

# Building productive and innovative businesses with BMC strategies to increase MSME income (Case study of MIP animal feed shop MSMEs in Buduran village – Sidoarjo)

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**Abstract.** The objectives in this study, namely 1) to build a productive and innovative business with the BMC strategy in the MIP Animal Feed Shop MSMEs with a nine-element business model canvas approach, namely customer segments, value propositions, channels, customer relationships, revenue streams, key resources, key activities, key partnerships, cost structure. 2) to design the business model of the Animal Feed Shop based on the Business Model Canvas at this time and after experiencing improvements. This research method is a qualitative analysis consisting of descriptive analysis and SWOT analysis. The result of this study is that the UMKM MIP Animal Feed Shop has fulfilled all nine elements of the business model canvas. However, the current business model at the MIP Animal Feed Shop MSME still has weaknesses, thus creating strategies resulting from improvements to the business model canvas such as product diversification, namely by buying livestock products from farmers such as eggs and chickens, sales using e-commerce or social media, increasing capital and the number of employees so as to increase the internal revenue of the Buduran Animal Feed Shop and can also increase the income of MSMEs in the Sidoarjo area.

**Keywords:** BMC strategy, Diversification, SWOT analysis

## 1 Introduction

Livestock business in Indonesia has great potential to be developed. This is supported by several factors, namely the high export volume of Chicken livestock products from 2021-2022. According to the Central Bureau of Statistics in 2023, broiler livestock in 2022 increased by 6.12 percent from the previous year. This shows that Chicken livestock is still high and has not been fully fulfilled [1]. This is a great opportunity for the development of animal husbandry, especially in the provision of animal feed. And the Indonesian government provides great support for the development of livestock businesses, such as through policies and programs that favor livestock. In accordance with PP. No.6 of 2013 Article 1 concerning Livestock Empowerment which reads that all efforts made by the government in the field of animal husbandry and animal health to increase independence, provide convenience and business progress and improve the competitiveness and welfare of farmers [2].

According to data from the Sidoarjo Regency Central Bureau of Statistics (BPS), the population of farmers in Sidoarjo in 2023 has increased in several types of livestock, such as: Free-range chickens as many as 18,290, laying hens as many as 150, ducks as many as 1,700, ducklings 362, rabbits as many as 47, pigeons as many as 1,150 and quails 2,100 .This increase in livestock population shows the stretching of the livestock sector in Sidoarjo [3]. From the data it is known that the number of all farms in Sidoarjo amounted to 23,799 farmers which resulted in the demand for animal feed also increased so that opportunities for the animal feed shop business are also very wide open.

Animal feed is the main source of energy and nutrients for farm animals. The benefits of animal feed are very important in supporting the growth, health and reproduction of livestock. Here are some of the benefits of animal feed in more detail, namely supporting the growth and development of livestock, improving the health of livestock, increasing livestock production, supporting the economy of farmers and supporting national food security [4]. Livestock is one of the important sources of animal protein for humans. Therefore, quality and sustainable animal feed can help increase livestock production, so that it can support national food security.

However, there are still some obstacles faced by farmers in Sidoarjo, such as: The availability of quality and affordable animal feed is still a major constraint for farmers in Sidoarjo. When viewed from the magnitude of raw material costs that reach 85-90% of the total production cost, this causes high livestock production costs and results in high livestock selling prices as well [5]. According to [6], the application of feed ration formulation technology and management processes in maintenance and good health can increase livestock productivity. Most farmers usually only provide food from household leftovers, bran and corn that do not know about its nutritional value, so that the resulting livestock are affected by diseases such as NCD (New Cases deases) or tetelo disease in chickens, etc. .

Seeing the potential and constraints that exist, MIP Animal Feed Store is here to help farmers in the sidoarjo and surrounding areas in meeting the needs of quality and affordable animal feed. Animal Feed Store "MIP" is a Livestock Feed Store that provides, among others, chicken, bird, cat, rabbit, ornamental fish and catfish feed as well as bird cages, chicken cages and medicines. This shop has different innovations with other animal feed stores that sell quality and guaranteed products. Products sold vary from price, packaging size, brand etc. also serve *offline* purchases. For its development, this shop serves online so that goods can be delivered to consumers by couriers directly, so customers can save time and save costs of course. Animal feed stores act as providers of nutritional needs for various types of farm animals, ranging from poultry, fish to pets. Quality feed will have a direct impact on the health, productivity and quality of livestock products.

Basically, many micro, small and medium enterprises (MSMEs) carry out conventional trading processes and do not optimize the promotion of superior products produced. Since the Covid pandemic took place in 2020, the MIP animal feed shop has experienced a setback in terms of its annual income. In 2020 the annual income is IDR 12,600,000, in 2021 the annual income is IDR 11,000,000, and in 2022 the annual income is IDR 10,000,000. By looking at the problems that occur, the purpose of this study is to build a productive and innovative business with the BMC strategy in the MIP Animal Feed Shop MSME and to design a business model for the Animal Feed Shop based on the Business Model Canvas at this time and after experiencing improvements. Therefore, researchers want to use the Business Model Canvas (BMC) strategy and SWOT analysis to increase revenue at the animal feed shop.

*Business Model Canvas (BMC)* is a strategic tool used to describe a business model and illustrate the rationale for how organizations create, deliver, and capture value. *Business Model Generation*, more popularly known as *Business Model Canvas*, is a tool to help see more accurately what a business that we are or will be running looks like. Turning complex business concepts into simple ones displayed on one canvas sheet contains a business plan with nine key elements that are well integrated in it covering strategic analysis internally and externally of the Company [16]. The *Business Model Canvas* concept consists of nine elements, namely *value propositions*, *customer segments*, *customer relationships*, *channels*, *key resources*, *key activities*, *key partnerships*, *cost structures*, and *revenue streams*. These elements can help in formulating the business model of a company and designing innovative business model ideas for the company [16].

## 2 Research Methods

The type of research used is a type of qualitative research with data collection methods directly at the location and direct information / interviews. The research data source is using primary data and secondary data. Primary data is obtained directly from sources given directly to the interviewer in the form of words and understanding directly. The informants are the direct owner of the Buduran Animal Feed Shop and 2 of his employees. Secondary data in the form of store operational reports for 3 years, namely from 2020 to 2022. The data collection techniques used in this research are through observation, interviews and literature studies. The observation method is carried out by directly observing the buying and selling transaction process at the MIP Animal Feed Shop. At the interview stage, researchers explored information to sources related to the *Business Model Canvas* that had been implemented so far. Literature study was also carried out to broaden the understanding of researchers obtained from several literatures, namely from the web, journals and books plus the operational reports of the MIP Animal Feed Store.

This research has three stages of data processing and analysis, namely, identification of BMC that is being applied, SWOT analysis, and improvement of BMC formulation. The formulation of the BMC that is being applied is done by analyzing the data and information received. Then the researchers analyzed SWOT by formulating the weaknesses and strengths, threats and opportunities of each BMC element. After analyzing, BMC improvements were formulated.

### 3 Results and Discussion

#### 3.1 Identify the current BMC

To identify the current BMC elements in the Animal Feed Shop, we must first determine which elements are maximized and which are not maximized in business activities.

- a. *Value Proposition*: MIP Animal Feed Store is a livestock feed store that provides quality products with guaranteed quality. In addition, the variety of products sold also varies, accepts online and offline purchases, product delivery and there are sales packages (saving and bonus packages).
- b. *Customer Segment*: The Animal Feed Store currently focuses on four main consumer groups. The first is children, teenagers, adults and elderly animal hobbyists (chickens, birds, cats, fish and rabbits). The second is small livestock feed stores. The third is small/home breeders. The fourth is the animal lovers/farmers community.
- c. *Customer Relationships*: Relationships built with customers include promos and discounts for purchases at certain moments, providing online links for complaints, criticism and suggestions by consumers, interactive content and social media towards customers.
- d. *Channels*: The results showed that the Animal Feed Shop has two categories of Channels, namely the first is cooperation with the local animal lovers community. The second is offering directly to customers (*Direct*).
- e. *Key Activities*: In this section, what the Animal Feed Shop does to run their business, retain their customers, and attract new customers is to purchase quality raw materials for products, conduct quality control of products (animal feed) from suppliers and those produced in-house.
- f. *Key Resources*: The results of the analysis in *Key Resources* in this study are suppliers of quality raw materials, suppliers of well-known animal feed products, complete production and operational equipment, qualified and experienced human resources, already have a trading business license (SIUP).
- g. *Key Partnerships*: Based on the results of research on Animal Feed Stores are Raw Material Suppliers (Animal Feed), JAPFA COMFEED Partners for bird feed, WONOKOYO Partners for chicken feed, and Event / exhibition organizers.
- h. *Cost Structure*: Discussing all the costs associated with running a business, the cost structure of the Animal Feed Shop is the cost of raw materials and production (for homemade products), the cost of purchasing ready-to-sell products to suppliers, operational costs (employee salaries, electricity, water, etc.).
- i. *Revenue Stream*: The main income of the Animal Feed Shop is the sale of products or animal feed to consumers and the shipping costs obtained from delivering goods.

#### 3.2 SWOT Analysis

SWOT analysis is a *framework for evaluating a company's position in industry competition as well as developing strategic plans*. Therefore, the company's SWOT analysis must be prepared realistically, according to the facts, and based on the company's internal - external data. It is important to understand the components that influence the success of the business internally and externally. The following table shows the SWOT analysis for the Animal Feed Shop business in Buduran.

**Table 1.** SWOT Analysis Table at MIP Buduran Animal Feed Shop

Strength (Strength)	Weakness
<ul style="list-style-type: none"><li>- Strategic location</li><li>- High quality products</li><li>- Competitive price</li><li>- Quality service</li><li>- Free shipping available</li></ul>	<ul style="list-style-type: none"><li>- Difficulties with free services</li><li>- Sender</li><li>- Income from only 1 source, namely animal feed</li></ul>
Opportunities	Threats
<ul style="list-style-type: none"><li>- Opportunities for product diversification</li><li>- Cooperation with customers by receiving chickens and eggs from the farm</li><li>Surrounding communities to increase their income</li></ul>	<ul style="list-style-type: none"><li>- Easy to replicate animal feed business</li><li>- Unstable economic conditions can reduce consumer purchasing power to buy animal feed</li><li>- The trend of making your own feed</li><li>- Emergence of new competitors in the animal feed business</li></ul>

From the results of the interview, SWOT analysis points were generated according to the table above which consists of two factors, namely internal factors that discuss the strengths and weaknesses of the MIP Animal Feed Shop business, while external factors discuss opportunities and threats from outside. The existence of a business in a strategic location is the main strength of the Buduran Animal Feed Shop, making it easier for customers to access. Another strength lies in the high quality of the products sold because they partner with a well-known supplier, PT JAPFA COMFEED, which is known and trusted in providing safe, affordable and nutritious animal feed products because they are free from harmful chemicals and contaminants, and only use high-quality ingredients. Good service quality is also an asset for the MIP Animal Feed Shop to attract customers, because service quality has a significant influence on customer satisfaction. In addition to product and service quality, MIP Animal Feed Shop also provides competitive prices and free shipping for certain areas. Online and offline purchasing services are also available.

In terms of weaknesses, the number of employees is only 2 people, making delivery services constrained. Delivery times are often not on time because they have to prioritize customer service at the store. Another weakness is that there is only one source of income, which is animal feed, so there is no specific difference with other animal feed stores.

Looking at external factors, there are several opportunities that can be developed. The first opportunity is the diversification of products in line with the census data on the development of the livestock and poultry population of the Sidoarjo Regency Central Bureau of Statistics which continues to increase in 2023. The success of animal husbandry is highly dependent on a constant supply of the best quality nutritious feed.

In terms of threats, the animal feed business is easy to imitate which will become a new competitor in the animal feed business. If not managed properly, there will be a possibility of customers turning to competing stores. Furthermore, the impact of unstable economic conditions can reduce consumer purchasing power to buy animal feed plus the trend of making their own animal feed.

Meanwhile, the strategy in utilizing opportunities is to diversify products. The increasing population of livestock and poultry every year is in line with the increasing need for consumption of eggs, chicken meat. By utilizing this opportunity, MIP Animal Feed Store will add a new type of business by buying livestock products from farmers directly such as eggs and chicken and then reselling them to the public. This will not only increase the internal income of the store but also increase the income of the community, thus indirectly contributing to increasing prosperity for farmers in the Sidoarjo area.

### 3.3 BMC Improvement

Based on the results of the interviews by considering the current BMC and SWOT analysis, an improved BMC was produced which aims not only to increase the internal revenue of the MIP Animal Feed Shop but also the income of the community from livestock products in the Sidoarjo area. The following is the identification of the improvement BMC.

- a. *Value Proposition*: In the improvement BMC, there is an additional value proposition with product diversification, namely by buying livestock products from farmers such as eggs and chickens so that not only the types of Animal Feed Shop products become more varied but also help increase the prosperity of MSMEs in the Sidoarjo region.
- b. *Customer Segment*: The targeted consumer segmentation is still the same as the current BMC, only there are additions, namely people who need livestock products such as eggs and chicken.
- c. *Customer Relationships*: Organizing cooperation with bird race events
- d. *Channels*: there is the first addition by informing customers about the *value proposition* through social media such as Facebook, Instagram, Tik Tok. Second, offering through *e commerce* such as Shopee, Tokopedia, Lazada. With the inclusion of the MIP animal feed store in social media and *e commerce*, the market reach for purchasing animal feed will be wider.
- e. *Key Activities*: The addition of this element is to buy products from farmers such as eggs and chicken and then resell them to the community.
- f. *Key Resources*: With the addition of *key activities*, there are additional resources in this element in the form of additional capital and number of employees.
- g. *Key Partnerships*: This element is still the same as the current BMC and there are no additions.
- h. *Cost Structure*: Similar to *key activities*, the addition to this element is in the purchase of livestock products such as eggs and chicken
- i. *Revenue Stream*: In addition to the main income from the sale of animal feed products, additional income comes from the sale of livestock products such as eggs and chickens.

Based on the explanation of the results of the research that has been done, there have been improvements in almost all elements of BMC. The main focus is to increase revenue not only for internal Animal Feed Stores but also for MSMEs in the Buduran-Sidoarjo area.

## 4 Conclusion

The result of this study is that the MIP Animal Feed Shop has fulfilled all nine elements of the *business model canvas*. However, the current business model in the MIP Animal Feed Shop MSME still has weaknesses, so it must create strategies resulting from *business model canvas* improvements such as product diversification, namely by buying livestock products from farmers such as eggs and chickens, selling using e-commerce or social media, increasing capital and the number of employees so as to increase the internal income of the MIP Animal Feed Shop and community income from livestock products in the Sidoarjo area.

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