



# Repair, Reused and Recycle as a New Business Model for Furniture Enterprise in Indonesia to Support Sustainability Program: Case of Oo-Furni Furniture Enterprise.

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**ABSTRACT:** This research aims to study about the condition of furniture business on MSME (Micro Small Medium Enterprise) in Indonesia by case study is Oo-Furni as knowledge to build the correct strategy for new business which has decreased the sales trend due to tough competition. Furthermore, the furniture industry in Indonesia has problem with sustainability which is related to environmental. The two problem issues are decrement the availability of raw material and waste from furniture used. The analysis has conducted in this research with internal analysis and external analysis. The internal analysis was consisting of the sales trend, general capital & profit data and SWOT. The external analysis was consisting of customer perceptions, porter five forces, PESTEL. The data has been retrieved from primary data and secondary data. The analysis results have been followed up by Business Model Canvas to build new business model and the marketing mix strategy. The recommendation for new business model to growth and survive over long time was repair, reused and recycle. The new marketing strategy for new business model was developed to increase the sales of Oo-Furni.

**KEYWORDS:** Repair, Reused, Recycle, Oo-Furni Furniture Enterprise, Sustainability.

## INTRODUCTION

Furniture is the one of the biggest exporter furniture in the world owing to source of any kind of woods in Indonesian forest. It has been shown from GDP of Indonesia in year of year, furniture is one of big contributor sector to GDP. Furthermore, furniture is one of big four export commodities (furniture, rubber, palm oil and textiles) outside oil and gas product (Purnomo, 2011).

In 2021, furniture sector has contributed 29.39 trillion Rupiahs in GDP based on report from Centre of Statistics Indonesia (BPS). Margins, Indonesia is one of the countries in the world which has large of forest. It was related to the wood resources, one of natural resources form forest. There are 2 categorizations of wood industry, first is the upstream industry and the second is downstream industry. The upstream industry is wood processing from log to the kind of processing result of the log such as: solid wood, ply wood, particle board and Medium Density Fire-board (MDF). The downstream industry is wood working industry which produce wood product such as: door, window, wood flooring, etc. And another downstream industry is furniture (Industrial Ministry, 2009).

The general business model of Furniture industry in Indonesia is processing the material from the raw material of wood (wood, rattan or others) to be furniture product such as: chair, table, cupboard, etc. In Indonesia, the furniture producing are located in some cities, such as: Jepara, Pasuruan, Klaten, Surakarta, Jakarta, Cirebon, etc. (Zamroni, 2017).

According to Indonesia Industrial Ministry, furniture as household needs is consist of: bedroom furniture (bedstead, wardrobe, dressing table & chair, spring-bed, bedside), living & guest room furniture (sofa, buffet & sideboard, tv and display cabinet, guest chair from teak wood), dining room furniture (dining table and chair), office & school furniture (book cabinet, office table and chairs). And furniture based on the style, consist of 3 types: Classic furniture (Venezia, Paris, Sleven, Victorian, etc.), Colonial furniture (Opium, Allora, etc.) and Modern furniture (Manhattan, Barcelona, Valencia, Salamanca, Sevilla, Toledo, Mallorca, Coco Resin, Scandinavian, etc.).



In the modern era, the needs of furniture are increase due to increase the population of people. And it would give impact to the raw material resources and environment. Availability of the raw material gradually would decrease due to many exploitations to fulfil the needs of the raw material for furniture. Decreasing the raw material means that the decreasing of the tree's population in the forest, and it would give impact to the climate change and environment.

At the same time, people who would change their furniture due any reason such as: broken, bored from the design, change the model, etc., they contribute to the environment impact. Their furniture used and the new furniture that they bought would impact to decreasing availability of the raw material and increasing the waste from furniture.

The environmental issue from furniture industry are the availability of the raw material due to decrement of the forest and the garbage of the furniture used in public especially in modern city. According to Widodo et al, the total decrement of forest area in every 30 years is 61.982 hectare (Widodo et al, 2010).

The waste of the furniture used is also be a serious problem for environment if there is no solution to minimize and decrease it. In Indonesia, the waste of furniture used is part of the B3 or non B3 due to the volume or dimension is big. It means that the waste of furniture used could not mix with the waste from regular household. The waste of furniture used in Indonesia is be regulated in Government Regulation Peraturan Pemerintah No 27 Tahun 2020 about Organizing special or specific waste.

Oo-Furni is rebranding name from XYZ Mebel which has been started the furniture business since 1993. The business model is selling standard furniture product as per catalogue (from teak wood and acacia wood), customized furniture (with material from solid wood, multiplex HPL and steel), and repair services furniture. The location of showroom and workshop are in North Bekasi, Bekasi CityWest Java.

In the early era of Oo-Furni (XYZ Mebel) business, they also sold the furniture to the distributor or furniture retail shop. It has been stopped around 2017, the consideration to stop selling product to furniture retail or distributor are low profit and high risk. But the evaluation is needed to that decision. Is that potential to re-sell the product to the furniture retail as previous or only sell products and services (standard, customize and repair) to the end user only. The most popular issue is related to sales trend year by year, the trend was decreased, and it could be worst in 2022. Furthermore, Oo-Furni has internal problems that has to be solved as soon as possible. It is very important for company to survive and growth for long time. The internal problem issues in the company are unfocussed business model (no brand positioning), unclear value proposition and ineffective the marketing strategy.

Oo-Furni furniture enterprise has to build the new business model and solve the environmental problem to survive and growth over long time.

## LITERATURE REVIEW

### A. Business Model Canvas

Business model is the fundamental purpose of how the enterprise creates, delivers and captures the value to the customer. The Business Model Canvas was founded by Alexander Osterwalder and Yves Pigneur around 2010 It is the tools to describe the business model in simple and easy to understand. Furthermore, it would support the business owners to develop or transform the company due to easy understanding. The Business Model Canvas consist of nine steps for transform or develop the company in the value creation process and assigns the nine steps to the four most important areas of the company (Kunze and Offermanns, 2016).

The nine steps/elements were included in the four main areas of any business: product, customer interface, infrastructure management and financial aspects (Shetty et al, 2020).

The nine steps such as: Key Partners: Who will be executed the activities in the Business activities. Key Activities: The process that needs to be followed to build the business. Value Proposition: the main of the business model explain what needs to be done to deliver value. Customer Relationship: the type of relation will be developed with the customer. Customer Segments: The Categories of the customer that suitable with the business model. Key Resources: the resources that supports the key activities of the business with the cost structure. Channels: the canals that will be support to reach the customer to deliver the value. Cost Structure: Financial and Budgeting for the business requirements. Revenue Stream: Profits and the way to generate profit from the business.

The Business Model Canvas shown that the nine steps/elements have correlation between one and the others. The focus of the business model is to deliver value that reflect in value proposition. The business model canvas shows the suitable customer based



on the product and services in the enterprise (customer segment). And what is the method/canals to reached the customers (Channels). And what is the type of relationship with the customer (Customer relationship). And the result from customer relationship, channels and customer segments is the revenue stream. The rest of them are key partners, key activities and key resources would become the cost structure of the business (Shetty et al, 2020).

Business model in furniture industry in Indonesia mostly focus on production the new product from raw material till the final product. And it would be sold to the global and local market with any distribution channel. The Business model for repair and recycle the product is infrequently. It is interesting to describe and explore more about new business model for repair and recycle of the furniture in local market especially.

## B. Sustainability

The term of sustainable or sustainability was famous in the global vocabulary in 1980s as the news from media that made increasing awareness of people about global problem of overpopulation, environmental degradation, extreme scarcity of food and dryness in the world (Bartlett, 2006).

According to World Commission on Environment and Development (WCED) (1987) sustainability development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. Sustainability is the key for important business issue today to protect the environmental balance for better living in the world. Clarke and Clegg (2000) said that the sustainability as the eternal search for domination over nature is replaced by the challenge of achieving environmental balance. The core of definition from sustainability is that which could be maintained consistently, whoever or whatever could not be maintained consistently would be unsustainable (Heinberg, 2010).

The sustainability would happen while all elements such as: government, corporations and markets support and implement that program. Government has a major role to build standards, rules and regulations about sustainability program. Corporation and markets must follow and implement the regulations and standards that built by the government. Governments cannot solve alone the environmental problem caused from industrial pollution. If the corporations and markets cannot support, the sustainability program cannot achieve the target. Governments have a right to control the political will and economic incentives to reduce industrial pollution (Wilkinson and Hill, 2017).

Albert A. Bartlett said that the sustainable development could only be pursued if population size and growth are in harmony with the changing productive of the ecosystem. Increasing the number of populations in the world would be impact to the environment while the populations are significantly growth but the environment or ecosystem is not prepared yet to make balance with the population.

The other definition for sustainable development would be reflected on figure 8, it was described by three (3) pillars: Environmental protection, economic growth and social well-being (El-Chami, 2021).

United Nations has been developed the 17 (SDGs) Goals for Sustainable development with aim to end poverty, counter inequity and injustice, and decrease the impact of climate change by 2030 and other objectives.

Sustainability in furniture industry would corelate and have impact to the raw material resources. It means that the industrial furniture especially for the wood material based need to implement the sustainability program.

## C. SWOT

SWOT is tools or frameworks to analyze the Strengths, Weaknesses, Opportunities and Threats from an organization, business or project that help effectiveness of the planning and implementation of the organization or business objectives. Strengths would define any internal asset from organization such as: expertise, motivation, technology, finance, business model, or any resources that they have to get easier that organization to achieve the target. Weaknesses would define any internal lacks such as lack of motivation, lack of facilities, lacks in distribution of services or products, or any resources that they missed or less and would give negative impact to organization to achieve the target. Opportunities would define any external trends or chance that suitable with the competency or strength of the organization such as: changing in consumer behavior or changing due the technological development. Threats would describe any external trend such as: strong competitors, rule or regulation give the limitation for some aspects or ambiguity of the standards or rules from government that would give negative impact to the organization for achieving the target (Sabbaghi and Vaidyanathan, 2004).



## D. Porter Five Forces

The company need to know the external condition related to the industry environment, competition inside, buyer and supplier power, and substitutions of the product. It is really important for company to know and mapping the condition before continues to offer the product or services and doing competition inside the industry, the company should know who is the competitors among the industry, buyer and supplier behavior and decide what is the competitive advantage of the company products to compete with other products from competitors. Furthermore, company has to identify the threats from any sectors such as: substitution products or services, new competitor entrance, and bargaining power of supplier and buyer (Porter, 2008).

## E. PESTEL

PESTEL framework could be used to analyze the environmental issue of furniture business. It would help the company to see the issue for furniture business and find the best strategy to enter the market with good product or services and many competitive advantages. Here is the analyzing of PESTEL framework for Furniture business.

Political: Furniture industry is one of industry which has characteristics: labor intensive and most of the enterprises are small and medium company as per company capital budget. Furniture is also one of four biggest export commodities exclude oil and gas product. The company running the furniture business need the government support to sustain the business. Indonesian government has some regulation to support furniture business to be more agile and grow bigger. One of the regulations to support furniture business is KEK (Kawasan Ekonomi Khusus). KEK or special economic region policy is the regulation to convenience furniture enterprises about the tax. It would have an impact to cost especially for company which import the raw material or product from overseas. (Salim, 2017).

Economical: Inflation of the economic would have impact to the price of furniture and market condition. In September 2022, government announce that the fuel price has been increased and it would have impact to many sectors of industries. Furniture Business is one of sector that got impact from the increasing fuel price. The furniture business condition after fuel price has sluggishness transaction. Many of enterprise of furniture got the down trend sales after that. (cnbcindonesia.com,2022).

Social: In the era of digital, the changing behavior of people for mobile devices (tablet, smart phone, or other portable devices) usage could be not avoided. It would have in impact to people behavior while purchase something. It was changing from offline purchase to be online purchase via e-commerce. While people buy furniture, there is increasing behavior to buy furniture via ecommerce year by year (Pantelimon, 2020).

Technological: Development of technology could be changed the transaction type, while people previously were comfort to buy in offline store directly, now it has been changed to the e-commerce or online store. And also changing the marketing and promotion activity of the furniture enterprises. They change the promotion and marketing via online marketing/digital marketing with online catalogue product.

Environmental: The natural raw material such as: rattan and wood are really concern to the environmental issue. The usage of natural raw material should consider to the forest sustainability. The natural material that used for furniture should be selected to protect the forest and ecosystem inside. Others, the garbage of furniture used is the other environment issue that have to consider the impact for ecosystem.

Legal: In Indonesia, there is regulation to minimized the illegal logging in the forest. Timber Legality Assurance Standard (TLAS) issued by the forest ministry of Indonesia 2009. This regulation is required to enterprises who has wood to registered or certified as legal standing of the wood (Salim, 2017).

## F. Marketing Mix

The company has positioning in the market view with any competitive advantage. So, company need some tools to deliver the positioning to customer or potential customer. There are some components to be specified and clarified related to the product that the company offers to the market, price of the product, place that would make easy to the target segment to get the product and promotion that communication the company to the market segment related to the product (Kotler, P., 2012).

In the company case study, marketing activity is still not optimal, especially related to product information, price and promotion in the online channel. In the digital era, many people change the behavior while purchase the product. They prefer to purchase product via online channel or e-commerce directly. Or, they would check the product in the online store then find and purchase in the offline shop to check the product physically.



## RESEARCH DESIGN

This research would be started by understanding more the data to find the real problem of the company and conclude it with the research questions which would be answered it as a problem solution. Then according the research questions, interview would be conducted to the main stakeholder (customer) to get deep understanding related what they want and need in customers side while they buy the furniture products or services for their needs. After conducting the interview, the result would be analyzed and the condition of the company also would be analyses by SWOT, Porter 5 Forces and PESTEL to find the new business model for the company to survive and growth for long time. Then, Business model would be evaluated by business model canvas. After the Business model has defined, the marketing strategy would be developed as per targeting the market segmentation and the positioning of the company in the market competition of the furniture business.

The qualitative research in this paper would be explain more with descriptive and or exploratory type. This paper would describe the data from primary data which is the interview result and the secondary data (internal and external data).

## DATA COLLECTION METHODS

The data would consist of the primary data which is the interview result from customer experience while they purchase or use furniture in their needs and also the data from the financial or sales company. The secondary data of this research paper are form the internal and external data.

The internal data would be analyzed to know the situation while the sales trend has decreased and what is the possible cause that made the company has decrement in that situation. And also understand the situation while the company has increased and what is the possible cause that made that situation.

The external data would consist of the market competition and business environment, Porter 5 Forces analysis and PESTEL analysis. Then, the last would conduct to create business model analysis by business model canvas and after found the appropriate business model, the strategy marketing would build to survive and growth for long time.

## DATA ANALYSIS METHODS

The data analysis method that appropriates to the qualitative research is content analysis. Content analysis would explain the data from any sources (visual and verbal) to show the important information inside the data (Harwood, 2003). In Oo-Furni case problem, the data are coming from the interview activity (verbal) and visual analysis that (internal and external data). If the data in qualitative research analyze in simulation or statistical model, the user experience while the customer purchase the furniture could not be explained more deeply. That is why the content analysis in qualitative research is appropriate method to support analysis.

## RESULTS AND DISCUSSION

The business solution for this case study would be described in this section. The analysis would be conducted based on internal and external analysis. The internal analysis is coming from company internal data sales since 2020-2022, and SWOT analysis. The external analysis is coming from customer perceptions, the Porter Five Forces and PESTEL analysis. After the result from internal and external analysis, the existing business model would be evaluated by business model canvas and rebuild to new business model based on the analysis to survive and growth for long time. After that, the marketing strategy would build to cover it.

The business solution and implementation plan would be made based on the current condition in resources.

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### A. Analysis

#### 1. Company Analysis

The company analysis is conducting by the internal sales data from June 2020 till August 2022. The condition within that period was in pandemic covid19. And the sales trend would be not stabile and tend to be declining. As per Figure 1, the sales trend of the company:

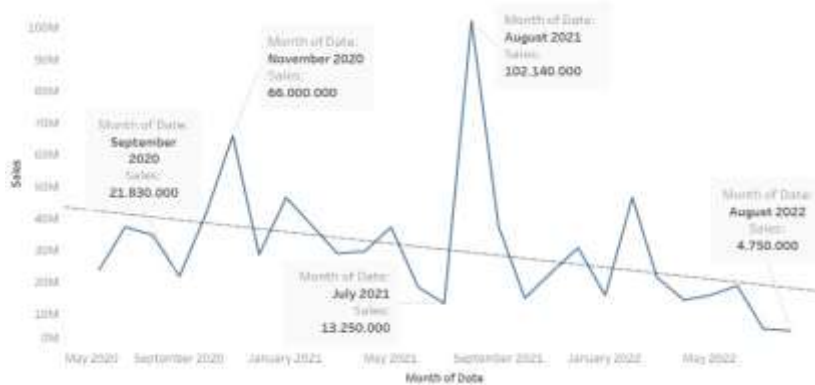


Figure 1. Oo-Furni (XYZ Mebel) sales trend

Based on the graphic sales trend data as per figure 1, Company sales got decrement gradually from June 2020 to August 2022. In November 2020 and August 2021, two conditions that have above the average sales due to customize project and retail (sell the retail product to other furniture shop which is Business to Business model). The sales trend on August 2022 was almost zero due to impact from the increasing the fuel price in Indonesia. The effects from the increasing fuel price would change the economic condition in Indonesia and also change the purchase power of public. The increasing fuel price would increase other commodities price due to the transportation cost would increase. So, people would hold the needs expect the primary needs to reduce the expense that over their budget.

Based on the graphic data above, the sales for company have to evaluate how the sales was decreased gradually. All this time, OoFurni does not has PIC for sales in offline, the sales method is using word of mouth by internal networking that owned by Oo-Furni owner or relations. Or the sales could get from the showroom location, while people passed the showroom or remember there is showroom of furniture in that location. Besides that, the online channel has not optimized it. During earlier pandemic covid19, OoFurni has made online catalogue via website and an account in e-commercial or market place, but the sales from online website not significantly help to increase overall sales. That is why the online catalogue website has not extended till now. The account in ecommerce or market place was contributed in sales achievement, but it was still not significant due to not consistent to cover the activities.

The graphic below in Figure 2 has reflected the sales based on the categories which are retail products, repair services and customize.

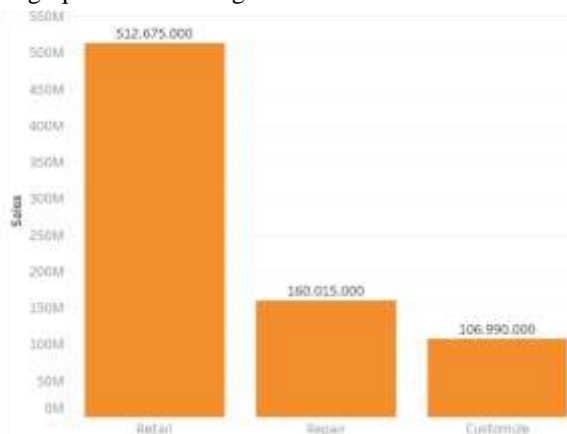


Figure 2. Oo-Furni (XYZ Mebel) sales trend by Categories



Figure 3. Comparison of Sales, Capital and Profit of Oo-Furni based on Category

Some customers mentioned that why they choose is due to the durability of the raw material product. Teak wood has a good performance for durability until long time. If there is any minor broken, it could be repaired with low budget. The second highest is



repair services, customer has a furniture with not good condition and they request to repair their furniture to be like a new furniture. Ant the last is divan with any variety products.

After the analysis of sales trend from overall, by categories and by products, Analysis would be conducted to compare the sales, capital and the profit from each category to ensure which one the category that would give high margin for profit. As per figure 3 the comparison between sales, capital dan profit per categories and per customer type (Person = B to C and Retail shop = B to B), retail product is the highest sales but the capital is also high. The capital of retail products is more than 70% (70-75%) of the product price/sales and the margin is only 25-30% from the sales. The customize product has spent the capital around 75-80% of the sales or product price and the margin for profit is 20-25% from the sales price. The last is Repair services, it is much better for the profit. The capital of repair services is around 55-60% and the margin for profit is 40-45% of the sales price. The graphic in figure 3 have explained and described that the repair services is the highest percentage profit from other categories. So, repair service is more profitable than others.

**2. Customer Perceptions**

Customer perception analysis would be conducted by the interview result from the existing customer of Oo-Furni. The Customer Perception need to do for review the customer needs and wants about furniture industry. Furthermore, the customer perception would explain their perception about the environmental issue which is impact from furniture industry and how to solve the environmental issue from their side.

Here is the question list and answer to the customer about the furniture industry and the problem inside that:

Table 1. Interview Question and Answer from 1 <sup>st</sup> interviewed	
Interviewed Name : Nisa Rahmah Fauziah	
Age : 29 Years Old	
Status : Married with 1 Children	
Occupation : Employee and Housewife	
City : Bekasi	
No	Questions
1	When was the last time you bought furniture product or services? <b>Last 3 years</b>
2	What was you bought? Product or Repair Services? <b>Bought a Product</b>
3	If product, which product you bought? What is your reason to bought that product? <b>To Fulfil the furniture needs in my home</b>
4	If repair services, what is the existing furniture that need to be repaired? What is your reason to repair that furniture? <b>None</b>
5	What do you think about environmental problem due to furniture such as: decrement of forest trees and garbage of furniture used? <b>Need to do reforestation for the forest that have over exploitation and Doing recycle for the waste of furniture</b>
6	Do you Agree to minimize the problem of furniture issue? And How to decrease the environmental issue from furniture industry? <b>Agree, One of the method is doing reduce, reuse and recycle.</b>
7	Do you agree for this statement “Don’t Replace, Lets Repair your Furniture existing”? and would you follow that statement? <b>Agree, this could be reduced the waste of furniture used.</b>
8	Would you buy the product from reused or recycle from furniture to reduce the environmental issue? <b>Why not, But I have to check the quality of the product first</b>
9	Any difficulties while you change your existing furniture to be new furniture? <b>Sometime, I have confused when choosing the furniture that suitable with my home (proper with design, dimension, etc.).</b>



Table 2. Interview Question and Answer from 2 <sup>nd</sup> interviewed	
Interviewed Name : Mrs. Rozzana Nasution	
Age : 51 Years Old	
Status : Married with 3 Children	
Occupation : Employee and Housewife	
City : Bekasi	
No	Questions
1	When was the last time you bought furniture product or services? <b>Last years, 2022</b>
2	What was you bought? Product or Repair Services? <b>Bought a Sofa product</b>
3	If product, which product you bought? What is your reason to bought that product? <b>To replace the broken sofa</b>
4	If repair services, what is the existing furniture that need to be repaired? What is your reason to repair that furniture? <b>I really forgot to repair my sofa before I decide to buy. Next, I would choose the repair option first</b>
5	What do you think about environmental problem due to furniture such as: decrement of forest trees and garbage of furniture used? <b>Need to take a firm action from government to punish who exploited the forest such as doing illegal logging and for furniture used, better to repair first. If cannot, the waste could give to recycle entity.</b>
6	Do you Agree to minimize the problem of furniture issue? And How to decrease the environmental issue from furniture industry? <b>Agree, repair the broken furniture is one of the methods to minimize the problem.</b>
7	Do you agree for this statement “Don’t Replace, Lets Repair your Furniture existing”? and would you follow that statement? <b>Agree, as per I mentioned previously. Repair is useful options to reduce waste</b>
8	Would you buy the product from reused or recycle from furniture to reduce the environmental issue? <b>Sure with the good quality product</b>
9	Any difficulties while you change your existing furniture to be new furniture? <b>I have difficult while I have to throw away the used furniture that I cannot repair it. Where is the entity that would accept the used furniture?</b>

The result from interview to the existing customer is very nice insight. There are two respondents from existing customer of the company that have been interviewed. As per their answer about the problem in furniture industry especially in environmental issue, they were agreed that the environmental issue from furniture industries have to be solved and repair, reused and recycle is the great idea to solve that. They also interest to buy the reused product with good quality.

The other experiences from company, last year there were some sales for re-used product which was sofa used. Company bought to their customer with trade-in transaction (customer sold the used furniture to the company and company sold the new furniture product to the company). The customer would buy the re-used product due to the low price and quality is not so bad. That were some evidences that the re-used product become the solution for the environmental problem caused by furniture industry.

According to the respondents, they also prefer to repair their furniture rather than replace to new product. But it would depend the defect of the furniture and how much the budget for repair that furniture. If the budget is same as the new product with the same model, the customer who aware about the environmental issue would choose the repair. But, the customer who did not aware yet from the environmental issue would choose the new product. But in reality, the cost of repair usually is under the price for new product with the same model. It would be depending on the raw material that would use for repair the product.

It would be concluded there are two segmentations for customer while they response the environmental issue from furniture industry. One has already aware about the issue and another one has to educate more to aware about that.





### 3. SWOT Analysis

Strengths, Weaknesses, Opportunities and Threats (SWOT) is one of the tools to explain about the condition of the company in internal condition side. Strength is to know any resources or assets that would help company to growth. Weaknesses is the lack form any assets or resources that own by company. Opportunities is the external trends or positive probability from external that company could get benefit from that based on the asset or resources that company owned. And Threats is the external lacks condition or negative probability that might be passed by company due to the lack of resources.

The SWOT analysis form Oo-Furni are: Strengths, Oo-Furni has some strengths from resources or asset that they owned. The strengths such as: showroom and workshop place, existing loyal customers, skilled workforces, Trusted Suppliers. Weaknesses, the weaknesses that owned by Oo-Furni are: the showroom location is not in strategic area online channel not optimized yet, no PIC from Marketing previously, retail product only from teak wood material (no variety product for retail). Opportunities, the Opportunities might be obtained by Oo-Furni are: repair Services that would be great market for further, options to doing Trad-in business, sell the reused or recycle products. Threats, the threats that would be obtained by Oo-Furni are: digital marketing resources, retail Products especially from teak wood would decrease the enthusiast, tough competition in the market.

### 4. Porter Five Forces Analysis

Porter Five Porters analysis would define the probability of new entrants, product substitution, power of buyer and supplier, and the competition in the market. Oo-Furni has identified the components of Porter 5 forces in the following analysis:

**Threat of New Entrants (High or Medium):** New enterprise in furniture industry can be easy to enter the competition while the Promotion or marketing activity are still conventional with offline channel. So, the threat to new entrants is high, but if the activity for promotion and marketing are omnichannel, not only offline but also online, the threat of new entrants is medium. In the digital era, all the business player should be changed the activity smoothly from offline to online, although in the furniture business. **Threat of Substitute Product (Weak):** Furniture is one of the primary needs for people, the substitution of furniture is weak owing to the primary needs of people. There is no alternative product to change or substitute furniture as one of primary needs. Any variety of furniture design and raw material (wood, rattan, bamboo, steel, multiplex) make multiple option for people to choose based on people needs and wants related to design and raw material specification.

**Bargaining Power of Suppliers (High):** Power of suppliers in furniture Business is really urgent to get the customer satisfaction with quality, duration of production and also the competitive price. Especially, if the company is doing furniture Business in e-commerce, the supplier power is main factor to get sustainability in the business.

**Bargaining Power of Buyer (Medium):** Buyers have power but not so strong due to furniture is primary needs and difficult to find the substitution of furniture. Buyer can change or move to purchase to competitors, but the price and quality are relatively same owing to the similarity of raw material and technology to produce the furniture.

**Rivalry Among Competitors (High):** The competition in the furniture business is high enough owing to convenience to enter the furniture business from new entrants. And it would have in impact to the competition of price and quality of the product. This is good competition for customer to get the product with high quality and affordable price for furniture needs.

### 5. PESTEL Analysis

PESTEL framework consist of Political, Economic, Social, Technological, Environmental, and Legal. The analysis would describe the external aspect that would influence the furniture industry especially in Indonesia. This is very important to know the opportunities and threats from the external to furniture industry. So the company could anticipate the condition for further. **Political:** The main support from political for Furniture industry is issued the special regulation for furniture industry. In Indonesia, government has issued the special regulation for furniture, it is KEK (Kawasan Ekonomi Khusus). KEK or special economic region policy is the regulation to convenience furniture enterprises about the tax. It would have an impact to cost especially for company which import the raw material or product from overseas. Other support from government for furniture industry is in export product. Furniture is one of four biggest export commodities exclude oil and gas product. So, government has supported the company who export the furniture product to overseas. Otherwise, the local market due to the globalization market in international, all the company or enterprise for overseas especially in furniture industry would invest and open the showroom in Indonesia. This is the new threats for local market if the government not issued the regulation for local company or enterprise to support and survive the competition. **Economical:** The economic condition in Indonesia is fluctuate depend on the condition. This is why the furniture sales is fluctuated



over the year. The peak session for furniture industry especially for local market is happen in Hari Raya Idul Fitri, Christmas and new year. The highest is in Hari Raya (during fasting month until a view day before Hari Raya). The three session over the year has good enough for sales. But, while any special event such as: increasing the fuel price, it would affect to the Inflation of the economic. And it would impact to the price of furniture and market condition.

Social: In the technology era, the mobile device utilization would increase significantly and it would be impact to the behavior while people purchase their needs. Also, for purchase the furniture, the behavior of people would change gradually to purchase by online. But not all people purchase furniture via online, there are some people purchase furniture by offline, go to showroom or exhibition or furniture shop to ensure their needs is correct and suitable with the specification that their needs.

Technological: Development of technology could be changed the transaction type and the marketing and promotion activity of the product item (includes furniture). They change the promotion and marketing not only via offline (provide brochure, banner or other promotion) but also via online marketing/digital marketing with online catalogue product or promotion in market place. Also, they provide the transaction via online not only offline.

Environmental: The problem issues of environmental from furniture industry are the decrement of the forest trees due to the exploitation of the raw material needs and the furniture used garbage that would impact also to the environmental. The two problems that have to solve for sustainable furniture industry. It is the responsible for all stakeholder in the furniture industry to solve those problem, government provide the regulation and standard to protect the environmental and the corporation and market would follow to apply the regulation.

Legal: The legal in Indonesia which related to the furniture industry is the regulation to minimize the illegal logging activities in the forest. Timber Legality Assurance Standard (TLAS) issued by the forest ministry of Indonesia in 2009. This regulation is required to corporation who has wood to registered or certified as legal standing of the wood that they owned.

## B. Solution

The solution would conduct after the analysis to solve the problem issue of furniture and industry and company (Oo-Furni). The solution from the above analysis would be solved by business model canvas to build new business model for company. After that, the company would be suggested to arrange the new marketing strategy for the new business model.

### 1. Business Model Canvas

The Business Model Canvas is the one of tools to make the business model with some steps or elements. There is value proposition as the main or center of the enterprise focus. Furthermore, in the right area there are: customer relationship, channels, customer segmentation and revenue stream. In the left side, there are key partners, key activities, key resources and cost structure.

The existing business model has unclear value proposition, it means that there is not special from value proposition to answer the special needs and wants from customer side. It is like the business as usual and the competitors for this business type are tight or it is called the red ocean. There is something to make refresh for the business to survive and growth for long. One of the methodologies is to renew the business model based on the customer wants and needs or the problem issue that facing in industry. The problem issue is related to the environmental issue of furniture industry the first is the decrement of raw material resources due to the decrement of the forest trees and the second is the waste of the furniture used while people want to changes their furniture to be new product.

According to the analysis and problem issue which are facing in furniture industry and the company (Oo-Furni), the solution for this case study is to make new business model with focus on repair-reused and recycle the furniture. This new business model would be solved the environmental issue from furniture industry and answer the needs and wants from customer to repair their favorite furniture that they owned.

The new business model has customer segmentation for 3 divisions, first is the repair services which household or family who has favorite furniture (broken) need to be repaired. The second is Reused, there are two customer segmentations, first is the donor or buyer service for household or family with middle up economic condition want to change their furniture to be new and they will throw away their used furniture, they are as donor or they will pay the services to throw away the used furniture and also offering the trade-in optional to change with our new product. The second is the buyer for furniture used, they are the household or family with middle down economic condition. They could request to repair first or they could buy as per real condition without repair. The

third division is the Recycle products, the customer segmentation for this division is the household or family with economic middle up economic condition and aware about the eco green products.

Oo-Furni has to make the channel for digital marketing to build the new website online catalogue and e-commerce channel for promotion and transaction.

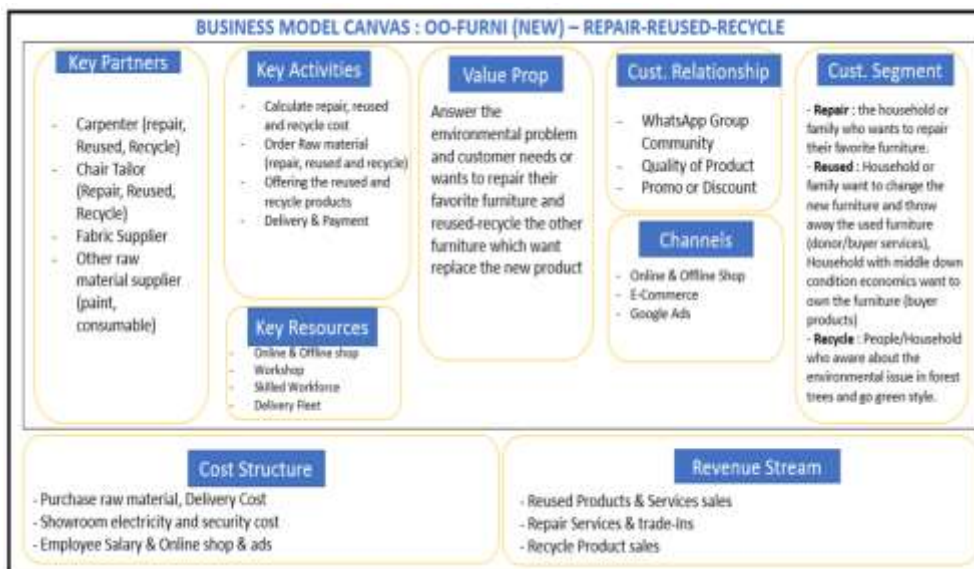


Figure 4. New Business Model of Oo-Furni

**2. Marketing Strategy**

The marketing strategy for new business model is refer to the marketing mix strategy which introduced by Jerome McCarthy. The 7 P’s marketing mix concept would use to solve the problem about the marketing strategy of the new business model. The 7 P’s Marketing Mix are: Product (Services), Price, Promotion, Place, People, Packaging and Process.

Here is the explanation about the 7P’s Marketing Mix strategy:

Product (Services), the product and services that would offer to the customer is Repair services, Re-used services and Re-used products, and Recycle Products. The Repair services would provide the services to customer with the best quality as per customer request. Re-Used services would serve customer to accommodate the furniture used from the household who would change to buy new furniture for replacing the used furniture. The Re-used product is the product from Used Furniture with little improvement and offer to the customer as per the segmentation target. The Recycle product would develop from the waste of furniture product with good quality product.

Price, the pricing strategy for the Repair service would depend on the raw material that would be chosen by customer. We offer two prices consist of price for standard quality and price for high quality. The Re-used services would be negotiated for the price while the customer want or need to accommodate their used furniture. For Re-Used product, the price would be competitive due to the product re-used price is much cheaper than the new product. For Recycle product, the price also would competitive price than the new furniture from new raw material from forest.

Promotion, the promotion that would conduct for the new business model are digital media promotion in Facebook, Instagram, TikTok, advertising online via google and Facebook ads, and many varieties discount that would be offered.

Place, the places for the Oo-Furni would use existing showroom and workshop for the new business model. And it would add the online shop from website and E-Commerce for digital place.

People, the people who support the new business model are the existing workforce such as: carpenter and chair tailor. And Oo-Furni would recruit the freelance for digital marketing who organize the promotion in social media and online activities.



Process, Process would be conducted as much as efficient that company (Oo-Furni) could do it. In the logistic, Oo-Furni has fleet that make the logistic would be more efficient. The scheduling for delivery would organize as much as effective and suitable with the appointment between customer and Oo-Furni.

Physical evidence, Oo-Furni has been repaired many furniture types with proven quality since a view years ago. And for re-used product also Oo-Furni has some experience to sell the re-used products.

**C. Implementation**

Implementation plan for the new business model would be designed and justified as per the availability of resources. The resources that available now are: the CEO (Chief of Executive Officer), CDM (Chief of Digital Marketing), and COO (Chief of Operating Officer). The implementation plan would be developed on the schedule completed with the person in charge or resources that would be responsible as per the job that assigned in the schedule. The schedule would consist in one year. Here is the implementation plan for the new business model of Oo-Furni in the schedule below:

**Table 3.** Implementation Plan of New Business Model of Oo-Furni

Business Solution	Activities	PIC	Implementation Plan											
			2023					2024						
			Aug	Sep	Okt	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
New Business Model	C-Level Meeting (present the new business model)	CEO												
	Decide the sales Target	CEO & CDM												
	Concept the general marketing strategy	CDM												
	Prepare and making the budget	COO, CDM												
	Build the pricing strategy	COO, CDM												
	Prepare the area for Re-used and Recycle products	COO												
	Evaluate and Improve the Plan Strategy	CEO												
	Evaluate and improve the business model	CEO												
Marketing Strategy	make detail marketing strategy	CDM												
	build the online website	CDM												
	build the social media accounts	CDM												
	Hire the freelance online sales & marketing team	CEO & CDM												
	Educate the environmental problem from furniture industry in social media	CDM												
	Create Content for online marketing	CDM												
	Promotion Online & Offline	CDM												
	Create ads in Social Media and Google	CDM												
	Evaluate the marketing strategy	CEO & CDM												

The implementation plant is focus to 2 business solutions which are the changing of the business model and build the new marketing strategy based on the new business model. Changing the business model would consist of the preparation by the C-Level meeting, deciding the sales target, making concept for general marketing strategy, pricing strategy, cost structure, prepare the area for re-used and recycle products, and evaluation per every 3 months for the plan strategy and 6 months for business model evaluation and update.

The second business solution is the marketing strategy. The marketing strategy would consist of making detail marketing strategy, build the online website and accounts in social media and e-commerce, hire freelance team for marketing, making campaign and promotion in online and offline, create the advertising paid in online channel, and the las is evaluation for marketing strategy for every 3 months.

**CONCLUSION & RECOMMENDATION**

This section would describe about the conclusion of this case study and the suggestion for further application to the business entity in this case study. The conclusion would consist of the main problem issues and the solution to solve the problem issues. The



recommendation of this case study would describe based on the business solution of the case study that might be applied to the company.

## A. Conclusion

The main problem issues of the furniture industry which are related to the environmental issue are the decrement of the availability of the raw material and the waste of the furniture used. The availability of the raw material has decreased due to the decrement of the forest trees over exploitations. And it could be happened due to the illegal logging of the wood from forest trees. That is why the Indonesian government has issued the special regulation to solved the problem from illegal logging. The total decrement of forest per 30 years is 61.982 hectare. Another issue is about the waste or garbage from the furniture used. People who would change their furniture to be new model or new design has confused for the existing one or the used furniture that would throw away from their home. Some people would give to other or would put in to the final garbage/waste area and it would give the effect to the environment.

In the other side, the problem from Oo-Furni the company in this case study has also decreased the sales trend. In June 2020 until August 2022, the company has got the decrement. The new suitable business model is needed to adapt the current condition for furniture industry and customer perception. Previously, Oo-Furni has 3 categories of the business sectors existing, first is the retail product which sell the finish product from teak wood Jepara, the second is customize product which is pre-order sales by customer with special request. The raw material could be by Multiplex, Plywood, teak wood, steel and the last is repair services.

Based on the analysis from company data report while compare the sales, capital and profit, the repair sales sector has the highest margin and it would also solve the furniture industry problem that related to the environmental issue by build the campaign to people to invite them for repairing their broken furniture rather than throw away to the waste/garbage area.

The Solution to solve the problems is changing the business model for the company to survive and growth long time. The business model would focus on Repair, Reused and Recycle to solve the problem of the decrement sales trend and environmental issue in furniture industry. And after that, the company has to build the new marketing strategy for the new business model.

## B. Recommendation

The recommendation of for the company (Oo-Furni) for this case study to growth and survive for the long time are the following:

1. The environmental problem from furniture industry has to be solved together between government with regulation and standard, corporation and market to follow the regulation.
2. Oo-Furni has to change their business model to growth and survive for long time period. The suggestion for the business model is related to the environmental issue.
3. The Repair services is the highest margin profit and it could solve the environmental problem from furniture industry specially to minimize the waste or garbage from furniture used.
4. The Repair-Reused-Recycle could be the new business model to solve the environmental problem based on the analysis.
5. Changing the business model has to prepare the resources, implementation plan and detail strategy. Company has to make soon the schedule plan to apply the new business model in their business.
6. Prepare the budget planning for applying the new business model to optimize the existing capital for applying the new business model.
7. Prepare the showroom area which has to re-layout the showroom area for the new business model. The layout has to reflect from repair-reused and recycle product to make awareness the visitor or customer while they visit to the showroom.
8. Build the online website that has to reflect the repair, reused and recycle furniture business. The website consists of the repair services detail information, re-used catalogue product and detail services and also the recycle product catalogue from the company. Another thing, the company has to build also the e-commerce account and social media account to become a window to direct people to visit the company online website.
9. Hiring the freelance marketing to push the sales increment of the company is a must. The fee could be commissions from sales product or services.
10. Giving promotion in offline and online channel is also the suggestion to increase the sales of the company. Also, the paid advertising content would be a choice to invite people for buying product or services.



11. Education to increase the awareness to people who not understand yet the environmental problem from furniture industry has to build in the social media and offline media.

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