The Use of Marketing Mix and Business Model Canvas to Improve Sales Performance in MSME (Case Study: Waroeng 17)

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ABSTRACT: MSMEs has declared to be one of the most crucial pillars in Indonesia’s economic. The pandemic that abruptly hit the economic in 2020, has resulted in the vastly growing number of MSME. One area that has the biggest number of MSMEs is Bogor Regency, West Java. Although the businesses has created many job opportunities for people, the intensity of the market rivalry and low entrants barrier has made numbers of them decrease in the sales performance. Waroeng 17 is one of the MSMEs that suffers from decreasing sales performance in Bogor Regency, West Java. The business sales performance is categorized to unstable while it has potential in growing for the future. This research aims to analyze the environmental elements that affect Waroeng 17’s sales performance and translate it to strategies that would improve the sales performance. The methodology this research used is qualitative method by collecting data through interviews and observation. Secondary data used in this research is obtained through books, journals, news, and other reliable resources. For the environmental analysis, this research utilized the Porter’s 5 Forces and Customer Analysis to get insights from external environment. Furthermore, this research used VRIO analysis to define the business’ competitive advantage. The data collected then summarized using SWOT analysis and formulated in the TOWS Matrix, Marketing Mix (4P’s), and Business Model Canvas. The result of the research is there are four strategies from the marketing mix’s framework regarding the improvement of products, price, place, and promotion to improve the sales performance. The conclusion is the Waroeng 17 need to optimize the social media platforms as marketing tools and increase their sales. Waroeng 17 are also recommended to partner with delivery services such as GoJek, Shopee, and Grab. The technology utilization and transfer knowledge are also necessary in the business process especially in the financial and operational activities.

KEYWORDS: Business Model Canvas, Culinary MSME, Marketing Mix, Sales Performance, TOWS Matrix.

INTRODUCTION

The pandemic that abruptly hit the nation has forced many people to lose their jobs and seek for alternatives to meet their regular income. This has been one of the solid reasons for people to start their own business or make their already owned business as the source of income. This is shown with the growing numbers of MSMEs in Indonesia over the years. Micro, Small, and Medium enterprises (MSME or UMKM) in Indonesia itself, according to Indonesia Act no. 20 year 2008, defined as businesses that are run by individuals, households, or small business entities. With the rapidly growing number of MSME in Indonesia, it has contributed 61,07% to the country’s GDP. MSMEs has contributed in creating job opportunities and captivating 97% of the workforce in Indonesia. This has made MSMEs one of crucial pillars in Indonesia’s economy [1].

West Java, as the home island of Indonesia’s capital, has shown rapid growth of MSMEs in the last two years. Specific growth is seen in Bogor Regency, an area in West Java, that reaches the highest number of 29,503 total MSMEs [2]. Thighest industry in the small business sector are the food, culinary, and craft industry respectively with the food industry holding the highest number of 104 businesses in the Bogor Regency [3].

Despite the rapidly growing number of MSMEs in Indonesia, only a handful of them sustained. The potential problem of this is there is no proper business strategy which suits MSMEs scale. The main key functions of business strategy are including operations, marketing and sales, finance, human resource and technology management. The lack of implementation of these key functions in the business process is one of the reasons this problem arises.

LITERATURE REVIEW

Micro, Small, and Medium Enterprises (MSMEs) is translated into productive businesses owned by individuals or business entities that have met the criteria as micro-enterprises. MSMEs are stated to be influential to the country’s economic development.
especially in the terms of sustainable growth and source of employment [4]. In Indonesia, the specifications of MSMEs are divided into three categories based on the number of employees and net worth, as below:

1. Micro Enterprises
   Enterprises in this category is the business with net worth equals to IDR 50 Millions excluding fixed assets (building and land). The number of employees in this category is 1 to 4 people.

2. Small Enterprises
   Small enterprises are independent businesses owned by either individuals or groups, not as a branch of a company. Small size enterprises are businesses that have net worth more than IDR 50 Million to IDR 500 Million. The number of employees in this category is 5 to 19 people.

3. Medium Enterprises
   Similar to small enterprises, medium enterprises are businesses which operate not as a branch or subsidiary of a parent company with a total net worth of more than IDR 500 Millions with 20 to 99 employees in total.

Additionally, the determining factors to improve the sales performance are based on the external and internal environment of the business. These factors include financial management, technology adaptation, competitiveness [5], political factors [6], operational process, marketing management, and internal factors from the business players [7]. Additionally, human resource management including knowledge transfer across the business is also crucial to the success of SMEs [8].

Porter’s 5 forces analysis essentially is a framework that identifies the elements which determine the profit potential of an industry and form the company’s competitive strategy [9]. This framework helps the company identify the competitive environment by directly looking at the competitors [10]. The elements that determines are threat of new entrants, bargaining power of buyers, threats of substitutes products or services, bargaining power suppliers and rivalry among existing competitors. Threat of new entrants are referring to the risk of potential new competitors that enters the market. Bargaining power of buyers are describing the power of buyers in determining the price of the business’ products. Threats of substitute products or services is referring to the industry out of the business’ industry but fulfilling the market’s needs and demands. Bargaining power of suppliers is similar to the power of buyers, which refers to the power of suppliers of the raw materials in controlling the costs and profits for the business by changing the raw materials price. Rivalry among existing competitors refers to the intensity of competition within the industry. By analyzing these factors, the external environment of the business are expected to be detected for the development of sales strategy. For the internal analysis, this paper is using VRIO Analysis. Essentially, VRIO Analysis is conducted to analyze the competitive advantage of a company and determine whether it is a sustainable advantage or not. The framework considers four elements to determine the sustainability of competitive advantage, namely value, rareness, cost of imitation, and the capability to capture the value [9]. Next, this paper identifies the strengths, weaknesses, opportunities, and threats of the business.

Furthermore, the data collected are integrated in the TOWS Matrix. TOWS Matrix is a development of SWOT framework which combines the business’ strengths, weaknesses, opportunities, and threats to build a strategic question to help building proper business strategy [9]. The matrix is built of four quadrants, as defined below:

- Focus on the S-O quadrant, to derive “offensive” alternatives by using internal strength in order to exploit an eternal opportunity
- Focus on the W-T quadrant which derive the “defensive” alternatives by eliminating or minimizing internal weakness in order to diminish threat from external.
- Focus on the S-T quadrant to utilize internal strength in order to decrease the effect of external threats.
- Focus on the W-O quadrant to improve internal weakness by taking advantage of external opportunities.

Sales performance and marketing strategy are related to each other. There are many research that has proven that a good marketing strategy would affect the sales performance [11]. Marketing mix is one of the marketing instruments which integrates important variables in order to build a successful marketing strategy resulting the achievement of organizational goal [12]. The four P’s are originally introduced by McCarthy in 1960, which includes Product, Price, Place and Promotion.

- Products: This element describes the characteristics of the products the organization offers. This includes the values the organization offers in order to attracts customers.
- Price: The pricing strategy describes in this section. The business has to set a suitable pricing strategy that would match the customer’s demand.
c. Place: This factor describes where the business market their products and services. Every conventional and modern marketplaces are included in this factor. This factor defines on how the business will distribute their products and services to the customers.

d. Promotion: The promotion factor describes the promotion strategy for the business’ products and services. This factor defines on how to increase the sales of the products and services.

Business model essentially is a translation of the firm’s strategy into actions which includes the business’ competitive tactics and initiatives. It explains how the firm operates its business with its buyers, suppliers, and partners in order to make profit [9]. There are many forms of business models and one of them is Business Model Canvas (BMC). BMC is a graphic presentation of multiple valuable elements of an organization. This tool would help new business build a business strategy by adjusting their value offers and help them make clear decisions in advance [13]. The elements in the BMC are including:

a. Customer Segments, which covers the clear segmentation of the customers who the business offers their products and services to.
b. Value Propositions, which covers the core valuation of the business that meets the customer’s needs.
c. Distribution Channels, which explains about the channels the products and services will be delivered to the customers and how the brands would reach the customers.
d. Customer Relationships, which describes the relationship between the organization and its customers when delivering the value proposition. It emphasizes on the interaction method of the organization to the customers.
e. Revenue Streams, which explains about the cost drivers of the organization and how the business earns revenue.
f. Key Activities, which describes the core activities of the organization and what unique strategy does the organization have.
g. Key Resources, which covers the tangible and intangible assets of the organization, also the competitive advantage of the organization.
h. Key Partnerships, which explains the organization of key partners or suppliers.
i. Cost Structure, which defines the organization’s cost drivers and its relations to the revenue streams.

The stated key elements then organized into a “canvas” that would help the managers simplify the key elements within the organization in order to build a business strategy.

METHODOLOGY
The methodology used in this paper is qualitative research with primary and secondary data collection. The primary data are collected based on the interview with employees of the business and observation of the external environment including the competitors and customers. These analyses are done to identify the internal and external elements of the business, mostly to find the business’ competitive advantage and furtherly analyze the intensity of the market and benchmark for the digital marketing done by competitors surrounding the business. Additionally, the secondary data are collected through books, journals, news, and other supporting materials to enrich the theoretical knowledge.

RESULTS AND DISCUSSION
External Analysis
Threat of New Entrants: This force is focusing on the risk of potential competitors in the industry. In the culinary industry, especially in the Bogor Regency, the number of culinary businesses in the area are continuously growing, although on a variety of scales. There are businesses who are focusing on a smaller segment of the market, and there are also businesses that focus on the wider segment of the market. Waroeng 17 is categorized in the latter. Therefore, the customer switching cost is relatively low because of the commonly found products and services in the area. There are no specific capital requirements in order to start a business in the culinary industry. This factor alone has caused the barrier of new entrants in the industry to be low. Waroeng 17 would need a differentiation strategy that would increase the switching costs and raise the competitive advantages.

Bargaining Power of Buyers: Caused by the big number of businesses in the area, the low switching cost, and the convenience of exploring for substitution in order to match the preferences of the customers, the bargaining power of buyers are high. The customers for the industry are price sensitive and easily switch to competitors if there are sudden price changes.
Threats of Substitute Products or Services: Threat of substitution in the industry, as indicated before, is high. This is caused by the low switching cost and the growing number of competitors in the industry. Therefore, it is necessary to differentiate in order to grow. This differentiation could be in the form of products and services, business model, and business operations. To differentiate with other competitors and following the shifting of customers’ purchasing behavior, adjustment of digitalization is necessary for the business.

Rivalry Among Existing Competitors: The intensity of competitiveness is essential elements to monitor in the culinary industry hence the high number of competitors. The competitors, for example, could control the price in the market by changing their pricing strategy to attract more customers, and this would affect the rest of the players in the industry. As stated before, the number of SME which moves in the culinary industry is continuously growing in Indonesia. Therefore, the intensity of the market is relatively high. It is necessary for the business to make a differentiation strategy in order to compete in the market. Additionally, it is also important to set a clear target market so the market could be concentrated.

In conclusion, the culinary industry, especially in the area intensely competitive. This is noted by the amount of the existing competitors, the low barriers of new entrants, and the threats of substitution by other competitors. Although, this would be solved by a differentiation strategy by Waroeng 17 in order to compete.

Furthermore, the positioning for the business is people who prefers daily meals with premium quality and affordable who located in Gunung Putri District, Bogor Regency. Supporting the positioning, Bogor Regency has the highest number of citizen in West Java and Indonesia [14]. The biggest share of group of age in the area 20s and 30s followed by 10s and 40s, who are commonly the consumer of daily meals.

Internal Analysis

The preferred competitive advantage for the business are the sustainable ones to improve the sales performance and maintain the sustainability of the business.

Table I: VRIO Analysis

<table>
<thead>
<tr>
<th>Competitive advantage</th>
<th>Valuable</th>
<th>Rare</th>
<th>Imitation Costly</th>
<th>Organized to Capture Value</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uncommon products</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
<td></td>
<td>Competitive Partly</td>
</tr>
<tr>
<td>Customer-based services</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
<td>Temporary Competitive Advantage</td>
</tr>
<tr>
<td>In-house product development</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
<td></td>
<td>Competitive Partly</td>
</tr>
<tr>
<td>Strategic Location</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td></td>
<td>Temporary Competitive Advantage</td>
</tr>
<tr>
<td>Developing Human Resources</td>
<td>Yes</td>
<td></td>
<td></td>
<td></td>
<td>Competitive Partly</td>
</tr>
</tbody>
</table>

Bases on the table above, the are no sustainable competitive advantage detected. This result has implied that the absence of sustainable competitive advantage has led the business to be unable to compete in the market. This also resulted in the low sales performance of the business.

TOWS Matrix

Strengths: Some of Waroeng 17’s biggest strengths according to the competitive advantages analysis are their unique products and their customer-based services. As stated before, Waroeng 17 is trying to sell unique products that are uncommonly found but are still categorized as daily meals and can be consumed by every customer. This factor can be considered as a strength for the business.
Additionally, it offers Waroeng 17 customer-based service. This implies that Waroeng 17 has built strong loyalty with their customers hence the conventional marketing but continuous order.

**Weaknesses:** The weaknesses of Waroeng 17 are the conventional business model and strategy in the business. Since there is no proper “strategy” implementation, the business could use huge improvements in order to enhance their performance. The aftereffects of the lack of a proper business model are the uncertain working hours, lack of performance appraisal which leads to high turnover, limited range of customers, and many more. The fact that there is no marketing strategy to increase the sales performance is also huge weakness of the business. They have not utilize other digital platforms that are essential in this era.

**Opportunities:** The technology implementation and partnership with techfin companies would help Waroeng 17 improve their sales performance. The strategic location notable by their successful competitors can be considered as opportunities for growth. These days, there are many cashier tools that helps the business activities, especially in the MSMEs scale, to be more seamless and organized. Waroeng 17 can see this as opportunity and utilize the technology to drive the sales performance. Additionally, the situation regarding the pandemic has gotten a lot better. This has open opportunities for the business to operate back to their offline location instead of the owner’s house and offer dining in option for the customers instead of operating online.

**Threats:** The threats for Waroeng 17 comes from the intense competition of the culinary industry in the area with the low barriers of entry. Additionally, the high exit barriers in the MSMEs culinary industry are another factor to be considered.

After analyzing the business’ strengths, weaknesses, opportunities, and threats, this paper integrates the data collected into TOWS Matrix as show below:

**Table II: TOWS Matrix**

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Opportunities</th>
<th>Threat</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. High quality products</td>
<td>2. Utilize SEO Marketing to penetrate the internet and introduce Waroeng 17 unique points. The tools recommended are website and social media.</td>
<td>2. Create business models such as bundling for pricing strategy.</td>
</tr>
<tr>
<td>3. Unique products</td>
<td>3. Implement competitive pricing strategy that could also improve the sales performance.</td>
<td>3. Create a brand identity that differentiate with other competitors in order to win the market share.</td>
</tr>
<tr>
<td>4. Customer-based services</td>
<td>4. Use the physical environment of the business as promotional strategy.</td>
<td>4. Partner with substitute product or widen the product range (differentiation strategy).</td>
</tr>
</tbody>
</table>
Based on the matrix above, the most crucial strategy to be implemented to the business is the utilization of SEO marketing to penetrate the internet while introducing the business’ unique points. The recommended digital platforms are website and social media especially Instagram. The next step is to partner with delivery tech company such as GoJek, Shopee, and Grab.

**Marketing Mix**

**Products:** Waroeng 17 strength is they have uncommon products with high quality. Addition to that, the head cook managed to develop new menus that suits the taste buds of the customers. Waroeng 17 could use these strengths and competitive advantages to build wider line of products. Furthermore, the business could offer variety of products and service. Based on the customer demand during the pandemic, the ready-to-cook products are suitable to fulfill the demand. Waroeng 17 has offered a frozen or ready-to-cook product, it is recommended to add variety of the menus so the customers could choose. Additionally, by launching new product line continuously impacted in building the brand awareness and sales performance. Waroeng 17 could launch new bundling products that are suitable to the situation. For example, as stated before, Waroeng 17 could offer ready-to-cook meals that targets the customers who has the needs of stocking the food for specific times i.e. sahoor time. Furthermore, the regulations from the government that affected the business could also be resolved by this solution. For example, the limitation of cooking oil purchase that affected the business. Waroeng 17 could offer ready-to-cook products to the customers while saving the cooking oil in stock. Additionally, Waroeng 17 could collaborate with complementary products or develop their own complementary products. Currently, Waroeng 17 only sells main dishes whereas competitors in the industry also offers complementary products such as beverages or desserts. When the business has moved to the physical restaurant, it is necessary to serve the customers complementary products. The development of beverages or desserts potentially creating their own market, resulting in wide range of target market and improvement in sales.

**Price:** Currently, the sales performance in Waroeng 17 is very negative. The pricing strategy that would increase the sales is necessary. The pricing “strategy” currently used in the business is based on the cost with around 50% margin for profit. But, the income still not covering the costs that are expensed monthly. Based on the competitors analysis, the pricing for the products doesn’t differ that much. The only differences are the products and services they offer which become another source of revenue and the pricing strategy that offers promotional prices to the customers. Waroeng 17 can adapt this bundling pricing strategy by offering a package menu which charged lower than the individual product. From the income report, the sales of Nasi Liwet package is quite high compared to other menus and often ordered in bulk. One of the reasons in the high sales is because Nasi Liwet offers combination of rice and main menus in one package with lower price. Therefore, the bundling strategy is recommended for the business. Another recommendation is by offering discount promotional coupons after partnering with delivery companies such as GoJek, Shopee, and Grab. Furthermore, Waroeng 17 could increase brand awareness and sales by giving special prices in specific events.
For example, Ramadan sales events that offers specific line of products in specific period of time. Another example is to offer special price offerings in the grand opening of the physical store.

**Place:** One of the most crucial factors that causing the low sales performance of the business is the lack of brand exposure and marketing tools. In the digitalization era, with the vast growing number of social media users, the social media utilization is necessary. While operating online, the customers has ordered the products via WhatsApp Business. The situation has made it impossible for the customers to physically order the products to the business place. Based on the competitor’s analysis, the utilization of social media, especially Instagram, is essential in increasing the brand exposure which leads to the increasing sales performance. Waroeng 17 needs to utilize social medias, especially Instagram, to build their brand overall and increase the sales performance. One of the benefits of operating social media marketing is that it’s low cost to utilize. There are features in Instagram such as Instagram Ads which helps the business grows in terms of exposure.

Another strategy essential to the business is by partnering with company such as GoJek, Shopee, and Grab to create a seamless experience to the customers. By utilizing the services provided by these companies has proven to give a positive impact to the business. Furthermore, Waroeng 17 can create promotional coupons that supports the pricing strategy in order to increase the sales. Furthermore, with the removal of movement restriction by the government, the business could start operating in the physical restaurant. The ambiance that the restaurant offer could affect the customers experience while dining in the restaurant. Waroeng 17 could create a friendly and approachable ambiance but still reflecting the high quality of the products and services in the physical restaurant.

**Promotion:** The promotion strategy for the business could start with the utilization of social media and other digital platform for marketing activities. In the social media such as Instagram, as stated before, it offers features such as Instagram Ads that would help the business gain exposure. Social media management to keep the page active is necessary. The main functions that the business page should have is informative, promotional, advocative, and sentimental.

Another example of platform utilization is the UMKM menu under GoFood which exposed the variety of culinary MSMEs around the customers. The utilization of platform such as GoFood can act as a promotional tools since it has features such as store ratings that would convince the customers in purchasing the products. Another promotion variables that Waroeng 17 could adapt is by offer special promotions for bundling purchase or any special purchase to the customers. Related with the pricing and product strategy, business models like bundling strategy would help the sales increase. Hence, it will sale not only one products but variant of products by the business. Another example of promotion strategy is by conducting events by collaborating with KOLs. As improving the brand awareness to the public in order to boost the sales is crucial to the business, the word-of-mouth method can be optimize. The KOLs utilized here are the customers of Waroeng 17. To encourage them to participate in the promotional events, Waroeng 17 could offer a discount promotional events or free products if they share their experience in the social media.

**Table III:** Marketing Mix 4P’s for Waroeng 17

<table>
<thead>
<tr>
<th>Variable</th>
<th>Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Products</td>
<td>• Build wider line of products such as ready-to-cook products&lt;br&gt;• Created complementary products such as beverages and desserts to create new market&lt;br&gt;• Offer more bundling options to the products list</td>
</tr>
<tr>
<td>Price</td>
<td>• Offer discounted price for bundle products&lt;br&gt;• Offer promotional coupons with partners such as GoJek, Shopee, and Grab</td>
</tr>
<tr>
<td>Place</td>
<td>• Utilize all social medias that are possible, especially Instagram Partner with supporting companies such as GoJek, Shopee, and Grab&lt;br&gt;• Create new ambiance in the physical store to increase customer experience</td>
</tr>
<tr>
<td>Promotion</td>
<td>• Use advertising features in social media such as Instagram Ads&lt;br&gt;• Use features in GoFood, ShopeeFood, and GrabFood pages since they offer more segmented market for MSMEs&lt;br&gt;• Collaborating with KOLs to create promotional events</td>
</tr>
</tbody>
</table>
Business Model Canvas

Based on the data collection that are conducted in previous chapters, the business model canvas for Waroeng 17 is created. The concentration of the business model canvas is in the channels and the customer relationship. In the new business models, the technology utilization also holds an important role in the business performance. Meanwhile the key proposition for the business is still the same. With this, it is hoped the sales performance in Waroeng 17 would increase.

CONCLUSION
After conducting the research, the results which answer the research objectives and questions are as below:

1. The external and internal factors are both affecting the growth of sales in Waroeng 17. The external environments was conducted by using the porter’s 5 forces analysis. The results of the analysis is, although culinary industry in Bogor Regency are continuously growing in number, this fact has implied that the entrant barrier in the industry are relatively low. The customers also affected the business by having low switching cost and determining the price of the market. Besides customers, the suppliers also determine the expenses of the business by controlling the raw materials costs. The absence of contract-based relationship between Waroeng 17 and the suppliers make this factor subjectively important for the sales performance. Additionally, the impact from internal factors is bigger. The most crucial factor is the lack of utilization in digitalization regarding the marketing strategy. This has resulted in low sales performance by the business. Compared to competitors in the industry—analyzed in chapter 2—the marketing activities by Waroeng 17 still lacks. In the era where social media users are growing every minute, the utilization of social media marketing is necessary to increase the brand awareness and sales performance.
2. After analyzing the external and internal factors that determine the sales performance, data integration using TOWS Matrix and Marketing Mix (4P’s) are conducted to help the business build strategy that improve the sales. The proposed strategy are including, as below:
   a. Build a wider line of products to boost sales performance.
   b. Partnering with delivery applications to achieve better product distribution.
   c. Partnering with technology-financial service to create a seamless experience for the customer such as payment and build better financial management in the business.
   d. Utilize all top social media platforms to promote the brand and products.
3. Furthermore, to build a better business models that helps the sustainability of the business after improving the sales performance, this research proposed a business model canvas that based on the customer relationships and key channels utilized for the business.

In conclusion, this paper has analyzed the environmental of the business with limitation of data collection. The result of this research is strategies that hopefully would help the business improve their sales performance and survive the intense MSMEs culinary market in Bogor Regency.

REFERENCES