

Zocha Joint Venture Business Analysis

The Co-Creator Value between Garut's SME Using Business Model Canvas

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Abstract : Creative economy rapidly growing in Indonesia. Zocha Joint Venture is one of the major influencers in advanced creative economy in the creation of product as well as become the economic driver for the Garut community. This research will analyze the role of the Zocha in applying the co-creation in creating their product and analyze the current Zocha business mapping using the Business Model Canvas (BMC). We used qualitative method and categorize this research as a reporting. Snowball technique sampling used to determine the respondent and using the interview with several credible sources regarding the Zocha business. From 9 building block canvas, Zocha need to improve in the key resources section. This is a preliminary research which used to help Zocha in order to analyze their opportunity to form new value co-creation involving the SME in Garut regency.

keywords: *creative economy, co-creation value, business model canvas, Zocha*

1. Introduction

Globalization and connectivity has change the way to exchange the information, trade, and the consumption of the culture product and technology from all over the world. The world has become a very dynamic and complex and the creativity and knowledge is become the valuable assets in this competitive environment. The economy creative is a concept which placed creativity and knowledge as the main assets in driving the economy. The concept drives the attraction in many countries to study the economy creative and make them as a main model in developing the economy. In the Blue Print of National Creative Economy Development for 2009-2015 (2008), the creative economy defined as the new economy era after agriculture economy and the information economy which intensify the information and crativity relying on the ideas and knowledge from the human resources as the main production factor in the economy activities [1].

In Indonesia, the creative economy once saved the national economy from the adversity of monetary crisis back in 1998 and the role is well played by the SME. The closest creative economy industry in the society is reflected in the SME. [2]

Currently, the Small Medium Enterprise (SME) became one the the driving force in developing the economy development. The SME is vital in creating growth and also the employment. SME is flexible and easy to adapt with the economy ups and down. (worldbank, 2005).

One of the SME in West Java which run the creative economy is the Akar Wangi craft located in Garut Regency namely the Kelompok Usaha Bersama (KUB) Zocha Graha Kriya. [4]

Recently, the Zocha wants to optimize its role as the *value co-creator* (play the role in creating value in the product by prioritize the customer involvment, market demand, customer experience, problem solving, and designing product with the customer) by cooperating with the other SME in Garut Regency. This is done after Zocha had been play the role of *value co-creator* for their plasma. The research by Alamanda and Abdullah (2011) showed that the value co-creator role of Zocha in the figure 1:

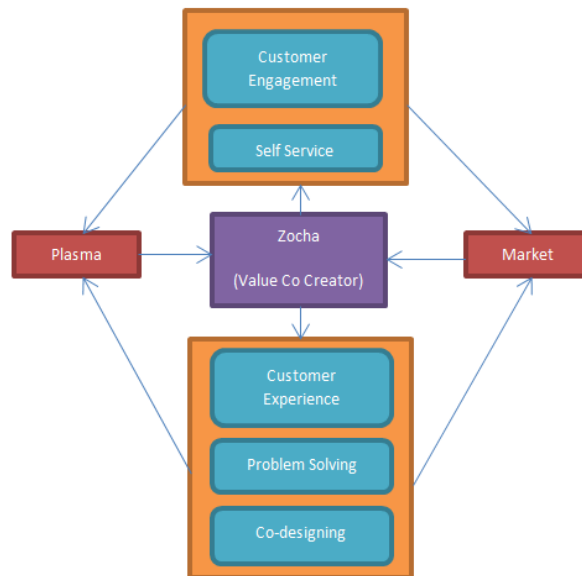


Figure 1. Zocha Value Nilai Co-Creation Model [11]

Based on the figure 1.3, it is clear that the Zocha *value co-creation* model involving the plasmas (small business unit which run the craft business and incorporated with Zocha). The KUB concept initiated by Zocha is the small medium business unit whose strive together to increase the economical potential of the Garut Regency. With the KUB concept and the desire to maximize the role as a *Value Co-Creator*, Zocha wants to analyze the must-have foundation or the basic principles in order to successfully applying the creation of the shared value between the customer and the business partners, the business access, risk valuation in Zocha business, and the transparency inside the KUB.[5]

Realizing the need of the Zocha's KUB, it is require a tools which capable of mapping their current business model and analyze it in order to design the new business model. According to Nielsen and Lund (2013:56), one of the new approach in the business model field is the Business Model Canvas (BMC) develop by Alexander Osterwalder subsequent to business model of *Service-Profit Chain* (1994), *Strategic System Auditing* (1997), *Strategy Maps* (2001), *Intellectual Capital Statements* (2003), dan *Chesbrough's Framework for Open Business Model* (2006). Osterwalder's book also explain that the *Business Model Canvas* successfully applied in several international company like EFG International, Caggemini Consulting dan Grameen Phone.[6]

BMC is the tool which can be used to mapped a business into nine building blocks so that the company can understand what are their comapny's key activites, their Key Resource, key partners, key customers, key Value Proposition, key Customer Relationship, key Distribution Channel, their key Cost Structure, and their key for the Revenue Stream. BMC not only can be used to portrait the company's recent business model, bu also can be used as a basis for the new business model design.

In evaluating the Zocha's BMC, the researchers used the evaluation tool to detect the role of Zocha as the Value Co-Creator by analyzing the Value net as a tools in understanding the relationship dynamic development (not only portrait but also using in depth interview) between the customers, suppliers, competitors and complementors. All of this done in order to enable Zocha in maximize their role as the value co-creator .

2. Literature Review

2.1.1 Service Science

Service science is the study of service systems and of the co-creation of value within complex constellations of integrated resources [12]. While [7] improve the definition become "an interdisciplinary approach to study, improve, create, and innovate in service .We think of service as value cocreation-broadly speaking, as useful change that results from communication, planning, or other purposeful and knowledge-intensive interactions between distinct entities, such as individuals or firms".

2.1.2 Value Co-Creation

The nature of value has two general meanings of value, "value-in-exchange" and "value-in-use", reflect different ways of thinking about value and value creation [13]. In the new wave concept of marketing, the word "product" was replaced by the "co-creation". Thera two things which separate the traditional concept of product with the co-creation [8].

First the value creation. In the traditional concept, the value of product made by the company and then deliver to their customer in the shape of the ready to consumed product. In the co-creation concept, value created by both of the company and the customer [8].

Second, the value basis. In the traditional concept, product is the main basis value, which mean that the customer satisfaction determine by the product features. Meanwhile in the co-creation, the basis value mainly emerge from the interaction between company and their customers [8].

There are five co-creation value activities according to Prahalad, which are: Customer engagement, Self service, Customer experience, Problem-solving and Co-designing [8].

Consumers are now subjecting the industry's value creation process to scrutiny, analysis, and evaluation and they can choose the firms they want to have a relationship with based on their own views of how value should be created for them [14]. High-quality interactions that enable an individual customer to co-create unique experiences with the company are the key to unlocking new sources of competitive advantage [14].

The future of competition, lies in an altogether new approach to value creator on an individual-centered co-creation of value between consumers and companies. Armed with new connective tools, consumers want to interact and co-create value, not just with one firm but with whole communities of professionals, service providers and other consumers [15]. Business model Canvas adalah sebuah tool yang mengembangkan value co creation in Complex Private Service System [17].

2.1.3 Business Model Canvas

Business model canvas (BMC) is a adalah bahasa yang sama untuk tool in describing, visualizing, valuing, and changing the business model. [9]

There are nine building blocks which consist of four main parts in a business entity which are, customer, demand, infrastructure, and financial continuance [9]. Table 1 provide clear explanation about these nine building building blocks of BMC. Table 1. The Business Model Canvas [9].

Blocks	Definition
Key Partners	Are the network of suppliers and partners that make the business model work
Key Activities	Describe the most important things a company must do to make its business model work
Key Resources	Describe the most important assets requires to make a business work
Value Proposition	Is an overall view of a company's bundle of products and services that are of value to the customers
Customer Relationships	Describe the types of relationships a company establishes between itsel and its customer segments
Customer Segments	Define the different group of people of organisations a company wants to offer value to
Channel	Describes how a company communicates with and reaches its customer segments in order to deliver a value proposition
Cost Structure	Describes all the costs incurred to operate a business model
Revenue Stream	Describe the way a company makes money through each customer segment

Many Indonesia company used the BMC, [16] one using BMC to analyze the E-Business in Garut University. Others company whose already used BMC are RCTI, Metro TV, Garuda Indonesia, 7-Eleven, Air Asia, Adira Finance, XL, PT Binaman Utama, Bank Mandiri Kartu Kredit, Hotel Amaris, PT Jasa Marga, PT Kereta Api Indonesia etc.

2 Methodology

This is the preliminary research from the planned research roadmap. Qualitative method used to dig information to analyze the current Zocha business condition.

With the snowball technique the interview conducted towards several reliable and credible sources consist of the Zocha owner, their customer (Indonesia Power, personal, Korem, Hotel Sampireun), the suppliers (their plasmas), competitors (Perusahaan Chocodot, Perusahaan Batik Garutan, Perusahaan Jaket Kulit Garut, several typical Garut souvenirs and their complementor (Perusahaan Chocodot, Perusahaan Batik Garutan, Hotel Sampireun).

In the process of analyzing data from the questionnaire, analysis was performed using research criteria for each question based on the value of the continuum, Number of respondents are twelve person with the largest scale is five and the smallest measurement scale is one, in order to obtain: The largest cumulative number is $12 \times 5 = 60$, The smallest cumulative number is $12 \times 1 = 12$. [19]

The SWOT analysis is used to evaluate BMC based on data from the questionnaire that gathered from respondents of Zocha business elements. [9]

The flow of this research is describe in Figure 2.

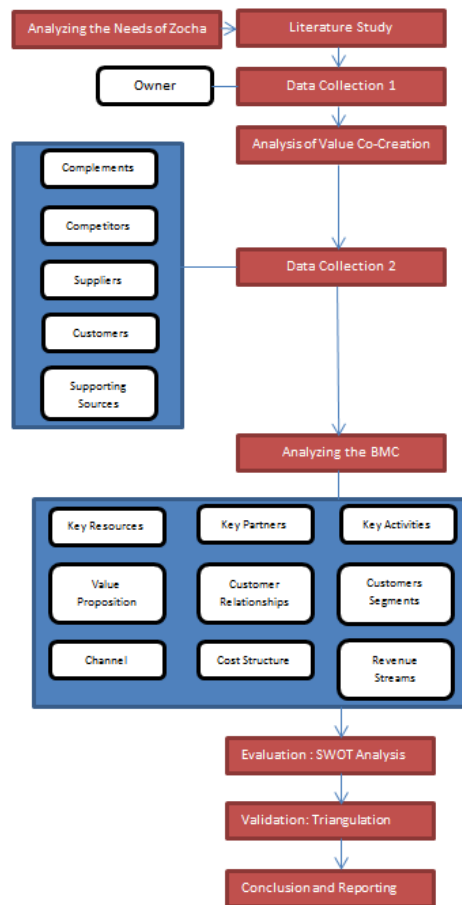


Figure 2. Flow of Research

3 Result and Discussion

The research explain the mapping of the business model canvas in applying the Zocha value co-creation, then the next step is to evaluate the business model, and later on at the final chapter of the research the researchers will give the recommendation about the changes in the BMC content to optimized the achievement of Zocha’s objectives as the creator of shared-value.

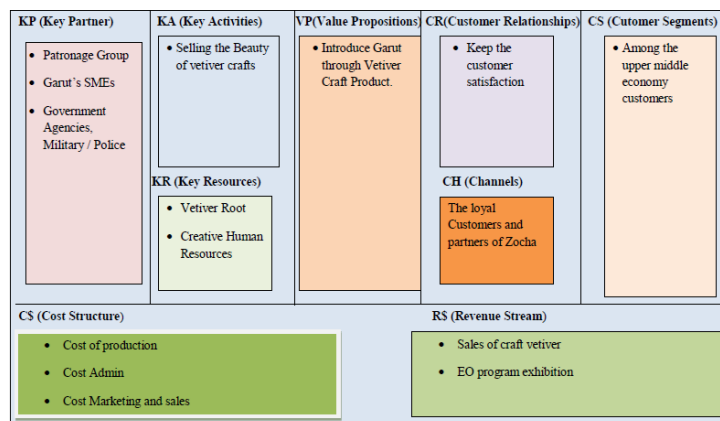


Figure 3.Zocha’s Existing Content Business Model Canvas

Based on the current strategy of Zocha described in the Existing Business Model Canvas we know that the Zocha customer segment is middle up consist of the government office or officials, the business man, whose focuses on akar wangi craftsmen as the value added in the interior design as well as making the akar wangi craft as a souvenirs by the government and business partners.

The main partnership of Zocha is braided with the Zocha’s plasma, several SME in Garut, and the Polri/TNI.

The next key activities in Zocha is to introduce Garut by means of promoting akar wangi product which produce with the superb quality and accompanied by the aesthetic value presented in the creativity and also the uniqueness of the product.

The relation with their customer by maintaining the satisfaction which hopefully the customer becoma loyal and involve in promoting their product. The main resources needed by Zocha is the akar wangi as the raw material and the human resources whose skillful and creative enough to innovate and produce the unique and diverse akar wangi craft.

The distribution channel of Zocha product develop through their loyal partner and customer so the company does not need extra cost. The current loyal customer and already became distribution channel are the wives of POLRI-TNI all over Indonesia and whose already experience the satisfaction when do the business with Zocha.

The Zocha cost structure is focus on the production cost, administrative cost, and marketing and sales cost.

The Zocha revenue stream mainly come from the sales of thee akar wangi craft and the exhibition program held by the government or by art community.

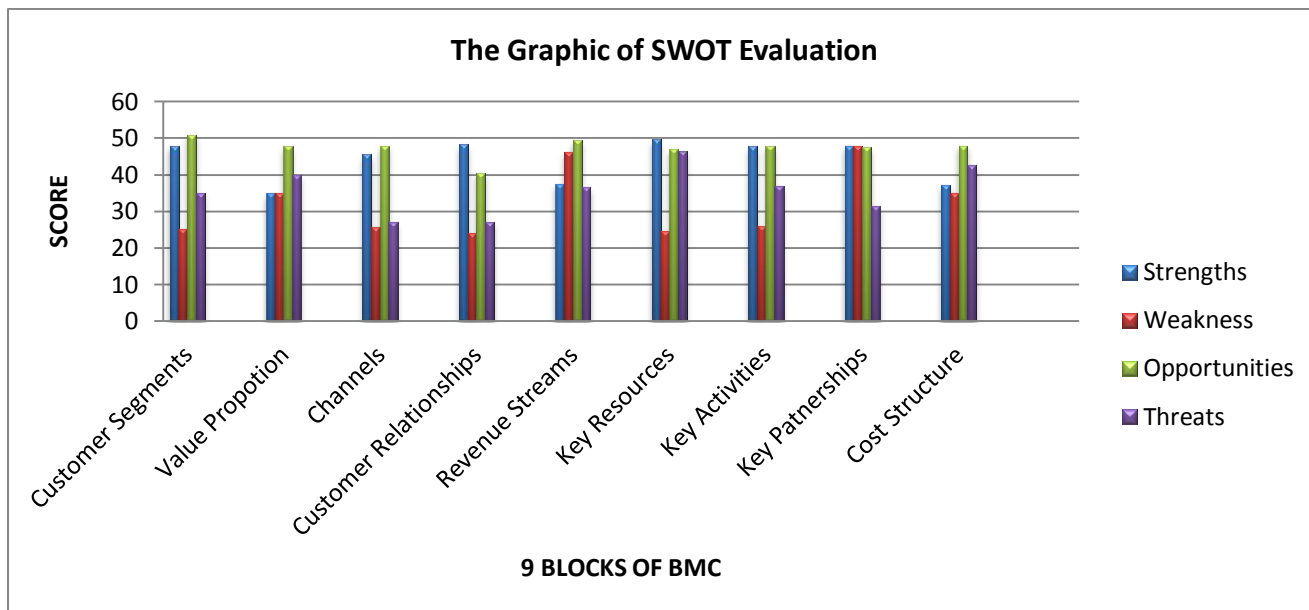


Figure 4.SWOT Evaluation

From the Graphic 1, the analysis of the nine building block in Business Model Canvas identify the strengths, weaknesses, opportunity, and threat. The Zocha Revenue Stream has high shortage figure, 46,25. Zocha Key Resources has high threat figure, 46,5. Zocha Key Partnership also has high shortage figure which is 48, and the threat of Zocha Cost Structure also has high threat figures, 42,5.

From the figure of the each building block, the main focus in this research is the key resources with the highest threat. If the Key Resources improve to optimize Zocha’s role as the value-co creator then the other building blocks component automatically changed as the effect of creation the value-co-creation.

4 Conclusion

The Zocha’s initial Business Model Canvas not yet focus on their role as the Value Co-Creator.Zocha’s net Value showed that there are basic change in the business value chain of Zocha formed when Zocha became the Value Co-Creator. The basic change lies in their supplier and the complementers whose finally increase the access intensity for the SME in Zocha which in return widening the reach of Zocha towards their customer and partners.To improve the Zocha’s role as the Value Co-Creator then the comapny need to change their Key Resources, where the main resources colaborated between SME to create shared-value so that the change in the key resources will affect the nine building block of Business Model Canvas.

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