

# The Application of Business Model Canvas (BMC) as a Business Development Strategy in the Small and Medium-Sized Creative Industry

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**Abstract.** This research aims to provide an overview of MSMEs, analyze the challenges faced, spread the level of empowerment, and develop a strategy for empowering the MSME creative industry to increase business competitiveness in Tanjung Jabung Timur Regency. Primary data was obtained through interviews with MSME entrepreneurs, secondary data from related institutions. This research uses a qualitative method with the Business Model Canvas (BMC) approach. Creative MSMEs in Tanjung Jabung Timur consist of the culinary, garment and craft sectors. They are in a position to grow and develop. The right strategy includes market development, market penetration, and product development. This research focuses on one region, so the results may not be directly applicable to other regions. This research provides strategic guidance for empowering creative MSMEs, which can increase business competitiveness in Tanjung Jabung Timur.

**Keywords:** Empowerment strategy, creative SMEs, business competitiveness

## 1 Introduction

Small and Medium Enterprises (SMEs) play a crucial role in advancing the economy, both in developed and developing countries. SMEs are not only significant for their substantial contribution to employment but also for their considerable contribution to the formation and growth of Gross Domestic Product (GDP), especially when compared to larger enterprises. In Indonesia, the industrial structure resembles a pyramid, consisting of the top tier, which includes large industries with few but substantial assets, and the bottom tier, comprised of numerous small industries with limited assets and low productivity, contributing minimally to value addition (Thoha, M., 2020). The fragility of the national economic foundation, particularly in the large industrial subsector, is attributed to its non-rooted, footloose industry structure, characterized by conglomerations primarily built on borrowed capital. The majority of large industries in Indonesia also exhibit high import content in their production (Mansyur, 2020).

During economic crises, the presence of small industries becomes pivotal in safeguarding the national economy. Small industries tend to use local raw materials with a small proportion of imports, making their production less susceptible to the depreciation of the national currency, although they are greatly affected by changes in consumer purchasing power. In 2006, the total population of SMEs exceeded 42 million, contributing 56.7% to the Gross

Regional Domestic Product (GRDP) and 15% to non-oil and gas exports, while absorbing 99.6% of the labor force (Said, A., and Widjaja, I., 2017).

In order to formulate a more equitable and precise development strategy that strengthens the economic structure, the government must learn from past economic crises. Strong SMEs are particularly essential in poor and developing countries. According to Dally, J.A., (2000), this is due to two reasons: (a) SMEs have proven to be significant employment providers, and (b) SMEs can expedite income distribution and minimize income disparities among various social groups. Nevertheless, SMEs still face weaknesses in terms of market access and intervention, capital, technology, and management (Tambunan, T., 2017).

This research holds significant importance as it aims to develop a strategy for empowering SMEs. It represents the first study to investigate the empowerment of Small and Medium-sized Enterprises in East Tanjung Jabung Regency, providing insights into the current state of SME empowerment and the formulation of creative strategies to enhance business competitiveness in the region.

The large number of small enterprises in the region, coupled with their inconsistent nature - with some closing down while others emerge - makes it challenging to identify and study them (Tambunan, 2017; Sucherly, 2017).

Small and Medium Enterprises (SMEs) have been defined by various researchers using different approaches. Many researchers summarize the SME issue by either defining them or Small and Medium-sized Enterprises (SMEs) or by considering the number of employees they possess (Ganguly, S., & Perdesi M., 2019; Mobarak, et al., 2014; Storey, J., 2010; Hargreaves, A., and Fink, D., 2013; Abouzeedan, 2011).

Community empowerment, often referred to as "empowerment," involves efforts to actualize the existing potential within communities (Adhuri et al. 2014; Susilowati et al., 2015; Adi, I.R., 2013; Susilowati and Mayangita, 2018).

Sukarno, G., (2014), stated that intellectuals, businesses, and the government can contribute to the growth of the creative industry. To enhance the capacity of SMEs, further research is required on the roles of intellectuals, businesses, and the government to formulate strategies for enhancing the competitiveness of the creative industry and ensuring its survival amidst global competition. Therefore, this research focuses on the empowerment strategy for Creative Small and Medium Enterprises (SMEs) to enhance their business competitiveness.

A study conducted by the SME Study Center of UIEU (2018) indicated that among the 30 SMEs under their purview, the main issues revolved around financial management, marketing, labor, and production. Hence, further investigation is necessary to delve deeper into the fundamental issues faced by SMEs in the Jambi Province, specifically regarding financial governance, human resources, operations, and marketing, with the ultimate goal of improving SME performance.

East Tanjung Jabung Regency is one of the regencies within the Jambi Province and is currently undergoing development. SMEs are thriving in this region, with a notable presence of Small and Medium-sized Industries. However, a prevailing issue is the lack of creativity and empowerment among these SMEs, which in turn hampers their business development. The local government's empowerment efforts for SMEs primarily focus on financial assistance, while the real challenges faced by SMEs encompass complex issues related to financial management, human resources, operations, and marketing.

## **2 Methods**

This research is conducted in East Tanjung Jabung Regency, Jambi Province. The data utilized in this research consist of primary and secondary data. The population under study comprises 710 owners of Small and Medium-sized Enterprises (SMEs) (<https://tanjabtimkab.go.id/opd/detail/7>). A sample of 235 SME owners is selected using the Slovin formula. The research location will encompass all SMEs distributed throughout East Tanjung Jabung Regency, categorized proportionally based on geographic regions.

Data analysis in this research involves the use of questionnaires, information collection from respondents, Focus Group Discussions (FGD), and in-depth interviews with key persons. Subsequently, the Business Model Canvas (BMC) method is employed as a benchmarking tool for determining priority scales (based on FGD and in-depth interview results) in formulating empowerment strategies within the research area.

To establish empowerment strategies for Small and Medium-sized Enterprises (SMEs), the findings from field investigations, Business Model Canvas (BMC) analysis, and in-depth interviews with key persons will be reconstructed. The Business Model Canvas consists of nine elements, including Customer Segments, Value Propositions, Channels, Customer Relationships, Revenue Streams, Key Resources, Key Activities, and Cost Structure.

## **3 Results And Discussion**

### **3.1 Characteristics of Informants**

The majority of informants or participants in Creative Small and Medium-sized Enterprises (SMEs) in culinary, garment, and craft businesses in East Tanjung Jabung Regency are dominated by females, totaling 140 individuals or 60%. Meanwhile, males account for only 95 individuals or 40%. Among the informants, the most common age group is between 36-45 years old, comprising 90 individuals or 38%. The primary type of business pursued by informants is in the culinary sector, with 170 individuals or 72%. In terms of education, the majority have completed high school or its equivalent, amounting to 105 individuals or 45%, while 80 individuals or 34% have education levels ranging from elementary to junior high school.

### **3.2 Identification of Business Model Canvas (BMC) Elements**

Creating a Business Model Canvas requires a thorough analysis and involvement of experts in the respective field of business. In this section, the researcher conducted interviews with informants who are creative SME practitioners in East Tanjung Jabung Regency, with questions aligned with the 9 BMC elements. This process resulted in several points for each element of the Business Model Canvas (BMC), following the sequence of elements, including Customer Segments, Value Propositions, Channels, Customer Relationships, Revenue Streams, Key Resources, Key Activities, Key Partnerships, and Cost Structure.

The overview of businesses carried out and managed by Creative SME practitioners in East Tanjung Jabung Regency, Jambi Province, encompassing culinary, craft, and garment

businesses, based on interviews with these practitioners, can be illustrated using the Business Model Canvas with its 9 elements, as follows:

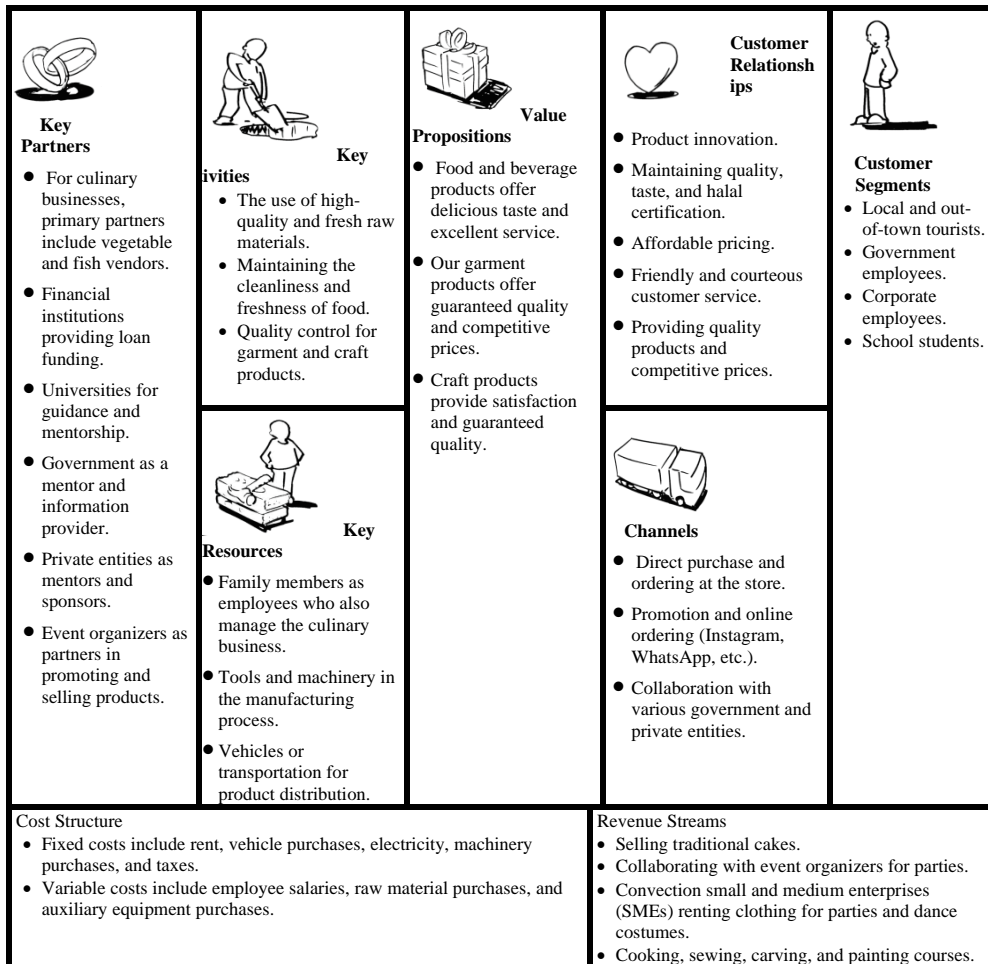


Fig. 1. Business Model Canvas (BMC)

### 3.3 SWOT Analysis on Business Model Canvas (BMC) Elements

#### 3.3.1 SWOT Identification for Creative SME Practitioners

The following are the results of the SWOT identification within the Business Model Canvas, obtained through interviews and in-depth discussions with the informants.

**Table 1.** SWOT Identification Results for BMC

No.	BMC Element	Strengths	Weaknesses	Opportunities	Threats
1	Customer Segments	High customer loyalty	Difficulty in acquiring new customers	Broad and easily accessible market	Intense competition and easy product imitation
2	Value Propositions	Maintaining product quality to satisfy customers	Lack of innovation and perceived as boring	Potential for product development or innovation	Customers easily switching to other products if dissatisfied
3	Channels	Availability of communication and transportation facilities	High transportation costs	Internet presence facilitates promotion	Competitors can steal photos or video product promotions
4	Customer Relationship	Loyal customers have a strong connection to the product	Frequent communication errors with customers	Various communication media enable closer customer relationships	Competitors offering more attractive deals
5	Revenue Streams	Business owners can utilize other sources of income apart from their main business	Lack of creativity in developing income sources	Various markets open up opportunities to develop various product types	The presence of new products as stronger competitors
6	Key Resources	Adequate and skilled human resources	Limited intellectual human resources	Abundant available natural resources	Ease of employee turnover if unsuitable
7	Key Activities	The main activity is providing quality and guaranteed products	Lack of quality control leads to decreased product quality	Technology presence can accelerate and simplify production processes	Delay in adopting technology will result in a decrease in quality and quantity
8	Key Partnership	Various parties become partners, including government, universities, private companies, and fund providers	Reluctance to enter into partnerships with various parties	Wide opportunities for partnerships with various parties	Mistakes in selecting partners will result in losses in business
9	Cost Structure	Business owners are aware of and capable of managing the financial needs for fixed and	Weakness in preparing financial reports	Business owners can reduce fixed and variable cost burdens	The need for other unpredictable expenses

### 3.3.2 IFE and EFE Analysis

The results of the Internal Factor Evaluation (IFE) matrix in this study were obtained through interviews. The IFE indicators, including Strengths and Weaknesses, were extracted from the SWOT analysis of each element of the Business Model Canvas of creative SME practitioners in the culinary, garment, and craft sectors.

The total score for Internal Strengths was 2.07, while the total score for Internal Weaknesses was 0.69. When Internal Strengths are combined with Internal Weaknesses, the overall IFE score is 2.76.

### 3.3.3 EFE Matrix

The results of the External Factor Evaluation (EFE) matrix in this study were obtained through in-depth interviews. EFE indicators, including Opportunities and Threats, were derived from the SWOT analysis of each element of the Business Model Canvas of creative SME practitioners in the culinary, garment, and craft sectors.

The total score for External Opportunities was 1.64, and the total score for External Threats was 1.76. When External Opportunities are added to External Threats, the overall EFE score is 3.40.

### 3.3.4 IE Matrix

The IFE (Internal Factor Evaluation) and EFE (External Factor Evaluation) matrices, each assigned with weights and rankings and possessing scores for each factor, are then combined into the IE (Internal External) matrix. The results of this matrix will indicate the position of the strength of the strategies implemented by creative SME practitioners in the culinary, garment, and craft sectors in East Tanjung Jabung Regency, Jambi Province. This is done by examining the values (scores) of each factor in the quadrants of the IE matrix.

Below are the results of matching the IE score values inserted into the IE table.

**Table 2.** IE Matrix Results (Internal External)

EFE	IFE		
	Strong 3,0 – 4,0	Currently 2,0 – 2,99	weak 1,0 – 1,99
Strong 3,0 – 4,0	I	II	III
Currently 2,0 – 2,99	IV	V	VI
Weak 1,0 – 1,99	VII	VIII	IX

Source : Data Processing (2023)

Based on the calculations from the IE matrix in Table 2, it yields Internal and External scores in Quadrant two (II) highlighted in yellow (2.76; 3.40). This indicates that the business

activities carried out by creative SME practitioners in the culinary, garment, and craft sectors in East Tanjung Jabung Regency are currently in a grow and build position or in a stage of growth and development.

From this table, the appropriate strategies to be applied are market development, market penetration, and product development. Market development involves seeking new market opportunities by identifying new target consumers or opening new branches of similar businesses in different locations. Market penetration is a strategy where businesses seek ways to increase their market share for existing products through broader marketing efforts. Successful market penetration can strengthen a business's ability to limit competitors. For product development, creative SME practitioners can innovate their products by improving existing ones, adding product variations, enhancing packaging, increasing promotion, and reducing production costs.

### 3.3.5 SWOT Matrix

SWOT matrix analysis is a crucial step that creative SME practitioners in the culinary, garment, and craft sectors should undertake to ensure the sustainability of their businesses. The SWOT matrix analysis is based on the development of the IE matrix and also utilizes data obtained from the IFE and EFE matrices. The analysis includes the results of alternative strategies, which encompass four main types of suggested strategies: SO (Strength-Opportunities), ST (Strength-Threat), WO (Weaknesses-Opportunities), and WT (Weaknesses-Threat).

**Table 3.** SWOT Matrix Results

Internal Analysis	Strengths (S)	Weaknesses (W)
	1. High customer loyalty.	1. Difficulty in acquiring new customers.
	2. Maintaining product quality to consistently satisfy customers.	2. Lack of product innovation and a perception of being dull.
	3. Availability of easy communication and transportation facilities.	3. High transportation costs.
	4. Strong customer-product relationships among loyal customers.	4. Frequent communication errors with customers.
	5. Ability to generate additional sources of income outside the primary business.	5. Lack of creativity in developing income sources.
	6. Adequate and skilled human resources.	6. Limited intellectual human resources.
	7. Primary activities involve providing quality and guaranteed products.	7. Quality control issues leading to decreased product quality.
	8. Collaboration with various partners, including the government, universities, private companies, and fund providers.	8. Reluctance to enter into partnerships with various parties.
	9. Business owners possess knowledge and capability regarding financial needs for both fixed and variable costs.	9. Weakness in financial reporting.

External Analysis		
<p>Opportunities (O)</p> <ol style="list-style-type: none"> <li>1. A wide and easily accessible market.</li> <li>2. Potential for product development or innovation.</li> <li>3. The ease of using the internet for promotion.</li> <li>4. The ability to build closer customer relationships through various communication channels.</li> <li>5. Opportunities to develop various product types with various markets opening up.</li> <li>6. Abundant available natural resources.</li> <li>7. The presence of technology to accelerate and simplify production processes.</li> <li>8. Wide opportunities for partnerships with various parties.</li> <li>9. The potential to reduce fixed and variable cost burdens.</li> </ol>	<p>Strategies (SO)</p> <ol style="list-style-type: none"> <li>1. Continuously maintain product quality.</li> <li>2. Expand market share.</li> <li>3. Enhance the quality and quantity of production with technological assistance.</li> <li>4. Utilize communication and the internet for promotion and sales development.</li> <li>5. Form partnerships with various parties for business development.</li> </ol>	<p>Strategies (WO)</p> <ol style="list-style-type: none"> <li>1. Consistently innovate in terms of product form, packaging, marketing, pricing, and distribution.</li> <li>2. Reduce errors in communication by being vigilant in receiving information.</li> <li>3. Increase creativity in identifying new market opportunities.</li> <li>4. Improve quality control to avoid production failures.</li> <li>5. Enhance financial reporting capabilities.</li> </ol>
<p>Threats (T)</p> <ol style="list-style-type: none"> <li>1. Intense competition and ease of product imitation.</li> <li>2. Customers easily switching to other products if dissatisfied.</li> <li>3. Competitors can</li> </ol>	<p>Strategies (ST)</p> <ol style="list-style-type: none"> <li>1. Enhance product uniqueness to prevent easy imitation.</li> <li>2. Improve employee satisfaction to reduce turnover.</li> <li>3. Exercise caution in selecting business partners to avoid losses.</li> <li>4. Increase customer satisfaction to prevent them from switching to other products.</li> </ol>	<p>Strategies (WT)</p> <ol style="list-style-type: none"> <li>1. Collaborate with universities to enhance human resource quality.</li> <li>2. Offer more attractive deals to customers.</li> <li>3. Accelerate the mastery and utilization of technological advancements.</li> <li>4. Seek low-cost</li> </ol>



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<p>steal photos or videos of product promotions.</p> <p>4. Competitors offering more attractive deals.</p> <p>5. The presence of new products as stronger competitors.</p> <p>6. Ease of employee turnover if not suitable for the job.</p> <p>7. Delay in adopting technology resulting in decreased quality and quantity.</p> <p>8. Errors in selecting partners resulting in business losses.</p> <p>9. The presence of other unpredictable expenses.</p>	<p>5. Create detailed cost requirements planning to accurately predict financial needs.</p>	<p>transportation alternatives.</p> <p>5. Be more creative in identifying alternative income sources beyond core products.</p>
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Source: Data Processing (2023)

## 4 Conclusion

- a. Creative Small and Medium Enterprises (SMEs) in East Tanjung Jabung Regency are broadly categorized into three business sectors: culinary, garment, and crafts.
- b. Among these three sectors, culinary businesses dominate in terms of quantity, as they are considered relatively easier to start with lower initial capital requirements.
- c. Through the identification of each element in the Business Model Canvas (BMC), it has been determined that creative SMEs in the culinary, garment, and craft sectors are currently in a growth and development phase.
- d. The most suitable strategies to implement are market development, market penetration, and product development.
- e. In market development, businesses can explore new market opportunities by identifying new target consumers or opening similar branches in different locations.
- f. Market penetration involves strategies aimed at increasing market share for existing products through broader marketing efforts.
- g. Product development strategies can involve product innovation, improving existing products, diversifying product offerings, enhancing packaging, increasing promotional efforts, and reducing production costs.

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