

Business Development Model of Poultry Partnership CV. AJC GO that Approach with Business Model Canvas

Rifan Ardiansyah¹, Rita Nurmalina², Bunasor Sanim³

Magister Management and Business Bogor Agricultural University,
Gedung SB IPB Jl. Raya Pajajaran Bogor, Indonesia 16151

¹ardiansyahrifan13[at]gmail.com

²rita_ns[at]yahoo.com

³bunasorsanim[at]yahoo.com

Abstract: *Commodities poultry in Indonesia has market prospects because poultry product can be accepted by public, affordable price, accessible and empower breeder in countryside. The limitations in terms of capital, technology and human resources are made cooperation form in livestock agribusiness by various concerned parties. CV. AJC GO is one of partnership's companies in poultry industry that engaged with breeder broiler group. However in its perform, CV. AJC GO has some problems that require new strategies to improve the business model. The result of alternative strategy with SWOT Analysis toward Business Model that obtained by CV. AJC GO has improving capacity and welfare of employees, improving capacity and welfare of employees, expanding the marketing of products to retail business and franchises using raw materials chicken, and attracting investors.*

Keywords: business model canvas, SWOT, alternative strategies, poultry partnership

1. Introduction

Enhancement in population and improvement of human standard living caused demand escalation in various needs. Theoretically, the driving factors of demand escalation are called demand shifter. Its factor affected any change in demand [1]. Likewise, demand escalation of foodstuffs in livestock products is influenced by its price, complement and substitute products, level of income household and consumer preferences toward available products [2, 3].

Commodity of broiler is excellent in the Indonesia's livestock sector, if it compared with the other commodity livestock. Broiler business is a business that output and input price highly sensitive because of 65-70% component of broiler production is animal feed. The poultry industry is one of the highest GDP contributor in the West Java. In addition, sub-sector of livestock also contributes for improving food security in order to guarantee the availability of animal food. Poultry commodities have market prospects because it's supported by characteristics of poultry products that can be accepted by mostly Muslim in Indonesia, affordable price, easy to obtain, and main support in supply of protein animal national. Reviewing these good prospects, it should be empowering rural breeder through used resources optimally.

Problems that face in the poultry agribusiness is providing of raw materials in feed industry, where most of its be imported and dynamics significantly. In 2006, corn that raw material of feed import until 1.5 million tones from 3.7 million tones needs [4]. This condition makes dynamics of national poultry business is sensitive toward external environment and trigger to fluctuations DOC price(day old chicken) and broiler's price during the time. It is not efficient for small-scale of breeder to product, although this structure agribusiness sector has been formed from upstream to downstream.

Development of livestock industry is facing a variety of

issues, such as structure of livestock industry that still discontinuous and not related with subsystems agribusiness. The limitations in terms of capital, technology and human resources are made cooperation form in livestock agribusiness by various concerned parties. Cooperation can be realized in partnership form between core company and small farmers. It's not only increasing income of farmers but also realizing the availability of chicken meat in quantity, quality, time, and affordability.

CV. AJC GO is one of partnership's company in poultry industry that engaged with breeder broiler group. Breeders who cooperated with this company are scattered in several areas in West Java, including Bandung, Cianjur, Bogor, Purwakarta, Garut, Sukabumi, Kuningan and Cirebon. CV. AJC GO is able to produced broiler 3,600 tons/month. However in it performs, CV. AJC GO has some problems. In 2014 to 2016, the problem was decreasing profit in corporate. Beside decreasing revenue and profit, enclosure management breeder in CV. AJC is also not optimal, it's shown on the large number of breeders grade C honors (35% breeders members of CV. AJC GO), that followed by number of breeders grade B (41%) and breeders grade A (24%). In addition, CV. AJC GO also face classic problem that is fluctuations in market prices.

Based on these problems, this research will purpose to formulate new strategy that can be applied by CV. AJC GO. This formulation expects that company can be sustainable with produce a corrective strategy on improving company's performance. Sustainable means guarantee of continuity success and this condition not lead to bad consequences in the future [5]. Sustainability concept contains two dimensions: dimension of time and interaction between economic, social and environmental system [6]. If this concept is applied in poultry commodities, it can be investigated as optimally the resource management that completing market demand, while maintaining quality of

Volume 6 Issue 4, April 2017

www.ijsr.net

Licensed Under Creative Commons Attribution CC BY

environment and conserve natural resources. Formulation strategy of sustainable business concept is expected can be for improving the performance and company's competition.

Business organization also needs model that can be help organization for creating, delivering and capturing value related activities of the organization [7, 8]. Business model consist of base nine blocks that illustrate how company increasing its revenue. The base nine blocks (Customer Segments, Value propositions, Channel, Customer Relationships, Revenue Stream, Key Resources, Key Activities, Key Partnerships and Cost Structure) are placed in an arrangement, it called Business Model Canvas.

Business Model Canvas provides insight about: (1) business company model and relations between attractive blocks, (2) value proposition company, (3) how to build and perform of key activities and key resources for creating value proposition and getting streams revenue, and (4) products and services for customers. Using Business Model Canvas, this study also uses SWOT analysis on each element of the Business Model Canvas, so that in the future the company is able to improve and enhance the performance becomes better.

2. Objective

Objective of this research are as follows.

- a. Identify Business Model Canvas in CV. GO AJC.
- b. Create new business improvement model in CV. AJC GO that approach with Business Model Canvas
- c. Recommend alternative strategies in CV. AJC GO.

3. Research Methodology

This research is determined in CV. AJC GO, Sumedang, West Java from August to December 2016. Descriptive research and case study method is applied in this study. The Objects is CV. AJC GO company, through strategy development analysis that approach with Business Model Canvas (BMC). BMC approach based on focus group discussions with respondents toward nine elements BMC in CV. AJC GO. From BMC analysis results, it conducts SWOT analysis in each element of the BMC for improving and formulating strategy development. Data that used in this research is primary data (observation, field observation, questionnaires, and focus group discussions with line managers CV. AJC GO on nine aspects BMC) and secondary data (performance reports on CV. AJC GO, data from Badan Pusat Statistik, Ministry of Agriculture, Director General of Livestock, so on). Data is collected by observation, interview and Focus Group Discussion (FGD).

Data was analyzed using descriptive analysis, mapping business model CV. AJC GO using BMC, and SWOT analysis from each element of BMC. SWOT analysis is used to formulate business improvements model and design business strategy development on CV. AJC GO. SWOT Analysis is a planning-strategy method that used to evaluate the Strength, Weakness, Opportunity, and Threat of business venture project. Four factors is for medan acronym "SWOT" (strength, weakness, opportunity, and threat). This process

involves determining the specific objectives, identifying internal and external factor and not achieving goal [9].

4. Results and Discussion

4.1. Company Profile CV. AJC GO

CV. GO AJC was founded in August 2007 by Andu S. Prabowoyudo, S.T. The company is engaged in commercial broiler and poultry partnership. This company already has 8 branches with 355 partners and 864 farm spread over several areas in West Java. As a poultry partnership company, CV. AJC GO provides SAPRONAK (*Sarana Produksi Ternak*) including DOC (Day Old Chick), feed and pharmaceuticals. For pharmaceuticals including vaccines, antibiotics and vitamins, company uses products such as from Medion Farma Jaya, Otasindo, Sanbe, and Pimaimas Citra.

Vision's company is "*Bekerja dan ibadah untuk tercapainya kemaslahatan bersama yang diridhoi Allah SWT*". Meanwhile, mission's company as follows:

- a. Honest and trust worth services
- b. Maintaining and fostering trust is our propritry
- c. Determination partner with the principle of mutual benefit
- d. Local market share
- e. Managing resources effectively, efficiently and optimally
- f. Synergy between employees, company and partnership
- g. Conducive working system is creating positive things
- h. Achievement of optimal goal is our responsibility
- i. Changing for better and sustainable company
- j. Open and look forward on suggestions and corrections

4.2. Vision and Mission Analysis CV. AJC GO

Based on observations, interviews and FGD that have been done that almost all respondents support and approve on vision and mission CV. AJC GO. Most respondents argued that this vision can be apply because of its right philosophy on direction and purpose, accordance to basic values of company. Therefore, vision and mission statements do not need to be changed or improved.

4.3. Identification Business Model CV. AJC GO

FGD methods used to identify, analyze, and improve the BMC which has been done by CV. AJC GO. In FGD, each respondents identify business models in processes business's company using pages of "Post-it". In this process ensure that business model illustrated real condition and not ideal illustration of desired state.

4.3.1. Customer Segments

Customer segments have been owned by CV. AJC GO divided into two groups: breeder members and brokers. CV. AJC GO is segmenting its customers based on selling products. Breeder members is customer for product SAPRONAK such as DOC, feed, and medicine. Broker is customer for broiler products that ready to be harvested from breeder members.

4.3.2. Value Proposition

Value proposition is value (benefits) which can be offered to consumers. Based on observations, questionnaires and interviews in a Focus Group Discussion (FGD) that has been done, it conduct value proposition that offered by CV. GO AJC is a partnership in the provision of sapronak, cattle raising assistance, as well as the marketing of chickens.

4.3.3. Channels

Channels illustrated how company communicates and reaches customer segments to deliver the value proposition, distribution, and sales. Channels type that used by company is direct channel using operational vehicles. Channel marketing company is using word of mouth method and telephone and message services. In promotion channel, CV. AJC GO is not using electronic media, limit resources and coverage of breeder.

4.3.4. Customer Relationship

Customer relationship illustrated relationship that build in CV. AJC GO with customer groups. Company built business relation professionally that has personal assistance character with breeder and broker. Communication directly has been done by Technical Service (TS) until reach business agreement.

4.3.5. Revenue Stream

Revenue streams usually illustrated income that measured its revenue from each customer segments. Revenue streams is CV. AJC GO came from sales of DOC, feed, and medicine that paid by breeder members after broilers were harvested, with specific contract period. Thus, sales SAPRONAK in CV. AJC GO also benefited from sale of broiler to broker that sharing system 70% for companies and 30% for breeder members from difference contract price if price of broiler ware above from contract.

4.3.6. Key Resources

Key resources described resources / assets owned by CV. AJC GO determine the success of operational business model. Based on results in field observations and interviews with the management of CV. AJC GO, the key resources for business model CV. AJC GO are: (1) Human resources (HR), which includes 184 employees starting from the Board of Directors, Human Resources staff, Tax staff, Internal Audit and Accounting, Support Officer, Marketing Coordinator, Head of Branch, Technical Support (TS), Admin Marketing, Finance Admin, Admin Feed and Drugs, and Admin Warehouse; (2) Physical resources that includes as 1 unit central office, 8 branches, 16 operational vehicles and 37 operational motorcycles, and 4 units of feed warehouse; and (3) Database breeder and cattle ranchers who cover 355 by the average number of cattle population 8,000 head / breeder.

4.3.7. Key Activities

Key activities illustrated the most important thing has done by company as of its business model works. Key activities

also needed for creating and providing value proposition, reaching market, maintaining customer and revenue. An operational activity that has done by CV. AJC GO is: (1) Survey toward prospective breeder partners; (2) Accompany breeder partner that has been passed in survey; and (3) do marketing when the broiler has expected in age and weight.

4.3.8. Key Partnerships

CV. AJC GO as partnership poultry's company is inseparable from various partners in business model. Currently, CV. AJC GO established partnerships with several poultry's companies as feed supplier, DOC and animal medicine. In supply of DOC, CV. GO AJC cooperated with several companies such as PT. Charoen Pokhpand Indonesia Tbk, PT Jafpa Comfeed Indonesia Tbk, PT Wonokoyo Jaya Corporindo, PT Cheil Jedang Superfeed, PT Ciung Wanara, and PT Cipendawa Farm Entrepise. As feed provision, CV. AJC GO cooperated with PT. Charoen Pokhpand Indonesia Tbk, PT Jafpa Comfeed Indonesia Tbk, and PT Wonokoyo Jaya Corporindo. Asprovision of medicines and vitamins for livestock, CV. AJC GO also cooperated with PT Medion Farma Jaya, PT Otasindo Prima Satwa, PT Sanbe Farma and PT Pimaimas Citra.

4.3.9. Cost Structure

Cost structure to be perform business model of CV. AJC GO heavily dependent on primary resource management (key resources), main company's activities (key activities), and partnership that has built for facilitating on business model (key partnership). Cost structure business activities of CV. AJC GO include: (1) the operational cost company include employee's salary, office rental costs, warehouse rental, employee's operational cost, operational office, and (2) the provision cost of livestock production such as DOC purchasing, feed, medicine and vitamins for livestock.

Ninth data from FGD that have been analyzed using SWOT. It obtained BMC CV. AJC GO that can be seen in Figure 1.

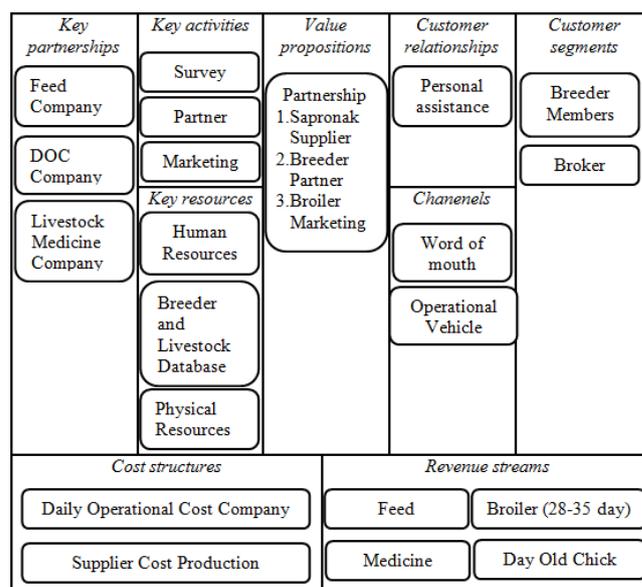


Figure 1: Business Model Canvas CV AJC GO

4.4. SWOT Analysis Business Model Canvas CV. AJC GO and Repair Guide

SWOT analysis conducts after identification toward nine elements of Business Model Canvas at CV. AJC GO. SWOT analysis purpose for analyzing both external and internal conditions company. SWOT analysis can be used to improve existing business models.

4.4.1. Customer Segments

Based on observations, interviews, and FGD, it obtained SWOT analysis as follows:

- **Strength:** Breeders tend loyal to partner
- **Weaknesses:** There is no guarantee / collateral from breeders who have strong partners, the majority of breeders still use traditional pattern, fluctuate on price of broiler in broker.
- **Opportunities:** New customer segments, director of CV. AJC GO as franchise partner from restaurant that have main raw broiler, and increasing number and level economic middle class.
- **Threats:** emergence of rival companies.

Based on the SWOT analysis of element customer segments, CV. GO AJC need to make program improvements include: 1) increasing production by adding the broiler population, especially on breeders who have achievements grade A. 2) new customer segments 3) creating products innovation to support the new customer segments.

4.4.2. Value Proposition

Based on observations, interviews, and FGD, it obtained SWOT analysis as follows:

- **Strengths:** CV. AJC GO always gives price contract of sales chicken above from price contract of company's competitors; and CV. AJC GO always ensures the quality of livestock production from supplier.
- **Weaknesses:** Mentoring is constrained by limit employee of technical service and far-flung locations.
- **Opportunities:** Increasing awareness of breeders who are not to be members partnership company yet, through pattern partnership; Breeders are orientating for shifting into business; and potential for expanding company's value proposition by providing broilers / carcass.
- **Threats:** number of competitors is increasing. It gives seasiness in cooperation contracts to breeder and fluctuation price of broiler commodities.

Based on the SWOT analysis of element value proposition, CV. AJC GO need to make improvement program by providing broilers / carcass.

4.4.3. Channels

Based on observations, interviews, and FGD, it obtained SWOT analysis as follows:

- **Strengths:** Breeders communications have done by directly through technical services who always accompany

the breeder members in livestock. Besides that, broker communications with broker have done by directly through marketing who check broiler price in market.

- **Weaknesses:** Limit marketing employees expanding market product channel
- **Opportunities:** Development of electronic media and social media can be opportunities in promotion the product.
- **Threats:** Breeders are not able to used technology and unsupported of technology in the far livestock regions.

Based on the SWOT analysis of element channels, CV. AJC GO need to make improvement program for maximizing internet user and application communication in smart phone as information media, communication and promotion.

4.4.4. Customer Relationship

Based on observations, interviews, and FGD, it obtained SWOT analysis as follows:

- **Strengths:** Management's company including directors CV. AJC GO takes time and can be contacted directly by customer, Technical Services (TS) that had experienced and minimal bachelor education.
- **Weaknesses:** insufficient of personal assistance, that are technical service and missed communication between technical service and admin office.
- **Opportunities:** Relations between breeders make promotion opportunity by word of mouth to the other breeders, increasing knowledge and broiler entrepreneurship desire, and development of electronic media, sharing information and promotion media.
- **Threats:** company's competitors are more incentive to promote and invite breeder members to join the company.

Based on the SWOT analysis of element customer relationship, CV. AJC GO need to make an improvement program by providing customer care to strength of relationships with consumers.

4.4.5. Revenue Stream

Based on observations, interviews, and FGD, it obtained SWOT analysis as follows:

- **Strengths:** CV. AJC GO has two sources of revenue streams that can be predicted such as SAPRONAK sales and Broiler sales.
- **Weaknesses:** Company's revenue from broiler sales often have ups and downs in market prices, and final product of CV. AJC GO is broiler, so it has low resale value.
- **Opportunities:** Increasing of level middle class population and awareness to be an entrepreneurship.
- **Threats:** Size of margin's company are often determined by fluctuation of broiler price.

Based on the SWOT analysis of element revenue stream, CV. AJC GO need to make improvement program include: 1) new revenue from carcasses sales 2) training services broiler breeders.

4.4.6. Key Resources

Based on observations, interviews, and FGD, it obtained SWOT analysis as follows:

- **Strengths:** CV. GO AJC has familial culture organization.
- **Weaknesses:** Most of employee's education background for admin still high school, and there is no division of research and development (R & D) yet.
- **Opportunities:** Development of internet makes easiness for company to improve performance and its resources at this time.
- **Threats:** Many competitors are already more advanced in terms of systems, business flow and technology.

Based on the SWOT analysis of element revenue stream, CV. AJC GO need to make improvement program include: 1) Developing R&D division to support performance improvement 2) training for employees 3) Establishing *Rumah Potong Ayam* (RPA) so that company able for cutting the chain and stabilizing broiler price.

4.4.7. Key Activities

Based on observations, interviews, and FGD, it obtained SWOT analysis as follows:

- **Strength:** full monitoring from managers and directors in all activities and company's information using Whats App and BBM applications.
- **Weaknesses:** There is resources that not related with field, miss communication in a lot of activities and there is no R&D activities in creating product and program innovation.
- **Opportunities:** Technology development in communication and livestock can be used to efficiency cost and effort and overcoming limit activities by distance and time.
- **Threats:** Data manipulation between breeders and technical service or with other employees.

Based on the SWOT analysis of element key activities, CV. AJC GO need to make improvement program with reforming their supervision and staff placement.

4.4.8. Key Partnerships

Based on observations, interviews, and FGD, it obtained SWOT analysis as follows:

- **Strengths:** CV. AJC GO has good relations with all partners both breeder partners and suppliers.
- **Weaknesses:** Less resulting in implementation of relation contract with partner.
- **Opportunities:** Adding new partner to develop business, especially in product development and livestock education.
- **Threats:** problem will come if quite of new partners not related with agreement

Based on the SWOT analysis of element key activities, CV. AJC GO need to make improvement program include: 1)

filter in choosing a new partner so it can minimize losses, 2) maintain good relations with existing partners.

4.4.9. Cost Structure

Based on observations, interviews, and FGD, it obtained SWOT analysis as follows:

- **Strength:** Management of financial company will be audited every month by independent auditors.
- **Weaknesses:** Large investment costs for developing facilities and slaughter house/RPA (*Rumah Potong Ayam*).
- **Opportunity:** Company should offer an opportunity to investors for developing company of its potential.
- **Threats:** Production cost increase related to import of raw material SAPRONAK.

Based on the SWOT analysis of element key activities, CV. AJC GO need to make improvement program with providing budget for cost investment.

4.5. Repair Business Model Canvas CV. AJC GO

Based on observations, interviews, and FGD, it obtained SWOT analysis can be seen in Figure 2.

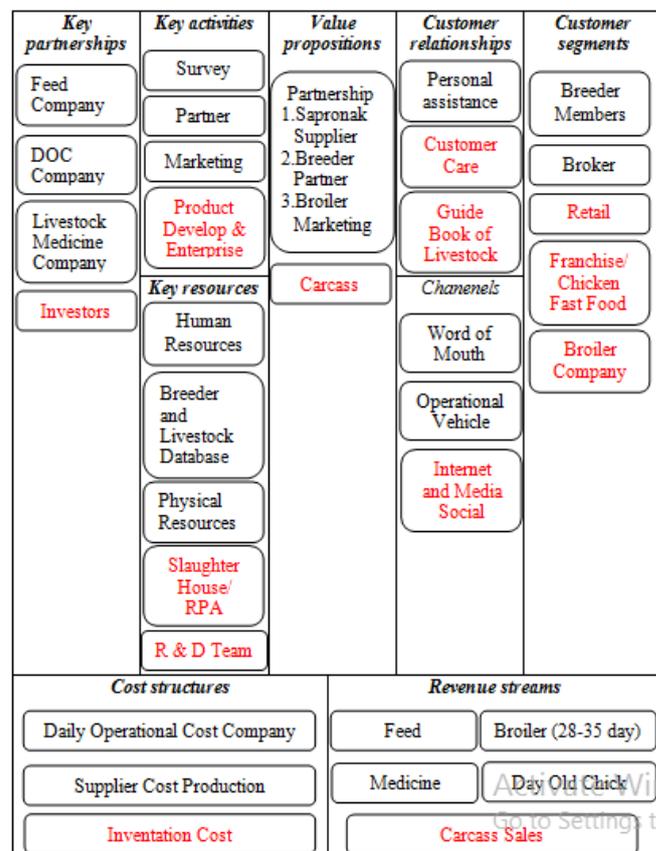


Figure 2: Repaired Business Model Canvas CV AJC GO

Note

- Black marks : old items
- Blue marks : change in items
- Red marks : new items

4.6. Alternative Development Strategy CV. AJC GO

Here are some alternative strategies for considering related repair existing BMC in CV. AJC GO as follow:

4.6.1. Managing partner breeders to improve the grade / performance

To improve breeders grade, company has required assistance by competent production team / TS that so that it can increasing breeders in the best grade and adding broiler in livestock.

4.6.2. Creating Research& Development division

Division R & D can support business development and innovations for company in the future.

4.6.3. Improving the capacity and welfare of employees

The company is expected to set up a program to perform a series of activities to enhance the capabilities and knowledge of employees, which include internal training and employee benefits programs.

4.6.4. Designing Slaughter House (RPA)

Build slaughter house/RPA is an alternative strategy that should be applied because of the production in CV. AJC GO is sufficient to providing derivative products such as carcass for applying vertically integrated poultry business like cutting distribution chain and expanding its customer segments company.

4.6.5. Expanding marketing of products to retail business and also franchises that use raw materials broiler

For expanding products to retail and franchise, the products should be in carcass forms. Company need to prioritize of RPA development to support expansion of the market

4.6.6. Bringing Investors

Company has way for realizing accelerated business development: upgrade the capital, especially in developing products that require a considerable cost. Company needs investors who are ready to cooperate.

4.7. Managerial implications

Managerial implications are draft of business development strategy that has been done. Activities of the company can do on alternative business development strategy that has been designed. Implementation of the strategy that has been designed according to conditions and the company's ability either physical resources, human resources and finance.

Managerial implications are qualitative managerial statement that CV.AJC GO should be applied it to realize the business development. Managerial implications which may include: (1) Managing partner breeders to improve the grade / performance; (2) create research& Development Division; (3) Increased capacity and employee benefits; (4) Design Home

Cutting Chicken (RPA); (5) Expansion of product marketing for retail and franchise business that use raw materials of broiler; and (6) attract investors.

5. Conclusions and Suggestions

5.1. Conclusion

From the results of identification SWOT business model CV. AJC GO shows that CV. AJC GO needs to design business improvements model at this time and CV. AJC GO requires new business strategy for growing its poultry partnership business in the future so it can minimized the problems that concern by company. Changing of one element in the business model impact on other elements so it can be interrelated and enhance.

Strategy development of new businesses on CV. AJC GO arranges among: Managing breeders partners to improve the grade/achievements, create division research &Development (R&D), improve the capacity and welfare of employees, design slaughter house/*Rumah Potong Ayam* (RPA), expansion of product marketing for retail and franchise business that use raw materials of broiler; and attract investors.

5.2. Suggestion

Suggestions that can be given to management of CV. AJC GO related to efforts for focusing business development partnership poultry company towards business model of vertically integrated poultry business, thus company can contending any problems that occurred. Suggestions to launch of that strategy, the management needs research marketing with competent team before designing RPA, after we got proportional result, it can to be terms for designing RPA to execute its strategy. Thus, development of company RPA should provide freezers and coolers car.

Suggestions that given for further research are strategy implementation until evaluation phase to enhance these results.

Reference

- [1] Pappas JL, Hirschey M. 1995.*Ekonomi Manajerial Edisi Keenam Jilid 1*. Jakarta (ID):Binarupa Aksara
- [2] Soedjana TD. 1996. *Perkembangan Konsumsi Daging dan Telur Ayam di Indonesia*. Artikel Pangan. 29 (8): 23-34
- [3] Daryanto A. 2009.*Dinamika Daya Saing Peternakan*. Bogor (ID): IPB Pr.
- [4] Direktorat Jenderal Peternakan. 2010. Pedomannya Umum Restrukturisasi Perunggasan melalui Pengembangan Budidaya Unggas di Pedesaan (Village Poultry Farming).Jakarta: Direktorat Jenderal Peternakan
- [5] Craig JC, Grant RM. 1999. Strategic Management (terjemahan). Jakarta (ID): Kelompok Gramedia.
- [6] Schoenherr T, Tummala R. 2011. Supply Chain Risk Management Process. *Supply Chain Management: An International Journal*. 16 (6): 474-483
- [7] Osterwalder A, Pigneur Y. 2010. Business Model Generation. Jakarta: PT Elex Media Komputindo

- [8] PPM Manajemen. 2012. *Business Model Canvas: Penerapan Di Indonesia*. Jakarta (ID): PPM Manajemen
- [9] Rangkuti F. 2004. *Analisa SWOT Teknis Membedah Kasus Bisnis*. Jakarta (ID): Gramedia Pustaka Utama.

Author Profile



Rifan Ardiansyah accepted in Indonesia University of Education at Department of Business Management, Faculty of Business and Economic, as undergraduate student in year of 2009. While study in undergraduate program, he also active as a professor assistant, follow Futsal tournament and organization department. After graduate in 2014, he continue to study in School of Business Bogor Agricultural University, at Postgraduate Program of Business Management and focusing on Sustainable Business Development Program. In addition, he was also active in business in the field of agribusiness.