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RESEARCH ARTICLE

Product-Service System (PSS) Strategy in Service Development at Akara Coffee & Space

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Abstract: This study explores the Product-Service System (PSS) strategy at Akara Space, a coffee shop that adopts a functional results approach to enhance efficiency and business growth. Using a descriptive qualitative method, data were collected through interviews and on-site observations to identify the most suitable PSS quadrants for the business. The findings suggest that Product Pooling, Outsourcing, and Functional Result quadrants are practical strategies. Product Pooling involves resource sharing with other businesses to reduce costs, optimize resource use, and build partnerships. Outsourcing focuses on delegating specific management functions to external providers, enabling Akara Space to maintain service quality while focusing on its core strengths. The Functional Result quadrant introduces a membership model, allowing customers to access services rather than owning products. This approach aligns with customer preferences for convenience and fosters loyalty, creating a steady revenue stream. Implementing these strategies can improve Akara Space's efficiency, competitiveness, and adaptability in a dynamic market. By leveraging collaboration, resource optimization, and innovative service models, the business can achieve sustainable growth while delivering excellent customer experiences.

Keywords: Product-Service System; Food & Beverage, Product Pooling; Outsourcing; Functional Result.

1. INTRODUCTION

The food and beverage (FnB) industry has emerged as one of the most dynamic and strategically significant economic sectors, experiencing rapid growth and evolution in recent years (Syafi'i et al., 2023). This accelerated development has heightened competition, compelling companies in this sector to adopt strategic plans that are not only innovative but also adaptable to the ever-changing market needs. Businesses are required to stay competitive while anticipating customer preferences and aligning with emerging industry trends. Among the most effective strategies for achieving these goals is innovation, which functions as a crucial tool for gaining market acceptance and sustaining long-term success. Business innovation spans a broad spectrum, including the creation of unique products, enhancement of operational efficiency, and implementation of advanced marketing techniques (Muhajir et al., 2024). These efforts empower companies to distinguish themselves from their competitors and establish a sustainable competitive advantage in a market characterized by continuous change.

Beyond product innovation, delivering exceptional service quality has become a cornerstone for ensuring customer satisfaction and loyalty. Superior service quality enhances the customer experience, encouraging repeat purchases and fostering brand loyalty through positive word-



of-mouth recommendations (Andreani, 2010). Customers who perceive value not only in the product but also in the accompanying services are more inclined to become loyal brand advocates, thereby contributing to the company's sustained growth and success. This has prompted many businesses in the FnB sector to adopt customer-centric approaches, focusing on aligning their offerings with customer expectations to create a memorable and impactful brand experience.

To address the challenges of maintaining competitiveness and ensuring customer satisfaction, the Product-Service System (PSS) concept has garnered considerable attention in recent years. PSS represents a transformative business paradigm in which companies integrate their physical products with value-added services to deliver holistic and comprehensive solutions to customers. This approach shifts the traditional focus from standalone product offerings to a seamless blend of products and services that maximize value delivery and enhance the overall customer journey. Mont (2002) explains that implementing PSS necessitates innovation not only in product design but also in the underlying systems and processes, enabling companies to align their operations more closely with customer needs while creating distinctive competitive advantages.

Akara Coffee & Space, a business deeply rooted in the FnB industry, has recognized the critical role of innovation and service quality in navigating the highly competitive market landscape. Understanding the transformative potential of PSS, the company aims to adopt this concept to elevate customer experiences and streamline its operations. By integrating complementary products and services, Akara Coffee & Space seeks to develop a unique value proposition that distinguishes itself from its competitors. This study delves into how the business can implement the PSS framework effectively, focusing on the owner's aspirations for future growth, the company's current operational state, and the integration of innovative products and services that align with market demands and trends.

The adoption of PSS within Akara Coffee & Space is not just an opportunity to increase customer satisfaction; it is also a strategic move toward achieving long-term sustainability. By embracing a holistic approach to value creation, the business can solidify its market presence, enhance customer loyalty, and respond more effectively to evolving industry trends. This research provides a comprehensive analysis of the potential benefits and practical strategies for successfully adopting PSS within the FnB context. Furthermore, it highlights broader implications for other businesses seeking to achieve sustainable growth through innovation, operational excellence, and customer-centric strategies. By leveraging the insights gained from this study, Akara Coffee & Space, and similar businesses, can position themselves as leaders in delivering innovative and high-quality experiences in the ever-evolving FnB industry.

2. Literature Review

In practice, PSS has proven to be a versatile framework applied across diverse industries, including manufacturing, retail, healthcare, and services, with growing potential in the food and beverage (FnB) sector. In this sector, PSS facilitates the integration of physical products with complementary services, enhancing the overall customer experience. By adopting PSS, businesses can create holistic solutions that address not just the functional needs of customers but also their emotional and social expectations. For instance, incorporating technologies like digital ordering systems, mobile applications, personalized promotions, and interactive loyalty programs can significantly enrich customer interactions. This creates not only a seamless service experience but also fosters deeper engagement and long-term loyalty.

Moreover, the adoption of PSS aligns strongly with sustainable business practices. By shifting the focus from merely selling products to providing solutions, businesses can reduce environmental impacts through improved resource efficiency and waste management. For example, in the FnB industry, reusable packaging schemes or subscription-based meal plans reduce disposable waste and optimize inventory management. PSS models, such as product leasing or pay-per-use systems, also encourage longer product lifecycles and greater product

utility, contributing to a circular economy (Tukker, 2015; Mont, 2002). These approaches not only support global sustainability goals but also strengthen brand reputation in an era where consumers increasingly prioritize ethical consumption.

However, the implementation of PSS comes with notable challenges. It often requires a fundamental rethinking of the traditional business model, involving significant organizational restructuring and process redesign. Companies must invest in training, digital infrastructure, and stakeholder alignment to ensure seamless integration of products and services. Resistance to change, limited expertise in service innovation, and high upfront costs may also pose barriers, particularly for small and medium-sized enterprises (SMEs) (Annarelli et al., 2016). Furthermore, effectively measuring the success of PSS in terms of customer satisfaction, environmental impact, and financial performance can be complex, requiring robust metrics and analytics systems.

Despite these challenges, businesses that successfully implement PSS gain distinct advantages in highly competitive markets. They can differentiate themselves by offering value-added solutions that are difficult for competitors to replicate, thereby fostering stronger customer loyalty and satisfaction. Additionally, PSS provides greater agility to adapt to changing market demands and technological advancements, making it a resilient strategy for long-term growth (Baines et al., 2007; Haase et al., 2017). As such, PSS represents not only a strategic tool for competitive advantage but also a pathway for achieving sustainability and innovation in the modern business landscape.

By embedding PSS into their operations, companies in the FnB sector and beyond can transcend traditional business boundaries, delivering enhanced value to customers while contributing positively to societal and environmental well-being. This dual focus on customer-centricity and sustainability positions PSS as a cornerstone for businesses aiming to thrive in the 21st-century marketplace.

3. Research Method and Materials

The research method employed in this study is qualitative-descriptive, aimed at thoroughly describing the condition of the company by utilizing interview and observation approaches. This method allows researchers to gain a deeper understanding of the subject by capturing both spoken information and observable realities.

The interview was conducted on August 31, 2024, directly with the owner of Akara Coffee & Space, located in Limo, Depok. Conducting the interview in person enabled researchers to delve into details that might not be documented in formal data or company records. This approach provided opportunities to explore insights, experiences, and strategies directly from the owner, resulting in a richer and more comprehensive understanding of the company's operations, challenges, and goals.

In addition to the interview, the study also incorporated direct observation as a supplementary data collection method. Observations were carried out at the company's location to capture real-time conditions and day-to-day operations. This allowed researchers to directly observe the physical environment, customer interactions, and service processes. By comparing the information gathered from interviews with on-site observations, researchers were able to validate and cross-check data. This triangulation of data sources ensured greater accuracy and reliability in the findings, enhancing the overall credibility of the research.

4. Results and Discussion

This research begins with filling out a questionnaire containing existing quadrants, quadrants desired by business owners, proposed quadrants, and several questions used to identify the products discussed and the results of quadrants that are suitable for developing businesses. The existing quadrant is a quadrant that determines the status quo condition of the company into the Product-oriented, use-oriented, or service-oriented category. Meanwhile, the

proposal quadrant is a quadrant that contains proposals from researchers regarding quadrants that are suitable for implementation into the company in the future. Finally, asking some questions to the business owner to help determine the quadrant that is suitable and relevant to Akara Coffee & Space in tabular form. The following are the questions used and the quadrant results obtained:

Table 1. Questionnaire Questions

No.	Questions	Yes/No
1.	Does your institution offer products that are goods or services only (no combination)?	Yes
2.	Does your institution offer products in the form of goods and services (simultaneously)?	No
3.	Does your institution have specialized human resources who are members of a team of experts in the field of products that you offer?	No
4.	Does your institution have specialized human resources to develop software?	No
5.	Does your institution have the financial resources financial resources that are large enough to offer installments/lease?	No
6.	Can the products/services provided to customers be enjoyed by different customers at the same time?	Yes
7.	Does your institution have partners who can help distribute the products/services provided?	Yes
	If question 7 is answered yes, please answer the following question.	
7a	Is the business partner willing to distribute the products/services provided by the payment method per unit of service?	No
7b	Is the business partner willing to distribute the products/services provided by the payment method per unit of service?	Yes

Table 2. PSS Quadrant Result

<i>Product Oriented</i>	<i>Use Oriented</i>	<i>Service Oriented</i>
Quadrant 1		
<i>Product Related Service</i>	<i>Product Lease</i>	<i>Outsourcing</i>
Quadrant 2		Quadrant 8
<i>Advice & Consulting</i>	<i>Product Renting</i>	<i>Pay Per Service Unit</i>
	Quadrant 6	
<i>Product Related Software</i>	<i>Product Pooling</i>	<i>Functional Result</i>
	Quadrant 7	Quadrant 10
		Kuadrant 10

Table 2 highlights the three key color-coded categories that represent the status of each quadrant analyzed in the study. These categories help clarify the company's current positioning, future aspirations, and actionable opportunities. The blue quadrant reflects the company's current status, representing its existing strategies and operations. This indicates where Akara Coffee & Space currently stands in terms of its business model and operational focus.

The yellow quadrant illustrates the business owner's aspirations for future growth and innovation, representing ideal goals for long-term development. This category identifies areas where the company aims to evolve, aligning with its vision and strategic objectives.

Finally, the green quadrant highlights areas deemed feasible for immediate or near-term implementation based on the analysis conducted. These areas are practical and actionable, offering opportunities for immediate enhancement of the business.

This discussion focuses on three specific quadrants identified as feasible for further development at Akara Coffee & Space through the Product-Service System (PSS) approach: Quadrant 7 (Product Pooling), Quadrant 8 (Outsourcing), and Quadrant 10 (Functional Result). Each of these quadrants provides distinct opportunities to improve the business, optimize its operations, and position it for sustainable growth and competitiveness.

4.1. *Quadrant 7: Product Pooling*

The concept of product pooling involves sharing resources to meet demand more efficiently, resulting in improved operational performance. For Akara Coffee & Space, this approach offers a pathway to streamline its operations by collaborating with other businesses. Such partnerships could include resource sharing for coffee equipment, raw materials, or services that benefit multiple stakeholders. For instance, Akara Coffee & Space could establish agreements with neighboring businesses or other coffee shops to share the use of high-quality coffee machines. This setup would necessitate detailed agreements covering aspects such as usage schedules, maintenance responsibilities, and cost-sharing mechanisms. By pooling resources, Akara Coffee & Space can reduce capital expenditures on expensive equipment while ensuring consistent access to high-quality resources, ultimately improving customer satisfaction and operational efficiency.

The success of product pooling requires clear communication and well-defined terms of collaboration. For example, if a premium coffee machine is shared, there must be a mutually agreed-upon rotation schedule to ensure fair usage. Additionally, rules regarding cleaning, maintenance, and operational responsibilities are critical to avoid conflicts. By leveraging this strategy, Akara Coffee & Space can not only reduce costs but also foster a sense of community and partnership within its business network, which can further enhance brand reputation.

4.2. *Quadrant 8: Outsourcing*

Outsourcing offers a strategic advantage by transferring non-core activities to third parties, allowing businesses to focus on their primary functions. For Akara Coffee & Space, outsourcing can be applied to various areas such as delivery services, supply chain management, or technological support. For instance, by partnering with established delivery platforms like GoFood, GrabFood, or ShopeeFood, the coffee shop can expand its delivery capabilities without investing in its own fleet. This approach reduces operational complexity and costs while increasing the reach and accessibility of its products to customers.

Beyond delivery, outsourcing could also extend to other functions, such as IT management for digital ordering systems, maintenance of coffee machines, or even marketing campaigns. By entrusting these specialized tasks to experts, Akara Coffee & Space can ensure high-quality execution while redirecting its internal resources toward core activities like menu development, customer service, and in-store experiences. However, successful outsourcing requires diligent selection of reliable partners, clear contractual agreements, and regular performance evaluations to ensure that the outsourced services align with the company's standards and objectives.

4.3. *Quadrant 10: Functional Result*

The Functional Result quadrant represents an innovative shift from selling products to delivering outcomes or benefits that customers value. For Akara Coffee & Space, this approach can be effectively implemented through a membership-based model. In this model, customers subscribe for a fixed monthly fee to enjoy regular access to coffee and other exclusive benefits. Membership could include perks such as discounted prices, access to premium menu items, reserved seating, or even invitations to special events like coffee-tasting sessions or barista workshops.

This strategy aligns well with customer preferences for convenience and exclusivity. By offering a membership system, Akara Coffee & Space not only generates predictable revenue streams but also fosters stronger relationships with its loyal customers. The sense of belonging and added value provided by such memberships can enhance customer retention and encourage positive word-of-mouth promotion. Additionally, this model allows the company to collect valuable customer data, which can be leveraged for personalized marketing and further refinement of the membership offerings.

The Functional Result approach also aligns with the owner's vision of future business growth, making it a priority for implementation. By focusing on customer-centric value delivery rather than transactional sales, Akara Coffee & Space can position itself as a pioneer in innovative service models within the FnB industry.

5. Conclusion

This research demonstrates that the Product-Service System (PSS) approach offers valuable innovation opportunities for Akara Coffee & Space, allowing the business to expand its services and optimize operational efficiency through three key strategies: Product Pooling, Outsourcing, and Functional Result. The adoption of these strategies will not only enhance the company's market position but also contribute to its sustainability and growth in the increasingly competitive food and beverage (FnB) industry.

The Product Pooling strategy enables Akara Coffee & Space to maximize resource utilization by forming strategic partnerships with other businesses. By sharing key resources such as coffee-making equipment, raw materials, or even services, Akara Coffee & Space can lower costs and reduce the financial burden of investing in expensive infrastructure. This cooperative approach helps to streamline operations while maintaining high standards of service quality. It also fosters collaboration within the business ecosystem, potentially enhancing the brand's reputation and creating synergies that benefit all parties involved. For instance, by sharing premium coffee machines with a partner, Akara Coffee & Space could avoid the significant costs associated with purchasing and maintaining such equipment independently. This model provides a way to balance efficiency and resource management, paving the way for more sustainable business practices.

The Outsourcing strategy offers another effective means to enhance business operations. By delegating non-core functions to third-party service providers, Akara Coffee & Space can focus on its core competencies such as customer service, product quality, and menu innovation. Outsourcing functions like delivery management, technology infrastructure, and even marketing services can result in reduced operational costs and greater operational flexibility. For example, partnering with delivery platforms like GoFood, GrabFood, or ShopeeFood not only allows Akara Coffee & Space to expand its delivery services without managing a fleet but also ensures that deliveries are handled by experienced providers, ensuring faster and more reliable service. This frees up the business from logistical concerns and enables it to concentrate on enhancing customer experiences, which is central to the company's mission.

The most promising strategy, however, is the Functional Result approach, which aligns closely with the business owner's vision of creating a more personalized and sustainable customer experience. This strategy involves shifting away from traditional product sales to focus on delivering specific results or benefits that meet customers' desires. One possible implementation for Akara Coffee & Space is the introduction of a membership subscription model. Customers who subscribe to a monthly or yearly plan could enjoy exclusive benefits such as discounted prices, premium access to special products, or priority reservations. This model fosters long-term customer relationships by providing ongoing value, which not only enhances customer loyalty but also generates a predictable revenue stream for the business. Additionally, it reflects a growing trend in the FnB industry, where consumers increasingly seek convenience, personalized experiences, and a sense of community.

By offering subscription memberships, Akara Coffee & Space can further differentiate itself in the competitive coffee shop market. This strategy aligns with customer demands for personalized services while providing a steady income stream for the business. The shift from transactional sales to a more service-oriented approach represents a significant opportunity for Akara Coffee & Space to build deeper connections with its customers, offering them added value beyond just the coffee. This functional result model not only meets current customer expectations but also creates a foundation for sustainable growth by adapting to evolving market trends.

In conclusion, implementing the PSS approach at Akara Coffee & Space holds great potential for improving both customer satisfaction and business performance. The combination of Product Pooling, Outsourcing, and Functional Result strategies provides a comprehensive framework for delivering value to customers, optimizing resources, and achieving long-term business objectives. This holistic approach will help Akara Coffee & Space remain competitive in the fast-paced and ever-changing FnB industry while positioning the company for sustainable growth and success. The integration of these strategies will not only enhance the customer experience but also strengthen Akara Coffee & Space's market position, ultimately supporting its continued expansion and leadership in the coffee shop sector.

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