

Business Development Strategies of PT IPB Shigeta Animal Pharmaceuticals Using Business Model Canvas Approach

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Abstract: PT IPB Shigeta Animal Pharmaceutical is one of the producers of poultry vaccine in Indonesia. This company produces avian influenza vaccine called Bird CLOSE 5.1 using reverse genetic technology. Until now, this company is only sell three varieties of poultry vaccines. Meanwhile, it needs at least nine varieties of vaccines needed to maximizing poultry breeding. Business development strategies need to be taken in order to elevate the competitiveness of the company in meeting customers demand of high quality, safe, and efective poultry vaccine in Indonesia. This study is descriptive-qualitative with case study approach. This study conducted business model mapping into nine elements of business canvas model to analyze current business strategies taken by the company. Moreover, SWOT analisis was conducted to nine elements of business canvas model. The result of this study shows improvement in business canvas model and business development alternative strategies for PT IPB Shigeta Animal Pharmaceuticals.

Keywords: Business canvass model, alternative strategies, SWOT, poultry vaccines, PT IPB Shigeta Animal Pharmaceuticals

1. Introduction

There are nine poultry vaccines are used in breeding poultry health for consumption in Indonesia. Unfortunately, the high demand of poultry vaccines is still dominated 80% by imported products. Indonesia government has banned impport permit for Avian Influenza (AI) vaccine based on Ministry of Agriculture Policy Number 3445 13 July 2011. This policy open opportunity for local vaccine producer to produce local Avian Influenza vaccine.

Business potential of poultry vaccine in Indonesia is promising. This trend is supported by the increasing demand of poultry based product consumption which lead to the increase of poultry breeding business in Indonesia. Table 1 shows business potential of poultry vaccine (New Castle Diseases (ND), Avian Influenza (AI), and combination of ND-AI) in Indonesia in the year 2013. Table 1 summerized the annual vaccine used and amount of vaccine demand annually in dosage. The information in Table 1 shows that the demand for vaccine AI in 2013 is equal to 552.000.000 dosage.

Table 1: Poultry vaccine market potential in 2013

Vaccines	Total vaccine			Needs in doses (x 1000)			Total (x 1000)
	Broiler	Layer	Breeder	Broiler	Layer	Breeder	
AI-Kill	-	4	8	-	360.000	192.000	552.000
ND-AI Kill	1	-	-	2.000	-	2.000.000	2.000.000
ND Kill	-	1	3	-	90.000	72.000	172.000

Vaccine AI is the first product produced by the company during its establishment due to the spread of AI disease in Indonesia in 2004. According to Yudhastuti and Sudarmaji (2006) Avian Influenza is vicious virus which character is zoonosis (able to spread from animal to human). In order to

comprehend the spread of AI virus, the company decided to produce AI vaccine as one of the solution towards the spread of this vicious virus spread which causes bird flu in Indonesia.

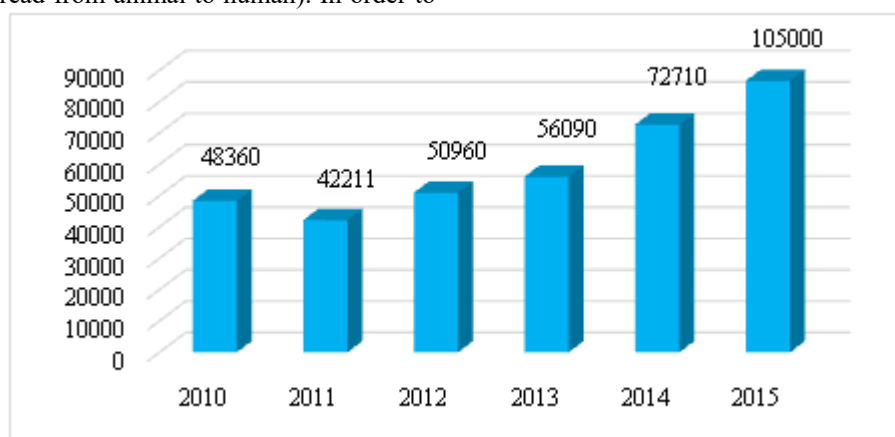


Figure 1: Avian influenza vaccine sales growth PT IPB Shigeta Animal Pharmaceuticals (units in thousand of bottless)

The graph above shows the growth of AI vaccine total sales of PT IPB Shigeta Animal Pharmaceuticals from 2010-2015. There is consistent growth of total sales from 2012 to 2015 with slight decrease in 2011. In 2013 PT IPB Shigeta Animal Pharmaceuticals able to produce and sold 56.090 bottles which equals to 56.090.000 dosage of AI vaccine. This trend shows that PT IPB Shigeta Animal Pharmaceutical in 2013 has market share of 10 percent from total AI vaccine demand in Indonesia. This trend indicates the opportunity for the company to produce other vaccine products due to its success in AI vaccine. Therefore, business development strategies need to be designed for PT IPB Shigeta Animal Pharmaceutical to increase its competitiveness in AI vaccine industry and propose business development strategy design for other vaccine products.

According to Wheelen and Hunger (2010), overall cost leadership or differentiation are among business strategy or competition strategy. Business strategy emphasize on strategic decision making which involve competitive position from a particular product or market share from a business. Business strategy better integrate various functional activities to achieve goals and mission of the company. According to Tim PPM Manajemen (2012) business strategy is description of a relationship between company's competitiveness and resources as well as its activities conducted to acquire and produce values that generate profit. According to Giesen, Riddleberger, Christner, and Bell (2010) business model innovation is a crucial for a business success in an complex and fast-moving environment just like today. Business leaders need to understand when the conducting business model need to be adapt by current condition and how to perform change management. In complex and fast-moving business environment, organizations need to rethink about their business model more often than what they did on the past. Velu and Khanna (2013) stated that business model innovation is an important thing to impose by company for the sustainability of the business.

Business model canvas is one a business model that describe the thinking foundation about how an organization or company create, deliver, and capture values. Business model canvass concept able to be a common language which enable to describe and manipulate business model to create new alternative policies (Osterwalder dan Pygneur 2010). There are nine elements in business model canvass; customer segment, customer relationship, channels, value proposition, key resources, key activities, key partnership, cost structure, and revenue stream.

According to problem statements above, the purpose of this study is to develop business development strategy for PT IPB Shigeta Animal Pharmaceuticals. The strategy development started from business model canvass approach by create a company condition mapping into nine elements of business model canvas. The next process is conduct SWOT analysis towards nine elements in business canvas

model. The result of SWOT analysis is used to improve business model canvas and to develop alternative business development strategy for PT IPB Shigeta Animal Pharmaceuticals.

2. Research Elaborations

This study is conducted in PT IPB Shigeta Animal Pharmaceuticals office at FKH IPB campus Jl. Agatis IPB Dramaga Campus, Bogor. This research is conducted in six months started from November 2015 to May 2016.

Data collected for this study consist of primary and secondary data. Primary data is collected from questionnaire, direct observation, and in depth interview as well as FGD (Focus Group Discussion). Primary data is consist of information about internal and external condition of the company as well as all information related to the nine aspects of business canvass model. The secondary data retrieved from the company is used only for complement primary data. Secondary data retrieved from company documents which related to the study such as the information of poultry breeder union, Ministry of Agriculture, and other literatures.

Data that collected from depth interview is conducted by interviewing external respondents such as President Director of Bogor Life Science and Technology (BLST) as well as avian influenza expert from faculty of veterinarian IPB. Focus group discussion was also conducted with internal respondents such as Commissioner, President Director, Operation Director, Production Manager, Quality Control Manager, and Marketing Assistant Manager of PT IPB Shigeta Animal Pharmaceuticals. Secondary data is collected from literature study and relevan institutions for this study. There are eight respondents participated in this study.

Company condition mapping is conducted towards nine elements of business canvas model, continued by SWOT analysis to understand strengths, weaknesses, opportunities, and threats faced by the company. The result from SWOT analysis is used to improve business canvas model and design alternative strategy for PT IPB Shigeta Animal Pharmaceuticals.

3. Result and Discussion

Identification of Business Canvas Model for PT IPB Shigeta animal Pharmaceuticals

Model business analysis for PT IPB Shigeta Animal Pharmaceuticals conducted using Business Model Canvas developed by Osterwalder and Pygneur (2013). From nine business elements from business model canvas observed, the current business canvas model mapping for PT IPB Sigeta Animal Pharmaceuticals is visualized in figure 2.

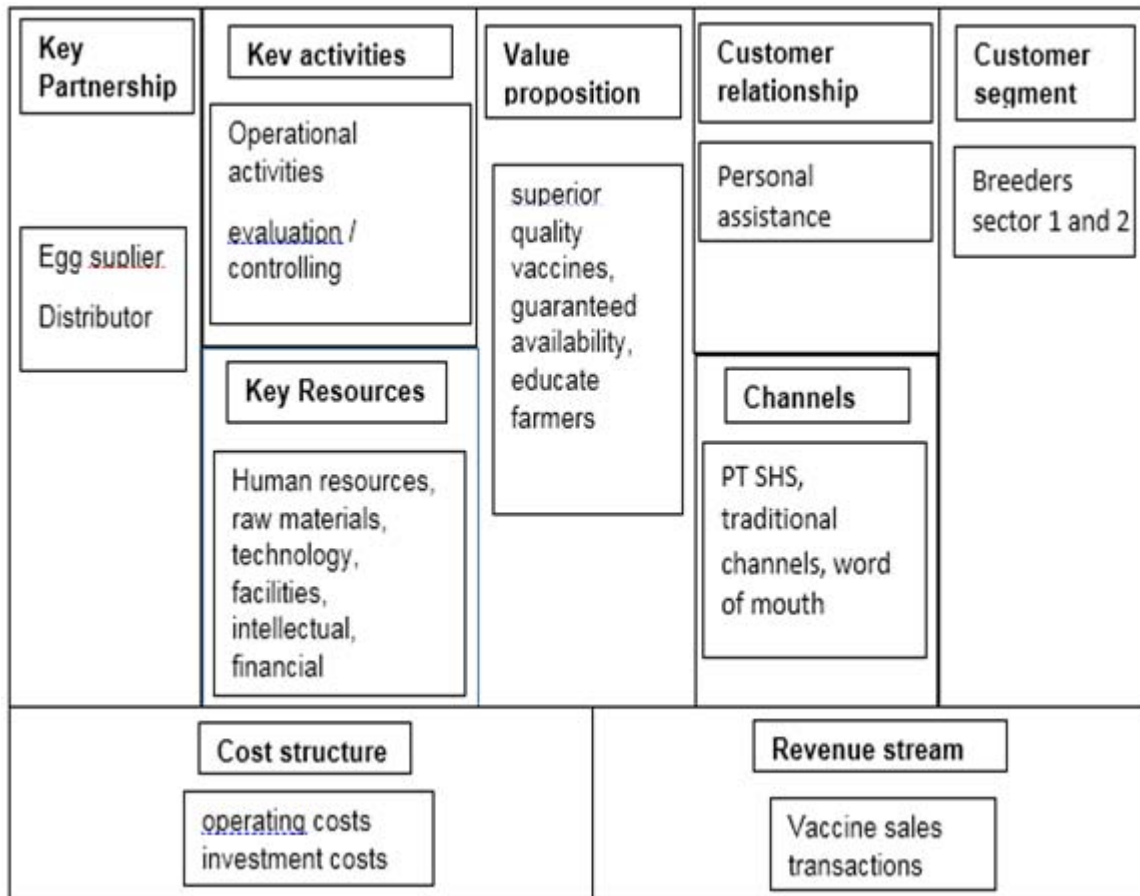


Figure 2: Canvas business model PT IPB Shigeta Animal Pharmaceuticals currently

SWOT Analysis for PT IPB Shigeta Animal Pharmaceuticals at Nine Elements of Business Canvas Model

After the business canvas model is conducted, the next step is to conduct SWOT analysis for nine elements of business

canvas model. The purpose of SWOT analysis is to analyze the internal and external conditions for PT IPB Shigeta Animal Pharmaceuticals. Table 2 summarizes the SWOT analysis.

Element	Strength	Weakness	Opportunity	Threat
Customer Segmen	Customers basis is well-segmented	Not able to serve all segments	Potential demand poultry segment sector 3 and Asia markets (export)	Illegal AI vaccine (China)
Value Proposition	Strong synergy between product and after sales service	Limited production capacity	Potential to develop other varieties of vaccine and other biological products	Illegal reverse vaccine
Channels	Big distributors with financial strength	Not have website yet and there is no export distributor	Needs informations of high quality poultry vaccines	The vaccine permit takes long time
Customer Relationship	Good relationship between personal assistane and customers as well as between directors and customers	Limited numbers of personal assistance	Increasing knowledge of breeder about vaccine quality	Black campaign from competitors
Revenue Stream	Good profit margin of products	Relies on one product which is AI vaccine	Needs vehicle and tools of poultry vaccines production.	Margin is threatened by technological advancement adopted by other companies
Key Resources	Reverse Genetic technology patent	Limited facility and production equipment	Increasing demand of poultry vaccine annually	Human resource shift to other companies
Key Activities	High barrier to entry to produce vaccine with reverse genetic technology	There are several personnels do not have relevant background	Increasing awarness of importance to patent to be listed in KEMENKUMHAM	Violation of SOP implementation
Key Partnership	IPB as dominant investors has strategic value	Only has one supplier	Potential to add more suppliers and develop electronic and website promotion	New partner quality not consistent with the agreement
Cost Structure	Cost structure is accordance with business model	The cost of raw materia is still relatively high	Improve cost efficiency from supporting materials substitution	Heavy investment and costly research and development

The Improved Design of Business Canvas Model for PT IPB Shigeta Animal Pharmaceuticals

According to the result of SWOT analysis towards nine elements, BMC, and FGD with board of director and

management of PT IPB Shigeta Animal Pharmaceuticals, the design of improved business model is visualized in figure 3.

Key Partnership	Key Activities	Value Proposition	Customer Relationship	Customer Segmen
Egg Suplier Distributor	Operational activities evaluating / controlling	Superior quality vaccines guaranteed, availability educated farmers	Personal assistance	Breeders sector 1 and sector 2
Acquire new partner, Eliminating partners that do not fit	New product development, increase production capacity	New types of poultry vacciness, other biological products	Customer complains and cunsulting division	Breeder sector 3 Asian market (eksport)
	Key Resources		Channels	
	Human resources, raw materials, tecnology facilities, intelectual, financial		PT SHS, traditional channels, word of mouth	
	Improving quality and quantity of human resource raw material substitution		Electronic advertising, another distributor	
Cost Structure		Revenue Stream		
Operating cost and invesment cost		Vaccine sales transactions		
Information tecnology cost, cost of building a new production unit		Export earnings		

Figure 3: Improved business model canvas PT IPB-Shigeta Animal Pharmaceuticals

The business development strategies that has been formulated for PT IPB Shigeta Animal Pharmaceuticals for period 2017-2022 are; 1) increase the quality and quantity of production, 2) increase the sales distribution to breeder, 3) increase production efficiency and selling price per bottle adaptation, 4)increase employee skill and welfare, 5) increase the product knowledge understanding to breeder, 6)develop new formulation for Bird Close 5.1 and new products 7) impose quality assurance towards vendor or finding new vendor and 8) develop strategic alliance with IPB and other reseach institutions.

4. Conclusion

Business development alternative strategies of PT IPB Sgeta Animal Pharmaceuticals 2022 are; increase the product scientific understanding to breeder, increase the sales distribution to breeder, develop new formulation for Bird Close 5.1 and new products, increase production efficiency and selling price per bottle adaptation, increase the quality and quantity of production and quality control, increase employee knowledge and welfare, impose quality assurance towards vendor or finding new vendor and develop strategic alliance with IPB.

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