Income Statement Pentacode Digital (Using Business Model Canvas)

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ABSTRACT

This study aims to describe the business model in Pentacode Digital and its current strengths, weaknesses, opportunities and threats in it to be able to propose a new business model canvas. The method used is descriptive method. The method used is qualitative methods and modeling. And technique of the data used by other interviews, a questionnaire, and observation.

The results show that the picture of the business model now is nine blocks of the business model canvas Pentacode Digital has a weakness in the block channels, revenue streams, and key activities. While, Pentacode Digital has a strength in the cost structure, value propositions, customer relationships, key patnerships, and customer segments. The new business model for the Pentacode Digital is by adding product content, optimizing channels, and increasing revenue streams

Keywords: *business model, business model canvas, strategy, Pentacode Digital*

1. INTRODUCTION

The development of digital technology is very fast, make digital marketing model is in great demand. Marketing techniques such as online advertising, email marketing, mobile marketing, and online media promotion are examples of digital marketing. The main objectives of digital marketing are marketing targets, increasing brand awareness, building market databases, and digital analysis. Various benefits can be obtained if we use digital marketing for our business, so many companies are providing digital consulting services.

Pentacode Digital is an information technology consulting service company that offers digital strategies and technological innovations. Pentacode Digital has a great opportunity to be able to compete with other companies that offer the same products and services, because it has a mission that is to improve the ability to do business in the digital world. Pentacode Digital has the goal of providing the best solutions, effective and efficient digital strategies, and adding value to consumer businesses. From the mission and goals of the company, it is expected that consumers and potential customers can be attracted to work with Pentacode Digital in the midst of competition.

Pentacode Digital started its business in 2008, until now Pentacode Digital has many consumers. However, Pentacode Digital must continue to innovate in order to survive in this industry. Pentacode Diigtal must have characteristics or uniqueness in establishing relationships with consumers and in fulfilling consumer desires. In addition, companies also need to do promotions so consumers can easily search.

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After conducting an internal interview, there was a problem, that is, the company's revenue that could not be predicted because every month the client held by the company changed, this could create an unstable income. But, company have fixed costs such as operational costs or employee salaries. This makes it necessary for a strategic analysis by the company so that revenue is always greater than expenses.

With some of the problems outlined above, it is important for Pentacode Digital to find out the appropriate strategy to be applied in the company. In addition, it is also known that there has been no previous research on how to formulate the right strategy to deal with threats and maximize the opportunities that exist so that it is expected to increase revenue on Digital Pentacode with a modeling or business model approach. Modeliing or business models are concepts that have just entered scientific discussion in the fields of strategic management, innovation, and entrepreneurship. The framework is increasingly considered important as a new concept illustrates the core logic of the company to create and capture the value and mechanism underlying logic. (Hacklin & Wallnofer, 2012: 167).

Therefore, researchers feel the need to do an analysis of the business models that need to be applied to Digital Pentacode using the business model canvas approach. According to Osterwalder & Pigneur (2012: 14) Business Model Canvas (BMC) is a business model that illustrates the rationale for how organizations create, deliver and capture value in nine building blocks, consisting of customer segments, value propositions, channels, customer relations revenue streams, key resources, key activities, key partners, and cost structures, so that alternative strategies can be formed to suit the company's conditions

The main research questions of this paper are:
1. How is the picture of business model on Pentacode Digital with the business model canvas approach?
2. How is the new business model suggestion for Pentacode Digital?

The aims of this research is to create an innovation for Pentacode Digital by finding out the picture of business model on Pentacode Digital as well as the strength, weakness, opportunity, and threat (SWOT) and by reviewing with business model canvas approach. This analysis results further are used to determine the more innovative new model picture for Pentacode Digital.

2. LITERATURE REVIEW

2.1. BUSINESS MODEL

Modelling is a new concept which recently entered the scientific discussion in the field of strategic management, innovation, and entrepreneurship. The framework is considered essential as a new concept describing the main logic of the company in creating and seizing either values or mechanism underlying the logic [1]. A business model describes the rationale of how an organization creates, delivers, and captures value [5].

2.1.1. EVALUATING BUSINESS MODEL

Business model is an important activity for management to evaluate market position in the organization. Organization needs to check up their business model for improvement or it might trigger a serious intervention in the form of a business model innovation initiative. Regular check-up are important to prevent early detection of business model problems. This research adopted point of view of an existing business model and analysed external forces from the inside out [5].

There are two types of assessment. First, provide a big picture assessment of Pentacode Digital in 2020 and describe how the company has built strategically on that model since. Second, provide a set of checklists for assessing the business model's strengths, weaknesses, opportunities, and threats (SWOT) to help evaluated each Building Block. Assessing a business model from a big picture perspective and assessing it from a Building Block perspective are complementary activities. A weakness in one Building Block, for example, may have consequences for one or several other Building Blocks—or for the entire model. Business model assessment, therefore, alternates between individual elements and overall integrity.

2.2. BUSINESS MODEL CANVAS

The concept of Business Model Canvas (BMC) became a shared language to describe and manipulate business models to create new strategic alternatives. The shared language makes it easy to systematically challenge assumptions about one's business model and innovate successfully.

BMC can best be described through nine basic building blocks that show the logic of how a company makes money as described by Figure 1. The nine building blocks cover the four main areas of a business i.e. customers, offer, infrastructure, and financial viability. It is like a blueprint for a strategy to be implemented in business organization such as their process, structures, and systems.
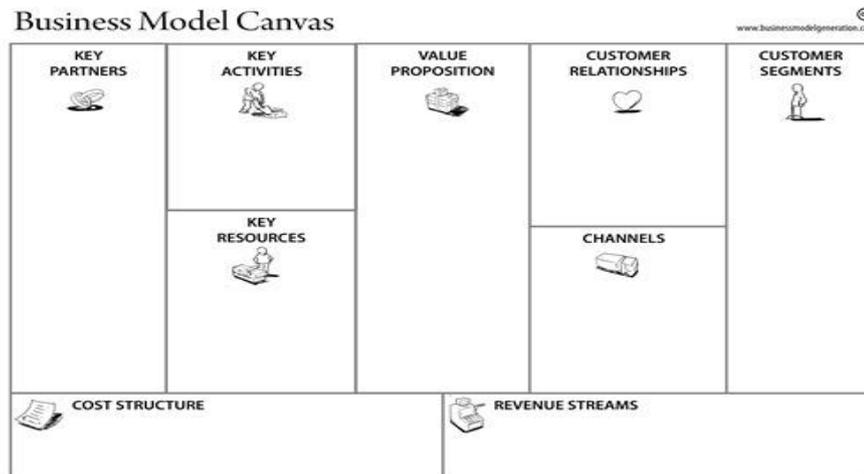

Figure 1. Business Model Canvas
Source: Business Model Generation [5]

The nine building blocks of BMC are as follows:
1. Customer Segments
   Building blocks of costumer segment portray a group of people or an organization which is wished to be reached out or served by a company. To further satisfy customers, the company can group the customers into some segments. These are the groups of costumer representing some separated segments:
   a. Customers need and allow different offers.
   b. Customers are obtained through different distribution channel.
   c. Customers need different kinds of relationship
   d. Customers basically have different profitability.
   e. Customers are willing to pay for aspects of different offers.

   There are some different Customers Segments. For examples, mass market, niche market, segmented, diversified, and many-sided platform.
2. Value Propositions
   Building blocks of value proportion describe the combination of product and service that create value for specific's Costumer Segments. The value proportion is a reason which makes the customers switch from one company into another company.
3. Channel
   Building blocks of channel describe on how a company communicate with its costumers segments and reach out them in order to give the value proposition. The functions of channel are:
   a. Increasing the awareness of costumer regarding the product and service of the company
   b. Helping the customers to evaluate the Value proportions of the company
   c. Enabling the customers to buy the specific product and service
   d. Giving the Value proportions to the customers
   e. Giving the post-sale support to the customers

4. Customer Relationships
   Building blocks of customer relationships describe various types of relationships established by the company with the specific customer segments.

A company seeks to establish a good relationship with the customers basically because of these following reasons:

a. New customers acquisition
b. Old customers retention
c. Up Selling

Some categories of customer relationship which probably has been in company relationship with particular customer segments are personal help: common or specific help, supermarket, automatic service, community or co-creation.

TABLE 1
Type and Phase of Channel
Source: Business Model Generation[5]

Types of channel			Phases of Channel				
One's Own	Direct	Sale Forces	**1.Awareness** How to increase the awareness towards prodyct and service of the company?	**2. Evaluation** How to help the customers to evaluate the value proportions of the organization?	**3. Purchase** How to enable the customers to buy the specific product or service of the company?	**4.Delivery** How to deliver the value proportions to the? customers	**5. Post-sale** How to give the post-sale support to the customers?
		Web Sales					
		Own Store					
		Partner's store					
Partner	Indirect	Sales in bulk					

5. Revenue Streams

Building blocks of revenue streams describe the cash earned by the company of each customer segment (the charge has to be smaller than the income in earning the intake. The business model involves two types of revenue streams: transaction income earned from one-time payment of customer and repeatedly income earned from continuous one-time payment in giving the value proportions to the customers and providing the support to the customers after the purchase.

There are two mechanism of price determination: fixed price determination (the price standard is based on the static variables) and dynamic price determination (the price change depends on the market condition). The fixed price determination includes: price list, dependence of product features, dependence of customer segments, and dependence of volume. The dynamic price determination includes negotiation, result management, real-time market, and auction.

6. Key Resources

Building blocks of main resources describe the most important assets needed so that a business model can work. The main resource can be categorized as physic, intellectual, human, and financial.

7. Key Activities

Building blocks of key activities describe the most important things which have to be done by the company so that its business model can work.

8. Key Partnership

Building blocks of key partnership describe the supplier network and partner who makes the business model can work. A company creates an alliance in optimizing the business model, reducing risks, or obtaining the resources.

9. Cost Structure

Building blocks of cost structure describe all costs incurred to operate the business model. Creating and giving values, maintaining the customer relationships, and earning income cause costs.

2.3. STRENGTH, WEAKNESS, OPPORTUNITY, THREAT (SWOT)

SWOT analysis or categorizing issues into strengths, weaknesses, opportunities, and threats is one of the most respected and prevalent tools of strategic planning. SWOT is used to identify cultural impediments and advantages and external governmental roles as well as internal company issues. It has been used for identifying and exploiting opportunities in a wide variety of situations. For nascent entrepreneurs, SWOT is an appealing methodology for both its brevity and precision.

While SWOT analysis is based on a seemingly simple framework, its application for complex situation analysis is widely respected. SWOT examinations are a useful strategic tool to fill gaps in the assessment of economic conditions facing an entity as well as categorize internal variables. SWOT analysis was first described by (Learned et al., 1969 in [4]) and has grown as a key tool for addressing complex strategic situations by reducing the quantity of information to improve decision-making. Internal issues can include image, structure, access to natural resources, capacity and efficiency, and financial resources while external issues can include customers, competitors, trends in the market, partners and suppliers, social changes and new technology, and various environmental issues including economic, political and regulatory. From the list of SWOT, a firm, country or other entity can determine how to leverage its strength, improve its weaknesses, seize opportunities and avoid potentially harmful threats or at least monitor them through more consistent environmental scanning [4].

3. RESEARCH METHODS

Research method used is descriptive qualitative method. The tool used is Business Model Canvas. [6] states that qualitative research is research procedure which collects the data in the form of written words or spoken from the informants who can be observed descriptively. This research aims to find out the picture of business model of Pentacode Digital along with the strength, weakness, opportunities, and threat in order to be able to determine new the business development model. Variables used in this research and questionnaire items are modified from [5].

[7] explains about the population in qualitative research:
"*Qualitative research starts from particular cases which are on the certain social conditions. The results of the study will not be applied to the population but it will be transferred to other places on the social situation which has the similarities with the learned social situation. The social situation in this research is public broadcaster Pentacode Digital which is the subject of the research*".

Sample in qualitative research is not as respondent but as the informant or participant in the research. Sampling technique used in this research is purposive sampling. Some informants within the organization structure of Pentacode Digital are taken as sample because they are considered as the people who understand the condition of the company. In addition, as the complement of this research, the supportive data are needed for this research which are the primary and secondary data.

Data analysis technique used in the qualitative research is directed to answer the research questions that have been formulated. Data are obtained from various sources by using various data collection technique. It is continuously conducted until the data are saturated [7].

For data analysis from questionnaire results, the writer analyses it by using the assessment criteria for each question based on the continuum value with the following steps:

1) Cumulative value is a value from each category of the question which is the answer from five informants.

2) There are five informants with the biggest scale of five and the smallest measure of one, so that:

The biggest cumulative number is 6 x 5 = 30
The smallest cumulative number is 6 x 1 = 6
The biggest percentage value is (30/30) x 100% = 100%, whereas the smallest percentage is (6/30) x 100% = 20%. The range value is 100%-20% = 80%. If the range value is divided by 5 measurement scale, percentage interval value of 16% would be obtained. Thus, it would obtain score interpretation score which can be seen in Table 2.

TABLE 2

Percentage Category

No	Percentage	Category
1	20% ≤ x ≤36%	Very low
2	36% < x ≤ 52%	Low
3	52% < x ≤ 68%	Sufficient
3	68% < x ≤ 84%	High
4	84% < x ≤ 100%	Very high

The formula in determining the interval length:

The length of interval class = $\dfrac{\text{Range (biggest cumulative-smallest cumulative)}}{\text{Number of intgerval classes}}$

The length of interval class $= \dfrac{30 - 6}{5} = 4,8$

With the interval length of 4,8 then it is obtained a classification within the continuum line as figure 3.

Figure 2
Continuum Line
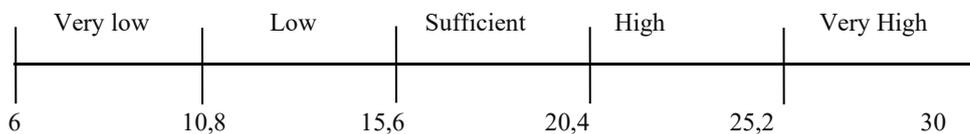
3) The total of score from each informants' answers are averaged, subsequently the average results become the score interpretation value in analysing SWOT within the business model canvas

4. RESULTS

The questionnaire results conclusion of Nine Block Business Model Canvas can be seen in Table 3.
TABLE 3.

Questionnaire Results of Nine Block Business Model Canvas

		Opportunity	Weakness	Opportunity	Threat
Pent acod e Digi tal need s the right busi ness mod el to win the com petit ion, to incr ease	*Customer Segments*	23,67 High	15 Low	26 Very High	19 Sufficient
	Value Propotion	24,5 High	15,25 Low	26,2 Very High	24,5 High
	Channels	15,4 Low	20,5 High	22,2 High	22,5 High
	Customer Relationships	25 High	11,25 Low	24,3 High	19 Sufficient
	Revenue Streams	15,5 Low	19,25 Sufficient	22 High	19 Sufficient
	Key Resources	20 Sufficient	17,33 Sufficient	21 High	19 Sufficient
	Key Activities	14,5 Low	19,3 Sufficient	24,3 High	18 Sufficient
	Key Patnerships	25 Very High	15,5 Low	23,8 High	20,3 Sufficient
	Cost Structure	19,5 Sufficient	15,75 Sufficient	24 High	20 Sufficient

the income, and to get the new customers. According to (Wheelen and Hunger in [8]), business model is a method

used by the company to earn money in business circumstance where the company is operating. Therefore, Pentacode Digital needs to apply Business Model Canvas (BMC). [5] stated that Business Model Canvas (BMC) is a business model describing the basic thought about how the organization creates, gives, and capture a value. Thus, based on the interview and questionnaire results, the writer will discuss and analyse nine building blocks Business Model Canvas.

Table 4
Conclusion of the Interview Nine Blok *Business Model Canvas*

	Question	**Conclusion**
Customer Segments	Does Pentacode Digital have consumer segments?	Yes, Pentacode Digital have consumer segments
	Like whst type of segmentation?	Government and private Industrial and brand Enterpire, UKM, BUMN
	Who is a Pentacode Digital customer?	All customer is important. Especially Ron 88, Panfilla group, Djarum, Bhatara batik. Usually these customers take full service package & Customers who have a good image.
Value Propositions	What does Pentacode Digital offer to customers?	create applications that match with client want. Product better than the customer's expectations Consulting service, software development, and social media strategy provide.
	What are the customer needs that can be met by Pentacode Digital?	Create the digital content Software development, strategy and development social media Consulting services.
Channels	What channels does Pentacode Digital use to reach with customers?	Website Social Media, such as: FB, IG, twitter, Youtube Personal contacts, such as: Whatsapp, email Word Of Mouth
	How does Pentacode Digital reach customers?	Podting products on the website
	Which channels are the best?	Word of mouth Instagram
Customer Relationships	What kind of relationship does Pentacode Digital build with consumers and partners?	Good cooperative relations Continuous relationship, continues after the contract is over
Revenue Streams	What are the sources of income for Pentacode Digital?	Sales of product: website, mobile applications, digital content Sales of services: software development services and social media strategies
Key Resources	What are the main resources needed for Pentacode Digital?	Human resources Financial/capital resources Infrastructure, operational supporting Server & digital creator
Key Activities	What are the main activities carried out by Pentacode Digital to create customer and partner satisfaction?	Develop and create digital content Providing services macth with agreements and marketing activities consistently

		Develop software accprding to customer requirements Strategy & execution of social media After sales service
	What are the main activities carried out by Pentacode Digital to earn revenue?	Developing and trying new business opportunities (sub-business) that are related Sales of products and services from IT and marketing Make application Software development and consulting services and social media strategy and execution services
Key Partnerships	Who are the main partners of Pentacode Digital?	ATAP promotion TALENTA Akmal Podcast Agency Model Friends entertainment Ron 88 Panfilla group
	Who are the main supplies of Pentacode Digital?	Instruktor Amor Model agency Client dan Google Ron 88, talenta, biznet Digital ocean, google, biznet
	What key resources does Pentacode Digital get from partners?	Project Finansial / capital
	What are the main activities by partners for Pentacode Digital?	Divide the project Offering collaboration for either one-time projects or sustainable projects Assist in business support, provide services for smooth business Server supply and maintenance services
Cost Structure	What are the most important costs (expenses) incurred in Digital Pentacode activities?	Employee salary costs Costs for production and advertising Operating costs of the company, such as: studio rental, rental fees & consumption at work Model cost / talent development
	What are the most expensive main resources released by Pentacode Digital?	Human resources salary Infrastructure costs
	What is the most expensive activity issued by Pentacode Digital?	Content production (design making, photoshoot, video shoot)

Table 2 explains the conclusions of interviews with the company. Then, In Figure 4 it can be seen the depiction of business model canvas existing in Pentacode Digital today. Business Model Canvas is consisted from nine blocks, the first block is customer segment, the second block is value proportion, the third block is channel, the fourth block is customer relationship, the fifth block is income streams, the sixth block is main resources, the seventh block is key activities, the eighth block is main partnership, and the ninth block is cost structure.

KP (Key Partnership)	KA (Key Activities)	VP (Value Propositioni)	CR (Customer Relationship)	CS (Customer Segment)
Government and private sector (ATAP, Talenta, Akmal prodcast)	Developing and create digital content	Producing suitable products is even better than customer expectations. Consulting and development services	Ongoing relationship	Government and private sector UKM & BUMN
	KR (Key Resources) Human resources Infrastructure Financial /capital resources		**CH (Channel** Website Social media (IG, FB, twitter, Youtube) Word of Mouth Email	

C$ (Cost Structures)	R$ (Revenue Streams)
Production cost Operational cost (asset maintenance and rent studio) Salary cost for human resources	Product Consulting services Software development service

Figure 3.
The Business Model Canvas of Pentacode Digital

Pentacode Digital's customer segment consists of divided into Government & Private or UKM & BUMN. The proportion of value provided by Pentacode Digital is to make applications that match client requests, produce products according to customer expectations, and provide consulting services and software development and social media strategies. Pentacode Digital provides product development and software development services and accepts consulting services for consumers. The channel that Pentacode Digital uses to send its customers through various social media such as websites, IG, FB, Twitter, Youtube, and e-mail. Pentacode Digital customer relationships are ongoing relationships, customers without partners have an ongoing relationship after the project is complete. Current Pentacode Digital Revenue streams consist of the results of products sold and consulting services. Main resource Pentacode Digital, such as: human resources, infrastructure, and financial resources. The key activity of Pentacode Digital is product production and development. The main partnership owned by Pentacode Digital is the private sector government, which was invited by ATAP, Talenta, producer of Akmal. The cost structure incurred by Pentacode Digital is the cost of production, advertising costs, and operational costs (office maintenance costs, and studio rent) and costs for HR payments.

5. CONCLUSION

Business model depiction of Pentacode Digital today, viewed through business model canvas approach is as follows:

Customer segment of Pentacode Digital using segmented type. Customer segment of Pentacode Digital is categorized in high category. Value proportion of Pentacode Digital has quite high power and highly chanced to add is value. Pentacode Digital channels includes website, email, and social media (web, twitter, facebook). The power of these channels is low. However, there is high threat due to the existence of competitors. The customer relationship of Pentacode Digital is ongoing relationship, which makes its customers to be able to communicate with the company after sales. The power of this relationship is high. Income streams of Pentacode Digital include commercials business. The power of income stream is low. However it also has high threat due to the competitors and technologies as well as the income streams that may disappear in the future. Main resources of Pentacode Digital include physical, human, and financial resources. The power of the resources is suistanable. The key activity of Pentacode Digital is content product and consultinf service. The power of this key activity is quite low because many competitor have similar product, but Pentacode Digital has high chance in this block by improving the efficiency of its key activity. The power of this partnership quite high. Cost structure of Pentacode Digital includes fixed cost (employee's salary cost and operational cost) and variable cost (program production cost). The power of the cost structure is quite high.

New business model suggested to be applied in Pentacode Digital using business model canvas approach:

1. Optimize channels to reach consumers. Regularly update activities on various social media and create company promotions.

2. The income stream is not the same every month, so an extra promo is needed in the months that tend to decrease income. Predictable revenue flows will optimize the company's cash flow.

3. The more widespread competitors offering similar products, it is necessary to add key activities to make a characteristic in every product produced. So that consumers and potential customers are interested in working with companies.

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