

Development of Traditional Herbal Medicine through Product Innovation and Marketing Innovation using Business Model Canvas Analysis

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Abstract. The Covid-19 pandemic has had a major impact on the world economy, including Indonesia. Large, medium and small scale companies must make various adjustments including product innovation and marketing strategy innovation to face the current economic conditions. One of the small industries affected is herbal medicine business. The purpose of this research is to develop a traditional herbal medicine business through product innovation and digital marketing strategy innovation to increase consumer buying interest and product selling value using business model canvas analysis and SWOT analysis. This study used descriptive qualitative method and literature study. Data collection techniques using in-depth interviews, observations, and questionnaires for herbal medicine makers, sellers, and consumers. The results show that product innovation and marketing innovation can increase consumer buying interest and increase the selling value of the product. The conclusion of this study, herbal medicine is a traditional drink that can compete and survive the economic crisis through product innovation and marketing innovation that continues to be developed.

Keywords: Herbal Medicine Development, Product Innovation, Marketing Innovation, Business Model Canvas Analysis, SWOT Analysis

1. Introduction

At the beginning of 2020 the Covid-19 pandemic was confirmed to have entered Indonesia. At the end of March 2020, it was recorded that the Covid-19 virus that occurred in Indonesia caused 136 deaths and 1528 cases were exposed to the Covid-19 virus [1]. Besides Indonesia, the Covid-19 virus has also entered other developing countries, which has an impact on the weakening of the economic sector. The Indonesian government's anticipatory step to stop the spread of the Covid-19 virus is the recommendation to do 3M, namely wearing masks, washing hands, and social distancing. Community social activities are also limited, such as work from home for employees and school from home for students. This regulation has had a major impact on various business sectors, especially small and medium-sized enterprises. One of the small-scale businesses that have been directly affected by the Covid-19 pandemic is herbal medicine producers and sellers who experienced a decline in sales.

Herbal medicine is a traditional drink originating from Indonesia made from herbs and is believed for centuries to maintain a healthy and cure several diseases [2] such as colds, gastric pains, body ache, postpartum care and others. There are many herbal medicine sellers in the Java area, figure 1 shows

Herbal medicine being marketed by walking around using a sling [3] but there are also herbal medicine sellers who use bicycles. The variants of liquid herbal medicine that are usually carried by herbal medicine sellers are ginger, tamarind turmeric, curcuma, bitters, etc. Herbal medicine packaged in large bottles and then mixed according to consumer needs and can be consumed immediately [4].



Figure 1. Carrying herbal medicine seller

Herbal medicine is made traditionally without artificial preservatives, because of this, herbal medicine has a short shelf life, a maximum of 2 days at room temperature and 4 days in the refrigerator. Herbal medicine is safe for consumption by children, pregnant and lactating women until old age. However, this herbal medicine is usually only consumed by certain groups of people. There are several factors from this statement, such as herbal medicine products that are rarely found, unattractive product packaging, product consumption period, and product taste. So, to increase people's buying interest, it is necessary to innovate to improve the quality of herbal products [5] and attractive herbal medicine packaging is one of the factors to increase the selling value of the product [6].

The medium, small and micro business sector needs to innovate and increase creativity in order to be able to face competition [7]. In business practice, innovation is the main component of competitiveness which includes process innovation, product innovation, new organizational behavior, and new marketing strategies [8]. Figure 2 show if traditional herbal medicine can innovate through the production process using modern machines to speed up and simplify the production process, reduce the bitter taste of herbal medicine, more attractive and easy-to-carry packaging, longer shelf life [9]. Figure 3 shows the texture of herbal medicine can be made into herbal medicine gelato to increase consumer buying interest and provide a new experience in consuming herbal medicine [10].



Figure 2. Modern herbal medicine packaging



Figure 3. Herbal medicine gelato

Marketing is the process of communicating, identifying customer needs, managing relationships and delivering value to customers [11]. Technological developments also have an impact on marketing, namely digital marketing which can expand marketing functions and make it easier to identify customer needs and desires. Media that are widely used for digital marketing are e-mail, apps, social media, and websites. Now there are many online application that provide food and beverage delivery services that have collaborated with sellers. Ordering products through online application is preferred because the ordering process is easier, can be accessed via cellphone, lots of promos, and goods are sent home on the same day. This also supports the advice from the government to reduce activities outside the home.

Social media is one of the communication media that facilitates the process of disseminating information and promoting products without meeting consumers directly [12]. Marketing through social media has a wider reach and now social media features such as Instagram and Facebook have special features for business accounts that can expand promotions and sales. Social media is considered to have higher effectiveness and efficiency for innovative and creative business people [13] because of this social media has a great influence in terms of marketing and business development [14].

2. Study of Literature

2.1 Business Feasibility Study

A business feasibility study is a description of the potential, opportunities, and conditions of a business activity or project. The business feasibility study serves to analyze and be considered for accepting or rejecting, continuing or discontinuing an ongoing business or project. Assessment of whether a business or project has financial benefits and social benefits. Businesses or projects that provide financial benefits are assessed in terms of investment for the implementation of a project or business and social benefits are assessed from the benefits provided for the economic development of the entire community [15].

The business feasibility study consists of several aspects, namely marketing aspects, technical aspects, financial aspects, and organizational and management aspects. Marketing aspects include market determination, market development, market opportunities, and technical marketing plans such as promotions, distribution processes, and sales. The technical aspect is the process of selecting the location and layout of the production site, sales location, and source of raw materials in order to maintain capacity and quality. The financial aspect is one of the most important aspects in a business feasibility study, which includes estimates of operational costs, maintenance costs, working capital, and estimated income. organizational and management aspects are descriptions of the form of activities and management plans for business ideas, including determining the company's vision and mission, workforce and competencies needed for company development.

2.3 Business Model Canvas

Business model canvas is a strategy for creating a business plan based on products, customers, infrastructure, company values and financial structure [16]. The business model canvas consists of nine key elements, namely customer segments, value propositions, channels, customer relationships, revenue streams, key resources, key activities, key partnerships, and cost structure [17]. The business model canvas can make it easier to see the business as the big picture in order to analyze and develop the business in the short and long term.

2.4 SWOT Analysis

SWOT analysis can analyze and identify trends, patterns, internal and external resources that can have a negative and positive impact on the business [18]. SWOT analysis consists of four factors, namely strengths, weaknesses, opportunities and threats [19]. SWOT analysis can identify the company's situation and environment from inside and outside.

3. Research Method

The research method uses descriptive qualitative which aims to analyze and describe a specific and in-depth business analysis through a business model canvas analysis that includes nine key elements and a SWOT analysis that focuses on analyzing the company's internal and external environment. Data collection methods were carried out through in-depth interviews with herbal medicine manufacturers and sellers, observations and questionnaires to herbal medicine producers, herbal sellers, and herbal consumers and literature review.

4. Results and Discussion

4.1 Business Model Canvas

Nine key elements of business model canvas analysis can identify and analyze business development in detail and see the business as a big picture. Customer Segment (CS) in herbal medicine business development targeting male and female consumers aged 16 to 50 years with middle to upper economic level, located in Bandung, wants to maintain and increase immunity in a simple and safe way to consume in the long term. The Value Proposition (VP) offered to herbal medicine consumers is a non-bitter taste, attractive packaging, and a longer product shelf life. To get products, consumers can buy products through offline and online channels (CH).

Herbal medicine has different properties and variants. If customers have questions, customers can consult via social media or whatsapp chat. Customer Service (CS) is an important part of a company because it can maintain communication between customers and the company. To increase followers and engagement on Instagram, educational content about herbal medicine and health is created, weekly quizzes and winners will get free product vouchers and for customers who have a membership card, they will get a discount on every purchase. Product innovation and marketing strategy innovation can increase awareness of herbal medicine products and increase company revenue (RS) from product sales with a price range of IDR 20,000 - IDR 50,000 per product.

In the process of making herbal medicine, key resources (KR) and key activities (KA) are important factors in product quality. The main resources needed in the production of herbal medicine are raw materials, production equipments, labor, production sites, and physical stores. The key activity needed is quality control starting from the manufacturing process, packaging, storage and delivery, employee training, online and offline marketing. To support the development of the herbal medicine business, a Key Partnership (KP) is needed that can support the operation of businesses such as suppliers of raw materials and packaging, and online applications as partners for ordering and shipping products. Table 1 shows the ingredients for making herbal medicine and the cost structure (CS) as follows:

Table 1. Cost Structure

Needs	Qty	Unit	Price/Qty
turmeric	250	gr	3750
Palm sugar	200	gr	4800
White sugar	150	gr	2250
Water to boil	1400	ml	600
Ginger	75	gr	1500
Tamarind	4	Pcs	1600
Packaging	1	Pcs	4500
Total			19,000

Source : primary data

4.2 SWOT analysis :

SWOT analysis includes internal factors consisting of an analysis of strengths and weaknesses and external factors consisting of an analysis of opportunities and challenges. The strength of the herbal medicine business development is natural raw materials and no preservatives so that the product is safe for consumption in the long term, there are many product variants and can be served cold or hot, the product is packaged in sterile bottles with attractive designs, which can increase product selling value and buying interest consumer. Weakness analysis from the internal side of the company is that many people think that herbal medicine has a bitter taste and a short shelf life, which is a maximum of 4 days in the refrigerator.

During the Covid-19 pandemic, many people are looking for herbs to maintain and increase immunity. The few competitors of modern herbal medicine in Bandung and the large amount of government support for small and medium enterprises are an opportunity for the company. Customer loyalty to traditional herbal medicine, the emergence of new competitors after seeing advertisements through social media or online applications and the unstable economy of the community due to the impact of the Covid-19 pandemic can be a threat to the company. Table 2 shows a SWOT analysis strategy that can be used for herbal medicine business development.

Table 2. SWOT Analysis Strategy

<p>S-O Strategy</p> <ul style="list-style-type: none"> • Herbal medicine is starting to be in demand by many people because it can maintain and increase immunity • Digital marketing can increase public awareness of herbal medicine and increase sales. • Herbal medicine is starting to become a trend choice besides coffee 	<p>W-O Strategy</p> <ul style="list-style-type: none"> • there is a sense of worry about going out of the house or crowded places • The quality of herbal medicine will decrease if it is stored for a long time
<p>S-T Strategy</p> <ul style="list-style-type: none"> • emergence of new competitors who have better innovation 	<p>W-T Strategy</p> <ul style="list-style-type: none"> • limited employees can hinder the processes of making herbal medicine • not maximum delivery out of town

4.3 Business Feasibility Study

Information derived from consumer demographics such as gender, age, marital status, income, profession and motivation from consumers such as needs, interests and lifestyle, can facilitate the identification and analysis of appropriate marketing aspects. Offline store locations that are easy to reach and near production sites can simplify the delivery process, unique offline store designs and wi-fi facilities can attract consumers. To improve the competence and knowledge of employees regarding the correct product, production process and storage of herbal medicine, regular training can be provided. In the development of the herbal medicine business, the required number of employees is 5 people consisting of herbal medicine makers and packers, shop employees, digital marketers and finance.

The financial aspect of developing the herbal medicine business because it is a small-scale business, the capital used comes from the owner, but for business development it can be considered to look for investors. The finance department of course must have accuracy in recording the various costs needed such as maintenance costs, operational costs consisting of raw material costs, rent expenses, salary expense and the estimated income that will be generated in sales.

5. Conclusion

The results of this study are herbal medicine that were previously made and sold traditionally can increase consumer buying interest, increase the selling value of the product and can continue to survive, develop and be able to face global economic competition through product innovation and appropriate marketing innovation and always following technological developments.

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