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Sustainable Business Strategy Through Product Innovation in VCO Start Businesses

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ABSTRACT

This research analyzes VCO Star's sustainable business strategy and product innovation. This research uses a qualitative approach with a SWOT analysis. The research was conducted at the VCO Star company, Central Sulawesi. This research shows that a sustainable business strategy through VCO Star product innovation is in the form of creating new products that will continue to develop. Currently, the VCO Star company has launched a new product in the form of VCO Star Body Wash, which is based on coconut oil, and these VCO Star products will continue to be developed to meet the needs of the people of Palu City. BMC is an effective management tool that positively impacts business growth, brand image, and long-term relationships with consumers and business partners. These steps create a solid foundation for VCO Star to face changing market dynamics and build a sustainable future.

INTRODUCTION

Increasingly tight market competition requires companies to have the right marketing strategy to face competitors (Nasir, 2019). If a company cannot survive in competition, it is certain that the company will experience losses. In competing, marketing strategy has an important role in avoiding losses. The marketing strategy that the company hopes for is how to increase the number of product sales according to the target (Zhang & Duan, 2010). The long-term business success that a company hopes for is when the business can provide value benefits to customers on an ongoing basis. Providing sustainable benefit value means maintaining the company's marketing performance on an ongoing basis (Rather, 2019). The company's long-term focus is carried out in stages to improve marketing performance, and efforts to increase the company's competitiveness can be made by focusing on market needs.

A sustainable business strategy integrates economic, environmental, and social objectives into a company's goals and activities. It plans to create long-term value for the company, its stakeholders, and society (Sjoen et al., 2023). This shows that the strategy is developed and

implemented in such a way that it can meet the needs of the business world and stakeholders today while protecting, preserving, and enhancing the natural resources they will need in the future(Long, 2020).

Product innovation can be the real implementation of an idea into a product or product process. In addition, product innovation is innovation used throughout a company's operations, where new products are created and sold, including functional process innovation(Ernawati, 2019). The aim of implementing product innovation is to improve consumer purchasing decisions. For example, the main advantage of motorbikes is as a means of transportation. Motorbikes are offered with innovations such as fuel efficiency, spacious trunks, and more. Innovation metrics include product quality, variety, style, and design(Hasbullah & Munchtar, 2022).

The decline in business innovation is the main cause of problems that occur in the business world, both small and medium-scale businesses(Wulandary et al., 2021). Maximizing innovation and business creativity is one of the biggest challenges for each company's environment because every business strives to optimize innovation; this business creativity is the biggest challenge for each company itself.(Asngadi et al., 2020). Increasing productivity must be accompanied by sales of people's plantation harvests through post-harvest processing so that sales are not raw materials but semi-finished products or ready-to-consume products.

Central Sulawesi, specifically Palu City, has considerable potential as a coconut logistics center. Even though it does not have enough coconut plantation land, Palu City is one of the main points on the coconut route from various regions in Central Sulawesi. Virgin Coconut Oil is becoming one of society's secondary needs because of its benefits(Wulandary et al., 2021). Virgin Coconut Oil (VCO) is a product of processed coconut meat in the form of a clear, tasteless liquid with a distinctive coconut aroma. VCO is obtained by processing coconut milk using several methods, namely the step heating method, oil scavenging method, and fermentation method.

According to the Central Statistics Agency (BPS), Central Sulawesi is one of Indonesia's largest coconut-producing regions. In 2021, Central Sulawesi was ranked fifth with a total production of 199,200 tons. One of the VCO businesses in Palu City is VCO Star, which is a coconut oil-producing company. The marketing strategy is through social media such as Instagram, WhatsApp, and others. The VCO Star marketed consists of various types; one is VCO Star Body Wash, which contains the benefits of brightening the skin, reducing inflammation, minimizing dark spots or uneven skin tone, hydrating the skin, stopping damage caused by free radicals, and helping prevent infection. This VCO Star has also been clinically tested to be halal, so it is safe for use on the face, hair, and other skin parts.

Research Nester's predictions regarding VCO marketing conditions are emerging as a reality in the Indonesian market(Mela & Bintang, 2021). In 2020, since the COVID-19 pandemic occurred, the marketing of VCO in Indonesia has revived because people are trying to find alternative health products to increase the body's resistance to dangerous viruses. Research results Ramesh (2020)shows that VCO plays a role as an antiviral caused by SARS Coronavirus-2 (SARS-CoV-2) or what is more popularly called COVID-19. This is supported by Mela and Bintang (2021), who state that VCO is an additional supplement for COVID-19 patients. A company must create innovation in each product so that consumers feel comfortable with existing products. Innovation as New Product Development is product development, product modification, and new brands that companies develop through their research and development efforts(Kotler & Armstrong, 2014).

Try to exploit these abundant resources to benefit the community, both in the fields of health and beauty, and help improve the economy. Even though demand for VCO is increasing, VCO Star faces global challenges such as climate change, scarcity of natural resources, and regulatory pressures related to sustainability. However, this challenge also allows VCO Star to build the image of a company that cares about the environment and is committed to sustainable production. To overcome these challenges, VCO Star views product innovation as the main key to developing a sustainable business strategy. Through research and development, the company is committed to

creating VCO products that not only provide maximum health benefits but are also produced in an environmentally friendly manner.

Focusing on product innovation, VCO Star is expected to achieve a competitive advantage. By adopting a sustainable business strategy through product innovation, VCO Star hopes to maintain its business growth while positively contributing to the environment and consumer welfare. Based on the explanation above, this research aims to determine the sustainable business strategy and product innovation of VCO Star in Palu City and to analyze the business models that can be implemented.

RESEARCH METHOD

This research uses a qualitative approach, where researchers conducted research at the VCO Star company in Central Sulawesi, specifically in Palu City. According to Sugiyono (2018), qualitative research is carried out by examining natural conditions. Researchers act as key instruments and explain conditions objectively and based on theory in the form of real facts (Neuman, 2014). Data collection techniques are carried out to obtain information that becomes a reference for research, which is processed into primary and secondary data. Primary data was obtained from observations and surveys by observing the research site and recording the symptoms found in the field. Observations were made on the Instagram account @vcostar.sulteng, an agent selling various VCO Star products. Interviews were conducted via Whatsapp media with VCO Star agents to find out in detail about VCO Star products in the form of several questions asked by researchers. The subjects in this research are VCO Star business actors in Palu City.

RESULTS AND DISCUSSION

The company name "VCO STAR" is taken from the abbreviation of the business product "Virgin Coconut Oil," and "STAR" in Indonesian means Star, which means great and high achievements, many things, and pride. VCO STAR is an abbreviation for a successful VCO company that benefits many people, and is proud to lead this company. The marketing strategy is through social media such as Instagram, WhatsApp, and others. The VCO Star marketed consists of various types; one is VCO Star Body Wash, which contains the benefits of brightening the skin, reducing inflammation, minimizing dark spots or uneven skin tone, hydrating the skin, stopping damage caused by free radicals, and helping prevent infection.

VCO STAR operates in the health and beauty sector; this business was chosen because the raw materials are abundant and easy to obtain. According to the Central Statistics Agency (BPS), Central Sulawesi is one of Indonesia's largest coconut-producing regions. In 2021, Central Sulawesi was ranked fifth with a total production of 199,200 tons. VCO is coconut oil that is processed without heating, so the composition and properties of the oil do not change. VCO has several advantages, including low saponification levels, peroxide levels, free fatty acids, and even higher antimicrobial properties, apart from frying. Food, VCO also plays a role in preventing heart disease, cancer, and diabetes, improving digestion, strengthening the immune system, and preventing HIV and SARS virus infections. VCO contains several compounds that are beneficial for the body, such as medium chain fatty acids, which are digested by the body so they are not stored, as well as antioxidants, such as tocopherol and beta-carotene, which help prevent premature aging and maintain body health.



Source: @vcostar.sulteng, 2023

Figure 1. Example of VCO STAR Products

SWOT analysis systematically identifies various elements in a company, such as strengths, weaknesses, opportunities, and threats. SWOT analysis is used by managers to quickly create a high-level picture of a company's strategic situation. SWOT analysis is a descriptive situation analysis technique that uses strengths, weaknesses, opportunities, and threats as a tool and groups them according to their roles. SWOT analysis only describes the current situation and does not function as an analytical tool that can solve current problems. The results of the SWOT analysis used by the VCO Star company are as follows:

Table 1. SWOT Analysis Results of the VCO Star Company

Analysis	Items
Strength	<ol style="list-style-type: none"> 1. VCO oil is a product of inadequate equipment and health conditions 2. Has a potential workforce. Limited production quantities. It contains VCO oil, which is more transparent than other VCO oils. Marketing is still ongoing around Palu City 3. The fermentation method is used to produce products and products that have a long shelf life 4. The manufacturing process is still manual 5. No preservatives are used in the product 6. The price is cheap compared to other VCO products. 7. The product has an NIB and a Halal label. The size of VCO oil varies depending on the size.
Weakness	<ol style="list-style-type: none"> 1. Inadequate equipment 2. Limited production quantities 3. Marketing is still carried out around the city of Palu 4. The production process is still manual
Opportunities	<ol style="list-style-type: none"> 1. The development of information about VCO as a health product both on the Internet and in several library publications 2. A very abundant supply of raw materials. 3. Product without preservatives 4. Marketing development for VCO oil products has the potential to be sold outside the Palu city area. 5. Waiting for the halal licensing process
Threats	<ol style="list-style-type: none"> 1. Many VCO oils already have a halal label and are being bought and sold. 2. Consumers prefer plastic packaging (bottles) compared to glass bottles 3. Lack of public information about the benefits of VCO

Source: Analysis results, 2023

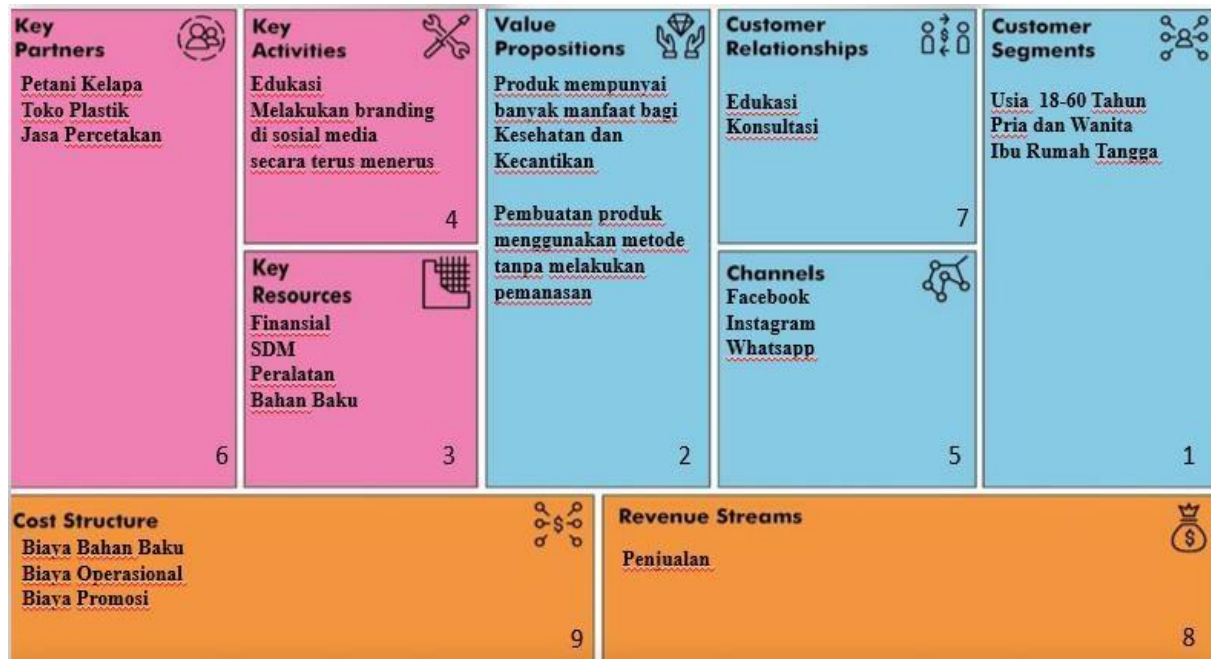
VCO Star needs to carry out optimal marketing strategies to overcome challenges and take advantage of existing opportunities. The marketing strategy that has been carried out at the VCO Star company is as follows:

1. Product (Product)
The product must come from fresh raw coconut materials to produce high-quality oil and is packaged in 125ml and 250ml bottles.
2. Price (Price)
The packaging size of each product must provide easy accessibility for use. Considering this, the price of the VCO STAR product is IDR 25,000 for the 125ml size and IDR 50,000 for the 250ml size. Generally, these prices are much cheaper than those of other competitors in Central Sulawesi.
3. Promotion (Advertising Promotion)
VCO STAR carries out advertising in two ways, namely offline and online. Offline methods include, for example, distributing brochures directly to consumers in crowded places or placing banners at sales locations or certain events. The online method is carried out via social media: Instagram, WhatsApp, Facebook, TikTok. To help potential consumers understand the product and build a relationship of trust, VCO Star must offer free samples and special offers for purchasing our products at the events and exhibitions we participate in. Apart from that, VCO Star must be able to attract the target audience's attention, especially affiliated agencies, in carrying out promotions that introduce products directly to agency heads and strengthen image and cooperation, for example, pharmacies, restaurants, souvenir shops, and supermarkets in Palu.
4. Placemen
VCO Star has a strategic location for sales and production activities. The sales place is on Jl. Kunciotutu Lrg. Pakora 2 No. 16, Mayor of Vatulemo Square. The production site itself is on Jl. Kunciotutu Lrg. Pakora 2, the location itself, is quite strategic because it is in the middle of the city.
5. People
Currently, VCO Star has quite good human resources. However, employee recruitment plans will be made if demand increases.
6. Process
The importance of creating a comfortable shopping experience for consumers means that VCO Star needs to carry out a transparent production process by sharing documentation in production process activities to provide education.
7. Physical Evidence
VCO Star products are physically placed in the display case to facilitate the sales process.

Strategy is a keyword in business because strategy is an important factor in business development if a business wants to survive and remain competitive. How does a company leverage its employees to create innovations that differentiate it from its competitors and meet its customers' needs? In this case, the business strategy is closely related to the canvas business model. Business Model Canvas (BMC) analysis is considered effective because it explains thoroughly not only the value and products provided but also from the perspective of marketing, human resources, finance, etc. (Bertels et al., 2015). BMC is a tool for exploring business model innovations focused on sustainability (Sparviero, 2019). Through BMC, business actors can obtain an overview of their company and all related elements in a complete and detailed format. BMC helps entrepreneurs understand how functions, activities, processes, and other business management components relate. This business model is intended to ensure long-term sustainability. Four objectives drive business model innovation: addressing unanswered market needs, bringing new technologies,

products, or services to market, improving, building, or transforming existing markets with better business models, and creating new markets.

The BMC management concept aims to manage the strategic development of a sustainable and competitive corporate structure amidst changes in the volatile and unpredictable market environment.(Fritscher & Pigneur, 2014). Electronic commerce is a new system or paradigm in the business world that moves the traditional trading paradigm to electronic commerce through ICT (Information and Communication Technology) or Internet technology. Nine boxes represent important elements common to all business models, namely as follows.



Source: Analysis results, 2023

Figure 2. Business Model Canvas for VCO Star Company

Customer Segmentation (Customer Segments)—The customer segment component describes a specific group of people or organizations a company wants to reach or serve. Customer segmentation describes how a company can target its business activities to select the most potential customer segments by consumer goals. The VCO Star company targets customer segmentation in the form of men and women with an age range of 18 years to 60 years. In this case, it can be seen that customer segmentation starts from teenagers, adults, and those who have professions such as farmers, employees, traders, ornamental plant sellers, and homemakers. The target market for the VCO Star company is the people in Palu City, and we are targeting prospective consumers who are minimalist because it is based on affordable product prices.

Value Propositions—Value proposition components represent a combination of products and services that create added value for a specific customer segment. The value proposition describes how the company provides the best value to customers in line with the company's value proposition. For businesses with loyal customers, this can benefit them in the future. At the VCO Star company, several value propositions are implemented, namely that VCO Star products have many benefits for health and beauty.

Key Resources—key resource components that describe the key assets required for the business model to function. Key resources are assets that a company uses to support its business activities. Every business model requires critical resources, including how a company creates and delivers value propositions, enters markets, maintains relationships with customer segments, and generates revenue. Primary resources can be physical, economic, intellectual, or human. The

company may own critical resources, lease them, or acquire them from key partners. The VCO Star company's main resources are trusted raw material suppliers, competent workers to process VCO, and practical and modern production equipment.

Main Activities (Key Activities) –The main activities of the VCO Star company are promotions on various social media accounts, providing direct education to consumers every time they make a sale, and carrying out sales and promotions at every event or event that presents many people as potential consumers.

Channels–Channel components describe how a company communicates and reaches customer segments to provide a value proposition. These channels describe how businesses reach consumers through their communication and sales channels. Communication, sales, and distribution channels are the relationships between businesses and customers. Channels are customer touch points and play a critical role in every incident a customer experiences. Most companies use intermediaries and distribution channels to bring their products to market. The social channels or media we use to market VCO Star products are Facebook, Instagram, and WhatsApp, which are the channels or media we use to reach target consumers and introduce and build the brand to the public/consumers.

Key Partnerships–the most important partnership component that describes the network of suppliers and partners that make a business model successful. Companies enter into partnerships for various reasons, forming the basis of many business models. One of the partnerships that business people can establish within their company is marketing channels and sales agents. Therefore, a primary partnership is a partnership between a company and another party to support the business activities it carries out. Besides implementing good customer relationship management, marketers must also implement good partner relationship management. The main partnerships in the VCO Star company are Coconut Farmers, Rio Digital Printing, and Toko Plastik. Coconut farmers sell coconuts to be produced into oil, Rio Digital Printing is a place to print product labels, and plastic shops sell various plastics for packaging VCO Star products.

Customer Relations (Customer Relationships)–Customer relations function as a tool to communicate customer needs so that the company can continue to realize their needs. Customer relations is managing detailed information about each customer to maximize loyalty. Customer relations is designed to help a company better understand its customers, increase the value of its services, and build deeper customer relationships. As for efforts to establish close relationships with consumers, the VCO Star company carries out education regarding the introduction of VCO, which functions for health and beauty, as well as implementing a method by using confidence intervals, which is done using marketing emails (product, price, promotion, and distribution) directly during carfree day as well as to establish close relationships with consumers.

Income Streams– a revenue stream component representing the amount of money a company makes from each customer segment. Revenue streams are key elements that businesses need to optimize to achieve maximum profits. When customers are at the center of your business model, revenue streams are its lifeblood. Sales of Virgin Coconut Oil, the raw material for which is coconut, is easily obtained at a very affordable price in the community. From raw materials that can be obtained easily and at very affordable prices, we can reduce the product's production costs so that it can become a better source of business income.

Cost Structure (Cost Structure)–The cost structure represents a company's costs in carrying out its business activities. These cost structure components represent the highest costs in operating a business model and creating and delivering value, maintaining customer relationships, and generating revenue costs a lot. The cost structure describes what costs must be incurred to carry out the business activities. The cost structure at the VCO Star company is procurement of tools to make VCO, procurement of raw materials, labor costs in making VCO, and budget preparation for marketing and promotion.

Based on the explanation above, the sustainable business strategy through VCO Star product innovation is creating new products that will continue to develop. Currently, the VCO Star company has launched a new product in the form of VCO Star Body Wash, which is based on coconut oil, and these VCO Star products will continue to be developed to meet the needs of the people of Palu City. The findings highlight various aspects that strengthen the growth and sustainability of VCO Star. This research reveals that consumer awareness about health and sustainability is increasing, creating significant opportunities for VCO products. Consumers are increasingly inclined to choose natural products, and product innovation emphasizing health benefits can be a key driver of VCO Star's business growth. Implementing sustainable business strategies through product innovation has positively impacted the VCO Star brand image. Consumers are likelier to choose products from companies that demonstrate awareness and responsibility for environmental issues. This provides benefits in building long-term consumer loyalty.

Companies can continue to increase their product innovation efforts to respond to changing market dynamics. In addition, business sustainability through sustainable practices can be a foundation for building partnerships and establishing close relationships with customers and other stakeholders. Thus, the findings of this research provide a strong basis for VCO Star to continue developing sustainable business strategies through product innovation. By combining health, sustainability, and innovation, companies can play a stronger role in the competitive VCO market and build a sustainable future. By integrating sustainable business strategies through product innovation into the Canvas Business Model, VCO Star can design a balanced, profitable business model that aligns with modern consumers' needs and values.

CONCLUSION

This research provides an in-depth look at how VCO Star has successfully integrated sustainability and product innovation into its business strategy, using the BMC Business Model as an effective management tool. Implementation of this strategy has a positive impact on business growth, brand image, and long-term relationships with consumers and business partners. Thus, creating a solid foundation for VCO Star to face changing market dynamics and build a sustainable future is important.

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