Redesigning Business Model on Small and Medium-sized Enterprise in Jakarta

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Abstract- A business model is a design for the successful operation of a business. It is how we create value for the business itself while delivering products or services to its customers. This study aims to analyze business model in Small Medium-sized Enterprise located in Jakarta, Indonesia.

Index Terms- Business Model, Business Model Canvas, Small and Medium-size Enterprises.

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1. INTRODUCTION

The emergence of Small and Medium-sized Enterprise (SMEs) is generally motivated by the needs and demands of consumers. One of them is the development of MSMEs in the coffee industry. Now more and more MSMEs are developing in the coffee industry. The trend of drinking coffee in everyday life has now become one of the lifestyles that are lived by many people especially in big cities in Indonesia.

Along with the development of the coffee industry, people's lifestyles and middle class growth pushed the domestic coffee processing industry to a significant level. Consumption of processed coffee products in the country increases on average by more than 7 percent per year (Indonesian Ministry of Industry, 2016). The trend of drinking coffee in everyday life has now become a part of the lifestyle of the Indonesian people. To meet these needs, now many businesses in the field of coffee are emerging, especially coffee shops. Each presents different coffee flavors and uniqueness. The increasing number of coffee shop businesses makes the intensity of competition in this field increase. The day the coffee shop appears more and more as if it provides an opportunity for consumers to be able to feel each other's uniqueness. For every business that wants to survive in competition, the right strategy and execution are needed especially in marketing. To develop right strategies, SMEs need to understand their business models. Business Model Canvas (BMC) is a draft concept of a business model that represents business strategies and processes in an organization. Creating a business model can help SMEs to understand, describe, and predict how things work by exploring a simplified representation (Frick & Ali, 2013). The optimal business model is required to set up and develop business (Dudin et al., 2015).

The object of this paper is Kopi XYZ, a coffee shop located in Jakarta, Indonesia. This study analyzed the nine building blocks of business model canvas (BMC) to examine which part of the BMC that should be developed. The findings of this study are expected to contribute in increasing Kopi XYZ's performance.

2. FRAMEWORK

Business Model Canvas (BMC) is a draft concept of a business model that represents business strategies and processes in an organization. BMC analysis is an analytical model that outlines how an organization creates, provides, and captures it values. The business model can be explained through nine blocks that show how a business makes money. The nine blocks are divided into four main areas, namely customers, offer, infrastructure, and financial viability (Osterwalder et al., 2010).

a. Customer Segments

The Customer Segments building block defines the different groups of people or organizations an enterprise aims to reach and serve. A business must make a conscious decision about which segments to serve and which segments to ignore. Once this decision is made, a business mode lcan be carefully designed around a strong understanding of specific customer needs (Osterwalder et al., 2010).

b. Value Propositions

The Value Propositions Building Block describes the bundle of products and services that create value for a specific Customer Segment. The Value Proposition is the reason why customers turn to one

company over another. It solves a customer problem or satisfies customer's need. (Osterwalder et al., 2010).

c. Channels
The Channels Building Block describes how a company communicates with and reaches its Customer Segments to deliver a Value Proposition. (Osterwalder et al., 2010).

d. Customer Relationships
The Customer Relationships Building Block describes the types of relationships a company establishes with specific Customer Segment. (Osterwalder et al., 2010).

e. Revenue Streams
The Revenue Streams Building Block represents the cash a company generates from each Customer Segment. (Osterwalder et al., 2010).

f. Key Resources
The Key Resources Building Block describes the most important assets required to make a business model work. These resources

allow an enterprise to create and offer a Value Proposition, reach

markets, maintain relationships with Customer Segments, and earn revenues (Osterwalder et al., 2010).

g. Key Activities
The Key Activities Building Block describes the most important things a company must do to make its business model work. Every business model calls for a number of Key Activities. These are the most important actions a company must take to operate successfully (Osterwalder et al., 2010).

h. Key Partnerships
The Key Partnerships Building Block describes the network of suppliers and partners that make the business model work. Companies forge partnerships for many reasons, and partnerships are becoming a cornerstone of many business models. Companies create alliances to optimize their business models, reduce risk, or acquire resources. (Osterwalder et al., 2010).

i. Cost Structure
The Cost Structure describes all costs incurred to operate a business model This building block describes the most important costs incurred while operating under a particular business model (Osterwalder et al., 2010).

3. METHODOLOGY

This paper is adapted from the Business Model Canvas – a theoretical and practical concept developed by Alexander Osterwalder and Yves Pigneur. This research is based on a case study of a small and medium-sized enterprise in food and beverage industry in Indonesia. The data has been collected through interviews and observation at the company.
The observation and interview guides consist of 9 main issues based on the research purpose. The issues explored in the interviews and observations are concerned with who the key partners of the firm are, what the key activities of the firm are, what the key resources the firm needs, what value propositions are provided by the firm, what type of relationships the firm builds with its customers, what customer segments the firm aims towards, what channels the firm uses, what costs are incurred in firm activities, and where the revenue of the firm is generated from.

4. FINDINGS

Building Block	Previous	New
Customer Segments	Men or women aged 25-40 years, who like coffee and consume coffee on their daily basis	Men or women 20 years and above, who like coffee and consume coffee on their daily basis
Value Propositions	Coffee drinks with recipes developed by experienced baristas to produce a better taste. Comfortable place and ambience Location near the office center Products use selected ingredients	Coffee drinks with recipes developed by experienced baristas to produce a better taste. Comfortable place and ambience Location near the office center Products use selected ingredients
Channels	Direct selling through coffee	Direct selling through coffee

	shop Go-Food	shop Go-Food Instagram
Customer Relationships	Instagram Go-Points	Instagram Go-Points Website
Revenue Streams	Coffee and pastry sales	Coffee and pastry sales
Key Resources	Operational equipment Materials Human resources	Operational equipment Materials Human resources
Key Activities	Selling coffee-based drinks and pastry Transactions recording Purchasing rawmaterials	Selling coffee-based drinks and pastry Transactions recording Purchasing rawmaterials Digital Marketing
Key Partnerships	Supplier Waroong K's owner Go-Food	Supplier Waroong K's owner Go-Food
Cost Structure	Operational cost, rental cost, sharing fee, salary cost, maintenance cost, material cost, tax.	Operational cost, rental cost, sharing fee, salary cost, maintenance cost, material cost, tax, and marketing cost.

a. Customer Segments

The customer segment that Kopi XYZ originally intended to target was men and women aged 25-40 years who like coffee and consume coffee on their daily basis. However, after conducting survey and analysis processes, it was found that potential consumers were also outside that age range. So, the age range of the target segments is changed to 20 years and above.

b. Vale Propositions

The value of Kopi XYZ is providing coffee drinks with recipes developed by experienced baristas to produce a better taste, with selected ingredients. It also offers a comfortable place and ambience. The location is near the office center. There is no revision in this building block.

c. Channels

Customer can get Kopi XYZ's product by visiting the store directly and order it via Go-Food. After the analysis process. Instagram is added to the channel because it has a potential to reach targeted audience.

d. Customer Relationships

In establishing relationships with customers, Kopi XYZ uses Instagram as their main media. In terms of attracting customers, Kopi XYZ give a promotion by Go-Points. However, additional media is needed to provide more detailed information about Kopi XYZ's product, thus, the researcher are proposed the usage of website as their additional media in order to maintain their relationships with consumers.

e. Revenue Streams

The main revenue of Kopi XYZ comes from the sales of coffee-based drinks and pastry. There is no revision in this building blocks.

f. Key Resources

The key resources of Kopi XYZ consist of their tangible and intangible resources. Kopi XYZ tangible resources consist of operational equipment and materials, while the intangible resources is basically consist of their human resources. There is no revision in this building blocks.

g. Key Activities

The main activities of kopi XYZ begins with the purchase of raw materials, selling coffee-based drinks and pastry and transactions recording. The digital marketing activities are needed to increase Kopi XYZ's exposure to their potential customer.

h. Key Partnership

Partner plays an important role in a business. Kopi XYZ has several partners in running their business, including suppliers, owners of the place where they run the business, and Go-Food. All of them help Kopi XYZ in running their business. This building block also remains unchanged.

i. Cost Structure

Kopi XYZ's cost structure is consist of two types of cost, which are variable cost and fixed cost. The variable costs consist of maintenance cost, tax, sharing fee, and material cost. While, Kopi XYZ's fixed cost consist of operational cost, rental cost, and salary expense. The cost of marketing activities must be added because of the importance of conducting various marketing activities to support the performance of Kopi XYZ.

5. CONCLUSION

The Business Model Canvas can be used to represents business strategies and processes in an organization. It also helps a business to explain the strategies and operations that a business applies. By using Business Model Canvas, the owner of Kopi XYZ can get the detail information about their business, and decide which area should be improved.

From the result of analysis, the channels and customer relationships building blocks are still not optimized. It is because they still have a very limited activities and channel in order to attract potential customer, and managing relationship with existing customers. Kopi XYZ can use Instagram as their channels and website as a media to give specific information about their business.

From the result, it can be concluded that Business Model Canvas can be used by SMEs to evaluate and improve their strategies in order to achieve higher performance.

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