

CHAPTER I

INTRODUCTION

1.1 Background

The main purpose of this thesis is to create a business plan to establish a convenient and fun recreational park to fulfill the needs of dog(s) and their owner(s). The team (Masa P. Lingga and Doli R.) believed that there is a unique opportunity in this concept to pursue entrepreneurship in Indonesia and at the same time increasing the life quality of dog(s), dog owner(s) and dog lover(s).

Indonesia is Southeast Asia's largest economy with resilient economic growth that is fueled by rapidly increasing urbanization and industrial rates. Changes in consumer lifestyles and rising disposable income in Southeast Asian countries has resulted in a growing acceptance for pets, not only among the high-income group, but also the middle-income group (Digital Journal, 2018) and the increasing popularity of pets in urban areas has created a whole pet care industrial chain (China Daily, 2018).

The term "pet care" describes an activity which includes providing comfort and benefit to pets and fulfilling all their needs, including food, snacks, grooming products, maintaining health and hygiene such as vaccination, consulting to veterinarian for health check-up, spending time with pets and even buying luxury items like beds, toys and clothes. The pet care industry in Asia is expected to grow at 14.3% annually from 2016 - 2021 due to the increase of pet ownership and expenditure per pet and this growth also reflects the growing wealth of the region (Spire Research, 2018).

According to Hirschman (1994), there are six reasons for pet ownership:

1. Pets as companion, friend or family member (this is the most common reason for pet ownership, also called as humanization of pets).
2. Pets to serve specific function such as protecting, herding, hunting, search and rescue or therapy animals.
3. Pets as avocations or to be exhibited and in this case pets perceived as property to be bought and sold.
4. Pets as the symbol of the owner's status.
5. Pets seen as ornaments and kept specifically for their aesthetic value.
6. Pets as objects in their environment that function as extensions of themselves.

Pet ownership in Indonesia has only recently become a trend with the increasing urbanization of the nation and majority of the pet care business goes into cats and dogs segment. According to Mordor Intelligence report (2017), there are around 2 million of cats petted in Indonesia and survey result from Rakuten Insight (2018), also shown that cats and dogs are the dominant four legged pets in Indonesia.

Table 1.1: Pets Ownership in Indonesia

Dog Owner	Cat Owner	Bird Owner	Rabbit Owner	Hamster Owner	Goldfish Owner	Reptile Owner
15.5%	37%	19.3%	6.5%	3.7%	15.6%	3.5%

*Source: <https://insight.rakuten.com/pet-market-in-asia/>

The preference of owning a cat or a dog as pet will be different for each person, and it could be influenced by their personality, family background and religion. Indonesia has the largest Muslim population in the world, with over 227 million people identifying as Muslim. Thus, the dog ownership is not as big as cat ownership. However, in this paper, the team is still very

interested to develop new business model on Dog Recreational Park, due to consideration of different traits between cats and dogs as follow (Hill's Pet, 2019):

- Cats are very independent creatures which often don't rely on their humans for much past their basic needs of food and a clean litter box, and they are content being alone for hours at a time. However, dogs are pack members and they see their owner as the pack leader. Dogs are always looking for direction, prefer to be at their owner's side, and will involve themselves in their owner's routines as a way to connect with their pack leader (owner).
- Cats are more agile and will occasionally spend time playing games with their owner but cats have limited interests and aren't known to be athletic. On the other hand, dogs need regular exercise and many dog breeds enjoy running, swimming and hiking with their owner.
- Cats are nocturnal animals, and enjoy a little bit of playing at night. On the other hand, dogs are active and playful during the day.

In the survey published by Psychology Today (2010), it was also revealed that dog owner tends to tolerate cats meanwhile cat owner hate dogs. Our team decided to create specific Recreation Park for dogs, due to consideration that dogs enjoy playtime and exercise with their owner compared to cats, and the increasing number of dog ownership in Indonesia.

Regarding number of dog ownership in Indonesia, data from Indonesian Kennel Klub (IKK) shows that purebred dog ownership in 2016 has increased by 21% compared to 2014 and the number of dogs in Indonesia has continued to increase consistently in the past few years. In 2017, there were 33.845 newborn purebred puppies and in 2018 there were 29.117 newborn purebred puppies registered to IKK.

Table 1.2: Purebred Dog Ownership in Indonesia

Country	2014	2015	2016
Indonesia	328.348	365.670	398.886

*Source: <http://www.fci.be/en/statistics/ByNco.aspx?iso=ID>

There are three types of dogs all over the world, which consists of purebred dog, mixed breed dog and hybrid dog. The first type is purebred dog, where it is registered and has papers to prove that the parents are both of the same breed. The second type is mixed breed dog (mutts), when it is the offspring of two or more different dog breeds and the parents are not purebred dogs. Meanwhile the third type is hybrid dog, where it is the offspring of two registered purebred dogs (Dog Guide, 2018).

Dogs are commonly referred to as man's best friend by providing companionship and the effects of such relationships are often associated with physical and psychological health benefits in humans. Today, dog(s) play a significant role in their owner(s)' lives mainly by offering companionship and affection (Robins et al, 1991). Many dog owners report that they are as emotionally involved with their dog(s) as with their family members or friends (Archer, 1997). The nature of the relationship between companion dog(s) and their owner(s) can have an important impact on quality of life for both dog and the owner, and engaging in different activities with the dog could positively beneficial for dog and owner relationship (Meyer and Forkman, 2014).

In Indonesia, humanization of pets has become a new trend among the nuclear household and boosted by increasing single populations who preferred to have a pet companion along with them (Mordor Intelligence, 2017). As incomes rise and pet ownership becomes more common, Indonesians, especially those in its rapidly growing cities, are re-evaluating their relationship with animals (SCMP, 2018) and as a result of pet humanization, owners regarding their pets as part of

the family (Euro Monitor, 2018). Owners who view a pet as a cherished family member feel a need to spoil their pet to indicate their love and affection (Forbes, 2018).

Dog care industry in Indonesia is growing and has a good business potential. The business potential was reported by Tempo news (2017) where monthly sales of pet shop could reach IDR 400 Million and also covered in CNBC Indonesia news (2018), where Vodka and Latte pet shop and grooming could accept 30 – 50 dogs' visitation per day for various services such as day care/ dog hotel, grooming, dog park, tattoo, coloring, and swimming with price per service ranging from IDR 150.000 to IDR 700.000.

As the dog ownership increases in Indonesia, there is an increase as well in dog lover community. Dog owners join the community to get more information on dogs, to socialize and exchange information with other owners, and to be involved in improvement of dog welfare and educating society. The dog lover community is usually based on region (such as: Jakarta Dog Lover, Serpong Dog Lover, Depok Dog Lover, etc.) or based on the specific dog breed (such as: Golden Retriever, Labrador, Maltese, Shih Tzu, Dobermann, etc.). Usually the community members will conduct regular gathering event in dog friendly places.

Although the number of dog as pet continues to increase in Indonesia, there are still limited options and places for dog(s) and their owner(s) to spend quality time together which is convenient and fun for both dog and the owner. The first option would be to visit shops like Pet Kingdom in Serpong, Vodka and Latte in Kemang or Rumah Guguk in Bandung. These shops are basically premium pet grooming shop with outdoor area and swimming pool for dogs, equipped with trained staff. However, these shops have limitation in terms of space due to land cost (located in expensive and or crowded residential area) and lack of staff friendliness. The second option would be to visit Rumah Terraria in Parung, which advertised them self as "One Stop Dog's Entertainment". This

place has the most spacious and lush outdoor area in Jabodetabek with friendly and dog loving staff, and it is equipped with dog hotel, training, grooming, breeding and recreation facility (dog agility training area and swimming pool). Usually the dog(s) would love to visit the places from two options above, as most of the facilities dedicated for dog(s) and they could run around freely, playing and having fun. However, the dog owner(s) usually have very limited facilities and it would be easy for them to get bored and restless as they could not be fully relaxed and enjoying their time while waiting on their dog(s).

The third option would be to visit dog friendly park such as Como Park in Kemang, Kodok Park in Menteng or Central Park Mall in West Jakarta. As they are public parks, the concern usually relies on facilities provided in the park, cleanliness and hygiene maintenance. As there is no staff in the parks who could watch over the dog(s), then the owner(s) must always be on high alert and keep an eye on their dog(s). All these factors could be exhausting and stressful for the dog owner(s).

The benefit of going to dog park was covered by Smith (2007), which said that it motivates people to get out and exercise with their dog(s), to allow their dog (s) to have natural socialization with other dogs and people; and to help bringing people together, as in many communities' people are reluctant to talk to a stranger. Having common subjects (dogs) to talk about will break the ice and improving human relationship and interaction.

The fourth option would be to bring our dog(s) to dog friendly cafés, which is becoming trend lately especially in area with high level of dog ownership. Some examples of these cafes will include Paws and Tails in Serpong; Lokal Deli, Honu, and Antipodean in Kemang. In these places, dog owner(s) could order tasty food and drink, sit and relax, enjoying themselves while chatting with their friends or family. However, there is very limited activity that can be done by the dog(s)

considering the space constraints. Usually the dog will wear a leash and wait on the table where their owner is sitting. In this case, the dog could get bored and restless as they could not play round and burn their pent-up energy.

We can see that there are weaknesses from each of the four recreational place options for dog(s) and their owner(s) as mentioned above. These weaknesses are unfulfilled gaps in customer needs which could not be provided by existing offering in the market. Meanwhile, the potential in recreational place for dogs in Indonesia is big due to increasing dog ownership and more affluent customer who treats their pet as part of the family. Thus, the team saw an opportunity to develop a unique business idea to provide an integrated Recreational Park and services for dog(s), their owner(s) and dog lover(s) under in one place. This place would be located in Jabodetabek area, as it is the backbone of Indonesia's economy and has a big potential market.

1.2 The Urgency

The urgency of this business model creation is to create a new recreational park concept which will cater the needs of for dog(s), their owner(s) and dog lover(s) which could not be fulfilled by existing offering in the market, and to build a profitable business based on the idea. In this thesis, the commercialization of the recreational park will be described. By observing current dog recreational place offering in the market and acknowledging the needs of dog(s) and their human, the team came up with ideas for new recreational park which will be prioritizing on integrated services for both dog(s) and their human.

First the idea was to create an integrated solution for dog(s) which consists of pet shop, grooming, and dog hotel. The recreational park will have clean, spacious and lush outdoor area

with swimming pool and complete playing facilities, so the dog(s) could have fun, exercise and interact naturally with other dogs and people. The dog(s) will be safe as they are constantly monitored and handled by experienced staff with love for dogs.

Second idea was to create convenient place with ambience like café or bar, for the dog owner(s) to spend time while accompanying their dog(s) to play and they could also choose to sit and relax, have a drink or chat with other dog owners while waiting on their dog(s). Third idea was to combine with dog café concept, where the café provides dogs to play and taking picture with. The team agreed there is a good business opportunity in dog café concept which allows children (accompanied by their parents/ adult) to play with and learn about dogs, how to treat them correctly, as well as to teach them the responsibility of owning a pet, prior to actually having one. Dog rental experience through our new concept of Dog and Owner Recreational Park would help to educate society and improving animal welfare.

1.3 Benefits of Thesis

The benefit of this thesis is to create a new business model of Dog and Owner Recreational Park in Indonesia which will be fun, convenient and have complete services for dog(s), their owner(s) and dog lover(s); and to analyze how we can deliver and improve the value proposition to customer which will bring sales and profit to the business.

The team also would like to contribute to the development of entrepreneurship in Indonesia and facilitate the needs of customers for new concept of Dog and Owner Recreational Park which are currently under served. Our new concept of Recreational Park aims to increase the quality of

life for both dog(s) and their human and contribute in the development of responsible dog ownership in Indonesia.

1.4 The Scope of the Study

The scope of this study is to create a thorough business model canvas to determine the feasibility of opening first store of our new concept of Dog and Owner Recreational Park. The integrated services offered by our new recreational park will cover all the needs which dog owner(s) might have but it is important to create plan on successful market entry.

Our new concept of Dog and Owner Recreational Park hopes to use this research to decide on financing, partnerships, marketing and overall shop operations. The aim of this research is to give the company the best possible chances in running successful dog recreational business and to become the destination for Jabodetabek dog owner(s) to spend quality time with their four-legged best friend.

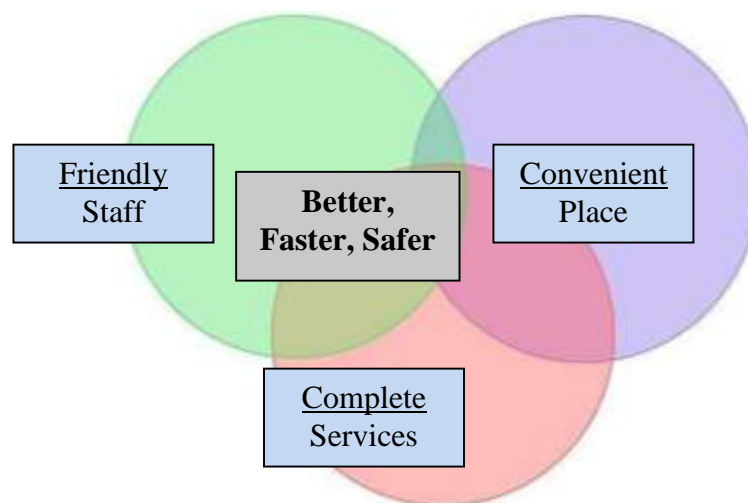
1.5 The Business Idea

By looking into current dog recreation business in Indonesia, our team is confident that there is a good business opportunity to create a new recreation park to satisfy the needs of dog(s), their owner(s) and dog lover(s). Jabodetabek area is chosen as place for our new recreational place,

as it is the biggest city in Indonesia with big population of more than 32 million people and its large number of middle class and affluent customer.

The team decided to point out the three focuses of our new concept of Dog and Owner Recreational Park to reflect the value proposition of the business creation which is: Friendly Staff, Convenient Place for the owner and Integrated Services for the dog.

Figure 1.1: Venn Diagram of New Recreational Park's Value Proposition



The explanation for the above Venn Diagram as follow:

- Convenient Place

The recreational park is clean, hygiene, safe, and enriched with spacious playing dog park including various facilities for dogs and the dog owners to spend the quality time in the recreational park.

- Friendly Staff

The recreational park is managed and staffed by professional staffs and dog lover staffs to create a safe and secured feeling for the dogs and dog owners, satisfaction, reliability.

- **Complete Services**

The recreational park is a one stop service concept where anything needed for the dogs and dog owners during their time playing in the recreational park are available.

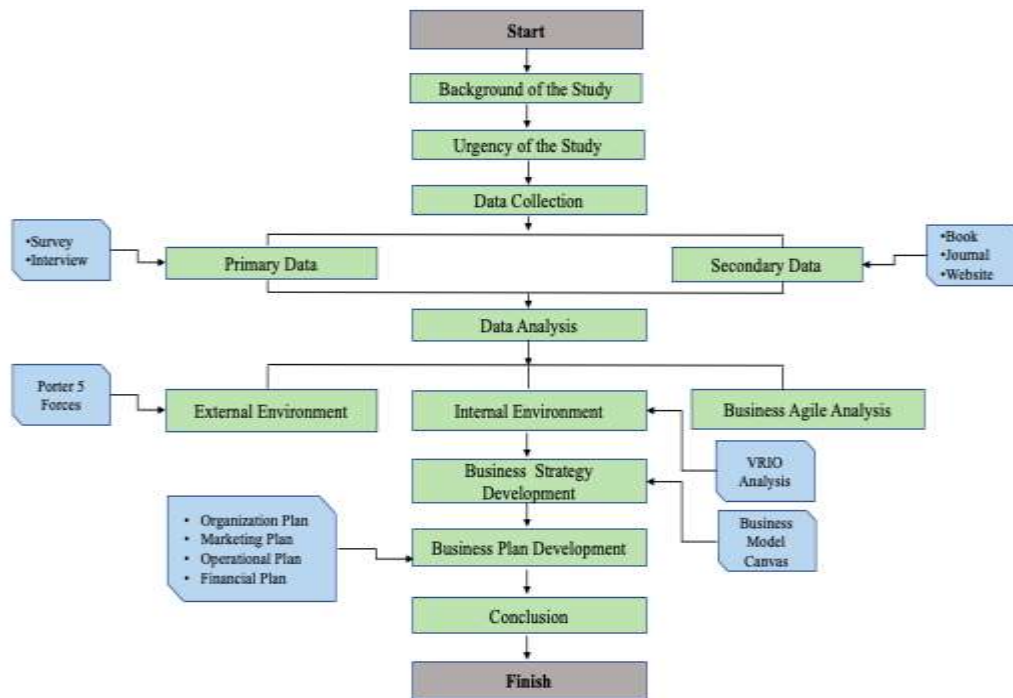
- **Better, Faster, Safer**

The Complete Place, Friendly Staff, and Complete Service will create an integrated services which is “Better” compared to the current providers, “Faster” as all the needs for the dogs and dog owners can be obtained in one place compared to the current providers where certain needs have to be obtained from different places; and “Safer” means the recreational park is managed and run by professional and dog lover staffs who knows how to handle the dogs and the recreational park facilities are set up based on the dogs’ breed, size and risk of aggressiveness to ensure the comfort and safety of the dogs.

1.6 Conceptual Framework

According to Bordage (2009), conceptual frameworks “represent ways of thinking about a problem or a study, or ways of representing how complex things work the way they do. Different frameworks will emphasize different variables and outcomes, and their inter-relatedness”. To provide clear guidance in this study, the team will use conceptual framework explained as below:

Figure 1.2: Conceptual Framework of the Study



This study of business model creation will be started by explaining the background and urgency of conducting this study, and continued with data collection which consists of primary and secondary data collection. The data result will then be analyzed and put into external environment analysis, internal environment analysis and business agile analysis. Based on these analysis, the team will develop business strategy through business model canvas and detailed into the development of business plan. After fulfilling all steps as above, we will come to a conclusion which will answer the urgency of conducting this study and take form into a profitable business idea to be developed.

1.7 Overview of Thesis

The framework of creating this Business Model Creation is:

Chapter I : Introduction

This chapter will discuss about the background of pet care business and the dog ownership in Indonesia, the current existing providers of dog's recreational place and their gaps, and the new potential business idea to be developed.

Chapter II : Value Proposition

This chapter will discuss about market and industry analysis, the research methodology and data collection result, and the value proposition of the new business idea.

Chapter III : Final Design of Business Model

This chapter will discuss in detail for the business model canvas and the implementation of 9 building blocks for our new concept of Dog and Owner Recreational Park.

Chapter IV : Business Plan

This chapter will elaborate and build the business plan for our new concept of Dog and Owner Recreational Park. The planning will include implementations of 9 building blocks, marketing, financial and human resource.

Chapter V : Conclusion