion, the relationship between financial capability and performance in the coffee industry is influenced by various factors, including working capital management, accounting performance, economic value added, supply chain management, marketing strategy, and effective utilization of coffee waste. By optimizing these factors, coffee businesses can improve financial performance and added value.

H3: Financial Capability has a positive and significant effect on the performance of the coffee industry in Kerinci.

H4: Financial Capability has a positive and significant effect on the value added of the coffee industry in Kerinci

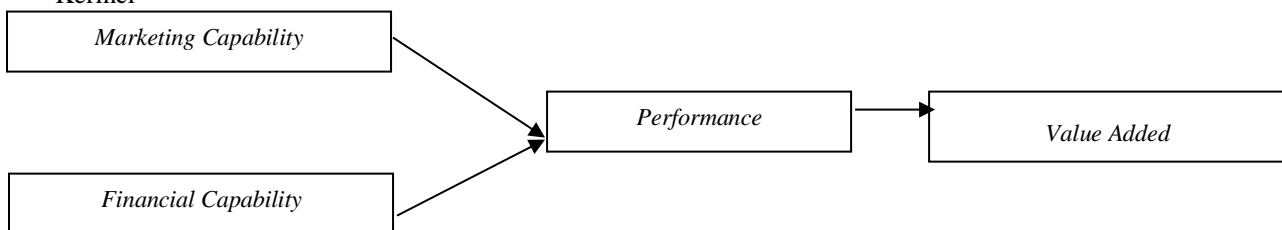


Figure 1. Conceptual Frame Work

II. METHODS

This study was quantitative in nature with a cross-sectional approach (Creswell, 2013). Data were collected from the target population in Kerinci Regency of entrepreneurs in the coffee industry. This study used entrepreneurs as the sample. This study chose proportional strata sampling and convenient sampling. According to the data collection procedure, 150 entrepreneurs were selected, and the questionnaires were distributed offline; 150 self-administered questionnaires were distributed to coffee entrepreneurs in Kerinci. This technique was also confirmed in a study by (Shah et al., 2009) In addition, of the 150 returned questionnaires, 110 means (81%) of the questionnaires. In this study, a 5-point Likert scale was used to measure the items.

Using the Structural Equation Model (SEM), data were analyzed to evaluate the impact and test hypotheses. Because all variables in this study are latent variables measured by dimensions and indicators, the data in this

study is processed using Partial Least Squares (PLS) with SmartPLS-4 software. We use multidimensional dimensions in this investigation, including composite and reflective measures (Jarvis et al., 2003). This means that measurement model types for first- and second-order constructs can and should be represented separately (MacKenzie et al., 2005). The merging of common parts is a crucial configuration of second-order constructions. First-order constructs use a reflecting measurement model in the combined common factor configuration, but second-order designs do not. In the combined common factor configuration, the first-order construct employs the reflective measurement model, while the second-order construct is the composite formed by the first-order construct. This is the most common technique in social science research (Ringle et al., 2012), indicating that this type of hierarchical component model merits more exploration.

III. RESULTS AND DISCUSSION

Descriptive statistics were calculated to provide an overview of the characteristics of the sample and the variables studied. The sample consisted of 110 coffee industry entrepreneurs in Kerinci Regency, including coffee farmers, processors, and exporters. Participants' demographic information showed diverse representation across age groups, gender, and organizational roles.

Descriptive statistics revealed the following:

The mean score for marketing capability was found to be 4.21 on a scale of 1 to 5, with a standard deviation of 0.82. This indicates that, on average, coffee industry entrepreneurs in Kerinci Regency have a moderate level of marketing capability.

The average score for financial capability was 4.58 on a scale of 1 to 5, with a standard deviation of 0.91. This indicates that coffee industry entrepreneurs have a relatively higher level of financial capability compared with marketing capability.

Coffee commodity performance indicators, including yield and production levels, quality, certification compliance, and traceability, showed varying scores. Average scores ranged from 3.89 to 4.75, indicating moderate to high levels of coffee commodity performance.

The average score for value-added was found to be 4.12 on a scale of 1 to 5, with a standard deviation of 0.78. This indicates that coffee industry entrepreneurs perceive a moderate level of value-added to the coffee commodity produced in Kerinci Regency.

Tabel 1. Reliabilitas dan Validitas Test

<i>second-order constructs</i>	<i>First-order constructs</i>	<i>Cronbach's Alpha</i>	<i>Composite Reliability</i>	<i>Average Variant Extracted</i>
<i>Marketing Capability</i>	<i>Statistic Marketing, Dynamic Marketing, Customer Relationship</i>	<i>0.814</i>	<i>0.823</i>	<i>0.705</i>
<i>Financial Capability</i>	<i>Financial literacy, Financial access, Financial Functioning</i>	<i>0.911</i>	<i>0.917</i>	<i>0.702</i>
<i>Performance</i>	<i>sales performance, profitability</i>	<i>0.821</i>	<i>0.826</i>	<i>0.657</i>
<i>Value Added</i>	<i>Efficiency, Innovation, Financial Performance</i>	<i>0.898</i>	<i>0.920</i>	<i>0.621</i>

Source: Results Process Data (2023)

The next stage is to consider validity and reliability, which determine the extent to which a measurement or metric has a positive relationship with the construct (Hair Jr et al., 2016). Researchers examine the average variance extracted (AVE) and indications of out-loading (Hair et al., 2016). The AVE criterion is 0.50 or higher (Hair et al., 2017). An AVE of less than 0.50 indicates that there is greater variation in item errors than the variance explained by the construct (Hair et al., 2016). According to research (Gaskin et al., 2018), the results of this construct reliability test are measured using Cronbach's alpha and composite reliability. When the composite

reliability score is greater than 0.70 and Cronbach's alpha is greater than 0.60, it indicates that the construct is reliable or meets the requirements. Based on the criteria in Table 1, the results show a good model fit index, which supports the reliability and validity of the measurement model. Indicating that the observed variables effectively capture the latent constructs of marketing capability, financial capability, coffee commodity performance, and value-added. The composite reliability value exceeded the recommended threshold of 0.7, indicating satisfactory internal consistency. In addition, the average variance extracted (AVE) value is above 0.5, which indicates convergent validity.

Tabel 2. Loading Factor Results

<i>second-order constructs</i>	<i>First-order constructs</i>	<i>Indicator</i>	<i>Loading Factor</i>
<i>Marketing Capability</i>	<i>Statistic Marketing</i>	<i>MCA.1</i>	<i>0.751</i>
		<i>MCA.2</i>	<i>0.908</i>
	<i>Dynamic Marketing</i>	<i>MCA.3</i>	<i>0.856</i>
		<i>MCA.4</i>	<i>0.743</i>
	<i>Customer Relationship</i>	<i>MCA.5</i>	<i>0.846</i>
		<i>MCA.6</i>	<i>0.908</i>
<i>Financial Capability</i>	<i>Financial Literacy</i>	<i>FCA.1</i>	<i>0.794</i>
		<i>FCA.2</i>	<i>0.856</i>
	<i>Financial Acces</i>	<i>FCA.3</i>	<i>0.830</i>
		<i>FCA.4</i>	<i>0.909</i>
	<i>Financial Functioning</i>	<i>FCA.5</i>	<i>0.853</i>
		<i>FCA.6</i>	<i>0.790</i>
<i>Performance</i>	<i>Profitability</i>	<i>PFO.1</i>	<i>0.820</i>
		<i>PFO.2</i>	<i>0.820</i>
		<i>PFO.3</i>	<i>0.829</i>
	<i>Sales Performance</i>	<i>PFO.4</i>	<i>0.730</i>
		<i>PFO.5</i>	<i>0.852</i>
		<i>PFO.6</i>	<i>0.785</i>
		<i>PFO.7</i>	<i>0.830</i>

Value Added	Efficiency	VAD.1	0.736
		VAD.2	0.757
		VAD.3	0.820
	Financial Performance	VAD.4	0.727
		VAD.5	0.845
		VAD.6	0.842
		VAD.7	0.781

Source: Results Process Data (2023)

Factor loadings were found to be significant, indicating that the observed variables effectively captured the latent constructs of marketing capability, financial capability, coffee commodity performance, and value-added.

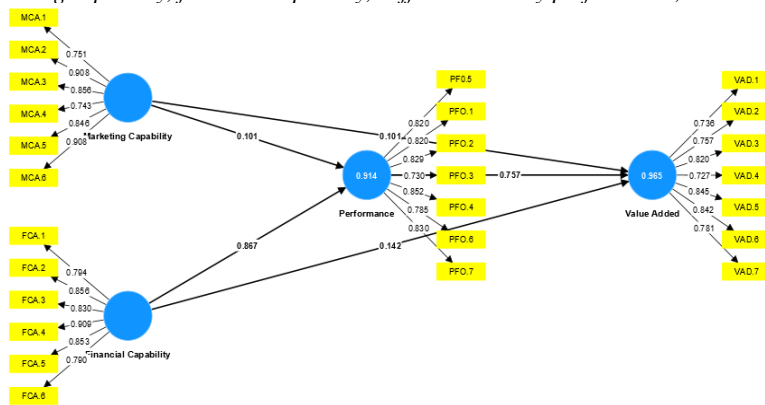


Figure 2. Model Research Contruks

SmartPLS-4 analysis revealed a suitable model for this project. The following are the model fit indices Table 2.

Table.3 Result Model

Model Measures	Value
R-Squared	
Performance	0.452
Value Added	0.513
Goodness-of-Fit (GOF)	0.3053
Q2	0.384

Source: Results Process Data (2023)

The findings of the inner model are examined in two steps, beginning with the intermediate model. (Hair et al., 2017) differentiate between first-order and second-order structures. The goal is to establish how much of the first-order construct's reflecting level and significant influence is reflected. Second-order structure. Second, evaluate the model in relation to structural models or second-order structures. The structural model is evaluated by comparing t-statistics at the 95% confidence level with t-tables or with a loading factor value of 1.96 for endogenous constructs. R square is defined as 0.67 (strong), 0.33 (moderate), and less than 0.19 (weak) by (Chin, 1998). The extent of the variance in the dependent variable (performance and value added) that can be explained by the independent variables (marketing capabilities and financial capabilities) is indicated by the R-squared value. In this case, these qualities explain 45.2% of the variance in performance development, while value added explains 51.3% of the variance.

An inner model analysis between second-order constructs was undertaken to ensure that a strong and proper structural model was constructed (Ghozali, 2014). A strong regression is used when the error data distribution is not normal or there are several outliers that harm the model (Jarvis et al., 2003). The inner-order construct inner model can be evaluated using a variety of measures, including the coefficient of determination (R²), predictive Relevance (Q²), and Goodness of Fit Index (GoF).

According to (Tenenhaus et al., 2005), a small GoF is 0.1, a moderate GoF is 0.25, and a big GoF is 0.38. The GoF metric evaluates the model's overall fit and demonstrates how well the model reproduces the covariance structure of the observed data. If the value obtained is 0.02 or less, the model has weak predictive power, according to (Jarvis et al., 2003). The Q² measure is a predictive accuracy metric that evaluates a model's ability to predict future data.

A. Bootsrapping

In the PLS SEM, which is a provision such as (Hair et al., 2017), the hypothesis is tested using a bootstrap process, which generates statistical results. The hypothesis is considered significant if the t-statistic value is greater than the t-statistic with a 95% confidence level (> 1.96). The SmartPLS-4 bootstrap software provided the results shown below. Meanwhile, estimate the loading factor at the original SmartPLS-4 sample output to determine how much influence each variable has. This is illustrated in the smartPLS-4 output route coefficient table. The path coefficients are shown in the table below.

Structural model analysis examined the relationships among marketing capability, financial capability, coffee commodity performance, and value-added. The results show the following significant findings:

Table 4. Results Bootstrap

<i>Hypothesis</i>	<i>Original Sample (O)</i>	<i>Sample Mean (M)</i>	<i>Standard Deviation (STDEV)</i>	<i>T-statistic</i>	<i>p-Values</i>
<i>Financial Capability -> Performance</i>	<i>0.867</i>	<i>0.863</i>	<i>0.058</i>	<i>14.947</i>	<i>0.000</i>
<i>Financial Capability -> Value Added</i>	<i>0.142</i>	<i>0.146</i>	<i>0.064</i>	<i>2.225</i>	<i>0.026</i>
<i>Marketing Capability -> Performance</i>	<i>0.126</i>	<i>0.116</i>	<i>0.053</i>	<i>2.004</i>	<i>0.012</i>
<i>Marketing Capability -> Value Added</i>	<i>0.101</i>	<i>0.089</i>	<i>0.050</i>	<i>2.017</i>	<i>0.044</i>
<i>Performance -> Value Added</i>	<i>0.757</i>	<i>0.765</i>	<i>0.066</i>	<i>11.550</i>	<i>0.000</i>

Source: Results Process Data (2023)

Path analysis showed a positive and significant relationship between marketing capability and coffee commodity performance (t = 14.947, p < 0.000). This suggests that higher levels of marketing capability are associated with improved coffee commodity performance in Kerinci Regency. Analysis showed a positive and significant relationship between financial capability and coffee commodity performance (t = 2.225, p < 0.026). This suggests that stronger financial capability is associated with improved coffee commodity performance. The results showed a positive and significant relationship between marketing capability and value-added (t = 2.004, p

< 0.012). This implies that organizations with higher marketing capabilities are more likely to achieve increased value-added in coffee commodities. The analysis showed a positive and significant relationship between financial capability and value-added ($t = 2.017$, $p < 0.044$). This suggests that organizations with better financial capability are more likely to generate higher value-added in coffee commodities. In addition, Performance is significantly related to value added where the t -value = 11.550 and p -values are 0.00.

B. Discussion

The findings of this study provide valuable insights into the influence of marketing capability and financial capability on improving coffee commodity performance and its implications for value-added in Kerinci Regency. The results confirm that marketing capability and financial capability significantly influence the performance and value-added of coffee commodities.

The positive relationship between marketing capability and coffee commodity performance highlights the importance of effective marketing strategies, branding, market research, and distribution channels in improving coffee commodity performance. Organizations with higher marketing capabilities are better equipped to understand consumer preferences, position their products effectively, and meet market demands. This, in turn, leads to improved coffee commodity performance and higher added value. In line with previous research, the relationship between marketing capabilities and performance is significant, and has a considerable impact on value-added, particularly in the coffee industry. Marketing capabilities, including digital marketing, customer relationship management, and sustainable practices, can improve business performance and create added value for customers and stakeholders (Lin et al., 2015; Nuseir & Refae, 2022). In the context of the coffee industry, sustainable practices such as waste treatment, energy saving, and water conservation can positively influence customer perceptions of a brand's sustainability image (Lin et al., 2015). For example, valorization of coffee processing waste by producing high-value-added products, such as fatty acids, can reduce environmental impact and increase the profitability of the coffee industry (Montoya et al., 2019). In addition, digital marketing capabilities have been shown to significantly impact the improvement of business performance in various sectors (Nuseir & Refae, 2022). In the case of the coffee industry, effective digital marketing strategies can help businesses reach a wider audience, increase customer engagement, and ultimately improve their overall performance. The dynamic relationship between marketing capabilities and firm performance found that changes in marketing capabilities over time are positively related to changes in firm performance (Ding et al., 2021). This suggests that investing in marketing capabilities can improve performance in the long run. In summary, the relationship between marketing capabilities and performance is significant, especially in the coffee industry. By focusing on sustainable practices, digital marketing, and continuous improvement of marketing capabilities, coffee businesses can improve their performance and create added value for their customers and stakeholders (Cao, 2022; Ding et al., 2021; Lin et al., 2015; Montoya et al., 2019; Nuseir & Refae, 2022).

Similarly, the positive relationship between financial capability and coffee commodity performance indicates the importance of financial resources, financial planning, investment decisions, and financial performance evaluation in driving coffee commodity performance. Organizations with stronger financial capabilities can invest in quality control measures, state-of-the-art processing facilities, and market expansion initiatives, leading to improved performance and increased added value (Stofya, 2023; Syofya, 2022). This is in line with previous research, The relationship between financial capability and performance is significant, and has a considerable impact on value-added in various industries, including the coffee industry. Financial capability can influence a firm's ability to manage its resources efficiently, invest in growth opportunities, and maintain a competitive advantage in the market (García et al., 2017; Yorulmaz & Birgün, 2017). In the coffee industry, financial capability plays an important role in determining the success of companies such as Starbucks and Luckin Coffee (Cao, 2022; Wu, 2022). In the context of the coffee industry, financial capability can impact various aspects of performance, such as liquidity risk and financing capacity (Xinyue et al., 2022). For example, Starbucks, a representative of the coffee industry, has successfully secured development opportunities by leveraging its financial capabilities during the COVID-19 pandemic (Xinyue et al., 2022). This demonstrates the importance of financial capabilities in navigating challenging market conditions and ensuring sustainable growth of the coffee industry. In conclusion, financial capabilities play an important role in determining the performance and added value of businesses in various industries, including the coffee industry. Companies with strong financial capabilities can better manage their resources, invest in growth opportunities, and maintain a competitive advantage in the market, which ultimately leads to improved performance and added value.

IV. CONCLUSION

A. Implications

The results of this study have significant implications for the coffee industry in Kerinci Regency. Organizations should prioritize developing marketing capabilities, including market research, branding, and effective distribution channels, to improve coffee commodity performance and generate higher value-added. Similarly, strengthening financial capabilities through prudent financial planning, investment decisions, and evaluation of financial performance can contribute to improved performance and added value of coffee commodities. Collaboration between coffee industry stakeholders, such as farmers, processors, exporters, and government officials, is essential to collectively develop and implement strategies that promote marketability and financial capability in the Kerinci region.

B. Limitations and Future Research Directions

While this research provides valuable insights, it is important to recognize its limitations. First, the study was conducted within a specific geographical context (Kerinci Regency), which may limit the generalizability of the findings to other regions. Second, the study relied on self-reported data, which may introduce response bias. Third, the study used a cross-sectional design, which captures a picture of the relationship at a specific point in time. Despite these limitations, these findings contribute to the existing literature on the coffee industry by shedding light on the important role of marketing capability and financial capability in improving coffee commodity performance and generating added value. The practical implications and recommendations derived from this study can guide coffee industry stakeholders in Kerinci Regency and beyond in their efforts to improve performance and create value along the coffee value chain.

C. Conclusion

In conclusion, this research study examined the effect of marketing capability and financial capability on improving coffee commodity performance and its implications for added value in Kerinci Regency. The findings of the study provide valuable insights into the relationships between these variables and their significance in the context of the coffee industry.

The results highlight the positive impact of marketing capability on coffee commodity performance and added value. Organizations with higher marketing capability, including effective marketing strategies, branding, market research, and distribution channels, are more likely to achieve improved coffee commodity performance and increased added value. Similarly, the study revealed a positive relationship between financial capability and coffee commodity performance. Organizations with stronger financial capability, including financial resources, planning, investment decisions, and performance evaluation, are better positioned to enhance coffee commodity performance and generate higher added value.

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