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## Business Model Canvas as a Conceptual Framework in Building Cooperatives (Case Study on Employees' Cooperative Redriying Bojonegoro)

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### Abstract

*Cooperatives are business entities that aim to seek social benefits and benefits, so it needs the support of all parties, both directly and indirectly, so that the role of sharia cooperatives in improving the economic welfare of society can be realized with financing products that are very beneficial for cooperatives and for customers. This study aims to analyze the Cooperative business model using the Business Model Canvas. The research method used is descriptive method with a case study approach. While the stages are data collection, data processing and drawing conclusions. The Bojonegoro Kareb Cooperative makes every effort to provide a variety of product services to consumers. Ways to socialize products and make friends are made in the form of WhatsApp groups.*

**Keywords:** Cooperative, Business Model Canvas

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### INTRODUCTION

According to some circles, the existence of modern markets (minimarkets, hypermarkets and supermarkets) is the cause of the cornering of traditional markets, especially those located in urban areas. AC Nielsen's research results, in 2005 traditional markets in Indonesia experienced a shrinkage of 8%, while on the other hand modern markets grew 31.4% per year (Jati, 2012). In line with the results of this research, PT Solusi Dinamika Manajemen together with the Ministry of Cooperatives and SMEs (Kemenkop UKM) revealed the results of their study in 2005 which stated that the existence of modern markets had been threatened by the presence of these modern markets. All of these modern markets are owned or controlled by private companies, in other words private companies dominate in terms of marketing in Indonesia (Nizar, 2016).

The presence of these modern markets has more or less influenced the lifestyle of people who prefer brands (products, supermarkets, minimarkets, and so on) compared to buying products from traditional markets or small shops near their

homes. This happens because the community considers the service and availability of goods at supermarkets or minimarkets to be better and more adequate than traditional markets or other small shops.

This situation requires cooperatives in Indonesia, one of whose roles is to realize and develop the national economy which is a joint venture based on the principle of kinship and economic democracy. In this case cooperatives must be a solution so that people do not behave consumptively but are required to be productive individuals. If the community realizes how great the benefits of cooperatives are, they will become a strength because of unity in kinship and at the same time will develop the economy and national welfare.

The Ministry of Cooperatives and Small and Medium Enterprises revealed that Indonesia was listed as the country with the largest number of cooperatives in the world. According to data from the Ministry of Cooperatives and SMEs as of December 2019, it was noted that the number of cooperatives in Indonesia reached 158,809 cooperatives. Even so, in its statistical report, the Ministry of Cooperatives and Small and Medium Enterprises said that this data is still very provisional, maybe the number is much larger than that. Of the 158,809 cooperatives, there are 123,048 active cooperatives and 35,761 inactive cooperatives. The number of cooperatives is spread across 34 provinces throughout Indonesia with a total number of members reaching 22.46 million members (Www.Depkop.Go.Id, 2018).

There must be efforts to increase public trust, improve human resources (HR), use of technology and increase product innovation. To achieve all of that, of course, careful planning is needed. Because cooperatives are also part of the business, it requires careful business planning. In evaluating a business or business plan that is being carried out, a clear and complete reference is needed regarding the business model.

The use of the canvas business model method in cooperative financial institutions is considered important to correct a possibility of a misconception or the need for improvement in the process of running a business model, because Islamic cooperatives are business entities that have the goal of profit and social benefits. Muslich stated that to achieve profit and social goals from a business activity, ideally there needs to be the support of all parties, both directly and indirectly providing services in gaining proper business profits (Suparmin, 2019).

Thus, the role of cooperatives in improving the economic welfare of society is very important with the existence of financing products that are very profitable for cooperatives as well as for customers. Based on this, the main problem in this study is "How to analyze the Cooperative business model using the Business Model Canvas?" with the aim of this study is to analyze the cooperative business model using the business model canvas. The benefit of this research is that it can be used as a reference for the use of the business model canvas in cooperative business development.

## LITERATURE REVIEWS

According to some circles, the existence of modern markets (minimarkets, hypermarkets and supermarkets) is the cause of the cornering of traditional markets, especially those located in urban areas. AC Nielsen's research results, in 2005 traditional markets in Indonesia experienced a shrinkage of 8%, while on the other hand modern markets grew 31.4% per year (Jati, 2012). In line with the results of this research, PT Solusi Dinamika Manajemen together with the Ministry of Cooperatives and SMEs (Kemenkop UKM) revealed the results of their study in 2005 which stated that the existence of modern markets had been threatened by the presence of these modern markets. All of these modern markets are owned or controlled by private companies, in other words private companies dominate in terms of marketing in Indonesia (Nizar, 2016).

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Cooperatives are business entities whose members own principles based on the people's economy. In another statement it is explained that, cooperatives are an association of people who are on the basis of equality as human beings, regardless of religious and political directions voluntarily enter, to simply fulfill the common material needs of shared responsibility.

According to the Regulation of the Minister of Cooperatives and Small Enterprises and Medium of the Republic of Indonesia Number 12/Per/M.KUKM/IX/2015 A cooperative is a business entity whose members consist of a person, a person or a cooperative legal entity that bases its activities on cooperative principles as well as a people's economic movement based on the principle of kinship, as referred to in the Law. Law Number 25 of 1992 concerning Cooperatives. Cooperatives are established and carry out their activities based on the values of honesty, openness, social responsibility and caring for others.

According to the Big Indonesian Dictionary, business is a trade or commercial business in the trading world. As stated by Ahmad Rajafi, Anoraga and Soegiastuti stated that business is the buying and selling of goods and services in Indonesia (2019). The meaning of business is an organized individual business activity to produce and sell goods and services in order to gain profit in meeting the needs of society. Meanwhile, the definition of business according to Brown and Petrello is an institution that produces goods and services needed by the community, Ilyas (2018). According to Osterwalder and Pigneur Business Model Canvas (BMC) is a business model a logical picture of how an organization creates, delivers and captures value. The business model canvas can be used in all forms of business with various business sectors to determine their strengths and weaknesses. If the strengths and weaknesses of a business are known, it will be easy and fast to analyze its needs and advantages.

*Canvases* This divides the business model into 9 main components, the nine existing components are Customer Segment, Customer Relationship, Channel, Revenue Stream, Value Proposition, Key Activities (main activities), Key Resources (main resources), Cost Structure (cost structure), and Key Partners (main partnerships). By using the business model canvas, planning a business idea can be made more quickly because important elements in running a business can be done

quickly on one sheet of paper. Apart from that, business ideas also become more structured and easy to create/review because the order of the business model canvas makes it very easy to create business ideas. The benefits of the Business Model Canvas can describe, analyze, and design creatively and innovatively in an effort to shape, deliver, and capture market dimensions and drive demand by innovating a value. This Business Model Canvas is presented visually in the form of a canvas/image so that it helps make it easier for the reader to understand. The company's stakeholders can adjust the form of the Business Model Canvas according to their business needs

## METHODS

This study uses a descriptive method, namely to obtain a factual, accurate and systematic description and explanation of the research object. While the approach used is a case study approach, namely to examine in depth about circumstances or events (cases) systematically through observation, data collection, analyzing information, and data processing and reporting of results. In this study, the canvas business model was used to determine the elements involved in a business so that weaknesses or strengths in the business can be revealed. The technique is through interviews and Focus Group Discussion (FGD) conducted on respondents. The next step is to analyze each element of the business model canvas (BMC).

This research was conducted at the Redriying Bojonegoro (Kareb) Employee Cooperative located in Bojonegoro Regency, East Java. The reason for choosing this location is because this cooperative is a cooperative that has not been established for a long time but has shown significant development both in terms of the number of members, the amount of business capital and the distribution of the remaining profits.

## RESULTS AND DISCUSSION

### 1. Profile of Redriying Bojonegoro Employee Cooperative (Bojonegoro Kareb Cooperative)

Starting from a delayed project belonging to the Government/Department of Industry, it was followed by the establishment of a State-Owned Enterprise (BUMN) under the name Perum Pengringan Tobacco Bojonegoro (PPTB) on April 1, 1971.

In 1976 the Kareb Cooperative was established with the Consumption - Credit business unit with 76 members at that time, membership of employees of the Bojonegoro Tobacco Drying Perum with principal savings capital and mandatory savings and received donations from the company Rp. 1,000,000, - (one million rupiah). In 1979 the Kareb Cooperative received approval from the Government with Legal Entity number 4151/BH/II/79 dated 10 February 1979.

In 1980 the Kareb Cooperative developed to buy 1 (one) unit of Green Leaf Threshing (GLT) processing / Tobacco Drying machine from PT. ITP Indonesia Tobacco Processor Pasuruan with bank loan funds by absorbing 800 workers, so

a management contract was formed between the Kareb Cooperative and PPTB and obtaining approval from the Minister of Industry with Ministerial Decree No. 91/M/1981, dated January 17, 1981. In 1981 the Transport/Transportation Business Unit was formed and in 1988 the Small Industry Unit and the Developer Unit. Based on Government Regulation no. 36 of 1990, issued a policy of releasing State-Owned Enterprises that were considered to have less potential

The Bojonegoro Tobacco Drying Corporation ( PPTB ) can be purchased by the Kareb Cooperative with an installment payment pattern for 5 (five) years and no layoffs of 300 employees. In the same year PT. PT. BAT - KAREB with a capital composition of 30% Kareb Cooperative - 70% PT BAT Indonesia and on January 20, 2006 we released the assets due to the inability of the Kareb Cooperative to increase business expansion. In 1994 the Kareb Cooperative earned the title of Independent Cooperative, then in 1994 The Kareb Cooperative has formed a partnership with PT. HM Sampoerna Tbk. which absorbs 1 manpower.

## 2. Model Canvas analysis

In the analysis stage, mapping of the Kareb Bojonegoro Cooperative business processes is carried out which is already running in the Business Model Canvas concept so that the advantages and disadvantages can be seen. So that it will be easy to evaluate in order to improve in the future. BMC includes: Customer Segment, Customer Relationship, Channel, Revenue Stream, Value Proposition, Key Activities, Key Resources. , Cost Structure (cost structure), and Key Partners (main partnerships). The following describes the results of the BMC analysis for the Bojonegoro Kareb Cooperative:

### a. Customer Segments

The Bojonegoro Kareb Cooperative is one of the pioneers of cooperatives in Bojonegoro Regency. The Bojonegoro Kareb Cooperative will serve various levels of society consisting of members of the Bojonegoro Kareb Cooperative, residents of the Bojonegoro district, and other people who know about the existence of the Kareb Cooperative. In addition to serving the Kareb Cooperative directly, it also provides services in the form of delivering consumer orders free of charge (free delivery orders). It can be concluded that the Kareb Cooperative is classified as targeting mass market type users.

### b. Value Propositions

The Bojonegoro Kareb Cooperative provides a variety of services to help meet consumer needs. The Bojonegoro Kareb Cooperative has provided several products, namely savings, commerce, goods financing, loan funds, equity participation, services (aqiqah, catering, vehicle tax payments, electronic equipment repair, and car rentals), and payments (payments for electricity, telephone, PBB, PDAM, BPJS, and online shop). In addition, an additional business was held in the form of the

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Bojonegoro Kareb Department Store.

**c. Channels**

The Bojonegoro Kareb Cooperative has a means of interaction with its members, including by creating a WhatsApp Group (WAG) so that KSBM consumers can stay in touch with each other, this will make it easier to disseminate information on each product, especially the newest products in the Bojonegoro Kareb Cooperative. In addition, the Bojonegoro Kareb Cooperative constantly evaluates through meetings in the form of management meetings every three months, daily board meetings every month, consultative council meetings every 3 months, and year-end meetings. Efforts to communicate can also be through conditional activities such as bazaars and routine recitation activities for the taklim assembly.

**d. Customer Relations**

How to maintain good relations with consumers, by creating WAGs to inform products, place orders, communicate and stay in touch. In addition, KSBM also often holds meetings through certain events. The Bojonegoro Kareb Cooperative also provides suggestions and criticism services that can be submitted directly through the WhatsApp application to the management of the Bojonegoro Kareb Cooperative. The Bojonegoro Kareb Cooperative strives to provide the best service and information for its consumers.

**e. Revenue Streams**

The Bojonegoro Kareb Cooperative benefits from cooperative ties with several partners through profit sharing. In addition, the benefits of savings and consumer loans with profit sharing agreements. The benefits of the Bojonegoro Kareb Cooperative are also obtained from services in the form of payment administration fees and profit sharing from cooperation with various resellers. The Bojonegoro Kareb Cooperative makes a profit from selling products provided at the Kareb Department Store.

**f. Key Resources**

The Bojonegoro Kareb Cooperative has resources in the form of cooperative management totaling 5 people, a supervisory board totaling 3 people and the biggest asset of the Bojonegoro Kareb Cooperative is an active member of the Bojonegoro Kareb Cooperative 1800 people. Additional business funds were also obtained from funds provided by investors who had long invested in the Bojonegoro Kareb Cooperative.

**g. Key Activities**

The Bojonegoro Kareb Cooperative serves various community needs in the form of investment, savings and loans, as well as in the service sector such as equipment repair. The Bojonegoro Kareb Cooperative is also trying to improve its management and service system by providing free delivery services, and also establishing a Kareb Department Store, and

transportation services as an effort to develop its business sector.

#### **h. Key Partnerships**

The Bojonegoro Kareb Cooperative has cooperative ties with other companies, including the Semen Gresik Citizens Cooperative in the form of cooperation in the development of expeditionary units. In terms of payment services, working together with the post office partner to serve payments for land and building tax, electricity, telephone, BPJS, etc. Meanwhile, in paying vehicle tax, partner with Samsat. In addition, cooperation is also established with several services such as vehicle rental service providers.

#### **i. Structure Cost**

Cost structure describes the overall costs incurred to operate a business model. Expenditures required by KSBM are used for fixed asset depreciation costs, credit financing, bank administration financing and other costs incurred for cooperative operations.

After the analysis is carried out, it can be described BMC in the Bojonegoro Kareb Cooperative as in the explanation above. The BMC can be used as a model for cooperative business development in Indonesia considering the uniform characteristics of cooperatives in Indonesia.

## **CONCLUSION**

The Bojonegoro Kareb Cooperative is a cooperative located in Bojonegoro Regency, East Java. The Bojonegoro Kareb Cooperative will serve various levels of society consisting of Members, the Bojonegoro community and other communities. Apart from serving directly, it also provides services in the form of delivering consumer orders free of charge (free delivery orders).

The Bojonegoro Kareb Cooperative serves savings, trade, loan funds, equity participation, services. The Kareb Bojonegoro Cooperative has a means of interaction with its members, including by establishing a WAG so that consumers can stay in touch with each other among the Kareb Bojonegroo Cooperative consumers. This will make it easier to disseminate information on each product, especially the newest products in the Bojonegoro Kareb Cooperative.

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