

Proposed Business Strategy for Livestock Company: Study in Cita Poultry Shop Tasikmalaya

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Abstract — This study aims to determine the causes of problems that occur in the company and find out what strategies that are right to overcome these problems. This research began with an analysis of the company's external conditions to find out what external factors affecting the way the company operate. Then the company's internal analysis to see and measure the extent to which the ability or availability of resources in the company to support its business processes. In both analyses, the root of the problem was identified, and then by colliding with the company's internal and external analysis, the author analysed what strategies that are appropriate to be implemented in Cita Poultry in accordance with the problems and the company's internal and external conditions. Looking at the company's internal and external circumstances, the author considers that the strategies that are suitable for implementation are: establishing cooperation with large poultry companies to develop a cage farm with a close house system to reduce the cost of production, carrying out future integration by building RPHU (slaughterhouse poultry) and selling cut chicken directly to end customers. These strategies must be well designed in terms of plans, timelines and also resources that must be met by the company to implement these targets.

Index Terms — oversupply, poultry, resources, strategy.

I. INTRODUCTION

Animal husbandry agribusiness is a chain of activities consisting of the provision and distribution of facilities for the livestock production process, the production process itself, the management of postharvest production, then the processing and marketing of primary livestock products or processed products from the primary livestock products themselves. When looking at the available data, the agribusiness sector plays a sufficient role to contribute to regional income. According to the West Java Gross Regional Domestic Product data based on current prices according to the field of business (in billion rupias) the year 2014-2018 showed a continuous increase [1].

TABLE I: GRDP OF WEST JAVA AT CURRENT MARKET PRICES BY INDUSTRY (IN BILLION RUPIAH), 2014-2018

Industry	2014	2015	2016	2018	2018
Food crops	57,679.71	63,869.74	71,370.13	70,303.31	80,223.10
Horticultural crops	22,401.81	23,951.77	27,049.54	29,644.46	33,105.08
Plantation crops	10,176.21	10,224.03	10,492.86	11,857.06	11,782.47
Livestock / animal husbandry	14,774.35	16,795.38	18,545.85	20,225.52	22,378.14
Agriculture service	1,831.93	2,003.02	2,223.09	2,303.70	2,586.91
Forestry	1,162.92	1,238.47	1,262.53	1,320.67	1,402.93
Fishery	12,760.60	14,415.45	15,823.93	17,284.71	18,706.58

Animal husbandry is an activity of utilizing biological resources to be transformed into food, energy sources or raw material for advanced products. Development in the livestock sector plays an important role in meeting the needs of the community. One of the sources of animal protein that has the potential to be developed is poultry. Among poultry itself, broilers are the biggest contributor in fulfilling the consumption of animal protein from livestock. The amount of animal protein demand from year to year continues to increase along with Indonesia's population growth which continues to increase as well as public awareness of the importance of fulfilling nutrition. Based on the increased consumption of animal protein from livestock, especially poultry, broiler chicken farming is considered to be a business with a pretty good potential to see chicken as a source of animal protein which is very much demanded by the people of Indonesia. Broiler breeding business also has a fairly short cycle in the maintenance process to the sales stage which only takes about 35 days.

TABLE II: AMOUNT OF LIVESTOCK IN TASIKMALAYA

Type of Farm Animals	Amount
Cow	12,823
Goat	2,969
Sheep	12,092
Laying hen	114,544
Broiler	6,025,260
Duck	44,824

Based on the table above, the population of broilers in the City and Regency of Tasikmalaya was 6,025,260 [1]. The development of broiler population is influenced by various factors including the increase of independent farmers, poultry business, climate and weather, quality and availability of feed, use and development of the technology, mortality of the chicken itself and also birth rates, sales and demand of livestock in Tasikmalaya region.

Broiler business is a type of business that is quite tempting because it can generate large profits for the owner, but also followed by a large risk as well. The big obstacle or challenge is the uncertain production price because the fluctuating feed prices and also very uncertain market prices. In 2018 broiler production reached 2.14 million tons, an increase of 4.75% compared to the previous year of 2.05 million tons. The highest increase in production occurred in 2016 by 17.02% from 1.62 million tons in 2015 to 1.9 million tons. Meanwhile, the lowest production growth occurred in 2014 of 3.1% to 1.54 million tons.

In the poultry industry, most breeders in Tasikmalaya are

traditional breeders who have not partnered with large holding companies such as PT. Charoen Pokphand and Japfa Comfeed Indonesia Tbk. These traditional farms are generally family businesses that are weak in capital, weak in the implementation of technology, and business management, and are very sensitive to external influences such as fluctuations in feed prices, and the price of DOC (Day Old Chick) seedlings.

The crisis hit the broiler breeding sector starting from 2017 when the enactment of Ministry of Agriculture Regulation No. 32 of 2017 concerning the supply, distribution and supervision of broilers and consumption eggs where there is an import arrangement of DOC FS (Day Old Chick Final Stock) boilers [2]. The rules which are expected to be a tool in controlling supply and are also became a boomerang for the poultry farms in Indonesia. Since the government enacted the regulation on the number of GPS (Grand Parent Stock) imports by the government, starting from 2017 there has been oversupply of broilers due to the excessive amount of GPS import.

The crisis that hit a number of independent breeders in Tasikmalaya starting in 2017, resulted in the fall in the price of boiler chicken from breeders and also continuing to plummet until it reached the price of Rp.8,000 per kilogram in June 2019. Along with the pace of development in the increasingly competitive poultry business world, a company cannot let the market share that has been controlled by it gradually diminishes.

In Cita Poultry itself, in 1 year there are 8 production periods with an average duration from raising chickens until ready to sell is 35 days. From the 8 periods, the profit and loss ratio are 5: 3. But since the implementation of government policy that resulted in oversupply of DOC chicken (Day Old Chick) in 2017 the profit and loss ratio to 4: 4 was accompanied by a decrease in chicken prices on the market. Faced with this, Cita Poultry itself is also not biased to do many things, the basic price of production for maintenance also rises. When, the selling price of chickens decreases the Cost of Production for raising chickens is quite high, but prices cannot bias up significantly due to oversupply.

In terms of competition, Cita Poultry faces increasingly fierce competition because there are many individuals who start investing in animal husbandry as well as establishing closed house cages that are indeed supported by large core companies such as Charoen Pokphand and Japfa Comfeed for the productions process. Closed house system enclosure is a type of enclosure that is completed high technology equipment like a fan, exhaust fan, evaporative cooling pad, and controller. The closed house cage is considered to be able to increase the chicken proforma index which can be more beneficial for breeders. With the maintenance of temperature, humidity, etc. in closed house cages, boiler chickens can grow faster, with larger and softer breast meat sizes. This high technology enclosure definitely can give the production result with a high level of efficiency and push the cost of production. But in developing closed house enclosure, it needs a high amount of capital.

Facing this situation, the government also intervened by encouraging small farmers to establish partnerships with large companies such as Japfa and Charoen Phokphand. But for establishing partnership business, companies need high

capital to build a chicken coop with a closed house system. In addition, partnerships that conduct business with a core-plasma pattern determine the initial contract price of the poultry produced. This contract price agreement system gives a "safe position" to the farmer because if the price of the boiler chickens falls on the market, the farmer will not be too affected. However, determining the contract price at the beginning can make farmers get a thin profit over chickens that are produced when chickens are on the high market or in other words, cover the opportunity for breeders to get a bigger profit.

The purpose of this study is to develop a suitable strategy to be implemented in Cita Poultry. The strategy will be formulated based on the business environment, current situation, business issue, external factor analysis, internal factor analysis. The focus of this research is to analyse the company's current performance conditions in poultry industry. The goal of this research is to create a business strategy for Cita Poultry in order to stay competitive and prevent business loss in the future.

II. METHODOLOGY

A. Business Issue Identification

According to the data obtained by the authors from Cita Poultry, the company had quite big amount of loss that occurred in 2017 until 2019. There were indications that shows oversupply condition for the stocks of boiler chicken in the market within 2017-2019 that makes companies in husbandry industry cannot control the price of chicken in the market where the volume of supply was much higher than the volume of demand and caused a significant price drop of chicken.

B. External Factors Analysis

External factor analysis focuses on identifying and evaluating trends and events beyond the company's control. The external environmental analysis that used by the author in this research are general environment analysis, industry analysis and competitor analysis. External analysis is conducted to determine the opportunity and threats that can be occurred in macro environment, industrial, and also competitors [3]. In general, environment consists of dimensions in a broad environment that directly affect to industry and indirectly the companies in that industry. General environment analysis will be conducted by using PESTLE analysis which consists of politics, economics, technology, legal, and environment factor. For the industrial analysis, the author used Porter's Five Forces to analyse the threat of new entrants, bargaining of supplier, buyers, product substitution and intensity of rivalry. A competitor analysis focus on the companies that compete directly, the analysis consists of four components, which are objective, assumption, strategy, and capabilities.

C. Internal Factor Analysis

Internal factor analysis summarizes and evaluates the major strengths and weaknesses in the functional areas of business and it also provides a basis for identifying and evaluating relationships among those areas [4]. In conducting internal factor analysis, the author used value chain analysis

and resource analysis to determine the real internal capabilities of the company. Internal factor analysis process requires gathering information about management, marketing, finance and accounting, production and operations, as well as research and development [4]. Internal analysis includes resources and value chain activity as the basis for superior capabilities and competencies in achieving competitive advantage [5].

Resource analysis consist of tangible resource and intangible resource. For the tangible resource, the author will conduct analysis about financial resources, organizational resources, technology resources and physical resources while for intangible resources the author will analyse human resource innovation and reputation.

Value chain analysis (VCA) refers to process whereby a firm determines the costs associated with organizational activities from purchasing material, manufacturing process to the marketing process to the customer. In VCA, business function that will be analysed are inbound logistic, operations, outbound logistic, marketing and sales, and after sales for primary activities. Firm infrastructure, procurement, human resource management, and technology development for support activities.

D. SWOT Analysis

The Strength, Weakness, Opportunities, Threats is the analysis about the internal and external condition of a company. SWOT matrix analysis used by the author to determine and contrive the best suitable strategy to be implemented in company that match with the internal and external condition of the company itself. SWOT also helps the author to develop SO (strength-opportunities) strategy, WO (weakness-opportunities strategy), ST (strength-threats) strategy, and WT (weakness-threat) strategy.

E. Implementation Plan

Strategy formulation and strategy implementation must be seen as two sides of a coin. The strategy should be carried out according to the firm's goal, vision, mission, and of course, the capability of the firm itself. Implementation plan will summarize the result of the analysis from both internal and external condition. This phase will need good judgment and thorough analysis to find the suitable strategy for the company and the best way to construct the strategy that match with the company. Implementation plan of strategy is the total number of activities and choices needed to carry out strategic planning. Strategic implementation is the process by which several strategies and policies are transformed into actions through the development of programs, procedures, etc.

III. FINDINGS AND DISCUSSIONS

A. Business Solution

In the business process of broiler chicken farming, business people face the perfect market competition situation in the market. Where prices are determined by the market or supply and demand. In this case, improving the quality of chickens by increasing the consumption of animal feed or animal vitamins is considered ineffective and inefficient because it only adds to the breeding cost of chickens and will actually make chicken prices less competitive in the market

which will tend to make losses. In the process of buying and selling broiler chicken from a chicken dealer in a traditional market, buyers also tend not to be able to distinguish between chicken with good quality or not. The buyers are only concerned with the type of chicken they will buy, whether it is fresh or not, and the weight of the chicken. So, the author generated new business solution in the form of Business Strategy and Marketing Strategy.

B. TOWS Matrix

TOWS Matrix analysis makes sure to calculate and make good use of every opportunity outside of business improvement. At the same time, it can also know and utilize internal resources. By analysing the external (TOWS Matrix), it is also able to anticipate the challenges of any external changes, even turning them (challenges) into new opportunities.

TABLE III: TOWS MATRIX OF CITA POULTRY

	Strengths	Weakness
TOWS MATRIX	S1: Experienced worker	W1: Long Breeding Duration
	S2: Trusted by supplier and customer	W2: Lack of innovation and application of modern technology
	S3: High quality of chicken	W3: Lack of efficiency and effectiveness
	S4: Development Program and Coaching for workers	W4: High COGS
	S5: Highly motivated and loyal worker	W5: Over Number of Employee
	S6: Good compensation scheme	
Opportunities	SO Strategies	WO Strategies
O1: Awareness of protein consumption	<ul style="list-style-type: none"> Form a partnership with business in culinary and tourism industry (S2, S3, O2, O3, O4) 	<ul style="list-style-type: none"> Increase the promotion for chicken product (, O1, O2)
O2: Increase of Culinary Business (Chicken Base)	<ul style="list-style-type: none"> Sell products in the form of cut chicken to end consumers (S1, S2, O1, O5) 	<ul style="list-style-type: none"> Partnered with big poultry business to increase the production capacity. (W1, W2, W3, W4, O4)
O3: Increase in tourism industry		
O4: Opportunity to form partnership business with big company.		
O5: Opportunity to do forward integration and reach the end customer.		
O6: Local poultry files for bankruptcy.		
Threats	ST Strategies	WT Strategies
T1: Oversupply condition in the market	<ul style="list-style-type: none"> Improve the accuracy of production capacity so as not to oversupply and reduce losses. (S1, S4, T1) 	<ul style="list-style-type: none"> Develop a partnership with big company (W2, W3, W4, T2, T4)
T2: Supplier do the cartel activities / Unstable price	<ul style="list-style-type: none"> Increase supervision in the course of the livestock business (S1, S5, T1, T2) 	<ul style="list-style-type: none"> Forward Integration, reach the end customer by developing a slaughter house (RPHU) (W2, W3, W4, W6, T4)
T3: Climate change		

T4: Forward integration of supplier and another competitor
T5: Government regulations
T6: Increasing number of competitors that use close house pen.
T7: Low barrier of new entrants.

- Looking for an investor or funding and build Closed House Pen (W1, W2, W3, W5, T3)

Based on the TOWS Matrix analysis above the authors develop strategies that shows how well the company utilize its resources, whether it's already well utilized or still lack in the use and need to be improved in the future. The strategies that more obvious are in the SO (Strength-Opportunities) and WT (Weakness-Threats) strategy. This is because in ST, the company will be forced to utilize its internal resources that became their strengths to maximize the opportunity that comes from the external environment of the company. For WT strategies, it will show the resource or the function of the company that need to improve or doesn't have in other to keep the external threats away. In this case, the company that has the strength of good brand, experienced worker also has a good opportunity to expand their market due to the changes in people's lifestyle and many more. While the company have weaknesses that the company still lack in technology implementation and facing the threats that the competitors are reaching end customer. The strategy that could be developed are going for business to business partnership with hospitality and culinary business, develop closed house pen, partnering with big poultry company and also reaching end customer by selling fresh-cut chicken and build chicken slaughter house.

C. Marketing Strategy

Marketing strategy is the selection of the target markets, marketing mix in order to achieve organization's objectives [6]. Marketing strategy consists of identifying markets and customer needs in the market, planning products that will fulfil customer needs and satisfaction, and organizing marketing resources to match the products with customers in efficient and effective way and also gaining profit for the organization. Broiler business is a business engaged in poultry farming. The type of poultry produced is broiler chicken. Chicken products produced are divided into 3 product categories: small chickens weighing 1.2-1.4 kilograms, 1.5-1.7 kilograms, and large chickens weighing > 1.8 kilograms. In its current business, Cita Poultry produces live chickens, but in the implementation of a new strategy business, Cita Poultry penetrates into selling chicken products, which of course both have 3 weight categories, namely small chicken, grade I and grade II. Cita Poultry is a Poultry Shop which is the market leader for large chickens which weigh > 1.8 kilograms.

The price of boiler chicken every day varies depending on the demand and the existing stock in the breeders. The price of chicken is usually updated every day in a group chat room where there is an association of chicken farmers. For the price of chicken is different for each weight category. Currently the production process activities are in several districts in Tasikmalaya, but for the central management it is located in

Cipedes. In the process of distribution, entrepreneurs do not make a direct distribution plan to consumers at this time, but the distribution of production through third parties / agents, namely chicken dealers. To support the implementation of the proposed strategy, several distribution patterns are proposed:

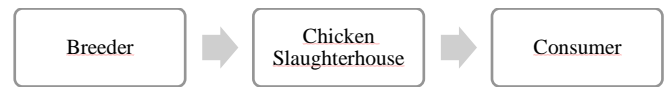


Fig. 1. Proposed additional pattern.

Cita Poultry Shop in its current business does not use special promotions to sell its products because it has been supplying to regular customers in traditional markets. But with the development of a forward integration strategy, Cita Poultry can do promotions by spreading digital advertising both by using media of WhatsApp, Instagram and Facebook to promote their products and providing information about the procedures for ordering products. The promotional process is expected to be more widespread through promotions from one customer to another (word of mouth).

This condition is supported automatically by customer satisfaction with the services and product quality provided. Marketing strategies that have so far only fostered and maintained good relations with customers (consumers, agents and companies). Apart from the Marketing and Sales department, the approach can be taken by all employees to customers who are teamwork. For another example, giving free gifts or bonuses to customers who do bulk buying is a promotional strategy to create customer engagement.

D. Implementation Plan

Implementation plan is organized process of executing plan and idea that have developed. The implementation plan must be designed in detail and clearly to facilitate the company in organizing the time span of each process and the allocation of resources that must be prepared to carry out each of its activities. The implementation plan for Cita Poultry Shop will be divided quarterly for each year and it is assumed to start from 2021. The implementation plan will show step by step activities carried out in implementing the proposed strategy. The author described the implementation plan by creating a blueprint about the activities of proposed strategy in order to sort the resources needed to conduct each activity. Furthermore, the author also created a table of implementation plan timeline.

Considering the problems that occur in 2017-2019, in the future Cita Poultry must be able to improve the company's analytical skills to see the oversupply risk that could happen again. The company must make a forecast by looking at the Grand Parent Stock (GPS) import quota that determined by the government and calculating how many Day-Old Chicken (DOC) will be circulated. From there, the company can calculate the production capacity that they will be determine and predict the amount of profit or loss that may be obtained in the breeding period to be implemented.

To maintain a business, companies must be open to technological developments, especially with the situation of competitors who are more advanced in the use of technology, making Cita Poultry lag in the efficiency and effectiveness of production and make uncompetitive prices compared with the competitors. Although it becomes a desire of the owner of

Cita Poultry itself to continue to empower or prosper the independent farmers, but the conditions of competition are also increasingly stringent and must be followed by the flow. Modernization to gain efficiency and effectiveness.

cut broilers directly to individual consumers, culinary businesses and hospitality. Both strategies are long-term strategies that certainly require sufficient capital. Cita Poultry Shop can get capital gains by doing open investors.

TABLE IV: IMPLEMENTATION PLAN TIMELINE

Activity	Y1			Y2			Y3		
	Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3
Cost Leadership - Close House Pen Development									
Business planning and feasibility testing									
Get venture capital to invest in development of new infrastructure									
Construction of new chicken enclosures									
Establishment of Standard Operating Procedures for Production									
Hiring and training of experts									
Breeding Process (chick in, breeding, harvesting, sorting)									
Marketing and Sales Activities									
Forward Integration - Slaughter House Development									
Business planning and feasibility testing									
Get venture capital to invest in development of new infrastructure									
Preparation of equipment and infrastructure installation									
Establishment of Standard Operating Procedures for Production									
Hiring and training of experts									
Registration of permits and Halal certificates for RPHU									
Beginning of operational process									
Sales and promotion activities									

Before implementing the strategy, in order to obtain funding for the development of a close house pen and slaughter house (RPHU) it is necessary to conduct a review to test the feasibility of the business as well as to calculate the distribution of loss if loss happened. In addition, seeking cooperation support with the suppliers of Saprotrak (DOC, feed, and medicine) so that in the implementation the production process can run more effectively and efficiently.

IV. CONCLUSION

Cita Poultry experienced a big loss in 2017 until 2019, it caused by the oversupply condition of livestock chicken and the company has failed in pressing the cost of production. It's hard for Cita Poultry to compete with the competitor that use close house pen while Cita Poultry still using open house or traditional pen, make them lack of efficiency and effectiveness in breeding process. Development in facilities were needed to decrease production cost and reach different customer to gain more profit.

Based on the internal and external condition in Cita Poultry, the suitable strategies to be implemented in overcoming the current problem are cost leadership by building a close house pen that aims to reduce breeding costs and increase production capacity. Then forward integration by building small slaughter house (RPHU) and selling fresh

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