

Does Cosmetics Start-Up in Indonesia Concern Green Product?

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Abstract—Consumer awareness on appearance, beauty, and skincare is rising in the era of consumer behavior 4.0. This condition drives the cosmetics industry to grow rapidly, including the cosmetics start-up as one of the actors in the industry. In the face of intense competition within the industry, start-ups engaged in this business should concern green products to be able to follow the trend of consumers who concern green products. This paper aimed to describe the business model of CV Saesha Cantika and examine its concern on green products. Business Model Canvas (BMC) was applied to map the business model, and Strengths and Weakness (SW) analysis was employed to examine the business model's concern on green products. This study found that CV Saesha Cantika business model had many areas of improvement concerning green products. As a result, CV Saesha Cantika needs a strategic plan to increase the application of green products that leads to an improved quantity and quality of its cosmetic products.

Keywords: *Business Model Canvas, cosmetics start-up, green products, strengths and weakness analysis*

I. INTRODUCTION

The growth of cosmetics and beauty products in the market has been soaring significantly along with the rising consumer awareness on appearance, beauty, skincare, and personal skincare product choices [1]. In 2017, the national cosmetics industry recorded an increasing growth of 20% or four times larger than the national economic growth in 2017. Euromonitor International data showed that among the total sales of global cosmetics products in Beauty and Personal Category, skincare had the largest market share in 2016 [2]. It shows skincare category has a large and potential market share, and provides opportunities for the business actors in cosmetics industry. The large market share also encourages the companies to create innovations in skincare products that have a good quality and according to the people's needs.

However, in 4.0 era, consumers tend to have a lifestyle that pays attention to the health and environment. This drives the companies to compete in producing various products that use environmental-friendly materials or known as green products. Green products offer alternative

products that use the organic materials, save the energy use, eliminate the toxic products, and reduce the air pollution and waste [3]. The consumers' rising awareness on green products encourages cosmetics companies to participate in creating green-product-based skincare products.

One of the start-up businesses fostered by IPB University operates in skincare products field, called CV Saesha Cantika Indonesia (CV SCI). This start-up promotes its natural value in its cosmetics products. This study focused on analyzing the business model of CV SCI using Business Model Canvas (BMC) and examined its concern on green products using the Strength and Weakness (SW) analysis [4]. The investigation of BMC in companies were based on the following related researches [5-9].

II. MATERIALS AND METHODS

This study used descriptive and qualitative approach based on a study case. Primary and secondary data were utilized in this study. Primary data consisted of company information, problems encountered by the related parties, owned resources, and the results of interviews with the respondents. Primary data were obtained from the internal of CV SCI comprising the Chief Executive Officer (CEO), Chief Operating Officer (COO), Chief Financial Officer (CFO), and Chief Marketing Officer (CMO). The secondary data used in this study were collected from company documents and literatures, such as books, journals, and previous studies relevant with the topics or the methods. The start-up selection was done purposively as CV SCI becomes a natural cosmetics start-up which received a predicate as Technology-based Start-up and succeeds in acquiring funding from the Ministry of Research, Technology, and Higher Education in 2018.

The data processing and analysis in this study were performed based on the stages of strategy formulation concept proposed by [10], namely input stage, matching stage, and output stage. Based on the stages, adjustment was conducted on the methods applied in this study. Input stage consisted of business model mapping and strength

and weakness analysis on each element of the business model.

III. RESULTS

Business model mapping was conducted by identifying the nine elements of BMC of CV SCI. Based on the observation and interviews with the internal of CV SCI, the BMC of CV SCI can be viewed in Figure 1. The customer segments of CV SCI were females aged 18 to 35 years old. Those segments were targetted because skincare products are currently loved by the females. The age of 18 to 35 years old are productive ages which require skincare. CV SCI also differentiated customers based on the amount of purchase because CV SCI did not only target the end customers, but also the resellers and physical stores.

In regards to the value proposition, the customers' needs to apply skincare products are to overcome their skin problems, maintain their skin health, and maintain their skin beauty. Those are in line with the result of study on the customers that CV SCI's products can meet several aspects, ranging from self-image or beauty to overcoming health problems. Identifying the customers' needs in using skincare products made it easy for CV SCI to adjust its value propositions for the customers. The value propositions of CV SCI were as follows: 1) Natural skincare products which made of original fruits and vegetables and did not use any artificial preservatives to maintain the products' nutritions. Before becoming a face mask, the fruits and vegetables were dried into powder. The rice grains (*Oryza sativa*), maltodextrin, and honey powder were then added into the powder until it became a face mask. In processing the face mask, CV SCI also utilized the drying technology of oven and spray dryer to produce a product with a maintained natural characteristics. The rose water produced by CV SCI was also created from steam distillation of pure red-rose flowers without synthetic materials and alcohol. The red roses used were brought in directly from the Central Java, so that a quality red-rose water could be generated. In terms of herbal soap, CV SCI conducted a partnership to produce some of the product manufacturing to the third party. However, the raw materials used still originated from natural materials provided by CV SCI itself before they were processed by the manufacturing company. 2) Skincare products that were according to the needs and types of skin. CV SCI offered skincare products that were according to the needs of each individual's skin and that could be used by all types of skin. This is conducted by presenting various aroma on each product, like Saesha face mask which had twelve aromas and herbal soap which had eight aromas. The presence of variants on product was intended so that the customers with different types of skin could apply and gain the benefits from CV SCI's products.

There were two types of channels harnessed by CV SCI, namely direct and indirect channels. The direct channels used by CV SCI were personal sales (direct sales to the customers), exhibition, and social media. In terms of the use of social media, CV SCI aimed to inform its products and reach the customers who could not be reached

directly. The social media used were Facebook and Instagram. CV SCI also made use of its website as well as online marketplaces like Shopee, Tokopedia, and Bukalapak. The indirect channel used by CV SCI was through distribution partners. CV SCI implemented several selling system, namely reseller system and consignment system. The systems applied were in line with the mission of CV SCI in opening sustainable employment opportunities. In reseller system, CV SCI engaged the students and general public who were willing to be entrepreneurs without bothering to think about production, distribution, and other business process. In terms of consignment system, CV SCI distributed its products to the ones who were willing to partner in this system. Several distribution partners already owned by CV SCI were cosmetics stores, salon, health stores, and minimarkets, such as Al-Amin, Botani Mart, Agrimart, and SABISA Farm that are located in Bogor area.

CV SCI built relationships with its customers through several ways, namely: 1) Customer care service, provided to facilitate the customers in gaining informations related to the products, product order, product consultation, and expressing their critics and suggestion on the products. This service was also utilized by CV SCI to retain its existing customers so that they could repurchase its products. 2) Daily information service, offered to provide informations for the customers about the products and knowledge regarding skin health through the CV SCI's social media (Facebook and Instagram). Besides, the informations given can be about promo/discount, entrepreneurship event, and exhibition participated by the CV SCI. 3) Membership card for the customers, provided to maintain their loyalty on the products and other benefits, such as discout on each purchase of its product.

CV SCI gained revenues from product sales and membership cards. Product sales were divided into three ways, namely retail selling, sales of product made into souvenirs, and bundling product selling. In terms of key resources, CV SCI had these following key resources: 1) Physical resources, consisting of compan-owned resources and rented resources. Company-owned resources comprised production equipments and production supporting equipments, such as oven, blender, grinder, mixer, filling machine, conitnuous sealer, gas stove, gas cylinder, weighing scale, refrigerator, storage cabinet, display shelves, and fan. Meanwhile, the rented physical resources were resources owned by other party that were harnessed by CV SCI. The other party mentioned was IncuBie IPB which provide a production site of 3m x 7m and other production supporting facilities, such as tables, chairs, electricity, water supply, air conditioner, and WiFi access. 2) Human resources which were the actors of all conducted business activities. CV SCI had four human resources consisting of one Chief Executive Officer (CEO), one Chief Operating Officer (COO), one Chief Financial Officer (CFO), and one Chief Marketing Officer (CMO). 3) Financial resources which were personal funds of CV SCI's internal parties. 4) Intellectual resources, including CV SCI's ability in processing the original fruits and

vegetables into powder that could be used as beauty products, namely Saesha Face Mask. This intellectual asset became a highly essential thing for CV SCI as this was only owned by CV SCI and need to be improved carefully because it determines the product quality.

CV SCI had three key activities, namely: 1) Production activity, covering raw material processing into final products that are ready to be marketed. In terms of face mask and rose water, production activities were started by raw material selection, purchase, processing into final products, product packaging, expiry date attachment, and quality control. Meanwhile, in terms of herbal soap, the production was transferred to the third party, in the framework of production cooperation with one of cosmetics companies, namely PT Adev Natural Indonesia. Therefore, the production activity for herbal soap only covered raw material selection because the following processes were handed to PT Adev Natural Indonesia. 2) Distribution and selling activities which were activities in distributing the products to the customers. Distribution activity was conducted directly by the internal of CV SCI, while selling activity was carried out both directly by CV SCI and through the distribution partner network scattered in Bogor region and surrounding through online and offline selling. 3) Promotion and marketing activity, including direct promotion through word of mouth, social media (Facebook and Instagram), website, and online marketplaces (Shopee, Tokopedia, and Bukalapak). Besides, direct promotion was also conducted when CV SCI participated in exhibitions by distributing brochures to the visitors and providing information when they visit CV SCI's booth.

In operating its business, CV SCI cooperated with several partners, namely the primary raw material suppliers, such as fruit and vegetable farmers, chemical stores, and packaging printing stores. CV SCI also partnered with several institutions, like SABISA Farm, TechnosNet, and IncuBie IPB to obtain knowledge and coaching so that it could continue to grow and be wellknown by the general public. The other partners that worked with CV SCI were the Ministry of Research, Technology, and Higher Education which provided assistance in financing for start-up, as well as PT Adev Natural Indonesia.

The cost structure of CV SCI comprised of: 1) Fixed costs which included the cost for rent of production site, electricity, water, and salaries. Those costs must be incurred by SCI each month. Although the fixed costs are not influenced by production activities, but the amount incurred is still influenced by the activities conducted in production site, such as electricity and water cost. 2) Variable costs, covering the cost for raw material purchase, packaging production, gas purchase, transportation, promotion (brochure printing, use of marketing service, exhibition booth rent, and others that support promotion activity. 3) Investment costs that were incurred at certain times, such as the first time operating the business by

purchasing production equipments, when the breakdown of production equipments occurred so that CV SCI needed to replace them with the new ones, or when it wanted to conduct improvement so that it required more sophisticated equipments.

IV. DISCUSSION

After identifying the nine elements of BMC of CV SCI, Strength and Weakness (SW) analysis was then performed on CV SCI's BMC elements to show its strengths and weaknesses related to the concern on green product, as portrayed in Figure 1. The customer segment of CV SCI with the characteristics of female aged 18-35 years old became the strength to CV SCI as females in those age range need a good skincare for health and beauty purpose. Besides, the age range belongs to the millennial generation with the behavior of considering green products.

In terms of customer relationships, the programs were both strength and weakness to CV SCI. Although still limited, CV SCI had been conducting the basic customer relationship programs of customer care service, daily information service, and membership card. Customer relationship of CV SCI was a weakness as there had been no program related to green product like a program enabling the customer to return the unused or empty product packaging, for recycling or to be used for new packaging. By returning the packaging, the customers can gain point that can be exchanged with voucher or souvenir. Moreover, customers can be engaged in humanity and environmental actions by purchasing bundling products.

In terms of value propositions, CV SCI had a strength in using natural raw materials containing herbal substances and opposing testing its products on animals. CV SCI's human resources had a limited knowledge in environmental friendly concept. The supplier of packaging that had not been environmental friendly was a weakness to CV SCI. CV SCI's support for community trade was a strength for its business model. CV SCI has not engaged with communities promoting planet protection which can be added to its value proposition.

V. CONCLUSION

The business model of CV SCI has a limited concern on green products through using natural raw materials and opposing animal testing, but the processes conducted have yet to show environmental-friendliness. CV SCI, so far, has been helping farmers and sellers who sell organic and herbal agricultural products as the suppliers of CV SCI (supporting community trade). The business model of CV SCI still needs to develop its process in more detailed manner in producing skincare and beauty products as a start-up that focuses on green products.

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APPENDIX

Key Partnerships <ul style="list-style-type: none"> • Suppliers of raw materials (S) • Supplier of packaging and printing house (W) • SABISA Farm • IncuBie IPB • TechnosNet • Ministry of Research, Technology, and Higher Education • Production partner • Distribution partners 	Key Activities <ul style="list-style-type: none"> • Production • Distribution and selling • Marketing 	Value Propositions <ul style="list-style-type: none"> • Natural skincare products (S) • Skincare products that were according to the needs and types of skin 	Customer Relationships <ul style="list-style-type: none"> • Customer care, Daily information, and membership card (S,W) 	Customer Segments <ul style="list-style-type: none"> • Individual customers: Females aged 18-35 years old (S) • Customers buying in bulk (wholesale)
	Key Resources <ul style="list-style-type: none"> • Physical : Raw materials, production equipments, production site, and other equipments (W) • Human resources (W) • Capital 		Channels <ul style="list-style-type: none"> • Direct: online dan offline • Indirect: Distribution partners (resellers, cosmetics stores, salon, minimarkets) 	
Cost Structure <ul style="list-style-type: none"> • Fixed costs: Production site rent, electricity, water, and salaries • Variable costs: Raw materials, packaging, gas, promotion, and transportation • Investment costs: Production equipments, office inventory 			Revenue Streams <ul style="list-style-type: none"> • Product selling: Retail, souvenirs, bundling • Membership card (S,W) 	

Fig. 1. The business model of CV SCI and its strengths and weaknesses concerning green products