

*Case Study*

Property Business Development Strategy With Business Model Canvas (Case Study of PT XYZ)

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ABSTRACT

Companies with existing business strategies are still expected to provide better and maximum performance. Business Model Canvas is expected to generate positive impacts. This study aims to identify the current business model run by PT XYZ by using the nine elements of the Business Model Canvas (BMC) and the SWOT analysis. Identify internal and external factors that influence the company's business model at PT. XYZ will offer qualitative and quantitative references to formulate a new business model and determine the priority of strategies for each element of the business. Determination of priorities is done by a pairwise comparison approach determining the alternative strategies with the model canvas method gives the company some alternative business models that will bring better opportunity such as landed house product development and maximization of property development on self-owned land obtained 0,22 so that no additional capital expenditure besides those already exist. In addition, to determine the segmentation, the company should expand the market segment by targeting the lower-middle-class because of a number of young people need houses at an affordable price obtained 0,33. Maximizing existing human resources and good recruitment in accordance with procedures obtained 0,28 and benchmarking advanced and sustainable developers obtained 0,18. The result Company strategy dominated by strategy for each elements SO (Strength & Weakness) 14 strategies, WO (Weakness & Opportunity) 10 Strategies and ST (Strength & Threat) 3 Strategies.

Keywords: BMC, Business Model Development, property, SWOT Analysis

INTRODUCTION

Indonesia's property industry is developing quite rapidly. Indonesia is one of the most populous countries in the world, with a population of roughly 267 million at the beginning of 2019. Based on the projection results by Statistics Indonesia, it will reach 300 million by 2024. In addition, Indonesia's annual population growth of approximately 1.49% or an increase of 4 million each year has provided a great opportunity for businessmen, particularly in the property sector as the housing demand in communities will rise at any moment. According to the survey results by Bank Indonesia, in 2018 property sales of

small house type rose by -3.64% (QTQ) from -14.92% (QTQ) in the earlier quarter, and property sales of medium house type grew significantly by 13.46% (QTQ) compared with the prior quarter, -11.14% (QTQ). The increase in house sales is also induced by the House Ownership Credit (*Kredit Pemilikan Rumah*, abbreviated KPR) facilities which are increasingly appealing in several banks. The survey results of Bank Indonesia reported an increase in the number of consumers who buy houses by using KPR facilities. This growth occurred in the third quarter of 2018 and reached 77.2% from 75.21

Table 1. PT XYZ Graphs Of Company's Growth Ratio 2014-2018

GROWTH RATIO	2018	2017	2016	2015	2014	YoY 2017-2018	CAGR 2014 – 2018
REVENUE	-5.64%	25.99%	42.84%	153.60%	1,307.39%	-121.69%	-74.37%
GROSS PROFIT	2.00%	10.87%	30.83%	136.87%	1,421.32%	-81.60%	-80.63%
OPERATING PROFIT	-8.71%	10.96%	31.78%	189.45%	1,292.22%	-179.41%	-73.35%
NET PROFIT	8.08%	25.55%	21.90%	198.97%	737.01%	-68.38%	-67.64%
ASSET	31.18%	41.92%	66.38%	89.55%	95.20%	-25.63%	-24.35%
LIABILITY	40.97%	29.04%	109.13%	60.97%	239.71%	41.07%	-35.70%
EQUITY	16.37%	67.15%	18.82%	136.23%	15.19%	-75.62%	1.89%

Source: Annual Report PT XYZ 2018

As illustrated in the table above PT XYZ experienced a decline in almost all aspects of the growth ratio except liability which still increased to 41.07% in 2017. This increase was generated by the number of breakthrough projects that year. The growth in income aspect decreased significantly from 25.99% to -5.64% or -121.69% YoY. The decline in income also has an impact on the growth ratio of gross profit and net profit indirectly declined. The declining revenue was due to the company's focus in 2017 to invest through adding working capital i.e. land and building construction so that increase the equity growth ratio quite high. As a company in the property business for 4 years, additional investments and working capital are very reasonable that in the early years. Investment and working capital are required by pioneering and developing companies. The addition of the work model can be loans from banks or capital placement by investors. Based on the ground in the problem statement outlined above, the objective of this study are:

1. Identify the business model currently run by PT XYZ using the approach of nine elements in Business Model Canvas (BMC) and SWOT Analysis
2. Identify both internal and external factors that affect the company's business model in PT XYZ
3. Formulate a new business model and determine strategic priorities for each business element.

RESEARCH METHODS

David (2009) stated that strategy is a future-oriented activity and considers multifunctional and multidivisional in its formulation as well as internal and external factors of the organization. Business Model Canvas is one of the methods to analyze a business model. This model was introduced by Osterwalder and Pigneur (2012), concluded that the Business Model Canvas is a method to illustrate, describe, assess, and simplify complicated business models. Furthermore, after collecting data based on internal and external factors of the company, the researchers will translate it in the SWOT analysis matrix (Dyson 2002) on each element of BMC, in order to determine steps should be taken and recommended for PT XYZ as alternative strategies that can be applied by the company both for short- and long-term. In this stage to determine the priority of the strategy using weighting with pairwise comparison method which is done by filling out the questionnaire to the respondents of the company's internal parties to get company's strategy. Saaty (2008) determination of priorities is done by a pairwise comparison approach. A criteria will be compared with other criteria in terms of how important it is to achieve the objectives above it.

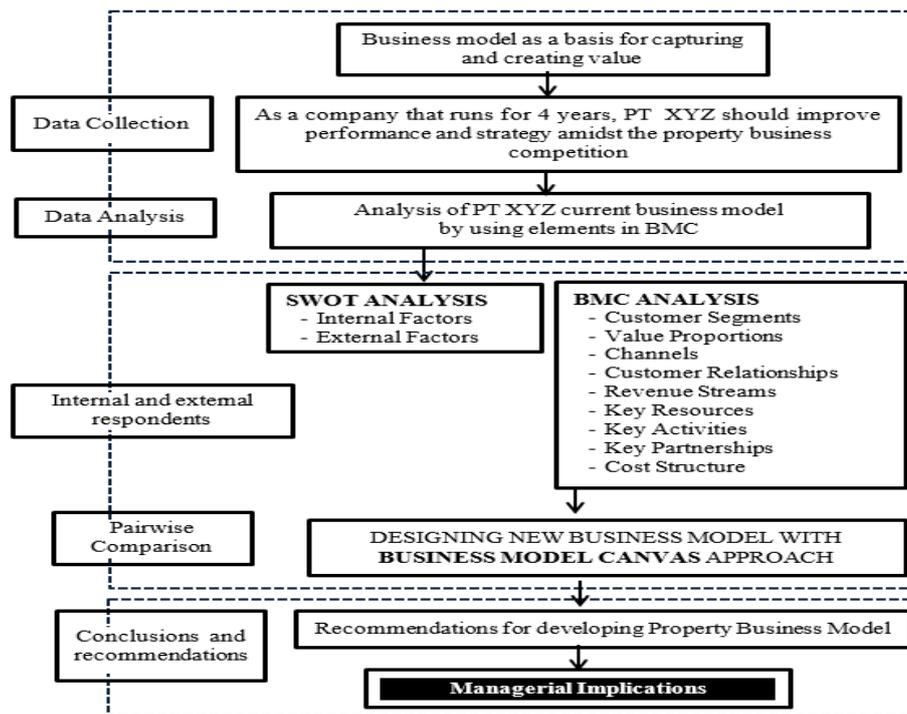


Figure 1. Research Framework

RESULTS

Business Model Canvas Elements Identification of PT XYZ

The identification was using BMC (Business Model Canvas) analysis which involved 9 (nine) elements through direct interviews with key persons of the company, observations, Forum Group Discussions, and questionnaires. These elements are correlated and providing an illustration or description of the company's current condition.

Figure 2. Existing BMC

Key Partner	Key Activities	Value Proposition	Customer Relationship	Customer Segment
1. Bank Creditor 2. Contractors (PP Konstruksi) 3. Business, marketing, and planning consultants 4. Shareholder 5. Government (Ministry of SOEs) 6. Property Agent 7. Land owner	1. Business Feasibility Study 2. Design planning 3. Marketing 4. Project operations Key Resources Tangible: 1. Human labor 2. Landbank 3. Corporate Brand	1. Strategic location in the Big City 2. Unique and different facilities compare with competitors 3. The concept of "Beyond Space", anti-narcotics apartments and smart homes	1. Customer Gathering 2. Offline or online suggestion box Channel 1. Marketing Agent 2. Leading Property Exhibition 3. Promotion (Print and Digital)	1. Young Families (that do not have houses yet) 2. Domestic and foreign investors 3. Middle and upper-class consumers
Cost Structure		Revenue Streams		
1. Land Purchase (15%) 2. Construction (62.5%) 3. Development (20%) 4. Tax (2.5%)		1. Sale of Strata Title Products such as apartments 2. Rental Commercial Space 3. Hotel Revenue		

SWOT Analysis and Alternative Property Business Development Strategies

After analyzing the current business model canvas, forum group discussions and interviews with preferred speakers were conducted. This analysis used SWOT to nine

elements of the business model canvas. After that the researchers made alternative strategies based on the combined SWOT. The description and analysis summary are as follows.

Customer Segments

Table 4. The Priority of Alternative Customer Segments Strategies

Strategy	Description	Value	Priority
SO1	Consumer segmentation of the lower middle class (250 million - 500 million) per unit price	0.33	1
SO2	Maximize the property development on self-owned land based on an accurate feasibility analysis	0.21	3
WO1	Development for landed house customer on self-owned land and low-priced land	0.22	2
WO2	Create products that can be absorbed by the market at competitive and affordable prices	0.10	4
ST1	Improve the company's strength in business strategy through products that will be marketed	0.08	5
WT1	Conduct a comprehensive business review on the company's capabilities and ensure project feasibility	0.06	6

Consistency Ratio 0.09

Value Proportions

Table 5. The Priority of Alternative Value Proportions Strategies

Strategy	Description	Value	Priority
SO1	Green building certification for green buildings and construction when building property	0.22	2
SO2	Conduct business analysis on the land close to notable universities with a large number of students	0.24	1
WO1	Create a variety of products that would not easily be replicated by the competitors with limitations in cost, time, production, and maintenance	0.17	3
ST1	Offer product guarantee with a period in accordance with the deal and company agreement so that potential customers are more interested in buying properties	0.14	4
WT1	Implement a pricing strategy for secondary market products on products that will be marketed	0.14	5
WT2	Promotion in certain units through a small down payment system to appeal millennial consumers	0.10	6

Consistency Ratio 0.03

Channel

Table 6. The Priority of Alternative Channel Strategies

Strategy	Description	Value	Priority
SO1	Establish a specialized team to manage both domestic and foreign investment so that it is more well-directed	0.32	1
SO2	Offer a mutually-beneficial business unit cooperation program on units purchasing with the employees of other SOEs	0.29	2
WO1	Compile an IT-based database of customers and prospective customers for all segments to promote and sell products massively, quickly, and precisely	0.16	3
ST1	Evaluate marketing costs and macro marketing strategies so that they are more well-directed	0.11	5
WT1	Create a comprehensive online distribution system and maximize offline distribution	0.12	4

Consistency Ratio 0.05

Customer Relationship

Table 7. The Priority of Alternative Customer Relationship Strategies

Strategy	Description	Value	Priority
SO1	Customer Loyalty Program and Customer Development in maintaining and enhancing relationships with customers	0.46	1
WO1	Utilization and comprehensive application development and directly applicable	0.25	2
ST1	Establish a specialized aftersales service team for consumers' convenience	0.19	3
WT1	Customer relationship program is directly controlled and managed by the headquarter based on marketing strategies that have been determined by involving a reliable property marketing consultant	0.09	4

Consistency Ratio 0.07

Revenue Streams

Table 8. The Priority of Alternative Revenue Streams Strategies

Strategy	Description	Value	Priority
SO1	Prepare special programs and strategies for bulk-selling (purchases in large quantities) so that it is more targeted	0.31	1
SO2	Improve suitable promotion activities for malls and hotels to increase occupancy and revenue	0.27	2
WO1	Study of bulk-sale system toward the company's finances	0.21	3
ST1	Maximize the sale of units left unsold to end-users	0.11	4
WT1	Develop a landed house business strategy with low-priced land	0.10	5

Consistency Ratio 0.07

Key Resources

Table 9. The Priority of Key Resources Strategies

Strategy	Description	Value	Priority
SO1	Focused and periodical HR training both hard and soft skills in accordance with the job descriptions	0.28	1
WO1	Maximize existing human resources and good recruitment	0.18	2
WO2	Benchmarking the advanced and sustainable developers with excellent experiences on organizational systems both in headquarter and projects	0.18	3
WO3	Prioritize the development in self-owned landbank	0.13	4
ST1	A comprehensive evaluation of the company's finances so that it can be controllable	0.12	5
WT1	Gradual investment in sustainable technology (mobile platforms and digital services)	0.10	6

Consistency Ratio 0.07

Key Activites

Table 10. The Priority of Alternative Key Activities Strategies

Strategy	Description	Value	Priority
SO1	Establish a cooperation program with SOEs on self-owned land to minimize development capital	0.25	1
SO2	Re-evaluate the contractors other than the holding contractor	0.20	2
WO1	Develop a solid and objective risk management team	0.16	3
WO2	Maximize the sale of units left and the development of landed house products	0.13	4
ST1	Prepare alternative business strategies that are more feasible to be developed now and in the future	0.10	5
WT1	Reduce loans to banks by maximizing the sale of units left	0.08	6
WT2	Establish a strategic business division or team so as the business line directed that influenced by internal and external factors of the company	0.07	7

Consistency Ratio 0.08

Key Partnership

Table 11. The Priority of Alternative Key Partnership Strategies

Strategy	Description	Value	Priority
SO1	Partnership with other SOEs and university alumni associations with the captive market	0.36	1
WO1	Maximize business through collaboration with profit-sharing	0.27	2
ST1	Use the services of trusted and experienced property business consultants in business planning	0.16	3
WT1	Evaluate partners thoroughly and objectively	0.13	4
WT2	Contract procurement processes for contractors with a competitive bidding system for the upcoming works	0.08	5

Consistency Ratio 0.03

Cost Structure

Table 12. The Priority of Alternative Cost Structure Strategies

Strategy	Description	Value	Priority
SO1	Digital project monitoring and evaluation of both operational and marketing	0.29	1
WO1	Increase product sales with a suitable marketing strategy	0.21	2
ST1	Evaluate financial performance on each project	0.16	3
ST2	Choose a creditor bank with small interest and minimum collateral	0.13	4
WT1	Increase the company's liquid assets to maintain healthy financial ratios of the company	0.10	6
WT2	Additional costs for aftersales service	0.10	5

Consistency Ratio 0.07

The Priority of Property Business Strategy Development

After mapping the current nine canvas elements in the company and establishing priorities of alternative strategic results generated from the SWOT analysis of 9 elements. Development and improvement using the business model canvas chart that has been done through the results of a SWOT analysis toward nine elements of the business model canvas and deepening by using forum group discussions.

Figure 3. BMC Development

Key Partner	Key Activities	bValue Proposition	Customer Relationship	Customer Segment
1. Creditor Bank	1. Feasibility study	1. Strategic location	1. Customer Gathering	1. Domestic and foreign investors
2. Contractor (PP Construction)	2. Design Planning	2. Exclusive and different facilities compared to competitors'	2. Suggestion boxes both Offline and Online	2. Middle and upper class consumers
3. Shareholders	3. Marketing	3. Anti-narcotics apartments and "BEYOND SPACE" smarhome	3. Aftersale service must be improved*	3. Lower middle class consumers*
4. Government (Ministry of SOEs)	4. Project aoperations	4. Landed house product variations*	4. Customer Loyalty Program and customer developmet*	4. Consumers for landed houses*
5. Business, marketing, and planning consultants	5. Aftersale services*	5. Review existing designs and concepts*	5. Utilization of digital application comprehensively*	5. Students of notable universities*
6. Shareholders	6. Establish a Business Strategy Team*	6. Green Building and Construction*		
7. Government (Ministry of SOEs)	7. Risk Management*		Channel	
8. Property Agent	8. Cooperation program with other SOEs*		1. Marketing Agent	
9. Land owner	9. Evaluate the use of holding contractor*		2. Leading Property Exhibition	
10. Employees of other SOEs (Employee Cooperatives)*	Key Resources		3. Promotion (Print and Digital)	
11. University alumni associations*	1. Human Labor		4. Specialized investor team*	
12. Profit-sharing business*	2. Landbank		5. IT-based database*	
13. Choose reliable business consultant **	3. Corporate Brand		6. Other SOEs employees*	
	4. Hardskill and softskill training**			
	5. Maximum HR Recruitment**			
	6. Benchmarking other developers*			
	7. Prioritize the development of self-owned land banks *			

Table to be continued...	
Cost Structure	Revenue Streams
1. Land Purchasing (15%)	8. Sale of Strata Title Products such as apartments
2. Construction (62,5%)	9. Rental Commercial Space
3. Development (20%)	10. Hotel Revenue
4. Tax (2.5%)	11. Bulkselling (purchases in large quantities by investors)*
5. IT investment, mobile platforms, and digital services*	12. Maximize the sale of units left*
6. Costs for developing risk management and business strategies*	13. The sale of landed house*
7. Performance evaluation**	14. Improve promotion activities for malls and hotels**

Notes :

*: Elemen addition

** : Improvement of existing elemen

CONCLUSION

Based on the mapping of PT XYZ's business model canvas by using nine existing business elements and adding and evaluating existing elements, the company obtains a number of additional alternative strategies, i.e.

Customer Segments, obtains additional elements by segmenting consumers from the lower middle class with a unit price range of 300 million to 500 million rupiahs (0.33) , the development of landed houses on self-owned land and land at a purchase price (0.21).

Value Proportions, Green Construction and Design Development (0.22), conduct a business analysis on land near notable universities and with a large number of students and have the opportunity to buy property (0.24), review of product variations and how to apply them with minimum costs and easy application (0.17).

Channel, a specialized team to manage and supervise both domestic and foreign investments (0.32), whereby the company will conduct business programs and collaboration in purchasing units with company SOE's employees (0.29) and must collect IT-based databases for promotion and selling product (0.19).

Customer Relationship, conduct customer loyalty programs and customer development activities (0.46), utilization and comprehensive application development and directly applicable (0.25), as well as establishing a specialized team that serves and manage aftersale service to consumers (0.19).

Revenue Streams, programs and specific strategies for bulkselling (0.31), promoting suitable promotional activities for malls and

hotels as well as studies of the bulksale system (0.27).

Key Resources, obtains an increase by conducting HR training both hard skills and soft skills that are directed and routinely in accordance with the job descriptions (0.28), maximizing existing human resources and good recruitment and in accordance with procedures (0.18), and benchmarking the advanced and sustainable developers with excellent experiences on organizational systems both in headquarter and operational projects (0.18).

Key Activites, establish cooperation program with SOEs on self-owned land (0.25), evaluate the use of contractors other than the holding contractors (0.20), and establish a solid and objective risk management team because there is no risk management team (0.16), maximize the sale of the units left and the development of landed house products (0.13).

Key Partnership, partnerships with other SOEs (State-Owned Enterprises) and university alumni associations as potential captive markets (0.36). Furthermore, the company should maximize business through profit-sharing collaboration because it minimizes the capital spent will be more minimal (0.27) and the use of services of a trusted and experienced property business consultant in business planning (0.16).

Cost Structure, the company should conduct digital project monitoring and evaluation of both operational and marketing because currently it still uses a manual system so that plenty of data is mismatched (0.29), and appropriate marketing strategy (0.21) and evaluate the financial performance of each project to boost the company's product sales (0.16).

Managerial Implications

Company business strategy is based on the current conditions. After determining alternative strategies by using the model canvas method, alternatives are obtained, i.e. the development of new landed house products and the maximization of property development on self-owned land so that there is no addition of capital expenditure. Additionally, consumers' segmentation generates additional segment by targeting the middle-class with a unit price range of 300 million to 500 million rupiahs. Due to the high numbers of young people who need houses at affordable prices, another alternative strategy is to use networks in other state-owned enterprise through collaborations with employee cooperative to efficiently get buyers and increase revenue.

Recommendation

The development of business strategies and alternative strategies are based on internal and external factor of company. Recommendation offered based on the study is the implementation of studies on business development strategy especially property to provide input regarding business development strategy for the company. Studies can focus on market segmentation and marketed products, product quality, and aftersale service management, financial structure, information technology, innovation in product marketing, and organizational structure reformation based on benchmarking of advanced and sustainable similiar companies.

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