

Re-Inventing the Business Model:

A Way for SME to Adapt in the New Normal A Case Study in Blueocean Lobster East Lombok Regency, West Nusa Tenggara Province

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Abstract—A business model is a method used by a company in generating value for both consumers and the company itself. Conducting a successful business activity cannot be separated from how the company arranges its business model. A sustainable business model is a business model that is able to adapt to all forms of changes in the external or internal environment of the organization. One of the ways that companies can achieve a sustainable business model is by re-inventing a business model. The current pandemic brought by covid-19 has had a huge impact on the business sector so that many companies are re-inventing business models, one of which is “Blueocean Lobster”. This study aims to assess the process of re-inventing the business model carried out by Blueocean Lobster. Blueocean Lobster is one of the SMEs which has re-invented its business model caused by the changes in external environment. The research was conducted through in-depth interviews with consumers and owners of Blueocean Lobster. The results showed that Blueocean Lobster conducted a re-inventing business model due to the increasing number of competitors and changes in consumer behavior with the new normal. Hence, this made Blueocean Lobster find new ways to convey value to its consumers. In this study, the researcher adopted the concept proposed by Johnson et al. and Osterwalder et al. in describing the process of re-inventing the business model carried out by the chosen SME. The results are based on interviews conducted with consumers using the Value Proposition Canvas (VPC), between the customer profile and the value map there is a match. Therefore, in theory, the process of re-inventing the business model carried out by Blueocean Lobster is considered in accordance with the existing theory.

Keywords—*new normal, pandemic, re-inventing the business model, SME, value proposition canvas*

I. INTRODUCTION

Changes in the dynamic business environment require business actors to be able to adapt quickly to these changes. Changes in the political, economic, social and cultural, environmental, and technology are among the factors that have a very significant impact on best business practices in business processes. They are external factors that can drive change in an organization. David et al. state that political factors often affect

an organization [1]. David et al. further explain that the government at every level is the main actor that can provide both opportunities and threats to small or large organizations. The regulations and policies issued by the government will have an influence on decision-makers in the organization. Changes to policies or regulations will then have an impact on economic factors, as explained by David et al. that economic factors have a direct influence on the potential attractiveness of various strategies. Changes in consumer behavior are factors that can drive the process of making and strategic decisions for an organization. David et al. state that social and cultural factors are factors that have an impact on the strategic decisions of an organization, opportunities, and threats that often arise from both. New trends change consumer purchasing patterns so that as a consequence, the need for a different product or service. Meanwhile, the technology factor according to David et al. is a source of innovation for all industries in the planning and strategic decision processes [1].

The factors described above will have an impact on how an organization forms its business model, changes to these factors will lead to changes in business processes so that an organization needs a sustainable business model. The sustainable business model that is meant here is a business model that can adapt to changes in the organizational environment both internally and externally. Therefore, the process of re-inventing the business model needs to be carried out by an organization. Osterwalder et al. define a business model as a conceptual tool containing a set of objects, concepts, and their relationships with the objectives to express the business logic of a specific firm [2]. Whereas, Johnson et al. define business model using four elements that are related to each other and together create and deliver value to consumers [3]. Regarding to Johnson et al., a successful business model has these components: *Customer value proposition*: the model helps customers perform a specific "job" that alternative offerings don't address; *Profit formula*: the model generates value for your company through factors such as revenue model, cost structure, margins, and inventory turnover; *Key resources and processes*: your company has the people, technology, products, facilities, equipment, and brand required to deliver

the value proposition to your targeted customers. And it has processes (training, manufacturing, service) to leverage those resources [3].

One of the social phenomena is currently having a very significant impact on business is the pandemic situation caused by the Covid-19 (Corona Virus Disease). Covid-19 was first discovered in Wuhan City, China at the end of 2019. The updated data (28 of September 2020) shows that the number of coronavirus cases in the world has reached 33.297.501 (worldometers.info) [4]. Indonesia is one of the many countries affected by Covid-19, so the government has implemented new policies related to large-scale social restrictions in order to reduce and prevent the spread of Covid-19. The current pandemic situation requires the actors of business to find new ways of doing business activities and adapt to policies issued by the government related to new-habits. The problem experienced by large or small companies related to the new normal policy is the freedom to carry out their business activities, so that a pandemic situation forces an organization to survive and try to find new ways of carrying out its activities. One of the ways that an organization can do in order to survive in a new habit is by re-inventing the business model. According to a survey conducted by GetApp, 92% of U.S small businesses have re-invented their business model during pandemic (Smallbiztrends.com) [5]. This fact shows that a pandemic situation has a huge impact on business processes for an organization. A pandemic situation can be a threat to the continuity of an organization, but this can also be an opportunity for an organization if it can be utilized properly. In presence of new habits, consumer behavior tends to change. Hence, this will be a challenge for an organization in creating value for customers. Therefore, re-inventing the business model is very important to do for both large and small organizations.

One of the SME companies that can see this opportunity is Blueocean Lobster. Initially, this company had the name UD Sumber Alam which was a lobster supplier located in Serumbung, Pemongkong Village, Jerowaru District, East Lombok Regency, West Nusa Tenggara Province. This company is engaged in shipping lobster out of the region, one of the shipping destinations was Denpasar, Bali. The main activity of this company was collecting lobsters from the catch of fishermen and then sending them to exporters in Bali. Blueocean Lobster sees the pandemic situation as an opportunity to offer new value to potential customers. Blueocean Lobster tries to re-invent its business model by selling online and providing delivery services to its customers.

Based on the explanation above, changes in the external environment of the organization are factors that cannot be controlled by the organization. As the result, an organization is expected to be responsive in responding to all changes. One way to respond to changes in the external environment of the organization is to make updates in business activities (Re-inventing Business Model). Therefore, in this paper, the authors will try to describe how Blueocean Lobster sees opportunities for changes that occur in the external

environment of the organization. This paper aims to analyze how the re-inventing business model process carried out by Blueocean Lobster in seeing the pandemic situation becomes an opportunity and becomes one way to transform its business from offline to the online market. In this paper, Blueocean Lobster's re-inventing business model process will be described using a concept adapted from Johnson et al. namely Customer Value proposition, Profit Formula, Key Resources and key Processes. Johnson et al. explain that in the process of re-inventing a business model, the most important element to pay attention to is the 'Customer Value proposition' [3]. Therefore, in analyzing the customer value proposition, a tool is needed that can be used to describe the value Blueocean Lobster wants to convey. In this study, the customer value proposition analysis will be described using the value proposition canvas proposed by Osterwalder et al. [2]. The main aim of this paper is "to assess the re-inventing business model process carried out by Blueocean Lobster". Meanwhile, the research problem of this paper is: "How does Blueocean Lobster develop and re-invent its business model?"

II. LITERATURE REVIEW

To support the validity of the problems to be studied, theories related to research problems are needed. In this paper, the theory of the business model will be explained in general about its concepts and meanings, besides that in the literature review, an overview of Blueocean Lobster will also be explained. Theoretical studies in qualitative research are used as a guide or justification for researchers on the assumptions of the problems being studied. Nugrahani said that literature can provide inspiration that encourages researchers to conduct studies in various ways [6]. The literature studied can lead to areas of study that still need to be developed relatively. The literature review in this study is divided into 2 parts, the first is the general concept of business model and the second is an overview of Blueocean Lobster.

A. General Concept of Business Model

Business model in general can be defined as the methods used by an organization to create profits. The success of an organization cannot be separated from how they implement the business model. Shafer et al. define a business model as a representation of a firm's underlying core logic and strategic choices for creating and capturing value within a value network [7]. While, Nxumalo et al. state that an effective business model is said to consist of an interrelated set of elements that address the customer value proposition, business architecture (key resources and processes), and the economic dimensions (profit formula) [8]. Whereas, Johnson et al. define business models using four elements that are related to each other and together create and deliver value to consumers [3]. Among the four elements, the most important is customer value propositions. According to Johnson et al., a successful business model is a business model that consists of customer value propositions (CVP), profit formulas, key processes, and key resources. To understand more about these four elements referred to by Johnson et al. will be elaborated below [3]:

- The first element of the business model is related to **customer value propositions (CVP)**. A successful company is one that has found a way to create value for customers that is a way to help customers get an important job done. By “job” means a fundamental problem in a given situation that needs a solution. Once a firm understands the job and all its dimensions, including the full process for how to get it done, then a firm can design the offering.
- The second element is related to **profit formulas**. The profit formula is the blueprint that defines how the company creates value for itself while providing value to the customer. It consists of the following: Revenue model, Cost structure, Margin model, Resource velocity.
- The third element is related to **key processes**. Successful companies have operational and managerial processes that allow them to deliver value in a way they can successfully repeat and increase in scale. These may include such recurrent tasks as training, development, manufacturing, budgeting, planning, sales, and service. Key processes also include a company’s rules, metrics, and norms.
- Finally, the last element is related to **key resources**. The key resources are assets such as the people, technology, products, facilities, equipment, channels, and brand required to deliver the value proposition to the targeted customer. To make it easier to understand the process of the Re-inventing the business model carried out by Blueocean Lobster, in this study, the results of the study will be described through an adaptation of the concept put forward by Johnson *et al.* [3].

1) *Value Proposition Canvas (VPC)*: Value proposition canvas is a framework used by a company in designing value to customers so the company is able to find a meeting point between what consumers need with which value offered by the company. According to Osterwalder *et al.*, the value proposition canvas has two sides. The first side is the customer profile which is used by the company to clarify customer understanding. The customer profile is consisted of customers job, customers pains, and customers gains. The second side is related to the value map. The value map is used by the company to describe how the company intends to create value for its customers which is consisted of product/services, pain relievers, and gain creators. After identifying the customer profile and value map, when these two aspects meet, a fit will emerge [9].

B. *Blueocean Lobster*

Blueocean Lobster, previously known as UD Sumber Alam, is located in Serumbung, Pemongkong Village, Jerowaru District, East Lombok Regency, West Nusa Tenggara

Province, which is a company engaged in the marine products sector. This company focuses on buying and selling lobsters caught by fishermen. This company was one of the largest lobster suppliers in East Lombok district. Apart from being a supplier, this company also carried out lobster cultivation. Its main business activity was to collect lobsters purchased from fishermen and then sent them to exporters in Bali. Apart from carrying out shelter, UD Sumber Alam also collaborated with fishermen to catch lobsters. The catchment area included Sumbawa, Dompu, West Nusa Tenggara and Sumba districts in East Nusa Tenggara. Changes in government policies and the increasing amount of competition caused this company to lose competition and stop its business operations. The company later have changed its name to Blueocean Lobster and tried to find a new business model.

III. METHODS

Research methods according to Ghauri and Grønhaug are rules and procedures that can be used as a tool or way to solve problems [10]. The type of this research is a case study using descriptive qualitative methods by describing the research problem are structured and understood in depth [10]. Whereas, Nugrahani states qualitative research aims to capture and understand the meaning of a context in what it is (natural setting) [6]. Qualitative research was chosen in order to obtain detailed information about the problem being studied, namely the process of re-inventing the business model carried out by Blueocean Lobster.

Data collection is carried out in order to get answers to research questions. Its process used in this paper is carried out in 2 ways, first using secondary data using a literature review, while primary data is done by conducting in-depth interviews with informants. Hardani *et al.* state that primary sources are data sources that directly provide data to data collectors, and secondary sources are sources that do not directly provide data to data collectors [11].

Data analysis is carried out to select which information is important and which is not important for the problem being studied. The data analysis used in this research is inductive. Inductive data analysis is an analysis based on the data obtained, which is then developed into a hypothesis [11]. The data analysis process consists of 3 steps as stated by Miles & Huberman that data analysis are consisting of three con-current flows of activity: data reduction, data display, and conclusion drawing or verification [12].

IV. RESULTS AND DISCUSSION

The results chapter will explain the findings of the research that has been carried out. the findings obtained will be explained in detail in this chapter. The explanation of the research findings will be divided into 2 parts, namely general finding which are research findings related to the process of re-inventing business models, and the second is other findings which are findings that support research data.

A. General Findings

In this section, the researcher will explain the findings related to the Re-inventing Business Model Process. Based on in-depth interviews conducted by researchers with Blueocean Lobster owners, the re-inventing business model is a way to adapt to changes in the organizational environment. The main factor for re-inventing business model is the increasing number of competitors. The main discovered problem is limited access to markets (buyers). The increasing number of competitors (newcomers) made Blueocean Lobster stop its business activities as the company lost buyers. The respondent stated that “We used to be the first to become a lobster supplier in Jerowaru sub-district. As the demand for lobster was high, newcomers competed to follow in our footsteps. Until now, lobster suppliers in Jerowaru sub-district are scattered in every village and even hamlet so this has made competition to be fierce”. The pandemic era that is currently affecting almost all countries in the world has had a very significant impact on all sectors, especially the business sector. Blueocean Lobster saw the pandemic as an opportunity to rise up and change its business model. Table 1 below will describe how the old and new Blueocean Lobster Business Model compares:

TABLE I. THE COMPARISON OF OLD AND NEW BUSINESS MODEL OF BLUEOCEAN LOBSTER

The element of the Business Model [6]	Old Business Model	New Business Model
Customer Value Proposition	a. Offline Market b. Selling Lobster only	a. Offline and Online Market b. Delivery service c. All seafood products
Profit Formula	a. Main product (Lobster)	a. Main Product (all seafood products) b. Sharing profit
Key resources	a. People & equipment	a. People & equipment
Key processes	a. Lobster Cultivation b. Collecting lobster from the farmer	a. Engaging local farmer b. Marketing c. Innovation

Source: Data Analysis, 2020

To be able to understand in depth how the process of re-inventing business model carried out by Blueocean Lobster, the researchers used the Value proposition canvas proposed by Osterwalder et al. [9] to analyze the value that Blueocean Lobster wants to convey. Table 2 below will describe the value proposition canvas of Blueocean Lobster:

TABLE II. VALUE PROPOSITION CANVAS

Customer Profile		Value Map	
Customer Jobs	Hard to find fresh/live seafood products	Products/services	Fresh/Live seafood products.
Customer pains	High cost, distance	Pain relievers	Delivery, accessible
Customer gains	Cost-saving, quality	Gain creators	Cost-saving, quality

Source: Data Analysis, 2020

B. Other Findings

Other findings in this study serve as supporting data for research problems, the researcher found that the problem that is often experienced by SMEs is an understanding of what

potential customers need. Limited access to information and a lack of understanding of market conditions have caused many SMEs to stop their business operations. Respondents explained that 'lack of access to the market made UD Sumber Alam which is currently Blueocean Lobster to stop running its old business, Blueocean Lobster only sells lobster to one exporter, if the exporter stops accepting the product, this will stop the Blueocean Lobster business as the supplier. Another finding found by researchers from the results of interviews with respondents who are Blueocean Lobster customers is that the delivery service carried out by Blueocean Lobster provides satisfaction for consumers, especially during the pandemic, the new business model carried out by Blueocean Lobster can reach a wider market and present new choices for consumers in buying seafood, especially lobster.

C. Discussion

In this chapter, the researcher will explain the relationship between theory and the results of research conducted at Blueocean Lobster. Based on the results of interviews and data analysis, the process of re-inventing business model carried out by Blueocean Lobster is caused by changes in organizational external factors, this is can be seen from the answers of respondents who state that the increasing number of competitors is the main reason for re-inventing business model. Johnson et al. stated that re-inventing a business model can be done when “significant changes are needed to all four elements of your existing model” [3]. One of the circumstances that can encourage changes in the business model according to Johnson et al. [3] is when the opportunity to capitalize on a brand new technology by wrapping a new business model around it. Blueocean Lobster sees a pandemic as an opportunity to present new ways of conveying value to customers. SME which is engaged in the sale and purchase of lobsters has only focused as an indirect exporter, this is due to the inability to access a wider market so that with the increasing number of competitors, companies that are unable to compete will lose. This is also seen as an opportunity for Blueocean Lobster. Some of the points obtained from the interview with the owners of Blueocean Lobster are:

- If the SME does not change its business model and only focuses on being a supplier to one buyer, then when the buyer stops buying, this will disrupt the business continuity of the SME.
- Blueocean Lobster sees that the opportunity to develop the fisheries sector through a business model that is not owned by competitors will provide a competitive advantage for the company.

The re-inventing business model process carried out by Blueocean Lobster during the pandemic provided opportunities to access a wider market, in a new business model. Blueocean Lobster targets Hotels, restaurants, and private customers by providing delivery and ordering services via an online platform. Based on the results of the value proposition analysis using the value proposition canvas, the researcher found that

there is a match between customer jobs, customer pains, and customer gains on the products or services offered by Blueocean Lobster. Respondents who are customers of Blueocean Lobster stated that the products or services offered by Blueocean Lobster provide a new way of obtaining seafood products, especially lobster. The respondent further explained that there is satisfaction with the delivery service provided by Blueocean Lobster.

V. CONCLUSION AND RECOMMENDATION

The results showed that the process of re-inventing the business model carried out by Blueocean Lobster during the pandemic can be used as an example for SMEs, but in re-inventing business models, the important thing to note is whether the new business model can provide bigger value or not for consumers or companies compared to the old business model. Johnson *et al.* (2008) stated that companies should not pursue the business model of reinvention unless they are confident that the opportunity is large enough to warrant the effort [6]. This process must be based on the values that you want to convey to customers. If a company have done it but failed fulfill these elements, then the process of re-inventing a business model cannot run well. In addition, validation of the products or services offered by the company for consumer needs is important so that the company can meet these needs. In theory, the product or service departs from the problems faced by consumers, so that if the company is able to provide solutions to problems faced by consumers, then it will be a value both for consumers and the companies. Therefore, with the existence of a new normal during a pandemic period, changes in consumer behavior will be a challenge for companies in conveying value, so that new ways related to business activities need to be done, namely by re-inventing the business model.

The re-inventing business model is a very broad concept. Companies are required to understand the internal or external environmental conditions of the company. Understanding the goals or direction of the organization and the ability to adapt to changing environmental conditions is a way to have a

sustainable business model. The existence of a pandemic is a moment for companies to start and find new ways of doing business activities. The results showed that changes in the external conditions of the organization had a major impact on the business activities of a company, the increasing number of competitors and limitations in accessing the market caused Blueocean Lobster to stop its business activities. The existence of a pandemic provides an opportunity for Blueocean Lobster to offer new value to consumers by re-inventing a business model.

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