Article

Business Model among Home Industries in Kulon Progo

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ABSTRACT

Business model is a system of resources and activities, which create a value that is useful to the customer and the sale of this value makes money for the company. The purpose of the analysis of business models is to deepen and broaden the knowledge about basic components of a business model. The Business Model Canvas (BMC) is a tool that provides a clear view of what the company needs to achieve and focuses on the strategic elements that matter most and will have the greatest impact to the business. This paper discuss about BMC among home industries in Kulon Progo Regency, based on their products: "pong" tofu, white tofu, traditional snacks, various kind of "peyek", dan various kind of tempeh (soybean, "gembus", and "benguk"). These five home industries compared among the nine building blocks in the BMC: customer segments, customer relationships, distribution channels, value proposition, key resources, key activities, partners, cost structure and revenue streams. BMC helps the home industries in creating their business models based on nine building blocks. Discussion among these home industries in Kulon Progo Regency was being conducted in order to help the entrepreneurs to use these models in the right way, and successfully plan their future business.

Keywords: business model, Business Model Canvas (BMC), home industries, snacks.

INTRODUCTION

Small Medium Enterprises (SMEs) play an important role for economic growth and social inclusion in Indonesia. Based on data from the Ministry of Co-operatives and SMEs, Indonesian SMEs account for nearly 97% of domestic employment and for 56% of total business investment. SMEs generate jobs and contribute to inclusive economic growth and prosperity of households and communities.

The development of SMEs 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 SMEs and 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, SMEs (including home industry and micro industry) is one of the economic drivers in Indonesia. It is caused by the changing doer of the economy. Now, the SMEs start to dominate the Indonesian economy. The SMEs can stand even in a crisis and critical situation due to the facts that the small business: (1) can produce consumptive goods and services which are truly needed by the society, (2) agent utilizes local resources surround the business location, either the human resources, capital, material or production tools, (3) relies its capital from the personal budget.

However, there are many SMEs gone bankrupt because they cannot compete with the competitor. With the particular competition, it will definitely cause a negative impact because the secondary or big industries have various superiorities that the SMEs don't such as brand of the product owned, trained human resources, better and strategic business location, proper tools and big amount of capital. SMEs 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 and technical skills to operate their businesses effectively. 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). 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.

Some common problems in SMEs are marketing, production and finance. In fact, some SMEs have not had their own brand in sales. Production is still done manually and lack of manpower. During this time, the number of weekly production, inventory taking, and total sales were never recorded by SMEs. These become problems because SMEs cannot calculate a total capacity of production and the balance between sales schemes and production. Another major problem is that SMEs often faced financial problems both venture capital and financial book keeping.

Due to fast changing external factors, there is an increasing urge for SMEs to innovate their business model to sustain a fit with their business environment. The problem formulation is how SMEs can overcome their lack of managerial and technical skills by business model innovation? This study is aimed to evaluate the business strategy implementation and recommend business model innovations for SMEs especially in food and snacks home industry.

MATERIALS AND METHODS

This research using case study in various kind of food and snack home industries. This method provides an opportunity to see more sides of home industries as small and medium enterprises (SMEs), so there will be many strategies that can be used to improve performance so that business can grow. This data collection uses three methods, namely interview, observation and literature study.

The data used were collected through in-depth interviews on several types of home industries. Interviews were made to business owners, as they are aware of the business being run. In these home industries, business owners are also conducted as employees who held day-to-day operational activities. Table 1 describes the type of home industries interviewed.

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 redone. The results of the analysis will then be adjusted to the review literature. The results of the overall analysis will be included in the business model canvas.

RESULT AND DISCUSSION

Business model canvas is an excellent way to review business management strategy and reveal the visual ideas describing a home industry's value proposition, customers, infrastructure and finances.

Customer Segment:

Customer segment is a dividing a company's customers into groups relevant to a particular business. Without client or customers, consulting companies could not survive any longer. Food and snacks home industries in Kulon Progo serve for wide customers.

Value Proposition:

Products offered by food and snacks home industries in Kulon Progo have not brought the value out yet. Only white tofu home industry owner has creating the value of their product as pure white tofu made by

Table 1. Respondents based on Type of Business Commodities

Organization	Type Business
1	"pong" tofu
2	white tofu
3	traditional snacks
4	various kind of "peyek"
5	various kind of tempeh (soybean, "gembus", and "benguk")

Table 2. Customer Segment

Home Industry	Commodities	Customer Segment
1	"pong" tofu	a.Restaurant
		b.Street vendor ("angkringan")
		c.Meat ball seller
2	white tofu	all segments
3	traditional snacks	a. Students
		b. Household members
4	various kind of "peyek"	a. Food stalls
		b. Factory and office labors
		c. Tourists
5	various kind of tempeh	a. Mobile vegetable sellers
		b. Fried food sellers
		c. Housewives

Table 3. Value Proposition

Home Industry	Commodities	Value Proposition
1	"pong" tofu	"pong" tofu
2	white tofu	Pure white tofu from soybeans
3	traditional snacks	Various of traditional snacks: "molen", donuts, "dadar gulung", "arem-arem", "onde-onde"
4	various kind of "peyek"	Various kind of crunchy delicious tasteful "peyek"
5	various kind of tempeh	Various kind of tempeh: soybean, "gembus", and "benguk"

Table 4. Channels

Home Industry	Commodities	Channels
1	"pong" tofu	Direct sales
2	white tofu	Traditional market
3	traditional snacks	Direct sales
4	various kind of "peyek"	a. Direct sales
		b. Store at grocery store and food stalls
5	various kind of tempeh	a. Direct sales
		b. Product storage through siblings

soybeans.

All of the home industries only have expertise on experience, not yet on knowledge and technology that will benefit their clients need.

Channels

Channels will describe on how company will communicate or reach client to deliver value proposition using the most effective channel. Food and snacks home industries in Kulon Progo only used offline, not yet

Table 5. Customer Relationship

Home Industry	Commodities	Customer Relationship
1	"pong" tofu	Free tofu with minimum order
2	white tofu	a. Hospitality b. Good quality c. Good packaging d. Bonus for minimum order
3	traditional snacks	a. Free 1 snacks for min. 10 orders b. Special price for wholesale
4	various kind of "peyek"	a. Delivered by owner b. On time delivery c. Discount for minimum order d. Free ¼ kgs crushed "peyek" per 5 kgs order
5	various kind of tempeh (soybean, "gembus", and "benguk")	Bonus for minimum order

Table 6. Revenue Stream

Home Industry	Commodities	Revenue Stream
1	"pong" tofu	"pong" tofu sales
2	white tofu	a. White tofu sales b. Solid waste sales
3	traditional snacks	a. Sales at food stalls b. Sales at home
4	various kind of "peyek"	a. Sales at home b. Sales at traditional market c. Sales at stalls d. Sales at store
5	various kind of tempeh	a. Sales of soybean tempeh b. Sales of "gembus" tempeh c. Sales of "benguk" tempeh

Table 7. Key Resources

Home Industry	Commodities	Key Resources
1	"pong" tofu	Vehicles
2	white tofu	Owned vehicles
3	traditional snacks	a. Labors b. Processing equipment
4	various kind of "peyek"	a. Labors b. Processing equipment c. Storage d. Strategic location (near traditional market)
5	various kind of tempeh	Siblings (careful and accurate)

online channels to marketing their products. Offline marketing through direct selling and key partnership cost lower and a lot easier for them.

Customer Relationship

A company should clarify type of customer relationships if they want to establish with each customer segment and it can be from personal to automated relationship. Food and snacks home industries in Kulon Progo provide personal relationship and services required by customers. For maintaining a long term relationship and trust, they usually giving free products and price for minimum order.

Revenue Stream

Revenue stream can indicate cash a company can get from clients and can be

Table 8. Key Activities

Home Industry	Commodities	Key Activities
1	"pong" tofu	a. Purchasing of raw materials
		b. Producing "pong" tofu
		c. Packaging
		d. Selling
2	White tofu	a. Preparing the raw materials
		b. Processing: 4 hours of submersion, cleaning, grinding, boiling, filtering
		c. Forming
3	Traditional snacks	Made by whole family:
		a. Purchasing by Mother
		b. Processing by Mother and Father
		c. Delivery by Father
4	Various kind of "peyek"	a. Purchasing of raw materials (peanut, flour, oil, ingredients) and plastic bags
		b. Preparing processing equipment (stove, gas, frying pan)
		c. Packaging
		d. Selling
		e. Calculating sales report
5	Various kind of tempeh	a. Purchasing of raw materials (soybean, "benguk", tofu waste)
		b. Processing: submersion, boiling, chilling, yeast pouring
		c. packaging

either transaction revenue (one-time payments) or recurring revenue (ongoing payments). Food and snacks home industries in Kulon Progo revenue comes from selling main products, and some of waste for livestocks.

Key Resources:

Key Resources describes the most important assets needed to make a business model works to generate Value Propositions and Revenues. Food and snacks home industries in Kulon Progo usually using family member as workers, not yet hire professional labor. They feel, not having a strong financial structure yet to allow them to employ good workers who are able to serve under the company.

Key Activities:

Key activities are the key business activities that a company is going to provide value proposition to the client. Key activities of food and snacks home industries in Kulon Progo are focus on processing and selling.

Key Partners

Key partnerships are usually formed to reduce costs as company unable to neither own all resources nor perform every activity by themselves. Food and snacks home industries in Kulon Progo partnership with raw material and packaging sellers, and the marketing channels. These key partners indicate that all of food and snack and home industries' strategy have no difference.

Cost Structure:

Most companies, including home industry, expect lower cost structure. Therefore cost can be distinguished between cost-driven (focus on minimizing costs wherever possible) and value-driven (focus on value creation). Food and snacks home industries in Kulon Progo applying low costing strategy in short term. They still focus on minimizing costs wherever possible than focus on value creation.

Table 9. Key Partners

Home Industry Commodities		Key Partners
1	"pong" tofu	a. Soybean seller
		b. Plastic bag seller
2	White tofu	a. Soybean trader
		b. Raw material seller
		c. Plastic bag seller
		d. Fuel seller
3	Traditional snacks	a. Food stall owner
		b. Factory labors
4	Various kind of "peyek"	a. Raw materials seller
		b. Family
		c. Store owner
		d. Food stall owner
		e. Plastic bags seller
		f. Factory labors
5	Various kind of tempeh	a. Soybean seller
		b. Tofu waste seller
		c. "benguk" seller

Table 10. Key Partners

Home Industry Commodities		Cost Strucure
1	"pong" tofu	a. Raw materials
		b. Palm oil
		c. Plastic bags
		d. Fuel
		e. Wages
2	White tofu	a. Raw materials
		b. Wages
3	Traditional snacks	Raw materials (butter, flour, oil, sugar, egg, plastics)
4	Various kind of "peyek"	a. Raw materials (peanut, flour, coconut, oil, egg)
		b. Delivery (fuel)
		c. Packaging (plastic bags, baskets, jar)
5	Various kind of tempeh (soybean, "gembus", and "benguk")	a. Raw materials
		b. Yeast
		c. Plastic bags

CONCLUSIONS

From the description and analysis, the food and snacks home industry in Kulon Progo cases in some ways can fit into the business model canvas. However, still not able to make as neat picture for the companies as recommended by Osterwalders. This may be due to a complex daily business and complex relation to partners and customers at the companies. A conclusion would some-what say that the BMC, with food and snacks case-studies, is suitable for mapping purposes of current activities, but not suitable as a

"paradigm" or framework to follow when outlining strategies for the future.

Each of the nine building blocks can be a starting point. Entrepreneurs should define the most important criteria to reduce the number of ideas that has been expanded earlier. The criteria should be prioritized according to the context of the business including revenue potential, possible customer resistance, and impact on competitive advantage. After the most important criteria are defined, the team should be able to "prototype" few potential business model innovations. This process can be done by using BMC to sketch out and discuss each business model.

The Business Model Canvas (BMCs) has a lot of advantages compared to the classic thick business plan that takes a lot of time to be prepared. The BMC is like a tool to guide entrepreneurs thinking in a more systematic through each of the nine building blocks for devising a business strategy that matter most and have the greatest impact on driving business growth. The BMC created are depends on type of the enterprises' business models.

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