Proposed Business Model Innovation Based on Customer Experience and Digital Innovation at PT Raja Paket Lebaran

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ABSTRACT: PT Raja Paket Lebaran (PT RPL), an Indonesian SME specializing in the sales of groceries and household goods for the Eid al-Fitr, has faced a significant decline in sales amidst the COVID-19 pandemic. This study aims to examine the company's relevance to the market and customer satisfaction while proposing a business model innovation based on customer experience and digital innovation. The findings reveal that integrating customer experience and digital innovation can enhance PT RPL's business model. By addressing marketing limitations, simplifying digital processes, and leveraging online platforms, the company can improve the overall customer experience. The proposed business model innovation offers practical recommendations for PT RPL to adapt to the changing market landscape and meet customer expectations. By embracing digital innovation, the company can increase its competitiveness, attract a wider range of customers, and achieve sustainable growth. This research contributes to the existing knowledge by exploring the intersection of customer experience and digital innovation in an Indonesian SME context. It offers valuable insights for similar businesses to enhance their models and improve customer satisfaction.

KEYWORDS: Business Model Innovation, Customer Experience, Digital Innovation, SWOT, SME.

I. INTRODUCTION

The COVID-19 pandemic has severely affected micro, small, and medium enterprises (MSMEs) in Indonesia and worldwide, leading to decreased demand, disrupted supply chains, and increased costs. Despite government support, many MSMEs struggle to survive, exacerbated by the slow adoption of digital technologies. Digitalization offers operational and customer experience benefits, and with the Internet economy in Indonesia projected to reach USD 130 billion by 2025 (Google et al., 2021), MSMEs must invest in digital transformation.

PT Raja Paket Lebaran, an Indonesian SME specializing in Eid al-Fitr groceries, has faced a 30% decline in sales during the pandemic. Figure 1. shows the graph of the sales of the company. Operating traditionally, without a website or social media presence, the company relies on word-of-mouth marketing, hindering customer acquisition. Additionally, the pandemic has impacted consumer purchasing power, further reducing the customer base and purchases. To survive and succeed, PT Raja Paket Lebaran must innovate its business model, prioritizing customer experience and leveraging digitalization.
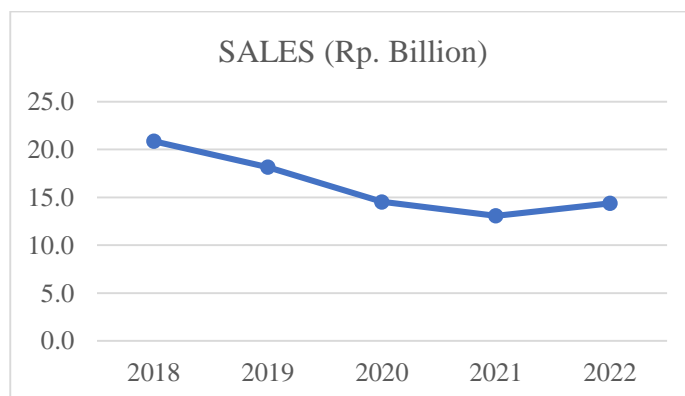

Figure 1. PT Raja Paket Lebaran's Revenue

The company's current marketing approach solely relies on agents using word-of-mouth and product catalogs, limiting its reach to new customers. Manual processes, like payment administration, result in inefficiencies, errors, and high costs. To address these

challenges, the company should embrace digital technologies and transform its business model. This includes implementing online marketing strategies, developing an official website, and utilizing social media platforms to reach a wider audience. Moreover, adopting digital payment systems will streamline transactions, reduce errors, and improve efficiency. By focusing on customer experience and digital innovation, PT Raja Paket Lebaran can revitalize its operations. Implementing digitalization will enhance efficiency, attract new customers, and improve financial performance. The company must analyze its core business processes and adapt to the changing market landscape. Embracing digitalization will enable PT Raja Paket Lebaran to thrive in the post-pandemic era and remain competitive in the Indonesian market.

II. LITERATURE REVIEW

A. Business model innovation

The business model is a concept that has received significant attention from academics and practitioners in recent years. It refers to how a company creates, delivers, and captures value (Gupta, 2018). The business model is a critical element in a company's success and plays a significant role in its sustainability and growth. One of the most renowned business model templates is business model canvas (BMC) first developed by Osterwalder in 2005. Running a business is a long marathon where there are many changes both internally and externally. One of the changes is the Covid-19 pandemic and the implementation of face-to-face restrictions, which requires companies to quickly adapt to these changes. Given these circumstances, business model innovation is an underleveraged approach to achieve significant growth for a company's primary operations and to cater to the needs of customers (Keininghama et al., 2020). Business model innovation is a process that deliberately changes the core elements and business logic (Bucherer et al., 2012). Business model innovation (BMI) can be implemented to address unfulfilled market demands by introducing new technologies, products, or services to that market (Osterwalder & Pigneur, 2010). BMI can also improve, disrupt, revolutionize an existing market, or even establish a completely new market altogether.

B. Customer journey

The concept of customer journeys is not only a method for adopting the customer's perspective from a sequence of touchpoints that goes through to use a product or service, but also a way to gain knowledge about their experience (Følstad & Kvale, 2018). To describe and visualize customer journeys better, practitioners usually used customer journey mapping. Customer journey mapping compiles a comprehensive list of all the touchpoints that customers might come across during the process of exchanging services or products with an organization (Rosenbaum et al., 2017). The objective of these mapping is to enhance the interactions between customers and service providers by improving the customer experience associated with each touchpoint.

C. Customer experience

The base concept of customer experience (CX) relay on the goal of the customer that is not around the product or service itself but in the experience of the consumption of the product or service (Kokins et al., 2021). Experiences will determine the customer's response and interaction with the company. As a result, organizations prioritize their customer interactions to establish enduring relationships and foster customer loyalty (Cambra-Fierro et al., 2021). This involves identifying key touchpoints throughout the customer journey, such as interactions with customer service representatives, the ease of ordering and delivery, and the quality of the product or service itself. By gathering feedback from customers and using data analytics, companies can gain insights into customer preferences and pain points and then use this information to make targeted improvements.

According to Keiningham et al. (2017), 5 dimensions can help managers to grasp the ethos of the definition of CX: cognitive, physical, sensory, emotional, and social. By conceptualizing the dimensions in this manner, managers can devise strategies to improve the different elements that make up the customer experience (Keininghama et al., 2020). Therefore, the importance of CX in today's business landscape cannot be overstated. By focusing on delivering exceptional customer experiences, companies can build strong and lasting relationships with their customers, drive loyalty and advocacy, and ultimately, achieve sustainable growth and profitability.

D. Digital innovation

Digital innovation has become an important aspect of modern-day businesses. The introduction of digital innovation can bring about new market offerings, business practices, or models that arise from the implementation of digital technology (Oplanda et al., 2022). In the last few years, there are numerous amounts of changes in customers and the marketplace such as supply chain shortages due

to Covid-19 and geopolitical war or shifts in customer channel preferences to more virtual. The use of digital innovation will aid companies in addressing this situation by improving communication with both current and prospective customers, thus enabling the creation of tailored offerings and new products that cater to specific customer demands (Barnes et al., 2012). Digital innovation is closely related to digital technology or applications, according to Schallmo et al. (2017) there are four categories for digital enablers and applications or services: digital data, automation, digital customer access, and networking.

E.   Business model innovation based on customer experience and digital innovation
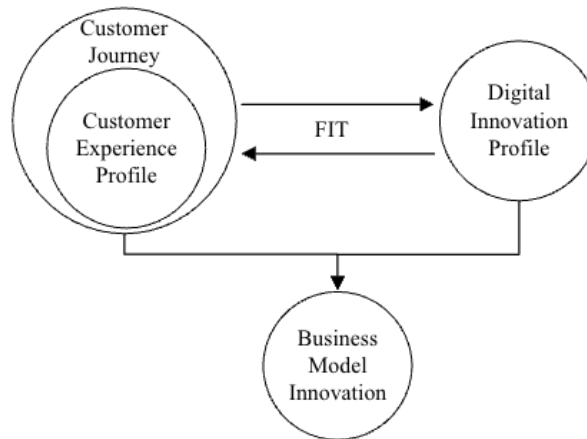

Figure 2. Conceptual Framework

BMI would normally be expected to have an impact on the customer experience and vice versa, as mentioned in the previous literature study. According to Keininghama et al. (2020), managers typically carried out BMI initiatives based on their assumptions about what the market would accept and what they thought would help them achieve their corporate goals. Besides that, the majority of the CX literature focuses on identifying consumer requirements and wants without taking the firm's business strategy or financial resources into account. So, the conceptual framework of this research will use a modification of the Keininghama et al. (2020) and Coskun-Setirek & Tanrikulu (2021) journals. In Keininghama et al. (2020) journal, the customer experience profile will be aligned with the strategic orientation profile to develop BMI while this research will use alignment between customer experience from each customer journey with the digital innovation profile.

Figure 2. shows the conceptual framework consists of two profiles: 1) a Customer experience profile based on each customer journey that focused on five dimensions (cognitive, physical, sensory, emotional, social), and 2) a Digital innovation profile that focused on digital enablers from Schallmo et al. (2017) that give impact to business model components. By aligning CX and BMI with taking advantage of digital innovation, managers finally have the necessary frameworks for identifying and acting on opportunities that enhance the firm's competitive position through improved customer experiences.

III.   METHODOLOGY

A.   Data collection methods

This study collects both primary and secondary data. Secondary data includes the company's profile, sales revenue, customer numbers, customer card examples, and alternative payment examples. This data helps identify the organization's objectives and stakeholders, enabling accurate problem formulation and proposal development. Primary data is collected through questionnaires and interviews with stakeholders. The qualitative study relies on stakeholder statements for strengthening the research. Questionnaires are conducted with existing customers to assess their satisfaction at each stage of the customer journey. The population for the questionnaire consists of 2539 customers from big agents in the Bandung area. The sample size is calculated using the Slovin formula with a 90% confidence level, resulting in a sample size of 100 customers. The customer experience questionnaires are modified from Keininghama et al.'s (2020) journal, incorporating dimensions such as cognitive, physical, sensory, emotional, and social. Customers rate their responses on a Likert scale ranging from 1 to 5.

Discussions and interviews are then conducted with stakeholders to analyze the existing business model and business process and explore potential digital innovations that are feasible to implement in the company to improve customer experience. Subsequently, discussions and interviews are carried out to measure the impact of each potential digital innovation on the components of the business model. This digital innovation impact analysis adopts the approach of Coskun-Setirek & Tanrikulu (2021) journal, which divides the impact into three levels: Level 1 (no/low level), Level 2 (medium), and Level 3 (high). These discussions and interviews result in business model innovation in the company.

B. Data analysis methods

The data analysis method for this research will use a mixed-method approach. To summarize and characterize the participant responses, descriptive analysis can be used to examine the quantitative data from the questionnaires. To find themes and patterns in the participant responses, content analysis can be used to examine the qualitative data from the interviews. In addition, this research will use three analysis techniques: gap analysis, SWOT analysis, and digital innovation impact analysis.

The result from the questionnaire and interview is then analyzed by a gap analysis to evaluating its current level of customer experience with the expected level. The process that has a big gap or low level of customer experience will be improved. SWOT analysis will be conducted to know the company's internal and external conditions. Digital innovation impact analysis involves evaluating the potential impact of digital technologies on PT Raja Paket Lebaran's business model and how it can be leveraged to improve customer experience and competitiveness. The results of this analysis then serve as the basis for developing business model innovation that utilizes digital innovation based on customer experience.

IV.   RESULT AND DISCUSSION

A.   The customer experience (CX) profiling

Gap analysis aims to know the current state of a company's customer experience and where it needs to go to achieve its desired future state. The company has set an ideal state for customer experience at a score of 3.5 out of 5. At this score, the company assumes that customers are sufficiently satisfied or fulfilled with the experience they have encountered in each element and customer journey. Table 1. shows the results of the customer experience questionnaire.

Table 1. CX Score

Customer Journey	Element	CX Questions	Score Per Questions	Score Per Element	Score Per Journey
Search & Evaluate	Cognitive	Q1	3,25	3,16	3,51
		Q2	2,97		
		Q3	3,26		
	Physical	Q4	3,65	3,66	
		Q5	3,66		
		Q6	3,67		
	Sensory	Q7	3,60	3,34	
		Q8	3,34		
		Q9	3,09		
	Emotional	Q10	3,60	3,68	
		Q11	3,78		
		Q12	3,68		
	Social	Q13	3,60	3,69	
		Q14	3,90		
		Q15	3,57		
Purchase	Cognitive	Q16	3,06	3,12	3,51
		Q17	3,09		
		Q18	3,21		

Customer Journey	Element	CX Questions	Score Per Questions	Score Per Element	Score Per Journey
	Physical	Q19	3,01		
		Q20	4,07	3,62	
		Q21	3,77		
	Sensory	Q22	3,56		
		Q23	3,24	3,43	
		Q24	3,48		
	Emotional	Q25	3,57		
		Q26	3,27	3,52	
		Q27	3,72		
	Social	Q28	3,91		
		Q29	3,84	3,89	
		Q30	3,91		
Consume	Cognitive	Q31	3,51		
		Q32	3,10	3,44	
		Q33	3,73		
	Physical	Q34	3,81		
		Q35	3,75	3,73	
		Q36	3,64		
	Sensory	Q37	3,65		3,64
		Q38	3,66	3,57	
		Q39	3,40		
	Emotional	Q40	3,77		
		Q41	3,41	3,64	
		Q42	3,73		
	Social	Q43	3,86		
		Q44	3,84	3,84	
		Q45	3,81		
Advocate	Cognitive	Q46	3,96		
		Q47	3,72	3,74	
		Q48	3,54		
	Physical	Q49	3,07		
		Q50	3,53	3,55	
		Q51	4,06		
	Sensory	Q52	3,71		3,69
		Q53	3,47	3,62	
		Q54	3,67		
	Emotional	Q55	3,85		
		Q56	3,59	3,69	
		Q57	3,64		
	Social	Q58	3,86		
		Q59	4,10	3,85	
		Q60	3,59		

From the above questionnaire results, it can be observed that for each customer journey holistically, the ideal state set by the company is met with the lowest scores found in the Search and evaluate journey (3.51) and the Purchase journey (3.51). Although the overall customer experience score in the company reaches the ideal value, there are specific factors in more detailed questions that have a gap score. In each element for all journeys, two elements have not yet met the ideal state, namely Cognitive (3.37) and Sensory (3.49). The results of the above customer experience (CX) are then summarized using the fishbone analysis tool. Figure 3. shows the fishbone diagram illustrating the factors contributing to the low CX outcomes.

One of the factors contributing to the low CX score is the lack of marketing, which is evident in the low value in the search and evaluation journey under the cognitive element, particularly in the question "It is easy for me to obtain information about PT Raja Paket Lebaran". This can be observed in the existing business processes and business models, where agents or word of mouth are the primary channels used to reach potential customers. The marketing channel also includes the product catalog, where customers evaluate the catalog as difficult to navigate and did not provide sufficient information. Another factor is the product types planning method, where customers rate the offered products as varied but outdated.

In the registration, ordering, and payment processes, customers rate them as difficult to understand, resulting in inefficiency and not being smooth. This is because the company only offers one channel for these processes, which is through agents. The payment methods are also limited to transferring funds to the agents or making cash payments at the office. Customers perceive that the packaging design of the products is not attractive due to the company's infrequent market research and rarely conducting packaging design planning.

The final factor is that customers perceive that the products they receive are of poor quality or do not meet their expectations. Most of the products offered are fast-moving consumer goods with a short shelf life and prone to damage. Therefore, optimal inventory management and delivery are necessary to ensure that the products remain in good condition, but the company has limitations in terms of technology and systems in inventory management, and delivery, as it still relies on manual processes.
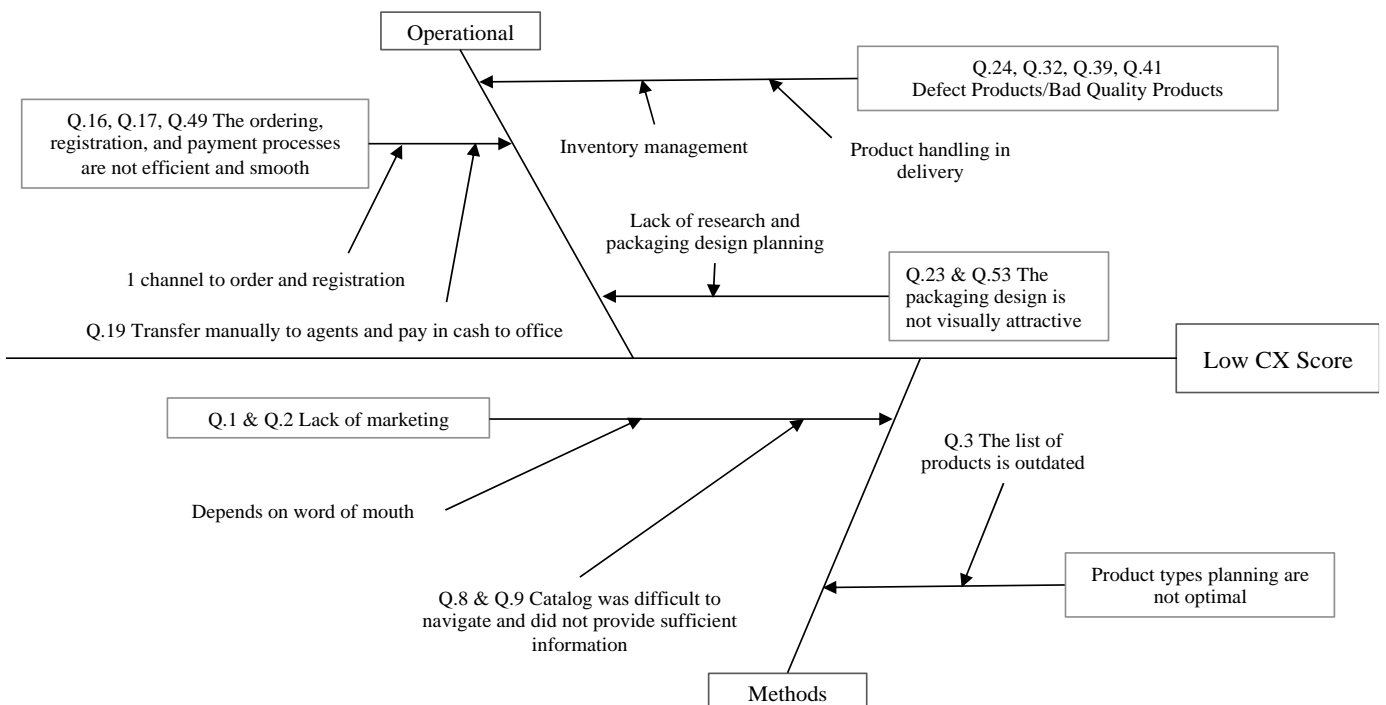

Figure 3. Fishbone Analysis of Low CX Score

B. SWOT Analysis

The purpose of this analysis is to examine the current business model and strengthen the gap analysis to identify areas for improvement of PT Raja Paket Lebaran. This SWOT was obtained by conducting interviews and discussions with the owner and

manager. In the dynamic landscape of the retail industry, PT Raja Paket Lebaran faces a series of internal and external factors that impact its business operations. Through a comprehensive SWOT analysis, we have identified the most crucial aspects of each element. Table 2. shows the SWOT analysis for each element.

Table 2. SWOT Analysis

Strengths	Weaknesses
• Established brand reputation and recognition in the market • Wide range of products • Strong partnership with supplier • Experienced staff	• Limited online presence and digital capabilities • Reliance on traditional methods of delivery and communication • Lack of diversification in services and revenue streams • Limited geographical coverage in certain regions • High dependence on Agents
Opportunities	**Threats**
• Possibility to expand services and reach new customer segments • Collaboration opportunities with other companies in the logistics and e-commerce industries • B2B collaboration for Eid Al Fitr Package	• Growing demand for e-commerce and online shopping in Indonesia • Economic instability and uncertainty • Government regulations and policies • Disruptions in supply chain and delivery networks due to natural disasters or other unforeseen events

C. Digital innovation profiling and impact analysis

Based on customer experience profiling and SWOT analysis, digital innovations will be implemented to improve elements and journeys that deviate from the company's ideal state. After examining relevant literature and gathering professional viewpoints, feasible digital innovations for enhancing the customer experience are identified: apps, social networks, websites, smart factory, IoT, cloud computing, and big data.

Apps, social networks, and websites streamline marketing, registration, ordering, and payment processes. Smart factory and IoT enable real-time monitoring and tracking of inventory and ensure product quality. IoT sensor data helps predict consumer trends for product planning. Cloud computing integrates mobile apps, social media, storefronts, and e-commerce platforms, offering a customized buying experience. Cloud-based systems ensure consistent inventory and customer data synchronization for effective omnichannel operations. Big data enables the collection, storage, and analysis of complex data to address customer needs and enhance overall performance. The impacts of digital innovations on the business model's components are analyzed and categorized into three levels: Level 1 (no/low), Level 2 (medium), and Level 3 (high). The analysis, based on stakeholder discussions, is presented in Table 3.

Table 3. Digital Innovation Impact Analysis

BM Components	Apps	Social Networks	Website	Smart Factory	IoT	Cloud Computing	Big Data
Value Propositions	3	2	3	1	2	1	2
Customer Segments	2	2	2	1	1	1	2
Customer Relationship	3	3	3	1	2	2	3
Channels	3	2	2	1	2	2	2
Key Activities	3	1	3	3	3	3	3
Key Resources	2	1	2	3	3	3	3

Key Partners	2	2	2	3	3	3	2
Revenue Streams	2	2	2	2	2	3	3
Cost Structures	3	1	2	3	3	3	2
Total Score	**23**	**16**	**21**	**18**	**21**	**21**	**22**

By thoroughly analyzing the scores, it becomes evident that two digital innovation stands out, achieving the highest score among all the evaluated components. This remarkable score underscores the exceptional impact of this specific digital innovation on the business model, surpassing the effects of other innovations. From the customer survey results, it is evident that customers recommend the implementation of an application as a channel for the company to engage with customers. Figure 4. shows the survey result for channel recommendation.
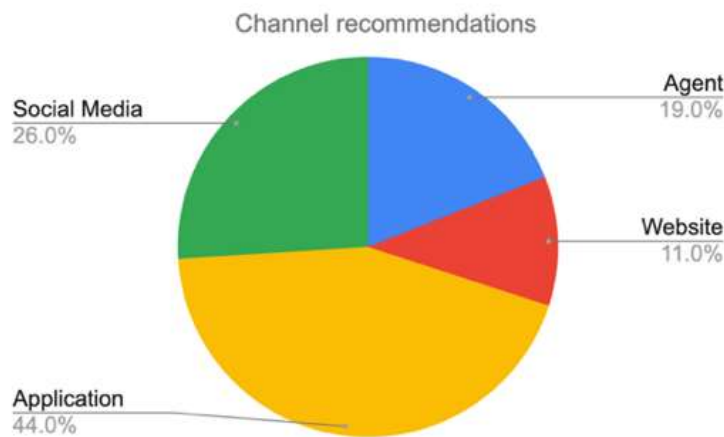
Figure 4. Channel Recommendation Survey Result

Applications have the potential to enhance the value proposition by offering convenient and personalized services, such as mobile ordering or package tracking. Big data analytics can provide valuable insights for personalized recommendations, targeted marketing, and improved customer relationship management.

Applications can serve as an additional channel for customer engagement and sales, expanding beyond relying solely on word-of-mouth referrals from agents to customers or customers to customers. The use of applications can also transform the traditional catalog product approach. Applications and big data analytics can automate processes and optimize key activities, resulting in improved efficiency and productivity.

Big data has a significant influence on key resources as the company requires human resources with IT skills to process big data into actionable insights. The processed data becomes a valuable key resource for the company. While applications and big data can facilitate collaboration with key partners, they may not fundamentally change the nature of partnerships. The company can gain valuable insights into customer preferences, behavior, and market trends by analyzing large volumes of data. This information can be leveraged to develop personalized marketing strategies, targeted advertising campaigns, and customized product offerings, ultimately leading to increased customer satisfaction, loyalty, and revenue generation. Applications can introduce new cost structures, including IT resource equipment, maintenance, and training expenses.

D.   *Business model innovation*

Based on the customer experience results, improvements are needed in each customer journey and element as indicated in Table 1. These customer experience findings serve as the basis for mapping feasible digital innovations to be implemented in the company to enhance customer experience. The digital innovation impact analysis reveals that applications and big data are the digital innovations that have the greatest impact on each business model component. Based on these results, the proposed new business model innovation is generated. Figure 5. shows the innovation or summary of business model innovation in the form of a Business Model Canvas.

Figure 5. Business Model Innovation

V. CONCLUSION

In today's digital era, businesses must integrate digital innovation into their models to remain competitive and meet customer expectations. This study explores how digital innovation can enhance customer experience and drive business model innovation for PT Raja Paket Lebaran. By identifying gaps and opportunities for improvement, valuable insights and recommendations are provided. Embracing digital innovation and prioritizing customer experience can lead to sustainable growth, improved performance, and enhanced customer satisfaction.

The research identifies factors impacting customer experiences, such as marketing limitations, registration and payment difficulties, and outdated product offerings. By addressing these issues through business model innovation, the customer experience can be significantly improved. Leveraging digital platforms for marketing and engagement offers a chance to reach more customers, provide personalized experiences, and gain insights into customer preferences. This informs business model innovation, improving performance and satisfaction.

The proposed business model innovation integrates these insights into a comprehensive strategy, leveraging digital innovation to enhance the customer experience, streamline processes, and gain a competitive advantage. Effective implementation can transform operations, leading to increased satisfaction, performance, and growth.

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