

Proposed business model for PT. SHR in contractor business

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Abstract

Purpose: The business issue is to fill in the gap of sales increase and scale up the business.

Research Methodology: The study conducts the qualitative approach. The data gained through the interview to key persons and the project's visit. Finding out how the sales growth was not as significant as previous years, and formulating the proposed business model strategy for this growing company. The business model strategy in the research, utilizes the Business Canvas Model – a one-page tool to visualize the business nine essential elements.

Results: The business model development is evaluating the business model within each of the building blocks regarding the questions list tools. First, presents a big picture assessment of PT. SHR and describe how the company has built strategically on that model since. Second, based on a set of checklists for assessing current business model strengths, weaknesses, opportunities, and threats (SWOT). The business model development results in the New Business Model Canvas. The New Business Model Canvas resulted in incremental innovation for PT. SHR. There are the additions of elements in each building block that connected to another. The additional elements are: the new customer segment and new value propositions that projected the new high of sales that produce the revenue stream with the control of cost spending. The realization of the new value proposed creates additional elements of the infrastructures that are the key resources, key activities, and key partnerships. At the end, the company delivers the value proposed to meet the customers through the customer interface that is the new customer segment, integrated channel, and a new customer relation element. This proposed new value proposition is the company scale up the contractor business to the housing developer. Thus, how the new business model strategy generates multiple sales and income.

Keywords: *Business Strategy, Business Model, Business Model Canvas, Contractor Business*

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1. Introduction

As a fourth most populous country, Indonesia with 1.08% of growth, there is the opportunity for PT. SHR with their contractor business to serve the need of shelter in a wide range of segments. PT. SHR runs the business adopted the Sharia Economic. While Indonesia currently is the second largest Muslim population country in the world. The Sharia Economic growth in Indonesia in recent years was over the national growth (Prijudanto, 2019; Putra, Ahadiyat & Keumalahayati, 2023).

PT. SHR is the largest sales contributor in SHR Corporation. In the last five years, the company's sales growth significantly. While in 2023 was targeted of sales become Rp 200 billion, regarding the 2022 sales was about Rp 84 billion. The ambitious of enormous growth results the PT. SHR sales did not reach the two times of previous year achievement, though there is growth in the sales. The research is

to design ideal proposed business model strategy that suits the founder and management of PT.SHR vision (Khan & Hossain, 2021; Rothaermel, 2019).

2. Literature Review

The firms, in this term – PT. SHR is formulating and implementing the value creating to achieve their strategic competitiveness. The strategy can be defined as the integration and coordination of actions and commitments to utilize the core competencies then acquire the competitive advantages. The competitive advantages gained by the company while they implement their strategy, there is the value created that is highly accepted by the customers, and the competitors hardly copy that value or even not able to imitate the value (Nurhanisah, 2023; Wheelen, Hunger, Hoffman, & Bamford, 2018).

Here is another theory of business strategy. To apply economic principles, there is a richness of business strategy that defies simple and general theory. To get to know regarding to the behavior in the market, there are questions to get to know first: When the best time to do investment and pricing decisions? Which costs are recoverable and which are sunk? What information does each company have about its competitor actions or market conditions, and when does the company acquire the information? (da Conceição Walkowski, dos Santos Pires, & Tricárico, 2019).

Business model is a framework for how the firm creates, deliver, and capture value. Differ from a business-level strategy is the set of commitments and actions that yields the path a firm intends to go through to gain a competitive advantage by exploiting the core competencies in a specific product market. Understanding customers in terms of who, what, and how is foundational to developing and using successfully both a business model and a business-level strategy (Mohamed & Farahat, 2019).

The Business Model Canvas is a set of comprehensive building blocks in a single page, and it makes discussion to take a big picture of the current situation and projecting the future of the firm. The research results a form of a New Business Model Canvas, as the proposed business model strategy (Shapiro, 1989).

Contractor business in Indonesia, in this study term is a personal or a business entity who is appointed and responsible for all or partial works in construction jobs. In term of this research the company run the contractor business mostly covered to build and or to renovate housing.

Regarding to the business strategy, a statement from Tim O'Reilly, CEO, O'Reilly, "There's not a single business model... There are really a lot of opportunities and a lot of options and we just have to discover all of them." The new business model canvas, concludes the new business line of PT. SHR of housing development for current business issue and situation. Related to lean startup is to find the fastest possible path to realizing the vision. The new business model presented in the research is one of the referred strategies for current management goals.

3. Research Methodology

3.1 Data Collection Method

This study uses a qualitative method with a case study approach. The study collects data both from the primary sources and secondary sources. Primary sources from internal stakeholders are gathered from interviews and observations to ongoing project sites. The secondary data sources obtained from the earlier research. The study to the documents, records, and clients' history of the company gathered as the management's permit. Data collection is related to: interview protocol, result of interview, and interview data analysis (Langford, & Male, 2008).

3.2 Data Analysis Method

Here is the current Business Model Canvas in each of nine building blocks: Customer Segments, Value Propositions, Channels, Customer Relationships, Revenue Streams, Key Resources, Key Activities, Key Partnerships, and Cost Structure – of PT. SHR.

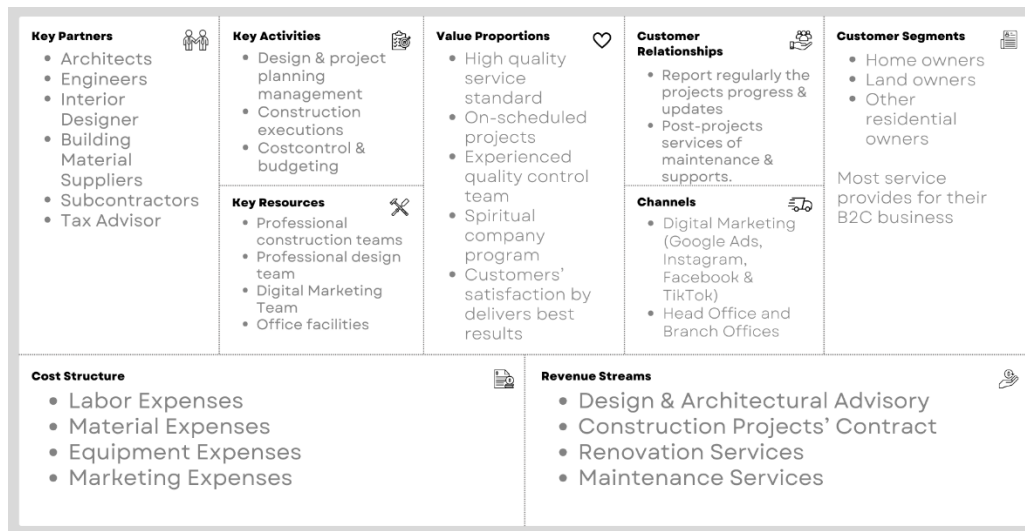


Figure 1. PT. SHR Current Business Model Canvas

4. Results and discussions

4.1 Business Strategy Formulation

The business strategy formulation regarding to the Diamond Strategy Framework of PT. SHR as follows:

1. Arenas. What will be active? (and with how much emphasis?) at PT. SHR:

Product category provided is the contractor service for the owners of houses and or land.

Market segments are for the middle class, regarding the price range of the services, construction specifications delivered, and building material. Geographic area is mainly at Jabodetabek Area, other areas in Java Island, and some projects sites all over Indonesia.

Core technologies for their digital marketing expansion at digital media platform, and for the internal operational system of the report and projects control. Value creation stages at the company are the professional construction services, standardized quality of services, and spiritual value of spiritual characteristic.

2. Vehicles. How will we get there? PT. SHR develops the internal team to experience professional constructions and apply high quality standards. To gain the market, the company acquired the digital marketing expansion strategy.

At this time there are no joint ventures, licensing/franchising, or acquisitions. PT. SHR exists as one of the subsidiaries of the holding, most of them related to each other of business subsidiaries. The offline channel for the customers served at the head office and branch offices.

3. Differentiations. How will we win? The company's image shown is as a professional contractor that holds the spiritual values.

The customization in PT. SHR is that the company integrated with its holding company, to complete the services. For the contractor services of the company, there are some services from another company in the holding, such as architect and design, pest control, cleaning service, and there is the online platform related to the syariah living – Sunnah Life.

The price offered is in the decent range of middle-class commercial housing that starts at five million per meter square. Depends on the specification, the costs will be variably adjusted. The styles offered are varied. The PT. SHR architect team offers the catalogue of current trends of housing exterior and interior to choose by their customers. Even if the customers have their own preference designs, they are accepted to be discussed with the design team.

4. Staging. What will be our speed and sequence of moves? The history of PT. SHR expansion in

recent years with the strength of the digital marketing, succeed scale-up the business. The company continuously planned the expansion. The external environment such as the political-election and the macro-economic situation in the country, the company has to optimize the strategy.

5. Economic Logic. How will we obtain our return? PT. SHR generates the profit by the sales production, while higher sales, efficiency of cost spending shall be optimized. For example, the procurement for much higher volume and advance payment, the company has the bargaining power to get a much lower price. Regarding those five major elements of strategy discussed above, here are the Diamond Strategy Framework of PT. SHR.

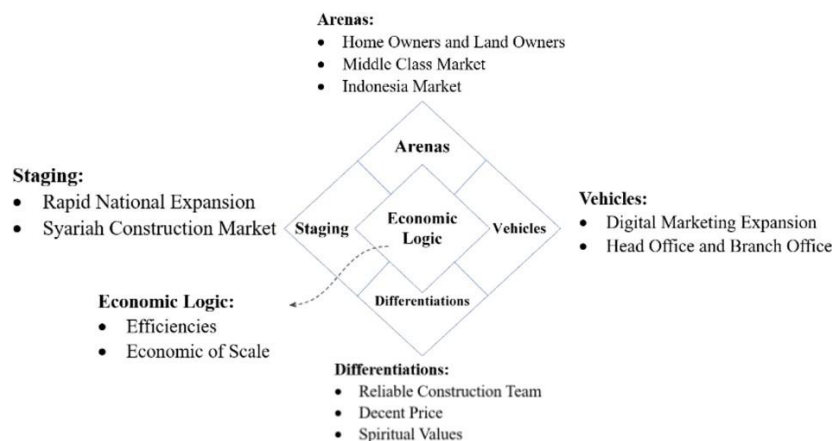


Figure 2. PT. SHR Strategy

4.2 Business Solutions

Understanding the organization's environment helps to conceive stronger, more competitive business models. Continuous environmental scanning is very important because of the growing complexity of the economic landscape (networked business models), greater uncertainty (e.g. technology innovations) and severe market disruptions (e.g. economic turmoil, disruptive new Value Propositions). Understanding dynamics of the environment helps to adapt model effectively to shifting external forces. The next section is about re-interpreting strategy through the lens of the Business Model Canvas. This helps by constructively questioning established business models and strategically examine the environment in which PT. SHR business model functions. Regarding the business activities of PT. SHR, the strategic area examined is the Business Model Environment and Evaluating Business Model.

4.2.1 Business Model Environment

To develop a business model "design space", the four main areas in the business environment are:

1. Market Forces

Market forces is a market analysis to explore the market segments, needs and demands, market issues, switching costs, and revenue attractiveness.

2. Industry Forces

Industry forces is the competitive analysis to find out: the competitors (incumbents), new entrants (insurgents), substitute products and services, suppliers and other value chain actors, and stakeholders.

3. Key Trends

Key trends are foresight to: technology trends, regulation trends, societal and cultural trends, and socioeconomic trends.

4. Macroeconomics Forces

Macroeconomic forces related to: global market conditions, capital markets, commodities and other resources, and economic infrastructure.

4.2.2 Evaluating Business Model

A periodic assessment of the current business model is an important management activity that an

organization evaluates market position and strategy – to adapt accordingly. The checkup can become the basis for incremental business model improvements, or it might trigger a serious intervention in the form to initiate business model innovation.

First, here is big picture assessment of PT. SHR and describe company's strategy.

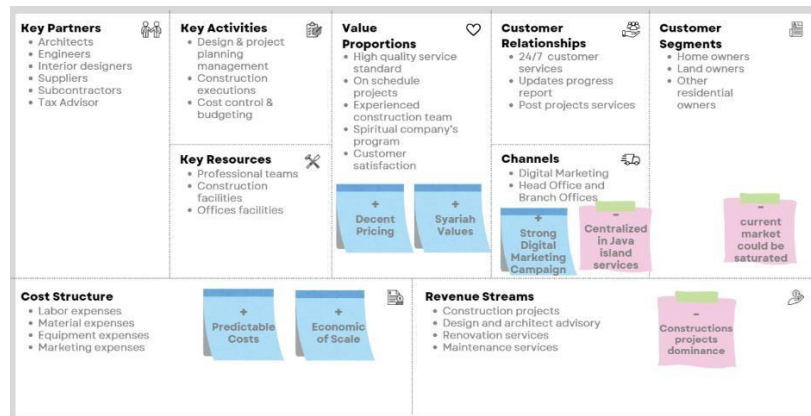


Figure 3. PT. SHR Main Strengths and Weaknesses

The Strengths are:

- Syariah Values (Value Proposition)
- Decent Price (Value Proposition)
- Strong Digital Marketing (Channel)
- Predictable Costs (Cost Structure)
- Economic of Scale (Cost Structure)

The Weaknesses are:

- Current market could be saturated (Customers Segment)
- The digital marketing reached a broader market, than the offline service office that mostly covered the Jabodetabek Area, and Java Island. (Channel)
- Current revenue stream dominance by the constructions and renovations projects. (Revenue Stream).

Another big picture evaluation of the current business model, is t opportunities exploration. Here is an example of exploration of opportunities to scale up the business to meet the company's sales target.



Figure 4. PT. SHR Opportunities Exploration

Second, after done sets of checklists for assessing current business model strengths, weaknesses, opportunities, and threats (SWOT), that helps to evaluate each Building Blocks.

4.3 Finding

Proposed business model for PT. SHR formulated in each building block of the Business Model Canvas, based on the results of the interviews checklists answers. The thought process involves the opportunistic thinking of the inside-out business model transformation. The innovation built is the incremental innovation for the business model canvas, the strategic approach involving gradual enhancements to existing products, services, or processes.

Here are the enhancements in each building blocks proposed.

1. Customer Segments

New customer's segment acquisition expected to avoid customer's saturation, by a vision for opportunities of the growing market, is to create the new customer segment. In this term are home buyers. The home buyers are the enhancement of current customer segments in the housing construction industry. This strategy is in line with the company's future goals to keep in growth cycles, and have tremendous yearly growth potential.

2. Value Proposition

Currently, the company has a strong network effect, and with the industry competitiveness, then in previous building block the business enhancement is as the housing developer – the value proposition added are as the reputable developer, and as addition PT. SHR become house seller.

3. Channels

One of the strengths of PT. SHR is the effective online channel through the digital marketing, the other hand the offline channels – the office representative is still centralized in Jakarta and Java Island areas is considered current strategy of the company. To integrate the previous building blocks, the channel addition is the expansion of branch offices. In housing development, the offline marketing representative is compulsory.

4. Customer Relationship

Current customer relationship quality is matched with current customer segments, and the company obligated to maintain relationships quality. The most efficient effort is to automate some relationships. In this building block, the addition is the developer automatic customer service that might use current 24/7 service, by adding the housing developer features.

5. Revenue Streams

Current revenue streams are dominated by the sales of construction service. With a new revenue stream from house selling, increases the sales significantly. Revenue stream earned from the house building and the house selling.

6. Key Resources

In the dynamic environment the threat is the disruptive resource, the company running well is by measurable efficient exploitation of resources. The proposed new elements are company has to a new functions of housing developers and the housing flipper as the addition.

7. Key Activities

To optimize the company's current strategy, the key activities are executed in high quality. Though there are threats of disruption, the company standardized the key activities through the tight quality control. With the strongly related to the previous building block, the additions are house selling and house flipping.

8. Key Partners

Key partnership in the construction business is dynamic and sometimes unpredictable, so it a must to maintain, and should be well managed for collaboration. To avoid the default of partnership – clear contracts and strong legal platforms needed to avoid fraud and losses. In this term of the new strategy of housing developers, the proposed new key partners are legal representative, land owners, and new subcontractors.

9. Cost Structure

As the company scales up, the procurement gains economies of scale. In line with the revenue and sales, the cost structure becomes more complex, higher risks, higher costs. Through efficient spending, the cost structure can be controlled. For the new line of housing developers, the addition cost structures are the house building costs, marketing representative costs, and legal fees. Regarding The Nine Building Blocks additions elements, for the new business model strategy visualized in one page, represents below in Figure 5. New Business Model Canvas.

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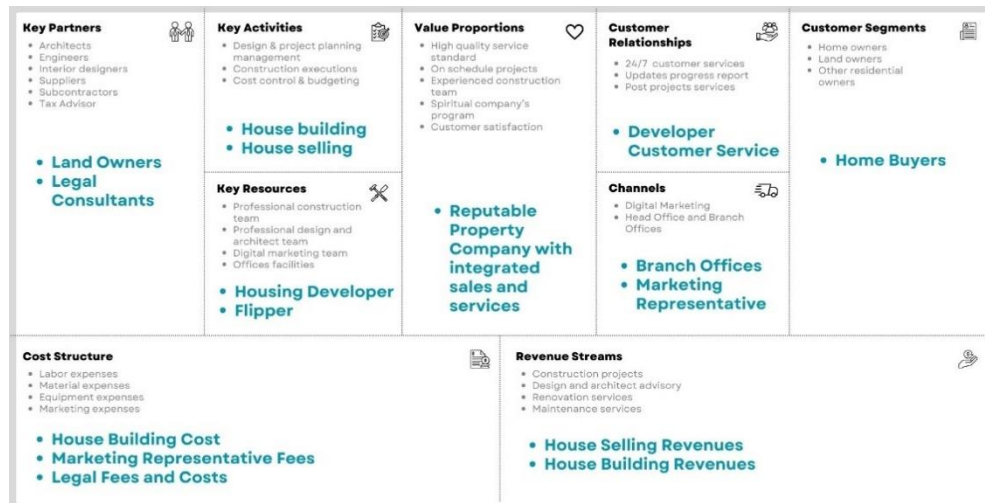


Figure 5. New Business Model Canvas

5. Conclusion

5.1 Conclusion

To propose the ideal business model strategy for PT. SHR in contractor business, results in a one-page presentation of New Business Model Canvas. Through the business strategy formulation and finding out the business solution to develop strategy of current business issue of higher of sales and scale up the company's business.

Since the new business model canvas results of business model strategy formulation and development concluded that there are additions of elements in each building blocks, is the results of finding out about the segments that have not been served, potential new high revenues, and synergized of activities and resources.

The new business model canvas concludes the new business line of PT. SHR – housing development for current business issue and situation. This addition business line is an incremental innovation. Since the dynamics of environment, challenges and opportunities, the strategy periodically can be review and enhance, or even open for any radically innovation, could be happen in future. While this new business model strategy is one of the fastest possible paths to reach the management expected results. How entrepreneurs use continuous innovation to create radically successful businesses. Since then, there will be another ideal business model strategy innovated for the company to fulfill the vision.

1.2 Recommendations

1. The Recommendation of New Business Model Canvas

The additional elements in each building blocks which related to each other, are:

- Value Propositions. The addition elements are as a reputable housing developer and house seller.
- Customer Segments. The addition of customer segment is the house buyers.

- c. Channels. Regarding to the developer business, the offline channels are the development of the branch offices, and marketing representative of the projects.
- d. Customer Relationships. It will be a must to create the sub unit of the customer relationship in the new business line of the housing developer.
- e. Revenue Streams. With the new business line of housing developer will be the additions of the revenue streams that will be the revenue from house selling and house building.
- f. Key Resources. The addition key resources are the housing developer and also the flipper of used houses.
- g. Key Activities. The additional key activities are the house building and house selling.
- h. Key Partnerships. The housing developer business line, there will be the new key partnerships, those are the land owners, and legal consultant.
- i. Cost Structure. The house developer business will result the new costs, those are: the building cost, marketing representative fees, and legal fees.

2. Marketing Plan

House building and selling are the new key activities, and digital marketing already exists, the current marketing tools need some utilization to match the developer department needs. Other marketing tools are the marketing representative and another representative office is going to be an advance to execute the sales.

3. Financial Plan

The financial plan of proposed business model strategy aligns to the resources and capabilities is in the company's management authority. The new main Key Partners would be the landowners, qualified subcontractors, and legal representative officers. The financial sources can be collected through cooperation, investment, and other expansion plans.

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