CHAPTER I

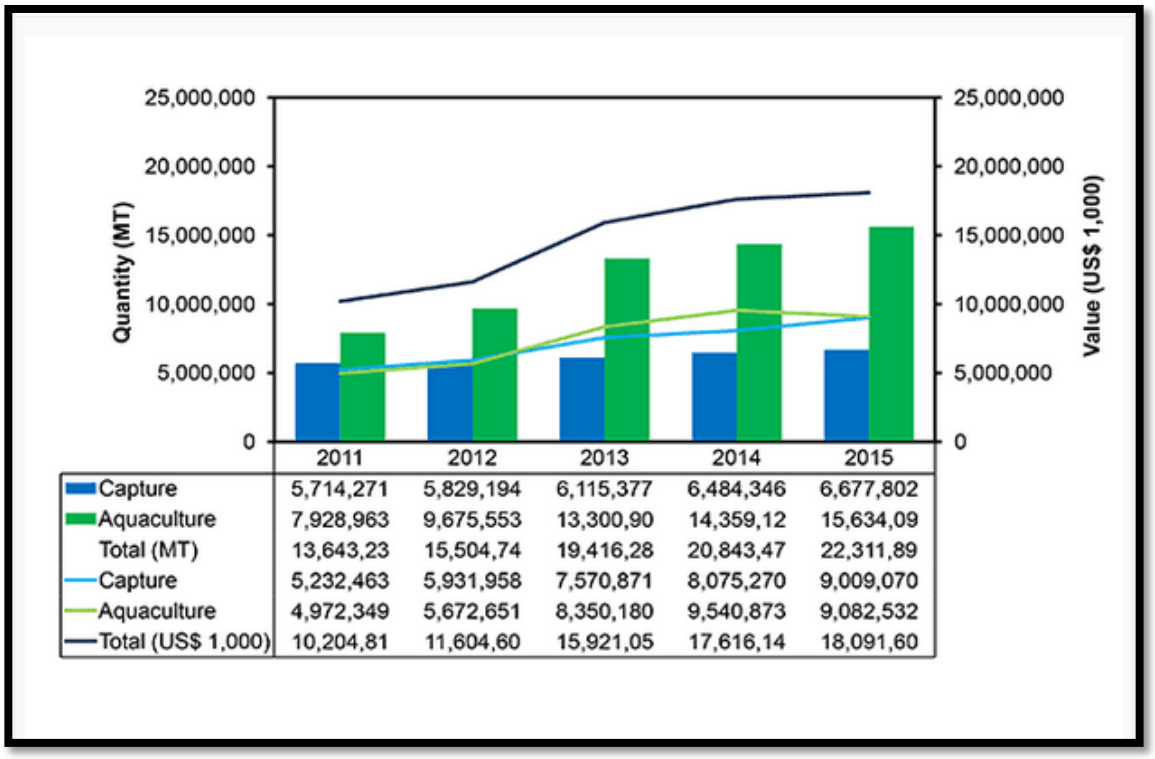
INTRODUCTION

1.1 Background

Indonesia is known as the largest archipelago country in the world comprising of 17,499 islands with a long coastline of 81,000 km and its waters consist of territorial sea, archipelagic waters and inland waters covering 2.7 million km or 70% of the territory of Indonesia. With these geographical circumstances, Indonesia has a huge fishery potential. According to the decree of the Ministry of Marine Affairs and Fisheries number KEP.45/MEN/2011, the potential of fish resources in Indonesia's territorial seas and the Exclusive Economic Zone of Indonesia (ZEEI) is estimated to be 6.8 million tons per year. Indonesia is one of the most bio-diverse marine areas in the world, having approximately 8,500 fish species, 555 seaweed species, and 950 coral reef species. In addition, Indonesia's marine sources cover 37% of fish species in the world such as tuna, shrimp, lobster, coral fishes, seaweed, and other kinds of ornamental fish, have a great economic value (EIBN, 2017). With all this great marine resources, no wonder Indonesia become the largest seaweed provider and one of the largest global suppliers of tuna and shrimp. The potential of this great marine resource is a challenge for the Indonesian people to use it for the common prosperity as well.

Since Indonesia President Mr. Joko Widodo appointed Mrs. Susi Pudjiastuti to be the Minister of Marine Affairs and Fisheries (MMAF), the fisheries sector grows

rapidly. She has taken firm action to eliminate illegal, unreported, and unregulated (IUU) fishing in Indonesia's territory by sinking 174 illegal boats by April 2016 (EIBN, 2017). By doing this action, Government tries best to maintain the sustainability of Indonesia's fish and other marine resources for national consumption. As results, fisheries production in Indonesia which is obtained from capture fisheries and aquaculture gradually increased during 2011-2015 (Ariansyach, 2017).



	2011	2012	2013	2014	2015
Capture	5,714,271	5,829,194	6,115,377	6,484,346	6,677,802
Aquaculture	7,928,963	9,675,553	13,300,90	14,359,12	15,634,09
Total (MT)	13,643,23	15,504,74	19,416,28	20,843,47	22,311,89
Capture	5,232,463	5,931,958	7,570,871	8,075,270	9,009,070
Aquaculture	4,972,349	5,672,651	8,350,180	9,540,873	9,082,532
Total (US$ 1,000)	10,204,81	11,604,60	15,921,05	17,616,14	18,091,60

Figure 1.1 Total fisheries production of Indonesia in 2011-2015 by quantity (MT) and value (US$ 1,000) . ***Source:*** (Ariansyach, 2017)

The increasing of fisheries production plays an important role in increasing opportunity for the people who earn living in fishery-related activities as well as supporting the national food security. As of 2013, it was found that Indonesia's

fisheries industry has employed 12.3 million people both in downstream and upstream sector (EIBN, 2017) . Furthermore, the increasing of fish production will support national food security. In Indonesia, food security is one of the government concerns. The increasing production of fish will support government to fulfill the population's consumption needs of good quality seafood. Moreover, fish and other marine resources is one of the main components in people's diet which having good nutritional benefit. Fish is known as a high-protein, low-fat food that provides many benefits for human body. The fat in fish is lower than any other source of animal protein and considered "good" fat since it is rich in omega 3 which are very needed by growing human body. (EDF Seafood Selector). Therefore, in order to make the people aware of the nutritional benefit of fishery products, Indonesia's government conduct the "Eat Fish" or "Gemar Makan Ikan" campaign in all over Indonesia provinces. Since then, the consumption rate of fisheries product in Indonesia gradually increased from 33 Kg per capita per year in 2014 to around 43 Kg per capita per year in 2016 (KKP, 2017).

Despite the consumption rate of fisheries product in Indonesia gradually increase, but the fact shows that consumption rate of fisheries product in Indonesia is still far behind compared to neighbor countries such as Malaysia (70 Kg per capita per year), and Singapore (80 Kg per capita per year), even less defeated by Japan (close to 100 Kg per capita per year) (Chandra, 2017). It became a challenge for the government to create the excellence human resources by increasing the rate of fish consumption.

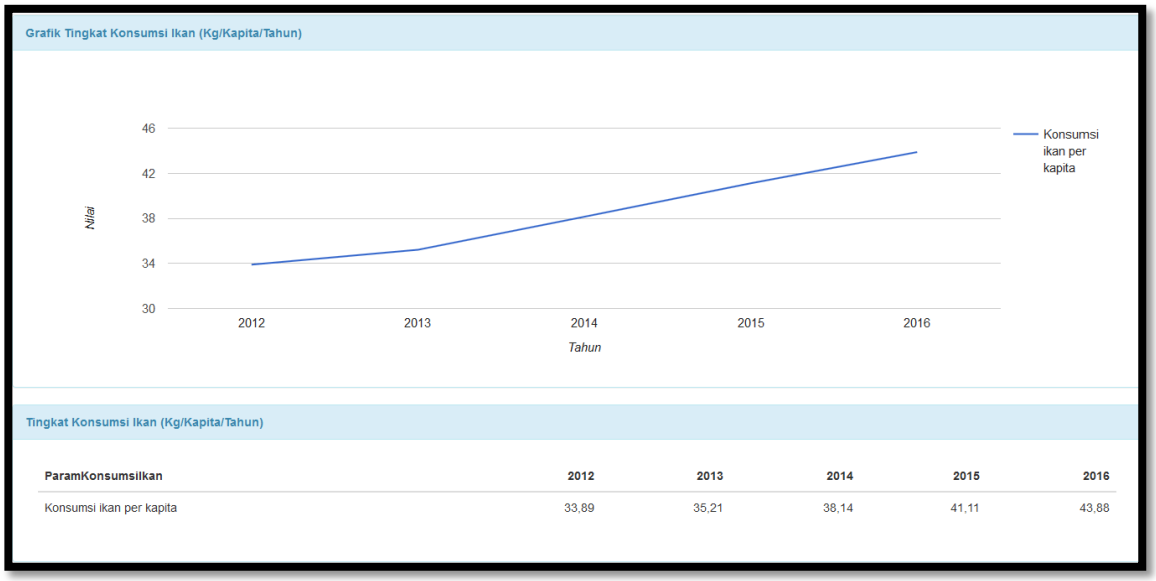


Figure 1.2 Fish Consumption in Indonesia (Kg/Capita/Year). ***Source:*** (KKP, 2017)

1.1.1 The Fisheries Sector and Its Role in Indonesia's Economy

In Indonesia's fisheries sector, there are two basic subsectors which covering three main fields of activities (EIBN, 2017):

1. The upstream industry. It covers fishing, aquaculture, and fish farming activities.

2. The downstream industry. It describes all activities related to the processing of raw materials up to the consumable end product.

There are three basic activities which are related to each other in Indonesia fishery production. It comprises fishing, aquaculture, and fishery processing. These activities are further can be divided into sub-activities such as fishing consists of two sub-activities of marine and inland fishery; aquaculture's sub-activities are divided into

pond, paddy field, cage, and floating cage fish farming, then the fishery processing may divided sub-activities such as boiling, smoking, canning, fermentation, freezing, and salting. (SPIRE, 2014)

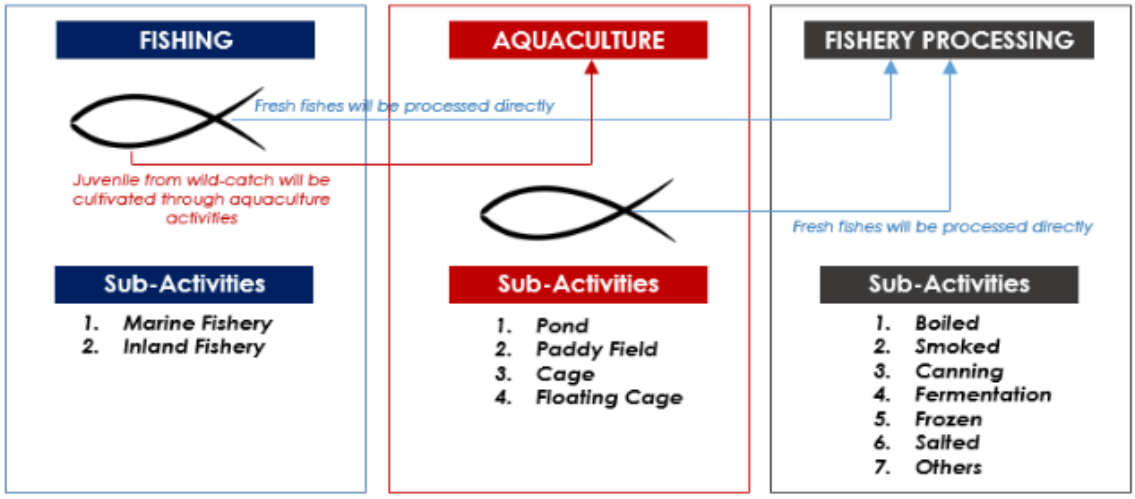
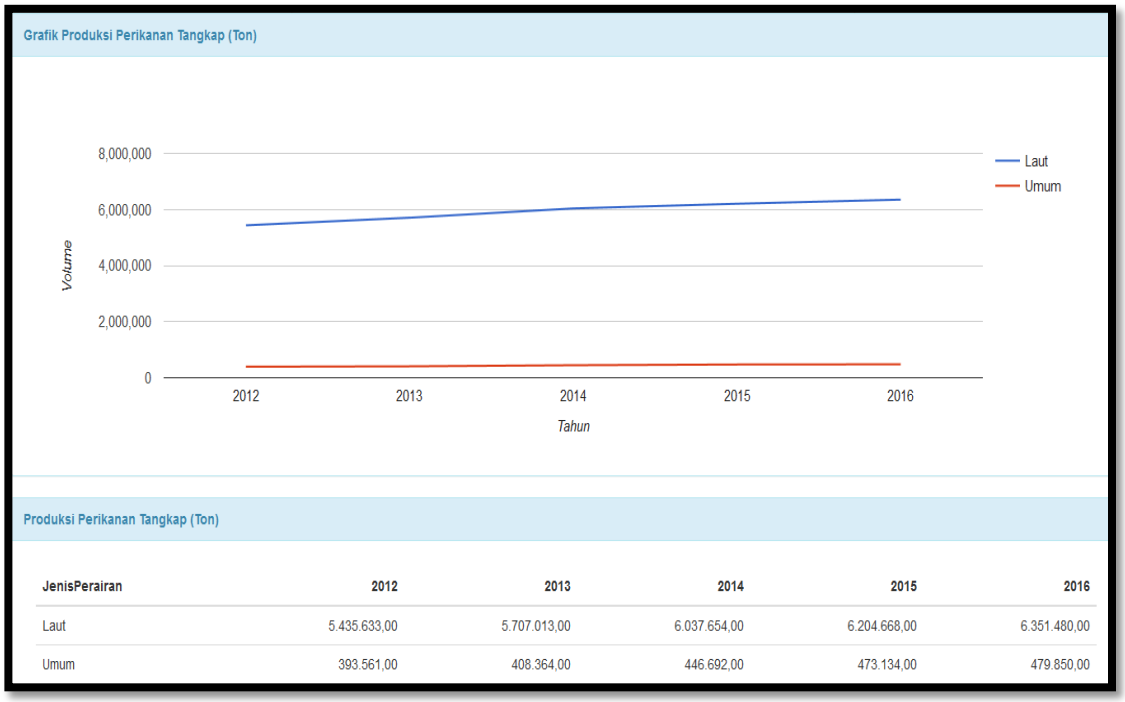


Figure 1.3 Fishery Activities and Sub-Activities in Indonesia. ***Source:*** (SPIRE, 2014)

Fisheries activities which are conducted by fishing commonly divided into two sub-activities which are marine and inland fishing. The marine fishing is considered more popular than inland fishing. It can be seen from the data of production fish published by Ministry of Marine Affairs and Fisheries (MMAF) shows that production of marine fisheries during 2016 that amounted 6.3 million tons compared to inland fishing that amounted only more or less 479 thousand tons.



Produksi Perikanan Tangkap (Ton)

JenisPerairan	2012	2013	2014	2015	2016
Laut	5.435.633,00	5.707.013,00	6.037.654,00	6.204.668,00	6.351.480,00
Umum	393.561,00	408.364,00	446.692,00	473.134,00	479.850,00

Figure 1.4 Total Fishery Production by Sub-Activities of Marine and inland Fishing.

Source : (KKP, 2017)

In recent years, before the regulation toward IUU fishing applied, wild-capture production has experienced slower growth due to over fishing; therefore aquaculture plays an important role to help to replace the wild-capture fisheries product to meet the demand in market. The aquaculture activities comprise of marine culture, brackish, fresh water ponds, floating cage nets, and paddy fields.

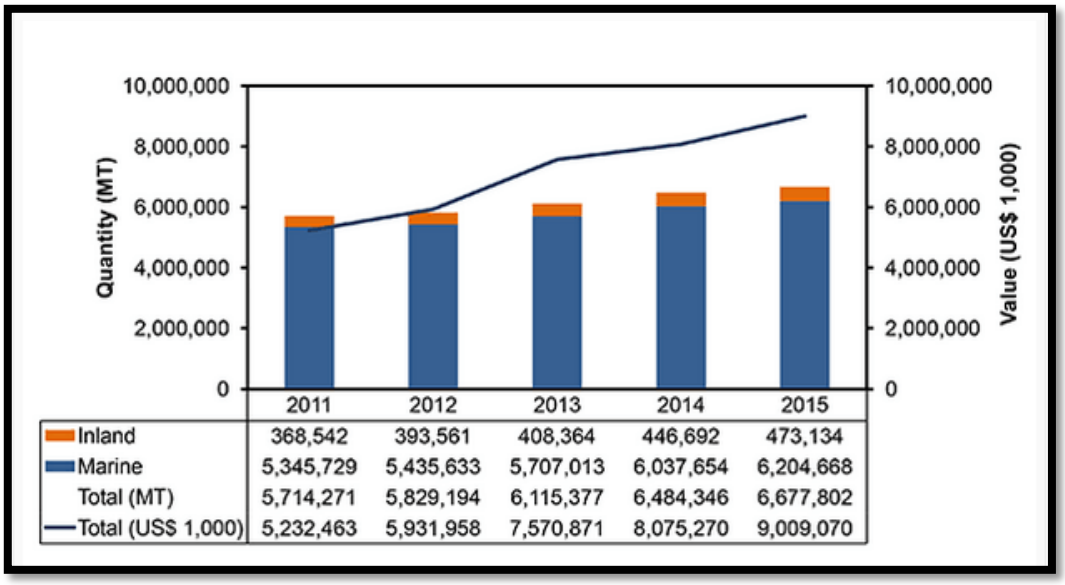


Figure 1.5 Total Production of Indonesia's Aquaculture in 2011 – 2015 by quantity (MT) and Value (US$ 1,000) . ***Source*** **:** KKP, 2017

In the growth of Indonesia economy, fisheries sector is one many sectors that has contributed to Indonesia Gross Domestic Product (GDP). Even though, the growth of Indonesia's economy in 2015 lower compared to 2014, but in another way around the GDP of fishery sectors increased from 7.3% in 2014 to 8.3% in 2015. It shows that the fisheries sector keep growing as the result of government effort to handle the IUU fishing problem in Indonesian marine.

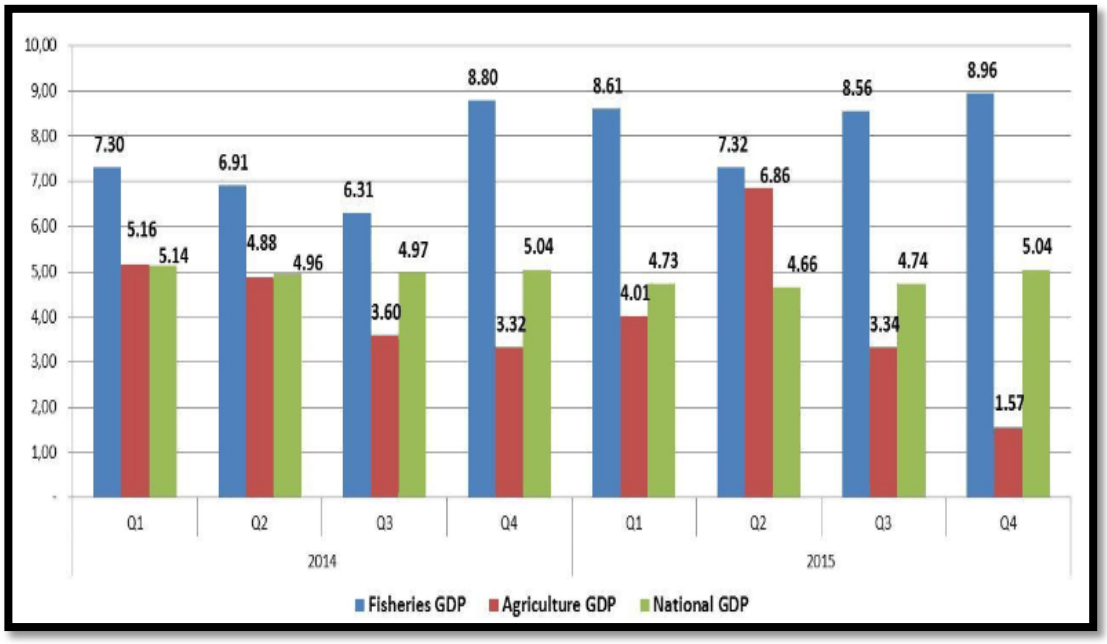


Figure 1.6 The Growth of **2**, and National GDP 2014 – 2015
Source : EIBN Sector Report, 2017

Moreover, the GDP of fishery sector has been followed by the increasing of total exports of fishery products to other countries. The total export in 2014 was increased 8.4% from 2013 and reached USD 3.1 million and USD 4 million in 2015. United States is the biggest importer of Indonesia fisheries product (40%), then followed by Japan (16%), Europe (12%), and other ASEAN countries (12%). Furthermore, it was shrimp that recorder as the biggest export commodity in third quarter of 2015 which valued as USD 1.39 million, followed by tuna, skipjack, and little tuna valued as USD 491,000 and then crab with value of USD 29.51 million. (EIBN, 2017).

1.1.2 The Trend of Online Transaction and Its Role in Fishery Industry

Nowadays, people live in the era of technology where the internet plays an important role in people's daily life. According to Indonesian Internet Service Provider Association or APJII, the numbers of internet in Indonesia in 2017 is 143,26 million, 7.9% increase from 2016 . These facts show that the environment in where Indonesian people grow become more and more digital where everything can be accessed by online by the development of internet speed. This trend of digital environment influences the consumer behavior as well. The ways people consume have changed. People order their food online, be delivered in the hour, order a massage, and buy the clothes on their smartphone. Everything can be done by just staying in their comfortable sofa with smartphone on their hands or with their laptop on desk while working at office. It is easier and faster than going to the supermarket.

People use internet to ease their activities, either for business or daily personal. Not only for communication tool, internet is also used for online trading or e-commerce, as it explained in the definition: Transaction of buying or selling that supported by electronic devices and internet is also known as e-commerce (Kotler & Keller, 2016). Consumer can search and choose their desired products within 24 hours. The use of internet in business has been changed from tool of information exchange become tool for business strategy application such as marketing, selling and customer service.

However, many industries or companies has started to use the benefit of e-commerce to find new ways to expand the market in which they compete, to attract and retain customers by tailoring products, and services to their needs, and to restructure their business process to deliver products and services more efficiently and effectively (Azadi, 2011). In fishery industry itself, the role of e-commerce is significant to reach the customers anywhere and anytime since they can buy fishery and marine products without visiting the offline market which can be time and money consuming. Some of e-commerce companies in fisheries industry that have been existed are pasarlaut.com, Distributorikanlaut.com, Fisco.id, and Fish-Indonesia.co.id.

1.2 Problem Statement

As the largest archipelago country in the world, Indonesia has abundant of marine and fisheries resources which supposed to support the national food security as well as prosperity of the country. However, the consumption rate of fishery products of Indonesian community is still far behind other country which actually imports our fisheries product, in addition the local fishermen in Indonesia are still considered far from prosperous. Quality and price are several factors that trigger Indonesian people reluctant to eat fishery product or seafood:

1) **Long distribution chain causes seafood quality reduced.**

   The difficulty to get fresh fishery product become one of the problems happened recently as the impact of the long distribution chain. The seafood or

fishes that fisherman caught will pass over many hands before it is received by end consumer. This long distribution chain may cause the quality of seafood is not as good as we buy directly at fish market or fish auction (TPI : Tempat Pelelangan Ikan) in port which quite far from city. The logistic process which is loading – unloading will impact to the quality of seafood. The seafood which is not handled properly will lose its freshness. Even in some cases, some chemical is injected into the fishes to maintain it fresh which make the consumer reluctant to buy or eat seafood.

2) **Long distribution chain cause seafood price expensive.**

Besides the quality, the impact of long distribution chain is the increasing of price. From one middleman to another middleman handling cost will incurred which impact to seafood price in the end market. Therefore, the price that consumer need to pay to buy seafood in the near port will be more way cheaper than in traditional market or supermarket. The high price that consumer need to pay out to buy - not so fresh- seafood become one of factors that make people reluctant to buy or consume seafood.

1.3 Urgency of Business

Based on the facts that Indonesia has huge fishery and marine resources, the authors see opportunities lies on the problems which lead to create new way of consuming fresh seafood that will be innovative with competitive price for the end consumers. As for the problem of long distribution chain as explained previously,

SEABOX presents to shorten the chain of seafood distribution which will make an impact on the quality and the price as well.

By shorten the distribution chain, SEABOX will reduce the logistic cost and reduce the logistic process (loading-unloading) to maintain the freshness of seafood. By doing so, SEABOX expect the end customer can get better quality product than they found in market. Furthermore, the authors realize the trend of consumer behavior nowadays which prefers to go shop anything by online; therefore SEABOX adapt this trend and set up SEABOX website to be accessed by online to get closer with the customers.

1.4 Business Idea

In the traditional fish or seafood distribution chain, local fisherman practically land their catch in a port and then sell it in fish auction to middleman in big quantity then sold to another middleman or distributor or retailer before it reach the end customer in traditional market or supermarket. The more hands the seafood passes through between fisherman and end consumer, the less fresh the seafood received by end customer and the more higher the cost they need to spend. SEABOX business idea comes to solve this problem to shorten the distribution chain by presenting a home- delivery service of a fresh sea food which will be delivered in 1 x 24 hour right away after the customer made the order.

SEABOX (Seafood Box) is a fresh seafood delivery service company which collaborates with big fish distributor company to serve end customer right at their

door. As the partner of SEABOX, SEABOX distributor company has great team of fishermen located in some province in Indonesia to manage the supply of freshly high quality seafood right away after the fisherman caught. As to support government campaign “Gemarikan” and to encourage people to eat more seafood product, SEABOX would like to introduce a revolution of enjoying seafood. SEABOX idea is to let the seafood enthusiast, housewives, busy career women and all people to have a nice experience in a box of seafood that they will receive clean vacuum-packed and freshly straight at their door as frequent as they prefer. With a recipe card inside the box, the customer will be given a guidance to experiment new menu and have a nice time to enjoy cooking seafood at home. SEABOX will be presented in the form of website which can be accessed online to make the customers easy to see the information of fish availability of the day and order it from anywhere.

1.5 Objectives

The objectives of this business model creation are:

1.) To shorten the distribution chain for seafood product from fishermen to end customer.

2.) To create an easier way for customer to buy fresh seafood by online.

3.) To create a business that profitable and sustainable.

1.6 Research Methodology & Tools

To support the collection of data, SEABOX's business model creation uses these methodologies and tools as follows:

1. **Interview**

   SEABOX conducted interview with some fishermen and Muara Angke port's authority to have better understanding about the current situation of fisherman and their fishing activity in Muara Angke port.

2. **Questionnaire**

   To collect the data of SEABOX targeted customer, SEABOX distribute questionnaire to have better understanding about their characteristics and preferences in having fresh seafood delivery service.

3. **The 9 building blocks : Business Model Canvas**

   SEABOX use the 9 building block's business canvas created by Osterwalder and Pigneur to help create the well-structure business model.

1.7 Systematic of Writing

In this thesis, the business model creation will be explained in five chapters. The background of this thesis will be discussed in Chapter 1 to describe problem, urgency of business, business idea, as well as objective of the business model creation. Chapter 2 contains the exposure of market segmentation, competitor analysis, value proposition, and idea generation. Final design of business model

which will be summarized in business model canvas is explained in Chapter 3 with detail elaboration of 9 building blocks and implementation of strategy. Comprehensive business plan is stated in Chapter 4, including organization structure, technology plan, marketing plan, financial plan, human resources plan, location layout, timeline, survey result, and prototyping. Chapter 5 will be the conclusion of the thesis where feasibility, limitation, and future improvement for the business model are explicated.