

MARKETING THE PRODUCT THROUGH SEGMENTATION, TARGETING, AND POSITIONING IN MSMEs: A CASE STUDY OF AGRILO COFFEE LEATHER

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Abstract:

Micro, Small, and Medium Enterprises (MSMEs) play a central role in the Indonesian economy, yet intensifying market competition requires them to adopt more focused marketing strategies. This study examines the segmentation, targeting, and positioning (STP) strategy implemented by Agrilo, an MSME in Malang Regency, East Java, that produces upcycled coffee leather from agricultural byproducts. A descriptive qualitative single-case-study design was employed using field observations, semi-structured in-depth interviews with the founder, and document review. The findings indicate that Agrilo segments its market using demographic, geographic, psychographic, and behavioral variables. Its primary target consists of eco-conscious Millennial and Generation Z business owners across Indonesia who value environmental sustainability, while experiential workshops broaden engagement to other generational groups. Agrilo positions itself as an agricultural MSME embedded in a sustainable ecosystem and differentiated by circular-economy practices, waste reduction, sustainable material innovation, and community empowerment. These findings show that a coherent STP strategy can strengthen the market relevance of sustainability-oriented MSMEs by aligning customer characteristics, target selection, and a distinctive value proposition.

Keywords: Marketing Strategy, Segmentation, Targeting, Positioning, MSMEs

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are widely recognized as a major engine of economic activity because they create employment, stimulate local innovation, and sustain market dynamism. In Indonesia, MSMEs absorb substantial employment in both the formal and informal sectors (Fitriati et al., 2020) and function as a pillar of the national economy by supporting domestic market stability amid global uncertainty (Budiarti et al., 2026). They also provide a productive safety net for lower-income communities (Sholehuddin and Sudarmiati, 2024). The rapid expansion of Indonesia's business sector has further strengthened the role of MSMEs (Setyawati et al., 2025), while their substantial contribution to gross domestic product demonstrates their importance in supporting domestic consumption and long-term macroeconomic resilience (Sholehuddin and Sudarmiati, 2024).

In an era characterized by rapid technological change, shifting market dynamics, and global disruption, sustaining MSME performance has become increasingly challenging (Efrina et al., 2024). Marketing performance is particularly important to business continuity (Sofyandi, 2026). Changes in the competitive environment and rising customer expectations require firms to adapt continuously and to deploy strategies that preserve their market position (Ermawati and Agustini, 2025). Because firms cannot serve every customer equally well, effective marketing requires them to



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concentrate resources on the customers they can serve most effectively and profitably (Kotler and Armstrong, 2018). This process involves identifying distinct market segments, selecting those that offer the greatest opportunity, and developing a market offering that occupies a meaningful position in the minds of target customers (Kotler and Keller, 2016).

Segmentation, targeting, and positioning (STP) constitute a core framework of strategic marketing and brand competition (Sharp et al., 2024; Kotler and Keller, 2016). For MSMEs, the STP framework provides a systematic basis for identifying market segments, selecting target customers, and establishing a clear product position that can support business continuity (Setyawati et al., 2025). However, limited mastery of STP remains a common marketing challenge (Nugraha et al., 2024). Although STP has been widely applied in various business contexts, research examining its implementation in Indonesian craft-based MSMEs remains limited (Sofyandi, 2026). This gap is particularly relevant for resource-constrained enterprises that must align market selection and value creation with a focused strategic approach.

Agrilo is an MSME in Malang Regency, East Java, that produces upcycled coffee leather from coffee-processing byproducts. Its business model reflects the growing adoption of circular-economy practices in the coffee agro-industry by converting coffee fruit skins into bio-based leather and subsequently into consumer products. Such a model requires a precise STP approach because the product combines sustainability attributes, material innovation, and specialized customer value. Accordingly, this study aims to describe Agrilo's implementation of segmentation, targeting, and positioning. Specifically, it examines how Agrilo operationalizes market segmentation, how the enterprise identifies and selects its primary target market, and how its positioning strategy differentiates the brand from competing alternatives.

METHODS

This study employed a descriptive qualitative approach and a single-case-study design focused on Agrilo, an MSME that produces upcycled coffee leather. Primary data consisted of narrative information obtained through semi-structured, in-depth interviews with Agrilo's founder, supported by field observations and document review. The interview guide was designed to explore the enterprise's market segmentation, targeting, and positioning practices. Data analysis followed the iterative qualitative process described by Miles and Huberman (1994), comprising data reduction, data display, and conclusion drawing or verification. This approach enabled the study to organize, validate, and interpret empirical evidence systematically in relation to Agrilo's STP strategy.

RESULT AND DISCUSSION

Agrilo, an abbreviation of Agriculture Loop, is a sustainability-oriented MSME based in Malang, East Java, that produces upcycled coffee leather and operates primarily in the business-to-business (B2B) market. Coffee fruit-skin residues, commonly known as cascara, are collected, dried, and processed so that their natural fibers can be transformed into a plant-based alternative material. This process illustrates a circular-economy model in which agricultural byproducts are converted into higher-value secondary resources. In addition to reducing waste and creating new pathways for sustainable materials, Agrilo supports community empowerment by involving women from surrounding communities in the artisanal production of coffee-leather handicrafts.

Market Segmentation at Agrilo

Agrilo applies a multidimensional segmentation framework based on demographic, geographic, psychographic, and behavioral variables. This approach is consistent with Khusnia et



al. (2025), who identified similar segmentation dimensions in a craft MSME in Malang. More refined segmentation can improve a firm's ability to design marketing programs that correspond to the needs of specific consumer groups (Keller and Swaminathan, 2020). Demographically, Agrilo classifies the market by generational cohort - Generation Alpha, Generation Z, Millennials, Generation X, and Baby Boomers - and by gender. Geographically, it distinguishes domestic and international markets, with initial domestic penetration focused on Malang and Surabaya because of their proximity. Psychographically, customers are differentiated according to values and lifestyles, including environmental sustainability, community empowerment, eco-consciousness, concern about climate change, willingness to pay a premium for sustainable products, and interest in new experiences. Behavioral segmentation further distinguishes consumers who identify with circular-economy principles from those who are highly active on social media.

Targeting Strategy at Agrilo

Agrilo primarily targets eco-conscious Millennial and Generation Z business owners across Indonesia, regardless of gender, who place a high value on environmental sustainability. As a B2B enterprise, it therefore directs its commercial offering toward business owners who exhibit these characteristics. Nevertheless, Agrilo also reaches an emerging group of Generation X customers who pursue new ventures after retirement. To broaden engagement, the founder has developed experiential workshops in which participants create consumer products from sustainable coffee leather. These workshops introduce alternative leather made from coffee-fruit biowaste while demonstrating circular-economy principles in practice. Agrilo has also extended educational activities to Generation Alpha participants, thereby using workshops to cultivate environmental awareness and sustainability values from an early age. This multi-level targeting approach is consistent with Kotler and Armstrong (2018), who note that market targeting can be undertaken at different levels.

Coffee leather converts discarded coffee fruit skins into a premium plant-based alternative material that can be manufactured into products such as wallets, bags, and lanyards. Upcycling refers to the transformation of discarded or existing products into objects with new uses, or to the creation of new products and technologies from them (Wilson, 2016). In sustainability-oriented markets, brands can use upcycling to differentiate themselves and appeal to customers who prioritize environmental considerations (Ofori et al., 2025). In addition to providing functionality comparable to conventional leather applications, coffee leather offers environmental value through the use of circular-economy principles. This alignment between material attributes and sustainability values supports Agrilo's expectation that its offering will be relevant to the needs of its selected target market.

Positioning Strategy at Agrilo

Agrilo forms part of Agroniaga, an integrated agricultural MSME ecosystem, and operationalizes a circular-economy model through the processing of agricultural waste. It operates alongside two related brands: Senja Tresno, which provides production facilities and technical assistance to farmers, and Plantura, which manages downstream coffee commodities by offering green and roasted coffee beans with consistent quality and distinctive flavor. Within this ecosystem, Agrilo occupies a specific role in developing zero-waste and upcycling initiatives that increase the value of agricultural byproducts. Its market position is therefore connected not only to the coffee-leather product itself but also to a broader agricultural ecosystem built around resource efficiency and sustainable value creation.



Coffee skins, or cascara, account for approximately 40-50% of the total weight of the coffee fruit and represent an agricultural byproduct that is frequently underutilized. Their upcycling can create additional revenue opportunities for farmers alongside conventional coffee-bean sales. By transforming material that would otherwise be treated as waste into a valuable resource, Agrilo creates economic value while reducing environmental pressure. This dual contribution strengthens its position as a circular-economy MSME and supports the development of alternative sustainable materials.

Agrilo's value proposition is centered on reducing ecological impacts through circular-economy practices. The enterprise positions itself as an agricultural MSME committed to sustainable ecosystem values by reducing waste, creating alternative materials, and supporting community empowerment. Because positioning is central to marketing strategy (Keller and Swaminathan, 2020), this value proposition provides a coherent basis for differentiation. Fluhrer and Brahm (2023) note that SME entrepreneurs consider positioning highly relevant even though their market and brand orientations may differ from those of larger firms. Agrilo's positioning also reflects the Triple Bottom Line framework: it pursues economic value, contributes to environmental protection through upcycled coffee leather, and generates social value by empowering women in surrounding communities. The Triple Bottom Line emphasizes the simultaneous pursuit of economic prosperity, environmental quality, and social justice rather than a singular focus on financial performance (Elkington, 1997).

CONCLUSION

Agrilo's STP strategy demonstrates a multidimensional approach suited to a sustainability-oriented MSME. Its market segmentation extends beyond basic demographic characteristics by incorporating age cohorts from Baby Boomers to Generation Alpha, gender, domestic and international geography, psychographic values, and behavioral characteristics. The strongest differentiation occurs within psychographic and behavioral segmentation, where Agrilo distinguishes customers according to their commitment to environmental sustainability, interest in community empowerment, alignment with circular-economy principles, and engagement with digital social platforms. This combination enables the enterprise to capture both the value orientations and media behaviors of potential customers.

Agrilo's targeting and positioning strategies are closely aligned with this segmentation logic. The enterprise primarily targets eco-conscious Millennial and Generation Z business owners across Indonesia who prioritize environmental sustainability, while workshops extend engagement to additional generational groups. Its positioning is differentiated through a sustainable ecosystem model that integrates circular-economy practices, the upcycling of coffee skins into coffee leather, and community empowerment. Taken together, these elements establish a coherent value proposition for purpose-driven business customers and provide a strategic basis for strengthening Agrilo's marketing performance.

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