

Applying Business Model Canvas on SMEs as a Business Innovation Strategy Batik Iwatic Balikpapan, East Kalimantan

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ABSTRACT

One of the challenges faced by SMEs in running and developing its competitiveness is to increase revenue and sustain. A business model is one of business strategies that can help SMEs to survive and sustain in the industry. This study purpose is to propose a business strategy for Batik Iwatic with designing the business model for them. The business model that the researcher used in this study is Business Model Canvas developed by Alexander Osterwalder. The researcher used a qualitative research method with an interview as a technique of collecting data to create a business model canvas. This study proposed nine elements of the Business Model Canvas and evaluated it using a SWOT analysis tool. The study shows 15 strategic recommendations based on the SWOT analysis and added 13 points to the nine elements of the Business Model Canvas in order to help the owner of Batik Iwatic to use the business model to plan their future business.

Keywords: *Batik Iwatic, Business Model Canvas, SWOT Analysis*

1. INTRODUCTION

Strategic management is a key of the organization to run the business. Strategic management is the actions and decisions that can determine long term business performance [1]. One of the strategies that can be accomplished by an organization in developing their business is using a business model. A business model defines the overall business logic of a company at the strategic level. A business model described how an organization planned and increased its competitiveness and got more revenue. Not a few business people use a business model to create business value, earn profits and also survive. A business model can therefore be understood as a carefully conceived methodology or framework involving the why, how, what, and when of a firm's business undertakings [2]. Business model is one of the company's strategies to make business sustainable so the company can last and get more revenue [3]. The business model is a crucial means for the companies to advertise new ideas and technologies specifically [4],

constant and assimilated so that companies generate revenue and profits [5].

Same as the other organization, small business enterprises also need a business model to gain competitiveness and performance. SMEs need to have a good business model to overcome the "grow and die" situation especially during the pandemic. [6] found BMI has a significant positive impact on competitive advantage and SME performance. SMEs need their business models to adapt to environmental change [7]. [8] found out that the BMC model is a complex business model that becomes simple through a canvas approach, drawing a sheet of canvas containing the map of nine elements (box) allowing businessmen to identify the business potential. The business model canvas is a visual template for strategic management that serves the new business or the existing business. The business model canvas is a tool designed to help us to understand and describe an organizational strategy that is represented in a simple form. The business model canvas is a business model that can clarify the business focus, target market,

has a smaller risk of business failure and has also been tested by many businesses or organizations. The business model canvas is suitable for mapping the current activities of SMEs [9]. [10]–[13] & also [14] used the business model canvas template as a managerial tool to present the concept of management strategy of an organization. [15] uses business model canvas as a management tool for industrial strategy 4.0 for SMEs.

SWOT analysis helps an organization to understand its strengths and weaknesses from the inside environment and opportunities and threats from the outside environment. The studies analysed SME used SWOT analysis on the financial management perspective. In addition, the researcher [16] uses SWOT analysis to analyse the SMEs home industry in Jember.

Other studies use SWOT analysis to evaluate the design of existing business models in order to obtain appropriate strategies to optimize the efforts to be achieved, such as effective, efficient and sustainable performance [17]–[19].

In fact, there are many SMEs that don't have any business model yet or they were just running the business strategy without putting it into the business model. As well as Batik Iwatic, one of the SMEs in Balikpapan city, Kalimantan Timur, Indonesia. Batik Iwatic runs the business strategy without using any business model to develop their business strategy. Therefore, the researcher creates the business model canvas for the Batik Iwatic. Analysis SWOT used to help to analyse the elements of business model canvas and provide improvements to the existing business model canvas design so the Batik Iwatic can use it in running its business.

2. LITERATURE STUDY

Strategic management can be interpreted as the art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its business goals[1]. Strategic management is inseparable from strategic planning which is very vital in managing an organization to achieve the goals [20]. One of the formulation strategies that can be done by an organization is to design the business model. [9] argued in his research that the Business Model Canvas is the right tool to map the current work activities of SMEs.

The business model canvas is an invented business model by Alexander Osterwalders [21] who helps businesses to analyse and design their management strategies. This business model is a visual chart with various elements of an organization. The business model canvas brings nine essential elements of an organization including customer segments, value propositions, channels, customer relationships, revenue streams, key

activities, key resources, key partnerships, and cost structure [22]. The business model canvas as shown in the picture as follow:

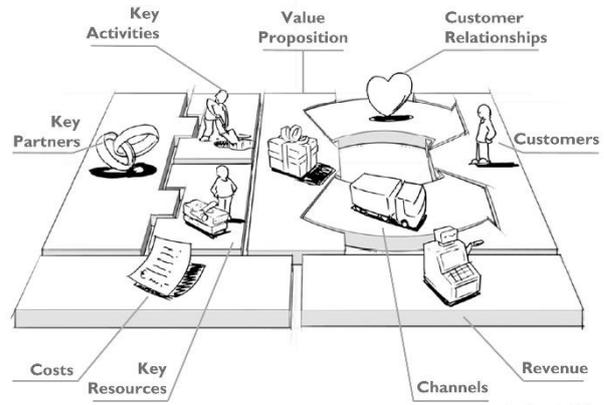


Figure 1 Business Model Canvas by Alexander Osterwalders

SWOT analysis is an abbreviation of the word “Strengths, Weakness, Opportunities and Threats” which is an analysis tool used to determine the organization strategies. [23] SWOT analysis is an evaluation of all strengths, weaknesses, opportunities and threats that exist in an individual or organization. Albert Humprey initiated the SWOT analysis in the 1960-1970s in order to describe the ability of businesses to optimize their resources and overcome situations that became opportunities to achieve goals effectively and efficiently.

	Potentially adding value	Potentially destroying value
Internal environment or the present	Strengths	Weaknesses
External environment or the future	Opportunities	Threats

Figure 2 SWOT Analysis by Albert Humprey

3. RESEARCH METHODOLOGY

In this study, researchers used a qualitative descriptive method. The researcher identified the nine building blocks or elements of a business model canvas and designed a new business model canvas. Furthermore, the researcher evaluates the business model using a SWOT analysis. This analysis is used to take advantage of the internal strengths to overcome the weakness in the business. However, when this SWOT analysis tool is combined with the business model canvas, the SWOT

analysis can focus on evaluating elements of the business model canvas.

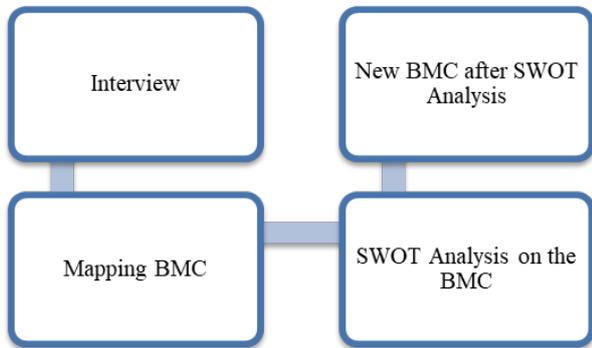


Figure 3 Research Procedure

This research was conducted at one of the SMEs in Balikpapan City, Batik Iwatic. Sources of data in this study are the results of interviews and documentation conducted by the researcher through the interview process and documentation as data collection techniques. Researchers conducted interviews with the Founder of Batik Iwatic and also several employees who were present at the interview.

4. RESULT AND DISCUSSION

4.1. Overview of the Batik Iwatic

Batik Iwatic is a SMEs located in Balikpapan which has a production house on the RE Martadinata Street Number 31, Central Balikpapan, Balikpapan City, East Kalimantan. The founder of Batik Iwatic is Mrs. Sri Sunarti, who started her business in 2015. Initially, Mrs. Sri Sunarti participated in the Study Activity Studio and several existing batik trainings. It was through this training and studio that Mrs. Sri Sunarti started the business. Ibu Sri Sunarti chose the word Iwatic, which was taken from the abbreviation for the Association of Batik Women, to become the name of her business.



Figure 4 Several Batik of Batik Iwatic Production

The superior product of Batik Iwatic is the production of batik cloth with East Kalimantan motifs with 3 techniques such as hand-drawn, block printed and stamped. Batik Iwatic also provides other batik products

apart from fabrics, such as masks, apparel and shoes. Batik iwatic also conducts training and guidance to make batik.



Figure 5 Mask and shoes from Batik Iwatic

4.2. Mapping of Business Model Canvas

The current nine elements of business model canvas of Batik Iwatic before SWOT analysis as follow:

1. Customer Segments
 - a. All circle of offline customers such as Batik lovers, young people and travellers
 - b. Customers from government
 - c. Customers from commercial business
2. Value Propositions
 - a. Batik House or showroom
 - b. Affordable prices
 - c. Guarantee of Product Quality
 - d. Typical features of the East Kalimantan motifs, especially Balikpapan motifs.
 - e. Fast response by WhatsApp Call or Phone Call
 - f. Custom Product
3. Channels
 - a. Batik house ownership
 - b. SMEs Exhibition
 - c. Cooperation of PT. Pertamina Persero Tbk
4. Customer Relationships
 - a. Availability of Batik Houses located in same place as production houses
 - b. Offline purchase and services
 - c. Good service and communication with customers and non-customers
 - d. Good service and communication with the institutions
5. Revenue Streams
 - a. Direct selling
 - b. Sales through exhibitions
 - c. Batik Production Training
 - d. Sales of custom Batik design products
6. Key Resources
 - a. Batik Production House
 - b. Skilled manpower
 - c. Have their own batik tools
7. Key Activities
 - a. Batik Design
 - b. Batik Production
 - c. Training
 - d. Participation in exhibitions



Figure 6 The result of batik production from training participant

8. Key Partnerships
 - a. Material Supplier
 - b. Government
 - c. Production Partners
 - d. Tailor
 - e. PT. Pertamina Persero Tbk
9. Cost Structure
 - a. Material Costs
 - b. Production Equipment Cost
 - c. Training Costs
 - d. Other Operating Costs

4.3 SWOT Analysis of Business Model Canvas

The researcher carried out a SWOT Analysis that occurred within the SMEs business after designing the nine elements of BMC on Batik Iwatic Balikpapan. The results of the SWOT analysis that the researcher conducted are summarized is follow:

1. Customer Segments
 - a. Strengths: the segment coverage is quite wide
 - b. Weakness: the existing resources cannot fulfil all segments
 - c. Opportunities: another untapped segment is online customers
 - d. Threats: unpredictable consumer tastes
2. Value Propositions
 - a. Strengths: the characteristic motifs of East Kalimantan and Balikpapan
 - b. Weakness: online shopping services is not available yet and access to the batik house and production house is difficult.
 - c. Opportunities: create an online store account.
 - d. Threats: batik motifs are easy to imitate and competition between batik production
3. Channels
 - a. Strengths: already have a batik house which is in the same location as the production house.
 - b. Weakness: does not have social media accounts, websites, e-commerce, e-market places
 - c. Opportunities: creating social media account and recruiting resellers.
 - d. Threats: Required human resources who have skills in the field of information technology or digital marketing.
4. Customer Relationships
 - a. Strengths: Good service, friendly and welcome to customers and non-customers.

- b. Weakness: only fast response on the WhatsApp call and cell phone, but not for WhatsApp chat and Messages.
 - c. Opportunities: Hiring human resources who work as customer service to provide excellent service.
 - d. Threats: varied customer character and behaviours.
5. Revenue Streams
 - a. Strengths: Sufficient source of funds for business turnover.
 - b. Weakness: Financial management and financial report is not optimal
 - c. Opportunities: Additional funds or capital from other sources of income for business development.
 - d. Threats: decreasing customer demand due to pandemic effected to decreasing of revenue.
6. Key Resources
 - a. Strengths: own a batik production house, having a skilled manpower in the surrounding area and have their own batik tool
 - b. Weakness: does not have a sales and marketing manpower to do promotions.
 - c. Opportunities: recruiting a sales and marketing manpower for online promotions.
 - d. Threats: Human resources who are vulnerable to stop working due to uncertain income and many batik clothes are ready-made at a more affordable price.
7. Key Activities
 - a. Strengths: has a batik training and coaching program.
 - b. Weakness: the production process is quite long and promotion is not optimal.
 - c. Opportunities: collaboration with other parties for product development or custom products.
 - d. Threats: more production activities of competitors.
8. Key Partnership
 - a. Strengths: government support and support from PT. Pertamina Persero Tbk
 - b. Weakness: Suppliers of materials located outside of the city impact the production process longer and does not have cooperation with freight forwarders.
 - c. Opportunities: the existence of a government policy regarding batik products ad national culture heritage and entering into a new partnership with a freight forwarder.
 - d. Threats: material suppliers and production who cannot fulfil customer orders.
9. Cost Structure
 - a. Strengths: the costs incurred have been well predicted on the budget.
 - b. Weakness: there is no cost for sales and marketing promotions.
 - c. Opportunities: collaboration with PT. Pertamina Persero Tbk for marketing cost efficiency.

- d. Threats: price changing of material that affected to sales prices.

The next step of this study is the researcher illustrates the results of the SWOT analysis into the SWOT matrix with the detail below:

1. SO Strategy
 - a. Expanding market through the online customers
 - b. Providing services and provision of online purchases.
 - c. Reseller recruitment.
 - d. Provide discounts to regular customers
 - e. Providing fast response services via WhatsApp chat or messages.
2. WO Strategy
 - a. Recruiting of manpower who will handle sales and marketing activities.
 - b. Creating social media accounts, free websites or Blogspot, e-commerce accounts and e-market place accounts.
 - c. Recruiting of manpower who will handle customer service activities.
3. ST Strategy
 - a. Communicating well with customers in order to adapt to customer tastes.
 - b. Making more creative and innovative productions such as batik masks.
 - c. Improve production quality.
 - d. Looking for cheaper but quality raw material suppliers.
4. WT Strategy
 - a. Manage the processing time to be more productive.
 - b. Take training or guidance on digital marketing or information technology.

- c. Looking for many suppliers of raw materials in order to fulfil customer orders.

4.4. Improvement Business Model Canvas

Finally, based on the SWOT matrix, the researcher added several elements (bold font) to the business elements of the canvas model that had been designed as follow:

1. Customer Segments
 - a. All circle of offline customers such as Batik lovers, young people and travellers
 - b. Customers from government
 - c. Costumers from commercial business
 - d. Customers from e-commerce and e-market places
2. Value Propositions
 - a. Batik House or showroom
 - b. Affordable prices
 - c. Guarantee of Product Quality
 - d. Typical features of the East Kalimantan motifs, especially Balikpapan motifs.
 - e. Fast response by WhatsApp Call of Phone Call
 - f. Custom Product
 - g. Fast Response via WhatsApp Chat or Messages
3. Channels
 - a. Batik house ownership
 - b. SMEs Exhibition
 - c. Cooperation of PT. Pertamina Persero Tbk
 - d. Online Shop such as social media, website, e-commerce, and online marketplace
 - e. Reseller
4. Customer Relationships

Key Partnerships 1. Material Supplier 2. Government 3. Production Partners 4. Tailor 5. PT. Pertamina Persero Tbk 6. Freight forwarding service	Key Activities 1. Batik Design 2. Batik Production 3. Training 4. Participation in exhibitions 5. Sales marketing 6. Product Delivery	Value Propositions 1. Batik House or showroom 2. Affordable prices 3. Guarantee of Product Quality 4. Typical features of the East Kalimantan motifs, especially Balikpapan motifs 5. <i>Fast</i> Telephone response via Whatsapp Call or Phone Call 6. Custom Product 7. Fast Response via WhatsApp Chat or SMS.	Customer Relationships 1. Availability of batik houses located in production houses 2. Offline purchase and service 3. Good service and communication with customers and non-customers 4. Good service and communication with the institution 5. Give discounts to regular customers 6. Online purchase and service	Customer Segments 1. All circle of offline customers such as Batik lovers, young people and travellers 2. Customers from government 3. Costumers from commercial business 4. Customers from e-commerce and e-market places
	Key Resources 1. Batik Production House 2. Skilled manpower 3. Have their own batik tool 4. Sales and Marketing Personnel		Channels 1. Batik house ownership 2. SMEs Exhibition 3. Cooperation with PT. Pertamina Persero Tbk 4. Online Shop such as Social Media, Website, E-Commerce, and Online marketplace 5. Reseller	
Cost Structure 1. Material Costs 2. Production Equipment Cost 3. Training Costs		Revenue Streams 1. Direct selling 2. Sales through exhibitions 3. Batik Production Training		

Figure 6 Business Model Canvas of Batik Iwatic

- a. Availability of Batik Houses located in same place as production houses
 - b. Offline purchase and services
 - c. Good service and communication with customers and non-customers
 - d. Good service and communication with the institutions.
 - e. Give a discount to regular customers
 - f. Online purchase and service
5. Revenue Streams
- a. Direct selling
 - b. Sales through exhibitions
 - c. Batik Production Training
 - d. Sales of custom batik design products
 - e. Sales through online shop
 - f. Sales via resellers
6. Key Resources
- a. Batik Production House
 - b. Skilled manpower
 - c. Have their own batik tool
 - d. Sales and Marketing Personnel
7. Key Activities
- a. Batik Design
 - b. Batik Production
 - c. Training
 - d. Participation in exhibitions
 - e. Sales and marketing
 - f. Product delivery
8. Key Partnerships
- a. Material Supplier
 - b. Government
 - c. Production Partners
 - d. Tailor
 - e. PT. Pertamina Persero Tbk
 - f. Freight forwarding service
9. Cost Structure
- e. Material Costs
 - f. Production Equipment Cost
 - g. Coaching and Training Costs
 - h. Other Operating Costs
 - i. Marketing Costs

5. CONCLUSION

The results of this study were Business Model Canvas designed of Batik Iwatic which the existing business conditions on each element is still not optimal. Based on the SWOT matrix that evaluated the existing BMC of Batik Iwatic, there are 15 recommended strategies that Batik Iwatic can implement in running its business and added 13 points to the nine elements of the Business Model Canvas. Therefore, Batik Iwatic needs to make some changes in the form of adding activities or elements to several elements.

AUTHORS' CONTRIBUTIONS

This research designed a new business model for Batik Iwatic and develops it by evaluating it using swot

analysis. Batik Iwatic can use this business model so that it can be used as a guide in running its business.

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