

Analysis of Business Model Development of Honey Products Using Business Model Canvas Approach

Arsy Annasla Disa¹, Rita Nurmalina², M Faiz Syuaib³

¹School of Business Bogor Agricultural University, Indonesia

²Faculty of Economics and Management Bogor Agricultural University, Indonesia

³Faculty of Agricultural Technology Bogor Agricultural University, Indonesia

Abstract: *The purpose of this study is to describe and evaluate the business model development strategy of honey products at PT Madu Pramuka through each element of Business Model Canvas (BMC). The elements of BMC are customer segments, value propositions, channels, customer relationships, revenue streams, key resources, key activities, key partnerships, and cost structure. The data collection procedure used is interview. The analysis method used is BMC approach and SWOT analysis. The result of this research using SWOT analysis showed that the business model of honey products at PT Madu Pramuka can be developed by expanding the reach of its segments, creating new products, expanding promotion channel, improve honey capacity, and improve company's technology to increase its products.*

Keywords: business model canvas, business model, honey products

1. Introduction

The current Indonesian population growth is increasing especially the middle class population. According to World Bank, the upper middle class population in Indonesia reaches 134 million people or amounts to 56,5 percent of population (Widiatmanti, 2015). Such increase has an influence on people who are interested in healthy lifestyle, so that it causes the demand of natural products to experience an increase. One of the popular health products is honey products. Honey is a natural drinking product which has various benefits for human health. The benefits of honey among others are as medicine for health, beauty, and food raw material. Moreover, honey also contains important nutrients such as fructose and glucose which can be quickly digested by the body, as well as mineral and vitamin which are needed by the body.

The demand of honey in Indonesia currently experiences an increase from 10-15 gram to 15-20 gram per capita per year due to the healthy lifestyle trend especially in the form of changing the use of sugar to honey (Kurniawan, Pahlevi dan Rafiq, 2015). However, despite the growing honey consumption, the current honey production in Indonesia, according to the Ministry of Forestry, has only reached 5.000 ton per year (Suryanto, 2014). Meanwhile, according to James Hutagalung as the Vice Chief of Indonesian Beekeepers Association (API), Indonesia's honey production can be predicted to reach 15.000-75.000 ton (Gunawan, 2016).

According to the Chairman of Indonesian Forest Honey Network, 75 percent of honey production in Indonesia comes from forest honey (Kurniawan, Pahlevi dan Rafiq, 2015). This is a threat for the sustainability of honey production in Indonesia because the production originated

from the nature highly depends on the environment (climate, weather, etc.). In contrast, this is a business opportunity for bee farmers or bee farming company to be able to fulfil the unmet demand. The development on bee farming business is important to create a sustainable honey production in Indonesia. Business development is a depiction of business development planning which is in line with the profile of the products and the best business model obtained (Yuliasih and Wendrawan, 2013). PT Madu Pramuka as one of bee farming companies which is able to capture the business opportunity, seeing that honey production becomes its core business.

Among the many products produced by PT Madu Pramuka, this research only focused on the three superior products of the company, namely super honey, kapuk honey, and multiflora honey. It is because those three products hold the highest market share and are favored by many consumers so that they become the mainstays of the company. This causes the company to be very dependent on the performance of the three products in generating profit for the company. However, the company has not been able to meet the growing honey demand owing to the lack of honey raw materials that leads to a declining honey production.

The production of the three superior honey products of PT Madu Pramuka experienced an annual decline. Super honey decreased by 11% from 2014 to 2015. Multiflora honey experienced the most significant decline by 10% per year from 2011 to 2015. In addition, kapuk honey experienced an annual fall which reached 22% from 2011 to 2015. According to Saepudin (2015), kapok tree is one of honey producers which undergoes a decline in honey production. It makes honey production a problem in business development of PT Madu Pramuka. Accordingly, the company must be able to set suitable strategies to achieve its aim and huge

market potentials.

PT Madu Pramuka needs to arrange strategies based on its current business model so that it can easily make various improvements and compete with other honey products. Based on Yuliasih and Wendrawan (2013), business development potentials can be analyzed using business model to determine the characteristics of the business operated. Business model is components of model that are interrelated in creating competitive advantage in the market and determining a variable in the area of business strategy, economy, and architecture (Morris *et al.*, 2003). Meanwhile, according to Calvacante *et al.* (2011), business model of a company must fulfil two interrelated objectives, namely to provide stability in the improvement of company's activities and make changes for the company. Business model applied by a company can be seen and analyzed using Business Model Canvas (BMC) approach. BMC describes a business model of a company or organization in creating, delivering, and capturing values and supports the formation of new strategy choices through nine important elements (Osterwalder and Pigneur, 2012). The nine elements of BMC can facilitate PT Madu Pramuka in describing its current business model and improve it. It is beneficial for the company to create new strategies through the BMC improvement. Considering that PT Madu Pramuka is one of bee farming companies producing honey products in Indonesia, new innovations are required so that the company's honey products can be accepted by the market and compete with other honey products.

This research aims to: 1) identify elements of business model conducted to develop honey products at PT Madu Pramuka; 2) arrange an improved BMC of honey products at PT Madu Pramuka; 3) formulate business development strategies for honey products at PT Madu Pramuka in the future.

2. Research Elaborations

This research was conducted in PT Madu Pramuka located in Cibubur, Jakarta Timur from October to November 2016. The research methods used were descriptive and qualitative method. This research contains a qualitative description of the business model of PT Madu Pramuka's honey products using the help of BMC approach and the evaluation of each element of the BMC using Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis. Primary and secondary data were used in this research. Primary data were obtained from direct interview with the company's stakeholders and experts who have influence on honey-products business. Secondary data refer to the company documents, literature study, and relevant studies.

The data and information collection methods utilized in this research were questionnaire and direct interview with the management of PT Madu Pramuka and the related experts. The respondents were selected based on the understandings and knowledge owned regarding the conditions and plans of the company, as well as knowledge regarding honey

products development. The type of interview undertaken with the management of PT Madu Pramuka was Focus Group Discussion (FGD). FGD is a data and collection method in qualitative research consisting of a group of people with similar characteristics (Kountur, 2008). The interview was conducted in the form of focused discussion between the researcher and management of PT Madu Pramuka. Besides, observation technique was used to obtain supporting data in the company in terms of honey production and honey product processing.

The data processing and analysis techniques in this research consisted of: 1) Identifying the current business model of honey products at PT Madu Pramuka by mapping its elements of BMC, namely customer segments, value propositions, channels, customer relationships, revenue streams, key resources, key activities, key partnerships, and cost structure; 2) Analysing the strengths, weaknesses, opportunities, and threats of each element of BMC of honey products at PT Madu Pramuka; 3) Designing an improved business model of PT Madu Pramuka.

3. Result and Discussion

3.1 Identification of the current BMC of honey products at PT Madu Pramuka

This identification was carried out in order to compile and group the nine elements of BMC of the company's current honey products (Osterwalder and Pigneur, 2012). The current BMC of honey products at PT Madu Pramuka is portrayed in Figure 1.

Customer segment is an important aspect of a business model. It describes whom the company wants to reach and serve. The current customers of PT Madu Pramuka include end consumers (individual and group) who are categorized in upper middle class. Products of PT Madu Pramuka can be consumed by all ages because honey can be consumed as a food supplement or vitamin to maintain the body's immune system.

Value propositions are added values that are want to be delivered by the company to the customers. PT Madu Pramuka provides added values to its customers to make them interested in consuming honey products by maintaining the honey originality and paying attention to its quality based on the set standard.

Channels are the means through which the company deliver the information regarding its value propositions to its customer segments. The company communicates with customers to give information about honey products through two ways, namely direct way and indirect way. The direct way refers to direct selling to the customers (outlet). Customers can also have a transaction with the agents of PT Madu Pramuka so that they could easily obtain the desired products. The indirect way refers to indirect selling through website and exhibition.

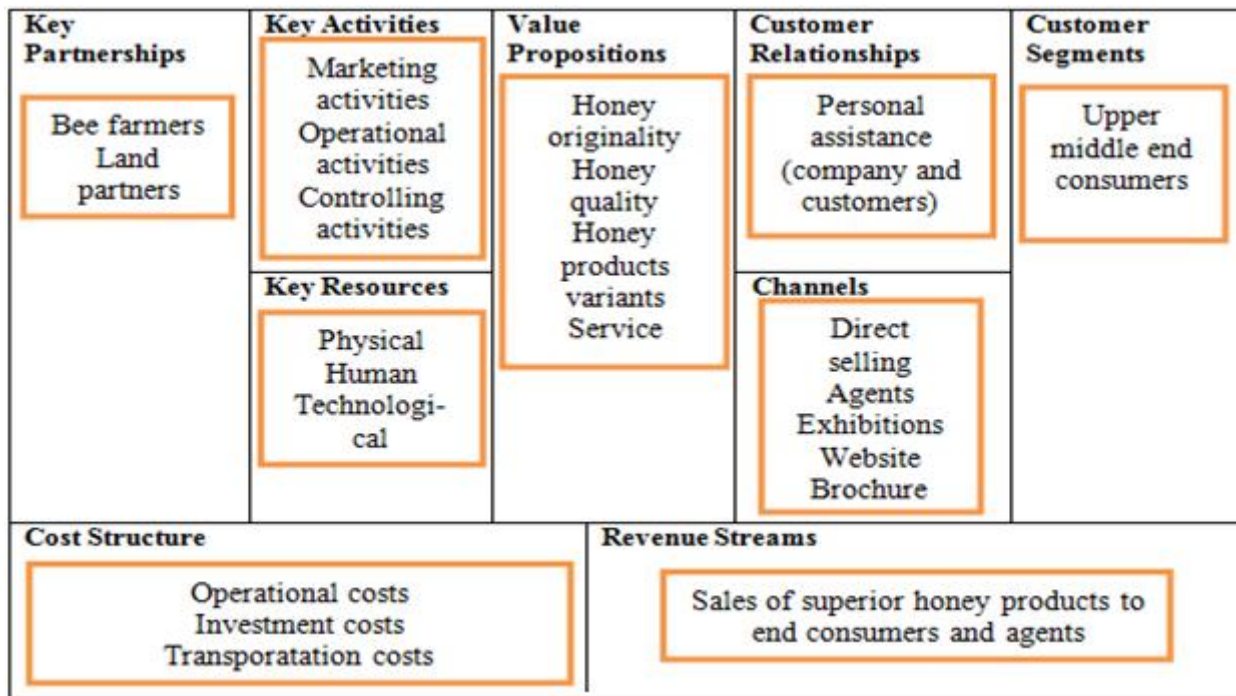


Figure 1: the current BMC of PT Madu Pramuka

Customer relationship is a type of relationship with the customer segment that want to be developed by PT Madu Pramuka. It is in the form of specialized or personal assistance between the company and customers to maintain the trust and loyalty given by the consumers to the honey products of PT Madu Pramuka.

Revenue streams describe the revenues obtained by the company from each customer segment. The revenue streams of PT Madu Pramuka mainly come from the sale of several variants of honey products.

Key resources describe the most important assets required to conduct the business model of a company. The key resources of PT Madu Pramuka are human resources, physical resources, and raw materials. The human resources of PT Madu Pramuka have a function of performing tasks and responsibilities of the company to achieve the company's objective. The physical resources involves building, facilities, and technology. Technological resources are present at honey products' packaging activity and raw material procurement.

Key activities describe the most important things that must be done by the company to determine the success of its business model so that it can provide added values to its customer segments. Key activities of PT Madu Pramuka comprise marketing activity, controlling activity, and operational activity. Marketing activity is in the form promotion undertaken to introduce the company's products. Controlling activity is performed by the company's experts

to control the quality and purity of honey and maintain the standard of honey products produced. Operational activities consist of honey production and packaging of honey products.

Key partnerships show partners who cooperate in operating the company. PT Madu Pramuka partners with bee farmers because it has no land for plants and needs them to produce honey.

Cost structure describes the costs that arise to operate the business model of a company. The company's investment costs consist of construction and the purchase and maintenance of production tools. Operational costs comprise cost of quality control, work force, land rent, and transportation. Transportation cost is required to move the bees to the rented land to produce honey.

3.2 SWOT Analysis on the BMC of honey products at PT Madu Pramuka

After identifying the current BMC of PT Madu Pramuka, SWOT analysis was conducted on each element of the BMC. SWOT analysis was conducted to analyze the internal and external factors of the company or explain the strengths, weaknesses, opportunities, and threats owned by each element of BMC. If combined with the BMC, SWOT analysis enables a focused assessment and evaluation on the business model and its elements (Osterwalder and Pigneur, 2012). The result of SWOT analysis is utilized for the improvement of the current BMC of PT Madu Pramuka.

Table 1: SWOT analysis on the BMC of PT Madu Pramuka.

<i>Element</i>	<i>Strengths</i>	<i>Weaknesses</i>	<i>Opportunities</i>	<i>Threats</i>
<i>Customer Segments</i>	The company focuses on the products of Madu Pramuka	The capacity of honey production has yet fulfilled all the customer segment	Expanding the marketing of Madu Pramuka's honey products	The intense competition of honey products
<i>Value Propositions</i>	The products of Madu Pramuka have a high quality	Limited capacity of honey production	Creating a more attractive product packaging	Competitors are able to create a better image of products and company
<i>Channels</i>	Brochure, exhibition, and website	Company's promotion channels that have not been optimum	Having a tourism facility that can be harnessed for promotion purpose	Many competitors have conducted promotion through electronic media
<i>Customer Relationships</i>	The strong relationship between customers and company	Monitoring of agents by the company has not been optimum	Consumers have a high loyalty	Many competitors offer more attractive honey products
<i>Revenue Stream</i>	The company's highest revenues come from honey products	The company made a large investment for the rented land	The company owns an edutourism facility	Competitors of honey products offer a cheaper price
<i>Key Resources</i>	Maintaining a relationship among workers	Manual technology	The growing number of honey consumers	The company's human resources possibly move to another company
<i>Key Activities</i>	The production of Madu Pramuka's are according to the set standard	Honey products can be easily replicated	Technological development to enhance the effectiveness	The failure of production system
<i>Key Partnership</i>	Maintaining relationship with partners and agents	Suppliers of raw materials have not been optimum	Adding partners and raw material suppliers	Partners and agents can collaborate with competitors
<i>Cost Structure</i>	The company's cost structure is predictable	The high transportation cost to move bees to the harvest location	The existence of many cheaper raw material suppliers	The rising fuel price affects transportation cost and price of the products

3.3 The Improvement of BMC of honey products at PT Madu Pramuka

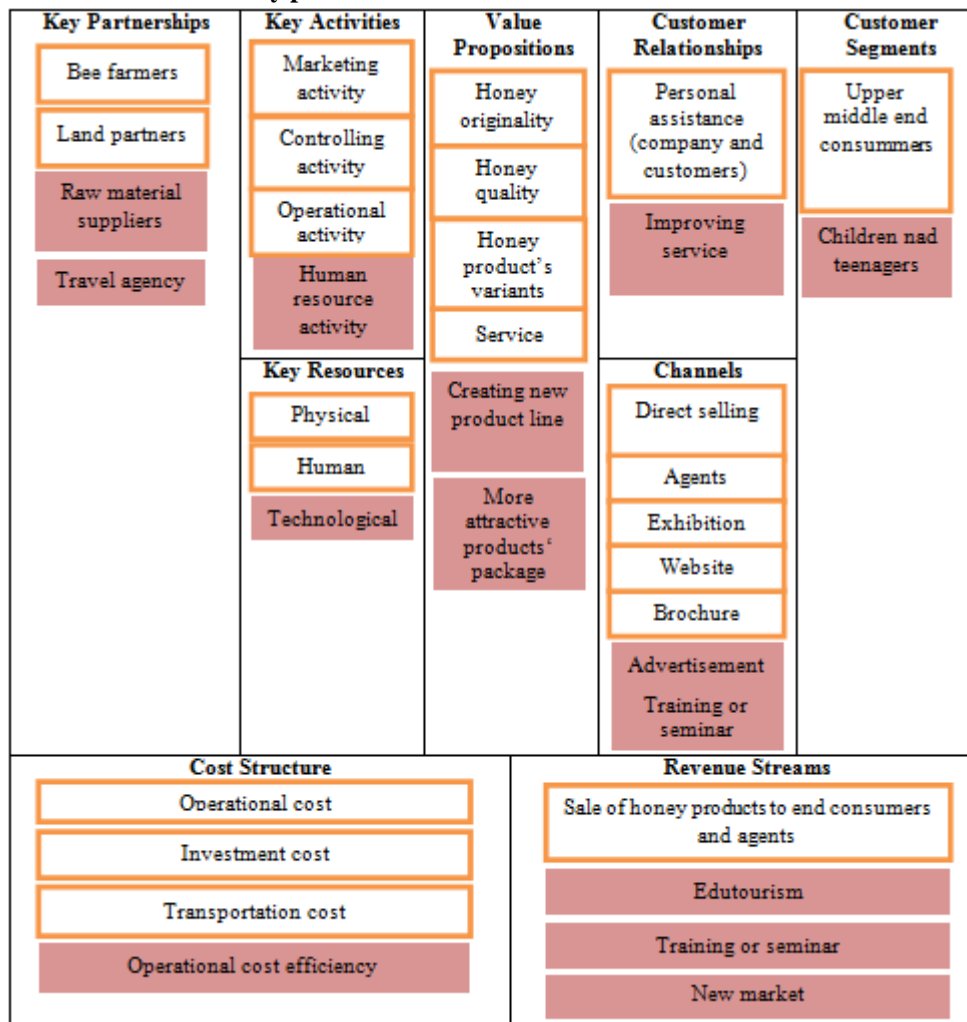


Figure 2: improvement of BMC

Based on the current BMC of PT Madu Pramuka that had been identified and analyzed using SWOT, the improved version of the BMC of honey products at PT Madu Pramuka can then be obtained. The improvement is in the form of factors of BMC which must be maintained, raised, reduced, eliminated, and created as new components. The improvement Based on the SWOT analysis on the nine elements of BMC, the improved BMC of PT Madu Pramuka obtained is shown in Figure 2.

The improvement of each element of BMC is done to harness strengths and opportunities, improve weaknesses, and overcome threats. The improvement in value propositions are in the form of creating new product line, improving the products' package to be more attractive, and introducing the company's edutourism to expand the customer segments to children, teenager, and adult. It affects the customer relationships element as the company needs to attract new customers by enhancing service in providing information regarding honey products. Improving the promotion of the honey products is highly required by putting an advertisement, using social media, and holding a training or seminar to introduce the honey products to society. Those will lead to an increased company's revenue.

The key activities of the company will keep improving by

optimizing marketing and operational activity. Marketing activity will have an impact on the addition of new agents in selling honey products and expanding market so that the honey products are better known and get easier to buy by the customers. Operational activity is needed to optimize the honey products by improving the manual technology to the sophisticated one for efficiency purpose. The company can increase raw materials by having a partnership with raw material suppliers. Besides, the company can take advantage of travel agents to promote its honey products.

4. Conclusion

Based on the results of this research, it can be concluded that the product line owned by the company at the moment is only honey products, there is an issue of limited honey raw material, the operational activity has yet been optimal, there are weak marketing activity and lack of promotion, human resource development activities have yet been organized, and Madu Pramuka's honey products have not been well known by the public. As explained before, PT Madu Pramuka only focuses on honey production. This activity still has many weaknesses in the form of inefficient production, unfaithful human resources, promotion channels that have not been optimal, and limited products produced. Therefore, the company needs to make an improvement on

its future business model so that those obstacles can be overcome.

References

- [1] Calvacante S. Kesting P. Ulhoi J. 2011. Business Model Dynamics and Innovation: (Re)establishing The Missing Linkages. *Management Decision*. 49 (8), pp. 1327 – 1342.
- [2] Gunawan, H. 2016. Produksi Madu Ditargetkan Naik 20% Tahunan. [Online]. Available: <http://industri.kontan.co.id/news> [Accessed: Augst. 24, 2016].
- [3] Kountur R. 2008. *Menguasai riset pemasaran*. Jakarta (ID): PPM.
- [4] Kurniawan AT, Pahlevi A. Rafiq A. 2015. Permintaan Meroket, Petani Madu Pakai Cairan Gula. [Online]. Available: <https://m.tempo.co/read/news> [Accessed: 24 Augst. 2016].
- [5] Morris M. Schindehutte M. Allen J. 2003. The Entrepreneur's Business Model: Toward a Unifies Perspective. *Journal of Business Research*. 58, pp. 726 – 735.
- [6] Osterwalder A, Pigneur Y. 2012. *Business Model Generation*. Jakarta (ID): PT Elex Media Komputindo.
- [7] Saepudin R. 2015. Identifikasi Permasalahan Perlebaran sebagai Dasar Pengembangan Usaha Madu di Provinsi Bengkulu. *Jurnal Sain Peternakan*. 10 (1), pp 51 – 58.
- [8] Suryanto. 2014. Produksi Madu Indonesia 5.000 Ton Tahunan. [Online]. Available: <http://www.antaranews.com> [Accessed: Augst. 24., 2016].
- [9] Widiatmanti H. 2015. Penghasilan Kelas Menengah Naik = Potensi Pajak?. [Online]. Available: <http://www.bppk.kemenkeu.go.id> [Accessed: Des. 12, 2016].
- [10] Yuliasi I. Wendrawan FT. 2013. Pengembangan Model Bisnis Produk Dodol Rumput Laut (*Eucheuma cottonii*). *E Jurnal Agroindustri Indonesia*. 2 (1), pp. 134 – 144.