



## Optimization of Micro-Small and Medium-Sized Enterprises in West Surabaya by Canvas Model

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### Article

#### Article History

Received: 21/06/2022

Reviewed: 10/12/2022

Accepted: 27/12/2022

Published: 28/12/2022

#### DOI:

[doi.org/10.29313/mimbar.v0i0.10039](https://doi.org/10.29313/mimbar.v0i0.10039)



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Volume : 38  
No. : 2  
Month : December  
Year : 2022  
Pages : 341-346

### Abstract

As a result of the Covid-19 pandemic, business competition is intensifying. In commercial rivalry, every business, especially those in the MSME sector, must have a plan. The supporting pillars of the Indonesian economy are MSMEs. This research aims to identify initiatives to optimize MSMEs by applying methods based on the Business Model Canvas. This form of study is qualitative and descriptive. Purposive sampling was utilized to determine sources of information. After finishing data gathering, the data analysis was conducted concurrently along three channels. The research findings demonstrate that businesses can continue to expand if they develop and implement innovative business models. By the Business Model Canvas, MSMEs can identify the components of their business implementation. MSMEs can optimize each element according to their objectives and capabilities. It is expected that the research would improve income and develop current MSME businesses.

*Keywords:* MSME'S; Business Model Canvas; Economy

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### Introduction

The global spread of the Covid-19 pandemic has crippled nearly all corporate and commercial activities. The situation for business people has been compounded by the existence of lockdowns and geographical limitations. Several enterprises, including the hotel, tourism, and manufacturing sectors, as well as the MSME business sector, saw negative revenue trends.

MSMEs are one of the foundations that sustain the Indonesian economy. The number of MSMEs in Indonesia is 64,19 million, with Micro and Small Enterprises comprising around 99.92% of the whole business sector, or 64,13 million businesses. In Indonesia, there will be more than 65 million MSMEs in 2021. In 2016, Indonesia has 61,7 million small businesses. This trend continued until 2017 when the number of MSMEs in Indonesia reached 62.9 million, and then again in 2018 when the number of MSMEs in Indonesia reached 64.2 million (Christy, 2021).

According to research conducted by the Katadata Insight Center (KIC), 82.9% of MSMEs felt the negative consequences of this epidemic, whilst just 5.9% saw growth (Limanseto, 2021). Survey results from several institutions (Central Bureau of Statistics, National Development Planning Agency, and the world Bank)

Show that this pandemic has caused many MSMEs to have difficulty paying off loans and paying electricity, gas and employee salaries. Some of them had to do layoffs. Other obstacles experienced by MSMEs include difficulty in obtaining raw materials, capital, declining customers, distribution and production being hampered (Limanseto, 2021). 2020 is a tough year for those in the food service industry since the Covid-19 pandemic has altered people's behavior (Octavanny, 2021). Currently, consumers spend more time indoors than outdoors. The availability of Work From Home discourages employees from eating out. Similarly, employees who work from home prefer to bring food from home rather purchasing food from restaurants. This condition decreases the quantity of customers in the food service industry.

Due to the pandemic, the industrial landscape and competition map changed. This transformation is characterized by four business characteristics: Hygiene, Low-Touch, Less-Crowding, and Low-Mobility. Successful organizations in the pandemic era are those that can adapt to these four traits; hence, business players, especially MSMEs, must innovate in providing goods and services in response to market demands. Due to the influence of the pandemic, they can also produce several new business concepts that can contribute to resolving the socioeconomic problems of the community (social entrepreneurship).

The Covid-19 pandemic has aggravated the intensifying corporate competitiveness of today. Companies must have a successful strategy for commercial competitiveness, even in the MSME sector. By analyzing the conditions of current business competition, MSME businesses must choose an appropriate strategy to use in order to compete with rivals in the middle of more competitive competition and survive and grow their business. A company's strategies can only be effective if they offer a competitive edge over those of rival enterprises (Andriyani, 2009). One of the strategies that can be carried out by MSME business companies is to have Business Model Canvas (BMC).

According to Klang et al in Karlsson et al., (2017:2926), BMC is the most widely used tool by practitioners in Business Model Innovation because it simplifies communication and understanding of the key building blocks that together represent business model artifacts/prototypes. Business Model Canvas Approach can be an approach and implemented easily by business organizations in an effort to evaluate and change or improve or just a review of the company's business model so as to create a new business model that is more appropriate and suitable to be applied by the company (Tulus, 2016). Due to the development of management science, the contemporary strategy has evolved. In line with the evolution of global political, economic, social, political, and cultural situations, management science is utilized to aid in decision-making and the creation of strategic management theory. Companies cannot just adopt the approach of their choosing without taking into account their actual circumstances. The organization must then design a plan for the development of its purpose and goals. The business strategy has a substantial impact on the quality of the management accounting information system and has the potential to enhance the quality of the management information system (Lestari et al., 2021).

A company's business strategy consists of a plan, a choice, and a deviation used to increase earnings and success. Business strategy is the capacity of entrepreneurs/companies to analyze the external and internal environment of the organization, to formulate strategies, to implement plans meant to accomplish corporate goals, and to receive feedback in order to formulate future strategies (Mubarak, 2017). An inspired and clear strategy can provide a boost to commercial success. While a weak strategy can cause the business to weaken and decline. According Fleisher (2007) to Business strategy means different things to different people. This entry offers a substantive discussion of what is meant by "strategy" and "business strategy"; the different elements of a business strategy; and why top management efforts to craft strategy are aimed at building a competitive advantage that can be sustained as long as possible. Its business includes product competition decisions (market share and superior products), which always pays attention to factors, namely: a) external factors related to the customer or market, b) identification of competitors, c) Due to the profit center, the implementation of cost accounting and product strategy different each other.

According to Carol Noore in Sylvia & Yelli (2021), the process of entrepreneurship development begins with innovation. Innovation is a process to realize, combine, or mature a knowledge / idea, which is then adjusted to get a new value for a product, process, or service. Innovation must be done so that the business that is carried out can develop and adapt to the circumstances. Innovation is influenced by various factors, both internal and external, such as aspects of education, sociology, organizational culture, and the environment (Bygrave and Hofer in (Sylvia & Yelli, 2021) Sylvia and Sumadhinata, 2021). These factors form locus of control, creativity, innovation, implementation, and growth so that they can make a person grow up (Suryana in Sylvia and Sumadhinata, 2021). Internally, innovation is influenced by factors originating from individuals, such as locus of control,

tolerance, values, education, experience. Meanwhile, factors originating from the environment that influence include role models, activities and opportunities. Therefore, entrepreneurship develops, advances, and grows through a process that is influenced by the environment, organization and family (Suryana in Sylvia and Sumadhinata, 2021).

In doing innovation, an idea is needed as the beginning of the innovation process. According to Putri (2013), ideas can be obtained through several ways, such as through new knowledge, tapping ideas from customers, learning from key users, empathic design (observation of how people use existing products), factory inventions and open market innovation. The ways to find these ideas can be a consideration for business people to find ideas that are suitable for their type of business.

Business Model Canvas (BMC) is a tool designed to help companies see more accurately what their current or future business looks like. Business Model Canvas(BMC) is a tool designed to help companies see more accurately what their current or future business looks like. The Business Model Canvas can be an approach that can be easily implemented by business organizations in an effort to evaluate and change or improve or just a review of the company's business model so as to create a new business model that is more appropriate and suitable to be applied by the company (Osterwalder & Pigneur, 2017). The Business Model Canvas is a way for organizations to create, implement, and digest value (Adwiyah et al., 2021). In this case, SMEs need Business Model Canvas (BMC) to facilitate business owners and professionals in initiating business at the abstract level & then testing it at the real level. After that, a business strategy is formulated to make the company strategically different from its competitors. As for the things that are right in running the Business Model Canvas (BMC), namely how to evaluate the key elements one by one, it will be easier to analyze things that are not right and in the end we can take corrective steps to achieve the goal. the business being run, the advantage of the Business Model Canvas (BMC) is that it can change the concept of a complex business model into a simple one.

The use of the model is able to explain the company's business model and the relationship between the components in the model (Kosasi in Yulia et al., (2020). This model also supports companies to identify the company's value proposition and shows how to build and execute the main activities and key resources in creating the value proposition and generating revenue streams. It also helps to understand how the products and services provided by the company can be well communicated and distributed to consumers (Hartatik & Baroto in Yulia et al., (2020). Until now, the Business Model Canvas (BMC) can not only be used to monitor the company's business model but can also be used as a tool to propose new business model designs to increase company sales and expand the segmentation network. According to Osterwalder & Pigneur (2017) in Hartono (2018), the Business Model Canvas can be explained very well through nine basic building blocks that show a way of thinking about how companies make money. The nine building blocks are Customer Segments, Value Propositions, Channels, Customer Relationships, Revenue Streams, Key Resources, Key Activities),

Fauziah (2020), states that in formulating a strategy for developing MSMEs with the following methods: Business Model Canvas social media is used as a means of business promotion and making partnerships with suppliers. In addition, the research of (Wijayanti & Hidayat, 2020), the preparation of MSME development strategies using the Business Model Canvas using direct and online distribution with promos and bonuses as well as establishing partnerships with farmers and collectors. Meanwhile, Fathara et al., (2021) stated that using a digital marketing strategy through the WhatsApp, Go-Food and Grab-Food platforms. Based on the previous research above, various strategies can be identified Business Model Canvas which can be used to develop the business.

The business model has at least four benefits. First, the business model makes it easier for planners and decision makers in the company to see the logical relationships between components in the business, so as to generate value for consumers and companies. Second, the business model can help test the consistency of the relationship between components. Furthermore, the business model helps to test the market and the assumptions used in developing the business. Finally, a business model can be used to show how radical the changes are and their consequences. Based on several literature studies, BMC in this study is expected to be a good business model for MSMEs (Septiani et al., 2019). By looking at the existing background, this research has the aim of know the efforts to optimize MSMEs by implementing new business strategies based on the Business Model Canvas.

## Research Method

This is descriptive qualitative research that aims to collect actual information that describes existing symptoms, identifies problems, or examines conditions and prevalent practices, where the

researcher is the central instrument, data collection techniques are triangulated (combined), data analysis is inductive/qualitative, and research results emphasize meaning over generalization (Sugiyono, 2017). According to Moleong (2017), qualitative research is research that intends to understand the phenomena experienced by research subjects such as behavior, perceptions, motivations, actions and others holistically and by means of descriptions in the form of words and language.

Purposive sampling is used to determine the source of the informant in the interviewee, taking into account specific concerns and objectives (Sugiyono, 2017). In this research, the informants are those who know and understand the most about the condition of MSMEs in West Surabaya are used to obtain information or an overview of the state of MSMEs in West Surabaya.

This study uses the Business Model Canvas in conducting data analysis. Business Model Canvas is an approach implemented by business organizations in an effort to evaluate and change or improve or just a review of the company's business model so as to create a new business model that is more appropriate and suitable to be applied by the company. Here elements on The Business Model Canvas that is: (1) Customer Segments, The customer segment building block is an organization or group of different people reaching or serving multiple customer segments. The customer is at the core of the business model. (2) Value Propositions, The building blocks of a value proposition are the combination of products and services that create intent for a more specific market segment. (3) Channels, The channel building blocks describe how a company communicates with its customer segments and reaches out to customers to deliver a value proposition. (4) Customer Relationships, The customer relationship building blocks are the customer relationships that a company establishes, maintains, and builds with specific customer segments. (5) Revenue Streams, The revenue stream building block describes the revenue stream that results from a value proposition that is successfully offered to customers. (6) Key Resources, Key resource building blocks that include the most important assets required for a business model to work. (7) Key Activities, The key activity building blocks are the most important things a company must do for its business model to work. (8) Key Partnership, Companies form partnerships for a variety of reasons, and partnerships form the basis of many business models of reducing risk or acquiring customer resources. (9) Cost Structure, The cost structure building blocks describe all the costs incurred to operate the business model.

This study used qualitative methods with data collection sourced from primary data and secondary data. The primary data in this study were obtained directly in the field or from sources in the field. The research was obtained from interviews with informants and researchers obtained observational data by observing and analyzing around the research environment, and researchers obtained documentation in the form of photos from the research site. Secondary Data is data obtained indirectly or from other people, namely in this study researchers obtained data from the internet, and archive or documentary data.

As qualitative research, the data collected in this study are in the form of written or spoken words from people and observable behavior, so the methods used for the data collection process in this study are as follows: (1) Observation, with observation, the data obtained will be more complete, sharp, and to the point of knowing at the level of meaning of each behavior that appears. Susan Stainback in Sugiyono (2017) states "in participant observation, the researcher observes what people do, listens to what they say, and participates in their activities"; (2) Interview, an interview according to Sugiyono (2017) is a meeting of two people to exchange information and ideas through question and answer, so that meaning can be constructed in a particular topic.

Data analysis according to Patton in Moleong (2017) is the process of arranging data sequences and organizing them into patterns, categories, and basic units of description. According to Miles (2014), data analysis can follow 3 paths simultaneously, which consists of (a) Data condensation refers to the process of selecting, focusing, simplifying, abstracting, and/or altering data that appears in full from field notes, interview transcripts, documents, and other empirical material; (b) Data presentation is an organization, a collection of information that allows conclusions and actions; (c) The third important analytical activity is drawing conclusions and verification.

## Results and Discussion

If a business creates new and inventive business models, it will be able to continue growing. In order to improve the MSME business, research that generates fresh data and outcomes that can be used for decision making is required. Consequently, the researchers will conduct study through observation, interviews, and documentation in order to develop a business model for MSMEs in West Surabaya using the Business Model Canvas approach, which consists of nine aspects, including:

The first element is Customer Segment: West Surabaya MSMEs is a West Surabaya-based culinary business. In Surabaya, all customer segments, such as children, adolescents, and adults, are catered to. The second component consists of Value Propositions. As a culinary business, MSMEs in West Surabaya offer the following values: (a) Performance, Provision of nutritious food by focusing on the quality and freshness of raw ingredients, and a clean cooking process with clean cooking equipment. In addition, West Surabaya-sourced ingredients are utilized in the preparation of cuisine; (b) Accessibility, Ease of access to food menus on online platforms such as Go-Food, Grab-Food, and Shopee-Food; and (c) Convenience, WIFI is provided for dine-in guests. In providing the Value Proposition to clients, West Surabaya SMEs utilize online platforms like as Go-Food, Grab Food, and Shopee Food. Additionally, orders can be placed by contacting the vendor via Whatsapp. The municipal government of Surabaya manages the Surabaya MSME social media, which MSMEs may use to promote their products.

The fourth factor is Consumer Relationships. The relationship between the seller and the customer is characterized by a high level of personalized service, as well as promotions, bonuses, and discounts on special occasions such as holidays, birthdays, etc. In addition, the vendor accepts all comments and recommendations made directly or via the contact number provided for the services and food offered in order to enhance the quality of the services and food produced and to establish even better enterprises. The sixth factor consists of Revenue Streams. This small and medium-sized enterprise generates cash via the selling of food goods to clients. The sale's results will be compared to the current cost structure. In addition, MSMEs can receive business capital support from the municipal government of Surabaya as a result of the cooperation. Key Resources is the sixth element. The key resources found in West Surabaya SMEs can be divided into three categories: (a) Humans, with an average of 2-4 cooks and waiters per MSME; (b) Facilities, including carts, tables, chairs, cooking utensils, lights, food packaging utensils, and cutlery; and (c) Technology, including the seller's HP and Wifi Router.

The eight component is Essential Activities, a series of activities carried out by West Surabaya SMEs to create food products that customers require, such as (a) Procurement of food raw materials, all food raw materials to be purchased are adjusted to the sales target and raw material prices; (b) Food processing, after the food raw materials have been purchased, raw material processing is performed, such as cleaning, cutting, and boiling; and (c) Manufacture of food products. Food bought online can be delivered directly to the customer's address. Similarly, online transactions may be made with traditional or digital currency; and (g) Food product marketing, sellers can promote their products on the online platform they utilize.

MSMEs develop partnerships with raw material providers, such as farmers or raw material dealers, as well as customers. MSMEs also work with E-Commerce platforms like Shoppe, Grab, and Gojek. In addition, MSMEs engage with the government, which wants to empower and fund MSMEs. Cost Structure is the eighth element. West Surabaya Culinary MSMEs pay fixed expenditures with an average value of less than 80 million, variable costs of around 42 million per month, and a monthly sales volume of 105 million. On the basis of the findings of the study utilizing the Business Model Canvas approach, MSMEs may identify the aspects that exist in their business implementation. Each of these factors may be optimized in accordance with the objectives and skills of MSMEs. With the outcomes of this study, it is envisaged that income may be increased and current MSME firms can be developed.

## Conclusions

On the basis of the findings of the Business Model Canvas observations on West Surabaya Culinary MSMEs, it can be inferred that the Customer Segments served by West Surabaya Culinary MSME include children, adolescents, and adults in the city of Surabaya. Value Propositions include the provision of healthful cuisine with high-quality ingredients and clean cooking methods, the convenience of access to food menus via online platforms, and the availability of WIFI for dine-in consumers. The MSMEs in the Surabaya City Government provide food goods through online platforms such as Shopee Food, Grab-Food, and Go-Food, as well as through direct interaction with the seller via WhatsApp and social media marketing. Relationships between sellers and consumers are characterized by maximum personal attention, the provision of promotions and discounts, and the acceptance of criticism and ideas regarding the services and food items offered. MSME enterprises derive their revenue streams from the sale of food goods, which will thereafter be examined on the basis of the current cost structure. MSME businesses can seek business capital support from the Surabaya City Government. Key Resources in West Surabaya Culinary SMEs include Humans (cooks

and wait staff), Facilities, and Equipment (Carts, Tables, Chairs, Cutlery, Lights, Food Packaging Tools and Cutlery). The principal operations of the West Surabaya Culinary MSME are the acquisition of food raw materials, food processing, food product manufacturing, food presentation, food product sales, food product payment, and food product marketing. The West Surabaya Culinary MSME's most important partnerships are with suppliers of raw materials, such as farmers or raw material dealers, consumers and E-Commerce firms, as well as with the government in empowering and giving funding to MSMEs. The West Surabaya Culinary MSME's cost structure includes of fixed expenses with an average value of roughly 80 million, variable costs of approximately 42 million each month, and a monthly sales volume of 105 million.

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