

# **BUSINESS MODEL CANVAS AS A SOLUTION FOR COMPETING STRATEGY OF SMALL BUSINESS IN INDONESIA**

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## **ABSTRACT**

*The development of small and medium enterprises in Indonesia is increasing, in addition by the support provided by the government as well as the universities which involve in supporting entrepreneurship whole fully. This particular Small Business can stand even in a crisis and critical situation compare to the big companies. Meanwhile, as the number of Small Business with the same business type increases, the competition will be even tighter and it can cause loss and bankruptcy. In order to face the competition, a strategy is needed in facing the competitor. The strategy is using business model canvas. Yet, before using business model canvas, the Small Business must be able to recognize its position in the marketing strategy, either as a market leader or market follower. Once they found their position in the market, they should prepare a marketing mix, which is a standard strategy that is necessarily a business should have. This particular study is conducted based on library review, observation and interview with several Small Businesses. The business owners expect to have a strategy in facing the tight competition.*

**Keywords:** Business model canvas, Small Business, Competitive advantage, Small and Medium Enterprises

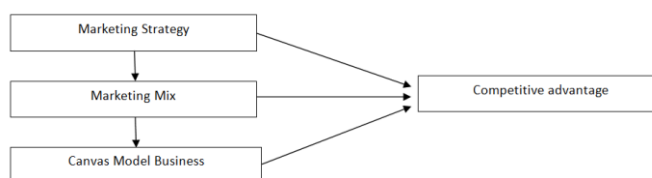
## **INTRODUCTION**

The development of small and medium enterprises is pretty rapid. New established businesses appear everywhere; either it is home industry scale, small and medium-sized businesses. Moreover, the government supports the appearance of these small and medium enterprises. In addition, a lot of universities also support entrepreneurship. It is proven by the fact that entrepreneurship has included into curriculum study in the universities and it provides chances for the students to make an innovation in creating a business. As a matter of fact, this particular industry scale can be categorized into 4 categories which are home industry, micro industry, secondary industry, and big industry. Currently, Small Business is one of the economic drivers in Indonesia. It is caused by the changing doer of the economy. All of this time, the economic doer is the big companies. Now, the Small businesses start to dominate the Indonesian economy. The Small business can stand even in a crisis and critical situation due to the facts that: (1). The Small business can produce consumptive goods and services which are truly needed by the society, (2). That the Small business agent utilizes local resources surround the business location, either the human resources, capital, material or production tools, (3). The Small Business just relies its capital from the personal budget.

However, there are many Small Businesses gone bankrupt because they cannot compete with the competitor. Competition is one of the things that all of the businessman will experience in which the competition will involve all of the existing industrial lines either it is the competition among the Small Businesses, secondary businesses or the big ones. With the particular competition, it will definitely cause a negative impact to the micro industry. It is because the secondary or big industries have various superiorities that the small industry don't such as brand of the product owned, trained human resources, better and strategic business location, proper tools and big amount of capital.

Therefore, Small Business must have a strategy in facing those competitions, either the competition among the Small Businesses or among the secondary and big ones. "For SMEs, the process of transforming into MNCs is complex, difficult, and hostile. During the growth process, most SMEs, especially the medium-sized companies often ended up being acquired by or merged into their competing large MNCs (Li & Tan, 2004)". "Starting a new business requires a great deal of consideration and planning, the main factors here are firstly to have a pre and post start-up plan and two year plan from there. "The key areas for success are firstly finance, having good finance and financial awareness is critical as is also sales and marketing. I put these down to about as important as each other (Ritchie et al. 2013)". "Small businesses encounter many obstacles that prohibit their growth and even threaten their survival. The factors attributed to business success have always been varied and complex and increasingly becoming critical is the role of decision making process and ongoing strategy (Hansen & Hamilton, 2011)". "Small business owners lack managerial skill such as financial, marketing and human managerial skills to operate their businesses successfully. The perceptions of the small business owners are that the managerial skills they possess, and those that they preferably should have, do not correlate (Scheers & Radipere, 2005)".

The successfulness of a business, the micro, secondary or big businesses depends on the characteristics of the business owner. According to Burns (2011) "Character traits of the entrepreneur, or small business founder, relating to the subsequent success of the venture is difficult to define especially when linked to form of business". In facing a tight competition, it is expected that the business owner of either the Small Business or Middle business can make a strategy in facing the competition. In the globalization era, the competition in business gets even tighter. It is seen from many typical businesses established which offer the same products and services in a certain market. In order that the organization can keep working and running its business, they should be able to fix the business weaknesses continuously (Setijawibawa, 2015)" There are several methods that can be used by the business owner before crating a business. Hence, the developing business will be able to run well and will be ready facing the competition". Therefore, the particular methods are:



**FIGURE 1**  
**THE FOLLOWING STEPS THAT MUST BE PREPARED IN COMPETING STRATEGY**

## LITERATURE REVIEW

### Marketing Mix

Marketing mix is a method used in establishing a company in which the business owner must recognize any characteristics that the business has. According to Kotler & Keller (2007) “Marketing Mix is a tool which consists of product, price, promotion and distribution which will determine the successfulness level of the marketing and all of those things are directed to get the expected response from the target market. The variables on marketing mix are:

Product, it is the most important part in a business, either the physical product or the service one. “Product is everything that can be offered to the customer to be noted, to be demanded, to be searched, to be bought, to be used or to be consumed by the market as the necessity fulfillment or market demand (Tjiptono, 2005)”.

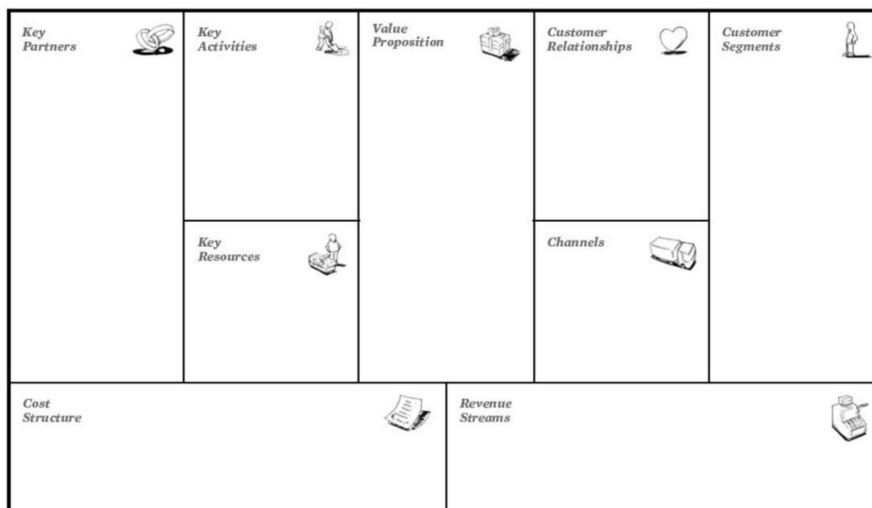
Price, it is the amount of money that the business owner will get on the product that is sold or offered to the customers. The variable of the price includes the material cost, operational cost and profit that the business owner will get. “Price is an attached attribute on the product which enables the product to fulfill the necessity and demand of the customers as well as to satisfy them in the context of money (Alma, 2004)”.

Promotion, it is the most important part in a business. Promotion is an expression of the superiority and the advantages of the offered product or service to the customers. There are many ways that can be done for promotion such as advertising. “There are many reasons why the company do promotion and place some advertisement in internet since most of the people now prefer internet to television in looking for information regarding a certain product. Moreover, the internet provides a detailed information about a certain product that the television ads. Hence, the internet users increase (Yulianto, 2015)”.

Place, it is the meeting place of the seller and the buyer who do the transaction either the buyer just see the product or buy it.

### Business Model Canvas

“Business Model describes the rationale of how an organization creates, delivers and capture value (Osterwalder & Pigneur, 2010)”. Small Business can utilizes business model canvas as one of the strategies in facing the competition. This particular business model canvas describes the relation among the business owners and their partners as well as their customers. In this business model canvas, there are nine blocks which are related to each other, which are: (1). Customer Segment, (2). Value Proposition, (3). Channel, (4). Customer Relationship, (5). Revenue Stream, (6). Key Resources, (7). Key Activities, (8). Key Partnership, (9). Cost structure.



**FIGURE 2  
BUSINESS MODEL CANVAS**

Sources: Osterwalder & Pigneur, (2010).

**RESEARCH METODELOGIES**

This research use research method by using case study that is small business. This method provides an opportunity to see more sides of small and medium business, so there will be many strategies that can be used to develop small business and will certainly improve performance so that business can grow. So far, people have argued that small business businesses do not need a strategy to improve performance and face competitors, it is important to have sufficient capital and a good business location. But with the increasing number of competitors, it is necessary a strategy that has the ability to improve the performance of this business. This data collection uses three methods, namely interview, observation and literature study.

**Interview**

The data used were collected through in-depth interviews on several types of small businesses. For small businesses, interviews are made to business owners, as they are aware of the business being run. In addition to business owners, the interviewee is the employees who day-to-day operational activities and customers who become customers. Table 1 describes the type of small business interviewed.

<b>TABLE 1 PARTICIPANTS IN THE RESEARCH</b>	
<b>Organization</b>	<b>Type Business</b>
A	Culinary
B	Fashion
C	Education
D	Automotive
E	Agribusiness
F	Internet and communication
G	Services

"Interviews have the power in their ability to target and focus directly on topic case studies as well as in their insights in delivering perceived causation and explanation conclusions (Yin 2009)". Meanwhile, according to Thomas (2011) "They give a 'rich picture' of this business, seen in it interpretive light, and in fact the person interviewed will determine the direction of the Interview.

Questions used in different interviews, based on who the interviewee is,

1. Business owners: to know the purpose of established business and what strategies are used to improve company performance.

2. Employees: to know how to serve consumers and what strategies are given by business owners to attract consumers.

3. Consumers: how consumers are interested in being a consumer of the business and what they think about that business. So that will be known advantages and disadvantages of the company.

"Interviews can be done in a structured and unstructured and can be done with face to face or use the phone (Sugiyono 2010)".

## Observation

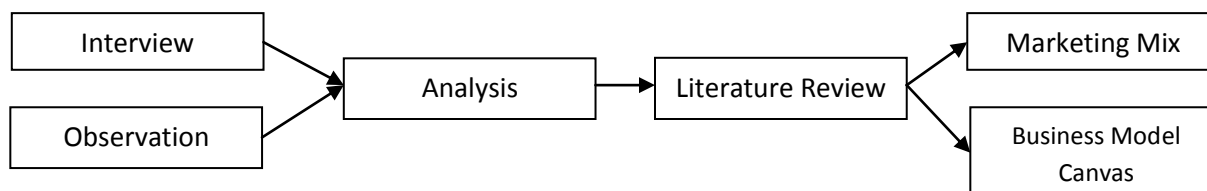
"Some forms of observation that can be used in qualitative research, i.e. participant observation, unstructured observation and unstructured group observation (Bungin 2007)". In this research using unstructured observation method, that is observation done without observation guide. Researchers directly observe the business that is running. The oversight is done directly on the ongoing business. Whether it's seen from location to when serving the consumer

## Literature Review

Literature study, this is the method used to collect all information or data from responsible sources, such as books or journals.

## Data analysis

After completion of the data collection process, the results of the interview will be analyzed, if in this analysis additional clarification is required, additional interviews will be re-done. This is useful for improving data validity. According to Yin (2009) four top-level strategies for the data analysis phase, which we have applied to this study. The first is to rely on a theoretical proposition, followed by developing case descriptions, using quantitative and qualitative data combine rival explanation checks.



**FIGURE 3**  
**DESCRIBES THE RESEARCH PROCESS**

In this study, after the interview and observation then the data in the analysis. The results of the analysis will then be adjusted to the review literature. The results of the overall analysis will be included in the marketing mix strategy and the business model canvas.

### FINDING AND DISCUSSION

As the number of small and medium business increases, hence, the competition among companies will get even tighter. Moreover, if the businesses which have the same field are located in the same area, hence, the target market will also be the same. If there is no action taken, it will lead to bankruptcy. Therefore, the owner of the micro and secondary businesses should brainstorm and create a strategy in facing the competition. There are many ways that the business owner can do, such as using marketing mix strategy combine with business model canvas.

First, the company’s position in the marketing strategy must be determined, either as the market leader, market challenger, market follower or market niche (Table 2).

TABLE 2		
MARKETING STRATEGY		
	Characteristics	Strategies
Market Leader	- Target market 40%	- Developing the market
	- Superior than other industries	- Keep conducting a research
	- Competitor’s center of observation	- Protect the market
Market Challenger	- Target market 30%	- Determine the target strategy
	- Following the market leader	- Choose a strategy to attack the competitor - Developing a new product
Market follower	- Target market 20%	- Following the running strategy
	- Does not disturb the market leader	- Does not apply any changes to the market
	- Satisfy with the existing market condition - Following the strategy of the market leader	- The selling activity is done in different places, so that there is no direct confrontation
Market Niche	- Target market 10%	- Has a specialization in terms of product service or service to the customer
	- Specialist in geographical terms	
	- Has a potential to develop	

After choosing the position on the marketing strategy, then let’s enter the second step which is Marketing Mix.

#### Product

- The offered product must have better values that the competitor’s
- The product made must be suitable with the customers’ necessity
- The product must have a good quality

- The product must have a brand that the customer can easily remember it
- The product must have an appealing package

**Price**

- The price must be adjusted with the quality of the offered product

**Place**

- The location must be suitable with the target market.
- A distribution route must be made

**Promotion**

- The promotion should be created appealingly, so that it can attract the customers.
- Implementing sales promotion

“A product is an early crucial start and the spearhead of a business, especially the Small Business. The consequence is the successfulness of the business in competition is determined by its ability in designing and in developing the product according to the necessity and demand of the customers as well as the pace of the business in adapting or responding the changing demand of the customers (Iang, Massie, & Ogi, 2015)”. Once the established business is already suitable with the marketing mix, hence, the final step is to run the strategy using business model canvas. This particular business model canvas has 9 blocks in which several blocks will be intertwined with the marketing mix strategy (Table 3).

The rationales of using Business Model Canvas in facing the competition are:

<b>Table 3</b>	
<b>9 Blocks BMC</b>	<b>Strategies</b>
Customer Segment	- The company must know who the directed target market - There are two aspects that should be considered: 1. The demography aspect 2. The geography aspect
Value Proposition	- Creating value needed by the customers. - Creating different value from the competitor - Creating appealing packaging
Channel	- Prepare a distribution line according to the target market - Prepare communication to the customers regarding the produced goods - Create not only an appealing ads, but also a useful benefit for the customers
Customer Relation	- Build a connection with the customers. It can be from social media. - Create customer service - Create customer survey to find out the weaknesses of the product
Revenue Stream	- How the customers can get the product - See the sales location adjusted with the target market - What additional value which can increase the income?
Key Resources	- The resources that can be maximized, human resources, material or operational supporting materials, for example, the place where the activity takes place.

Key Activities	- All of the activities that are prepared maximally, for example, purchasing material, doing promotion, selling and supervising the service on customers.
Key Partnership	- Finding partners who can provide materials - partnering with government or private parties.
Cost Structure	- Making budget arrangement according to necessity. - Making a report according to benefit and loss

## CONCLUSION

According to the explanation above, it can be concluded that small and medium businesses must have a strategy in improving competing skill. It is because the competitor will always improve their products. If a company cannot do any change, it will be left behind by its competitors. There are several steps that a company should do:

Prepare the company's position. Micro and secondary businesses must be able to position its existence whether as a market leader, market challenge, market follower or market niche.

Prepare the Marketing Mix. The company must prepare a good quality product which has better value than its competitor. It should have a price that is suitable with the target market and value of the offered product. The company should have a strategic location and accessible for the target market. The last but not least, the company should prepare a promotion technique for its product. Hence the customers will notice the benefit and the superiority of the product.

Prepare business model canvas as the last strategy in developing business in which the benefit of using business model canvas are:

- The business can be done structurally
- The business movement can be even faster due to all of the steps in developing business has been managed in business model canvas. One of the examples is the activity of the company has been made systematically; hence, the company can run efficiently.
- It can place the customers as the main target of the company by providing the best value of the offered product.

With the occurred condition, it can be concluded that the company must have its own marketing strategy that will be used as one of the strategies in competing with the competitors. The particular strategy must be adjusted with the current situation and condition in the company and outside the company, for example, the prosperity level of the society surrounds the business location. A company who can compete with the competitor is a company who succeeds running its business strategies properly.

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