

IMPLEMENTATION OF THE BUSINESS MODEL CANVAS TO WOOD AND VELVET FURNITURE

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Abstract: The good home can be a remedy for people after their long tiring day or can be a good environment for family to interact. People can refresh their energy after having a good rest at their home and ready to continue their routines on the next day. Nowadays, where the demand of housing increase as the rise of population, proportional with the stuff to fulfill the interior needs. After the basic needs for house fulfilled, they start to fulfill their wants for the interior and furniture in it to make a good home. Demand for furniture divided into two different market segment, they are middle up and middle low market segment. Each market segment have different demand about specification of furniture product. Many furniture business doesn't aware about this difference and how to adjust expectation of product quality with customer's expectation. So this study aimed to make product development and innovation in order to compete Wood & Velvet's competitors. It can affect the assessment of need demand for furniture in each market segments. In the future, Wood & Velvet planned to have design division that can provide ideas, creativity, and variety of many design inspirations to make furniture product following customer's needs.

Keywords : Home, Furniture, Design, Product Development

INTRODUCTION

Background

Shelter is one of humanity's primary needs, serving as protection from the elements and providing a space for living. A house, however, is more than just a structure; it becomes a home when it offers comfort, relaxation, and a welcoming environment (Ganesh et al., 2021). The design, atmosphere, and interior of a home significantly contribute to this sense of comfort (Brevik et al., 2019). A well-designed home not only serves as a sanctuary for rest and rejuvenation after a long day but also fosters a conducive environment for family interactions. As the demand for housing rises with the growing population, so does the need for quality interior furnishings (Xiong et al., 2020). Once basic housing needs are met, people turn their attention to enhancing their homes with furniture that reflects their tastes and meets their functional requirements. Different rooms, such as dining rooms, living rooms, and bedrooms, necessitate different types of furniture tailored to their specific functions and designs (Wang et al., 2022).

In Indonesia, the furniture and interior design industry is evolving. While there are many retail furniture options available, high-quality, customized furniture that meets specific customer needs remains scarce (Łukaszewicz et al., 2023). Many customers seek furniture that aligns with their personal designs, specifications, and size preferences. Recognizing this demand, CV Adhiputri, operating under the brand Wood & Velvet, aims to provide high-quality, customized furniture that helps people create their ideal homes.

Company profile

CV Adhi was founded by Mr. Sjarifuddin Adiwinata in 1975, specializing in both customized and ready-made furniture. The company initially served the middle-low segment of the market in West Java. In 2013, a significant shift occurred when Mr. Sjarifuddin's three daughters revamped the management system, rebranding the company as CV Adhiputri. This change marked the company's entry into the middle-upper market segment, emphasizing quality over quantity. The company's target market expanded to include government, commercial, residential, and corporate clients. By 2014, CV Adhiputri specialized in customized furniture under the brand name Wood & Velvet, catering to residential, apartment, and other business needs.

Vission and Mission

Wood & Velvet's vision is to create high-quality furniture for both housing and commercial needs. Their mission focuses on producing well-designed products using the finest materials and ensuring durability. They strive to understand and implement the designs that customers desire. The business philosophy of Wood & Velvet is encapsulated in four primary goals: creating well-designed furniture, using the finest materials, employing well-trained and experienced craftsmen, and implementing customer preferences into their products. The company is committed to providing the best products and services to its customers, always prioritizing quality in every aspect, from material selection to craftsmanship. Wood & Velvet's dedication to quality is evident in their meticulous choice of materials, thoughtful design, and selective hiring and training of human resources. The company's vision is to ensure customer satisfaction, placing this concern at the core of their business operations. Wood & Velvet strives to deliver sustainable solutions through their unwavering commitment to quality.

Core competence

Wood & Velvet's philosophy centers on producing high-quality furniture. The company prides itself on using the finest selected materials, which are increasingly rare and hard to procure in Indonesia.

Durability is a key focus, with all materials undergoing a stringent selection process to ensure they meet the highest standards. This commitment to quality allows Wood & Velvet to offer a diverse range of products that cater to various customer needs. Each piece of furniture is thoughtfully designed, undergoing a thorough development process to ensure it aligns with customer specifications and follows international interior trends. Wood & Velvet aims to meet and exceed customer expectations in furnishings and interior home living.

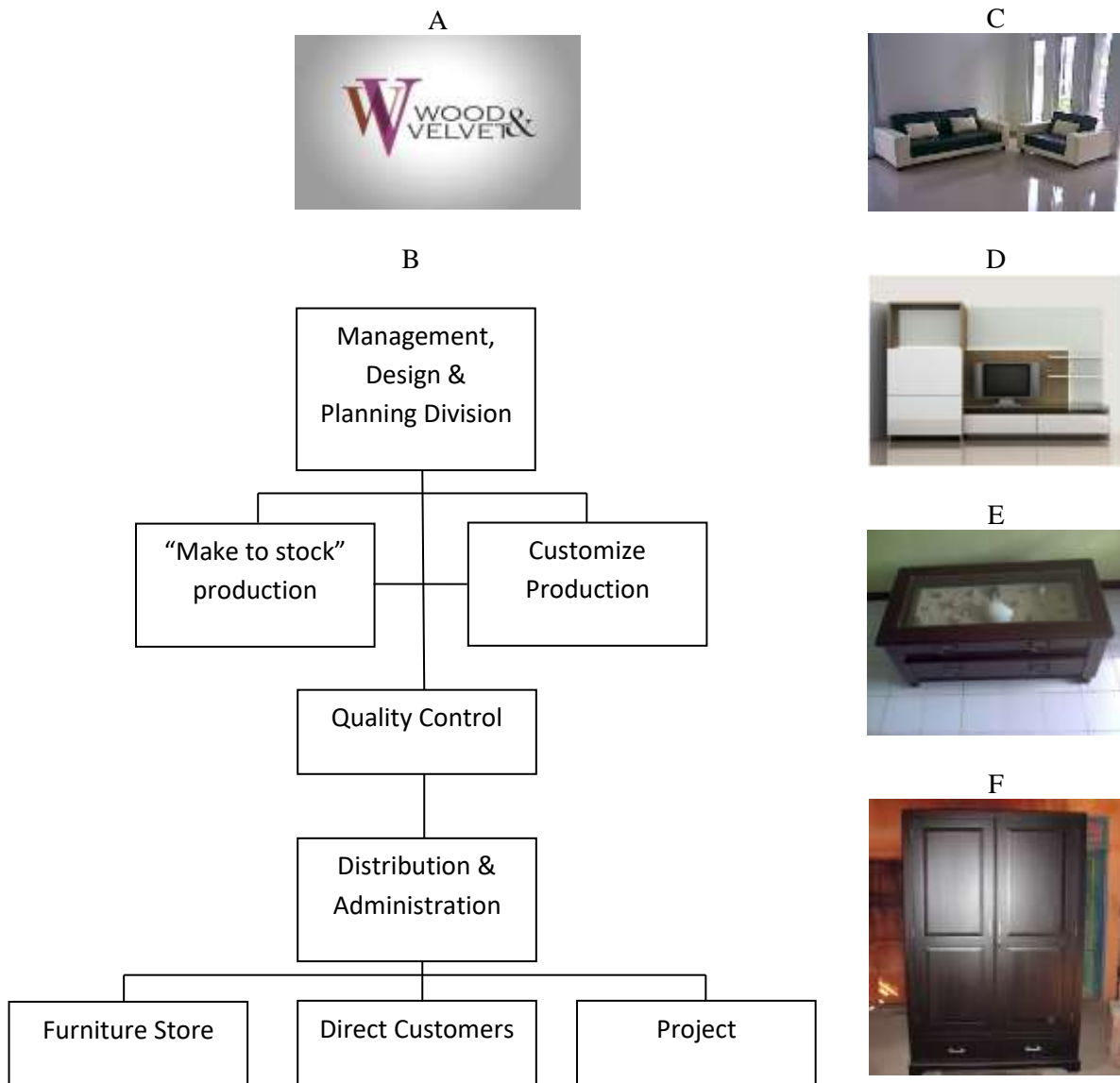


Figure 1. Company profile of CV Adhiputri. A) Wood & Velvet logo, B) Organizational Structure and Management, C – F) Product images of the company

Environment and Corporate Culture

The creative culture and social environment that influenced the founder of Wood & Velvet have profoundly shaped the company's corporate culture. Emphasizing innovation and design, employees, particularly designers, are encouraged to stay open-minded and keep abreast of emerging trends in the global furniture and interior design industries. This flow of information ensures that Wood & Velvet remains at the forefront of the market. The company places a strong emphasis on human capital

development, encouraging employees to be creative and continuously expand their knowledge about products and trends. Wood & Velvet is deeply committed to customer satisfaction. The product development and quality control processes are critical to ensuring that every item meets the company's high standards before reaching the customer. Factors such as comfort, durability, aesthetics, strength, and ergonomics are meticulously evaluated and controlled by the staff. The company strives to refine and improve its products continuously until they are fully ready for the market.

Organizational Structure and Management

Wood & Velvet operates as a small firm that provides high-quality products and services to meet market demands, particularly for home furnishing needs. The organizational structure (Figure 1) is designed to maintain centralized control over functional activities, allowing the company to leverage cost advantages and enhance quality through effective supplier relationships. Integrated purchasing, design, and planning processes ensure efficiency in logistics and distribution, with a streamlined approach to administration and product delivery. Management responsibilities are shared between the founding family and capable professionals in various roles such as administration and marketing. Wood & Velvet fosters long-term relationships with all stakeholders, including suppliers, distributors, designers, and employees. This approach guarantees high quality, facilitates technology and knowledge transfer, and achieves economies of scale. It also helps prevent potential issues related to raw material scarcity.

Business Products

Wood & Velvet offers two primary types of products: make-to-stock and customized products, showing at Figure 1. The make-to-stock products are designed and produced in-house, sold through retail furniture stores on a consignment basis or directly purchased by retailers. Customized products, on the other hand, are tailored to customers' specific designs and specifications. These products are made to order, with additional services such as design consultation provided by freelance designers to ensure that customer needs are fully met.

Business issues

The distribution of creative industries has increased in Indonesia, and the furniture industry, as a part of this sector, sees rising public demand each year (Subagja, 2018; Bustamante Duarte et al., 2022). The business potential for rapidly growing interior design services is substantial, especially in the middle-upper class property sector (Xiong et al., 2020; Wang et al., 2022). The growth in this industry aligns with the expansion of various property sectors, including for the indoor environment of residential buildings, offices, hospitals, schools, workshops, shopping centers, etc (Ganesh et al., 2021). Given these numerous opportunities, Wood & Velvet has chosen to specialize in furnishings and home living, focusing on the middle-upper and middle-lower classes. To meet these needs, products must align with the tastes of each target market, necessitating research to understand customer preferences. Different target markets have varied needs and desires concerning products.

Environmental issues have become increasingly prominent in business considerations, impacting the furniture industry regarding material usage, labor compensation, and work safety (Subagja, 2018; Xiong et al., 2020). The industry is starting to adopt environmentally friendly materials, especially for finishes. For example, water-based finishing paints are used for children's furniture or healthcare services. Additionally, labor issues in the furniture industry must be addressed, ensuring compensation meets the minimum wage requirements in each city (Xiong et al., 2020). Given the high-risk nature of the workplace and equipment, firms must ensure employee job security. Standard operational procedures and equipment are necessary to prevent workplace accidents. Thus, Wood &

Velvet is committed to meeting the growing demand for high-quality, customized furniture in Indonesia's evolving market. By addressing both market needs and contemporary business issues, the company aims to provide furniture that enhances home comfort and aligns with modern environmental and labor standards.

LITERATURE REVIEW

Benchmarking is a powerful tool for enhancing a company's competitiveness by comparing its products and processes against those of leading firms within the same or different industries to identify best practices and areas for improvement (Ramos et al., 2018; Wang et al., 2022). Wood & Velvet can benefit significantly from benchmarking itself against established brands like IKEA, Informa, and MOIE. This comparison will help identify successful strategies and practices that can be adapted to improve quality and performance.

Benchmarking

IKEA

IKEA, a global leader in the furniture industry, operated 355 stores in 29 different countries and the sale reached 34.1 billion euro in 2017 (Basava & Velander, 2018). The brand's entry into the Indonesian market in 2014, with a store in Alam Sutera, Jakarta, capitalized on pre-existing customer awareness and a strong reputation in the upper-middle segment as a furniture supplier. Several critical aspects contribute to IKEA's success. First, IKEA revolutionized furniture buying by offering well-designed, affordable products intended for immediate use and easy disposal when tastes or needs changed. Historically, purchasing furniture was seen as a long-term investment, causing anxiety and indecision among buyers. Second, IKEA's clean, simple aesthetics and whimsical product names resonate particularly well with young consumers. The company also emphasizes paying workers a living wage and maintaining transparency in its production process, appealing to Gen Y values (Shoulberg, 2015). Third, IKEA strikes a balance with its pricing strategy, offering products that are cheaper than competitors' but still perceived as good value by customers (Shoulberg, 2015). Additionally, despite the rise of e-commerce, IKEA stores remain unique destinations with their elaborate showrooms and cafeterias. This model draws shoppers specifically seeking the IKEA experience (Shoulberg, 2015). Finally, IKEA's annual printed catalog is central to its marketing strategy. It simplifies the shopping experience by allowing customers to preview products and plan their purchases from home (Shoulberg, 2015).

INFORMA

Informa Innovative Furnishings, a leading furniture retailer in Indonesia, boasts 62 stores across 32 cities, with its largest outlet in Alam Sutera, Tangerang. Informa positions itself as the most comprehensive innovative furnishings center in Indonesia, offering a wide range of home essentials, including furniture and decorating items. Their concept of "one-stop shopping" covers various needs from residential to commercial spaces, emphasizing innovative design, durability, and affordability (Sari et al., 2022; Pasonggo, 2021).

MOIE

MOIE has been a home to the world's most celebrated Interior Lifestyle brands for more than 25 years. Catering an all-inclusive experience to our clientele, MOIE provides a comprehensive lifestyle collection from furniture, kitchen, walk-in closet, doors, partitions, and accessories (pacificplace.co.id). The brand is known for its contemporary lines, well-considered proportions, and luxurious materials and finishes. MOIE's products create an ambiance of elegance and timelessness, making them a

reference point for the latest furniture design trends. The brand's focus on high-quality, stylish products ensures that it meets the sophisticated tastes of its clientele.

Business Model Canvas

The Business Model Canvas is a strategic management tool that helps companies design, analyze, and innovate their business models. It comprises nine key components: key partners, key activities, value propositions, customer relationships, customer segments, channels, cost structure, and revenue streams (Muller, 2019; Jin et al., 2022). For key partners, the company collaborates with suppliers of high-quality raw materials, freelance designers for unique and customizable furniture designs, logistics companies for product distribution, retailers and showrooms for direct sales, marketing agencies for promotion, and financial institutions for funding. These partnerships are essential for ensuring the quality and efficiency of their operations. Then, the company's core activities include innovative design and development, meticulous production processes, stringent quality control, strategic marketing and sales, excellent customer service, and ongoing research and development. These activities are critical to maintaining the high standards company is known for and to continuously improving their offerings (Muller, 2019).

In value proposition, the company offers customized, high-quality furniture using the finest materials and skilled craftsmanship (Pieroni et al., 2021). The products align with international interior trends, emphasize sustainability, and adopt a customer-centric approach. This value proposition differentiates company from competitors and appeals to a discerning customer base seeking bespoke solutions. In addition, the company maintains personalized customer relationships through tailored consultations, robust after-sales support, community engagement on social media, and active feedback mechanisms. This focus on customer relationships ensures that the company not only meets but exceeds customer expectations, fostering loyalty and repeat business. Another factor is primary customer segments that include middle-upper class homeowners, commercial clients like hotels and offices, interior designers and decorators, and governmental institutions. By catering to these diverse segments, the company can address a broad range of needs and preferences, ensuring a wide market reach. For channels, the company reaches its customers through its company website, physical showrooms, retail partnerships, direct sales teams, and online marketplaces. These channels are strategically chosen to maximize visibility and accessibility, making it easy for customers to explore and purchase their products. Furthermore, major costs involve sourcing raw materials, production, marketing and sales, operational expenses, and research and development. Managing these costs effectively is crucial for maintaining profitability while ensuring the quality and innovation of their products. Finally, revenue is generated through product sales, design consultation fees, commercial contracts, retail partnerships, and online sales. These diverse revenue streams ensure a stable financial foundation and provide multiple avenues for growth (Muller, 2019; Pieroni et al., 2021).

METHODOLOGY

Research methodology and conceptual framework

The research methodology employed in this study aims to analyze both external and internal situations to enhance business development. This methodology involves collecting secondary data from theoretical literature, including articles, books, and online sources, as well as primary data gathered directly through questionnaires and interviews with customers in the middle-up segment (Basava & Velandar, 2018; Muller, 2019; Pieroni et al., 2021; Jin et al., 2022)) (Figure 2). The conceptual framework assists in organizing the variables and principles involved in the research process to support company development. As illustrated in Figure 3, Wood & Velvet faces several business issues, such as

internal challenges related to product quality and external challenges concerning market demand for furniture.

This demand is categorized into two market segments: middle-up and middle-low. To meet these diverse market demands, Wood & Velvet needs to implement product development strategies. By creating product differentiation according to market needs, the company can gain a competitive advantage and address the varying demands of each market segment. Additionally, improving product quality to meet customer expectations is crucial. All these efforts are analyzed to develop a new business model canvas, ultimately aiming to fulfill market demand for quality furniture across different segments.

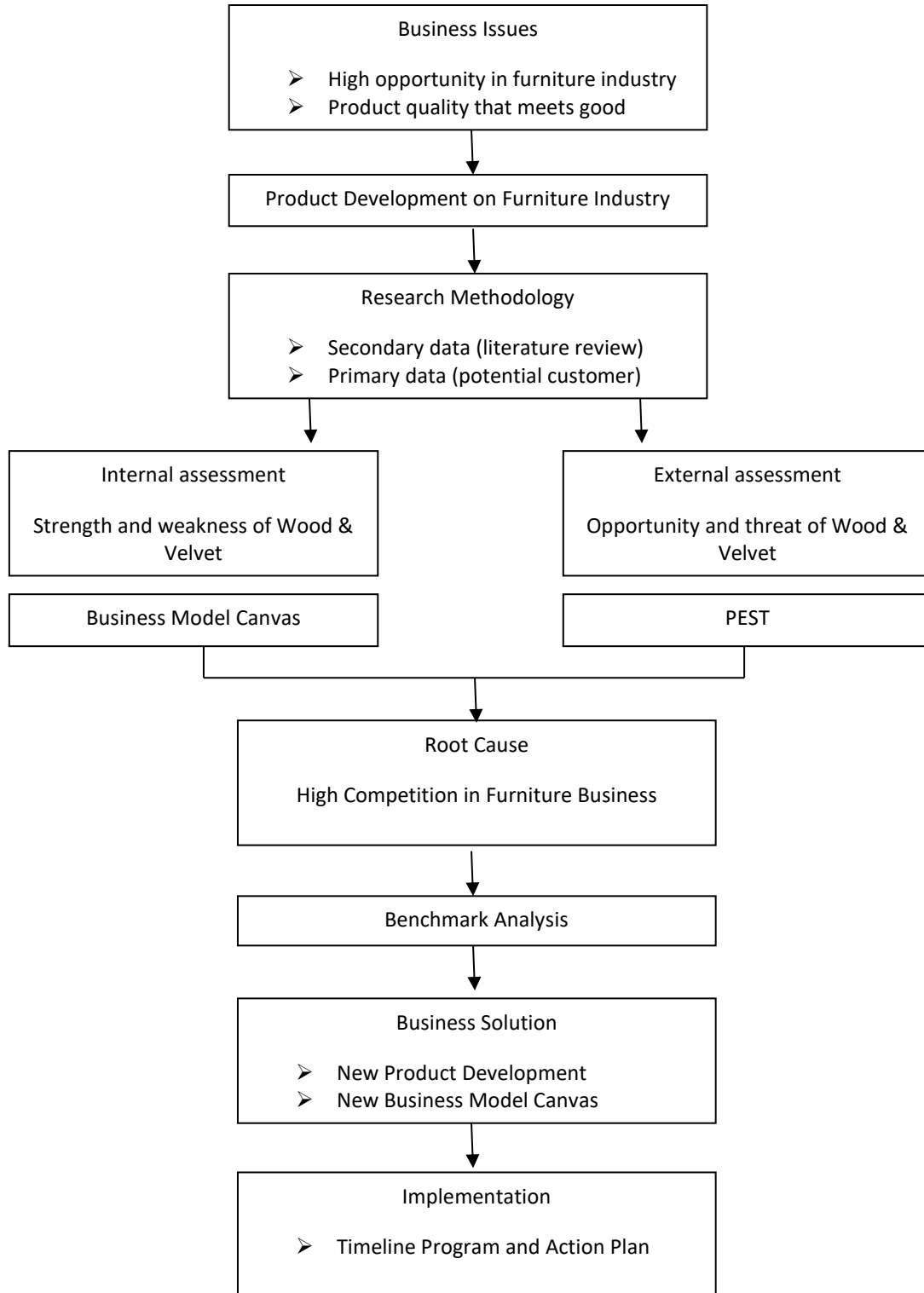


Figure 2. Research methodology

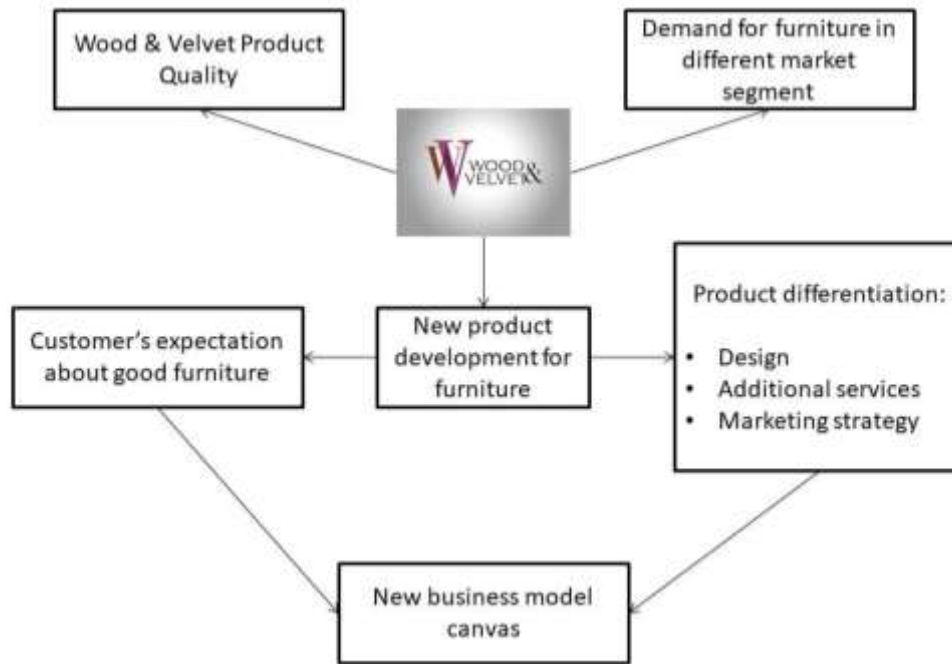


Figure 3. Conceptual framework

Research objectives

The research objectives are centered on addressing the business issues identified. Data collection will focus on determining the quality requirements for furniture and home living products and how these requirements influence marketing strategies for both the middle-up and middle-low market segments. Wood & Velvet aims to maintain its existing customer base in the middle-low segment while focusing product development efforts on the middle-up segment to understand new specifications. Research on furniture requirements and specifications is intended to drive product innovation, enhancing comfort and living standards. Recognizing the distinct demands of each market segment, this study aims to foster product and service innovations that enable Wood & Velvet to compete effectively with its rivals. The goal is to understand and meet the unique expectations of each segment, thereby improving market competitiveness.

RESULTS AND DISCUSSION

Wood & Velvet market segmentation

To conduct suitable market research, it is essential for a company to implement effective market segmentation, as each segment exhibits different buying attitudes and practices. By focusing on a smaller target market, the company can tailor its marketing strategies more effectively. According to Table 1, Wood & Velvet's target market consists primarily of women residing in Bandung and other areas in West Java, such as Garut, Tasikmalaya, and Bekasi. The target market includes middle-upper-class individuals with a monthly expenditure of at least seven million rupiahs for daily needs. Additionally, open-minded and dynamic people are considered, as they are often aware of the latest trends and understand product quality.

Based on this segmentation, the research targeted the appropriate audience to observe. The questionnaires and interviews were conducted on-site at INFORMA IBCC Bandung, a popular location for furniture shopping in the city. This research aimed to gather insights into buying behavior and

customer expectations regarding furniture products. The survey involved 150 participants, leading to conclusions about three key aspects: value for money, quality specifications, and additional services.

Table 1. Wood & Velvet market segmentation

Geographic		Demographic		Physcographic	
Country	Indonesia	Age	25-45	Social class	Middle-Upper class
Islands	Java	Gender	Female/Male	Lifestyle	Urban lifestyle
City	Jakarta, Bandung, small city around West Java, Semarang, Surabaya	Expenditures	>7.000.000/month	Personality	Open minded, dynamic
Density	Urban	Generation	Millenial		
Climate	Tropic	Social status	Young family		

Customers expressed a desire for affordable yet high-quality furniture products, showing at table 1. The expected price range for various furniture items was identified: approximately 7-9 million rupiahs for a standard sofa set (including 1 seat, 2 seats, 3 seats, and a small coffee table), 600,000-800,000 rupiahs for each dining chair, 700,000-900,000 rupiahs for a bookshelf, 1,000,000 rupiahs for drawers, 3,000,000-4,000,000 rupiahs for a standard wardrobe, and 1,500,000-2,000,000 rupiahs for a single living room table. In addition, customers' references for furniture design were primarily derived from retail stores, magazines, and the internet. The survey revealed that 94% of customers preferred Informa, and 88% preferred Ikea as their first choice for purchasing furniture. The favored design style was minimalistic and modern, with bright neutral colors and simple patterns. The main concerns for customers included design, quality, durability, material, and price. Customers also had high expectations for additional services. Specifically, 97% of respondents desired a guarantee, 95% wanted design consultancy for customized products, 94% expected delivery services to their homes, and 88% preferred product installment options.

Business Situation Analysis

This section will explain the business situation related to the external and internal conditions of the company. The external assessment will be conducted using the PEST model, while the internal assessment will be approached through the business model canvas.

External Assessment (PEST)

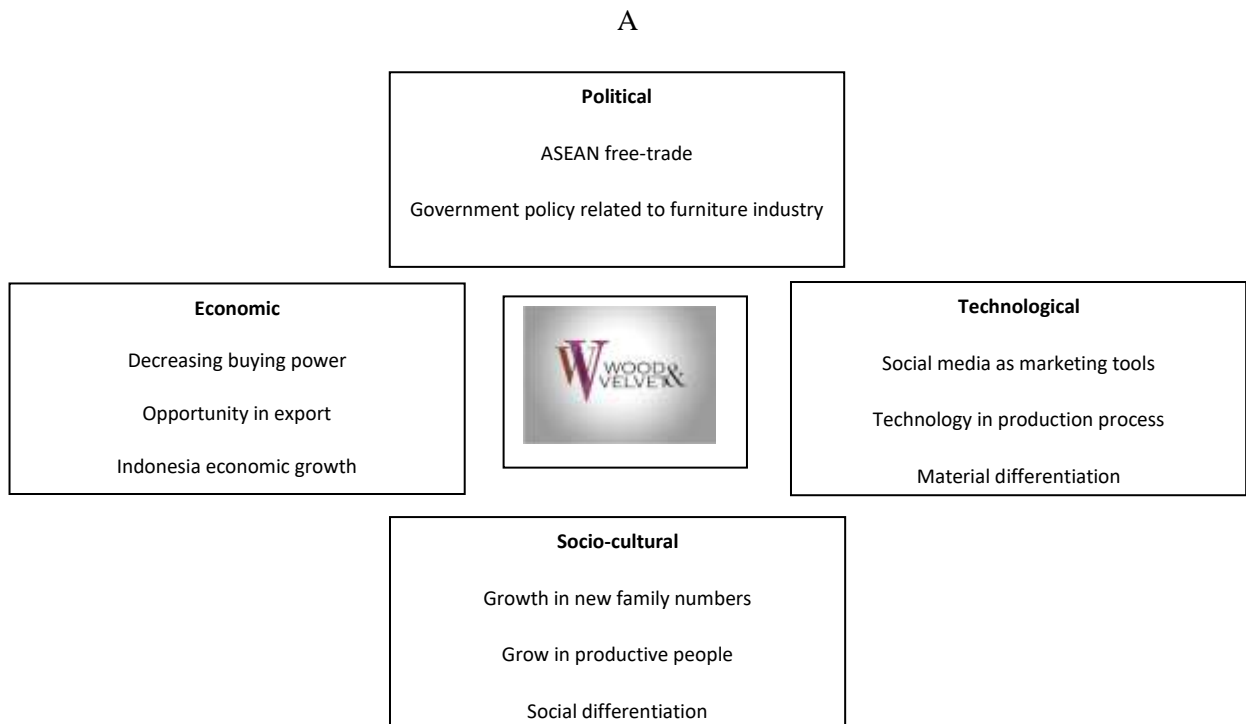
In the furniture industry, which addresses people's secondary needs, numerous factors influence the business environment. Companies must understand every aspect of this external environment to identify opportunities and threats (Muller, 2019; Jin et al., 2022). This is crucial for considering market situations and making informed decisions. One of the tools used for external assessment is the PEST model, which analyzes the macro environment in which a business operates (Cox, 2021). These factors are often beyond the direct control or influence of a business but are essential to consider during product development, business planning, or strategy formulation. The PEST model examines political, economic, sociocultural, and technological factors ((Cox, 2021; Wang et al., 2022).

Government policies significantly affect the political landscape. Government actions influence infrastructure, policies, education, and other critical areas. One impactful policy is the ASEAN free-trade agreement, which intensifies competition not only with local businesses but also with foreign businesses entering the Indonesian market (Syarip, 2020). Local businesses can compete by

incorporating local values into their product features and leveraging the availability of various materials to create unique and valuable products. In Bandung, the government actively supports the creative economy, recognizing the city as a hub for creativity in Indonesia. Efforts include protecting small and medium enterprises (SMEs) to help them navigate the competitive environment of the ASEAN Economic Community (MEA) 2016 (Sarma et al., 2020; Syarip, 2020).

According to the Indonesia Investment Coordinating Board (Investing in Indonesia, 2015), Indonesia is an emerging economy in Asia, with a GDP expected to reach US\$870 billion in 2014, making it the largest economy in Southeast Asia (Chen et al., 2018). In 2014, Indonesia's economy grew by 5%, earning it the title of "the world's most stable economy in the last five years" by The Economist magazine. The International Monetary Fund (IMF) projects that Indonesia will be among the top three fastest-growing economies within the G20 countries (Figure 4B). With GDP growth rates of 6.2% in 2012 and forecasts of 5.5% in 2015 and 6.0% in 2016, the country's debt-to-GDP ratio has also declined from 83% in 2001 to less than 26% by the end of 2013. These projections assume that the government's reform momentum will continue, focusing on accelerating infrastructure development, improving the investment climate, reducing logistics costs, and enhancing budget implementation.

In sociocultural factors, Indonesia with the fourth largest population globally, has over 53% of its people living in urban areas and adopting a modern lifestyle (Worldometers, 2014). The government allocates 20% of its total expenditure on education (APBN, 2015) to improve productivity and the education level of its youth. This high productivity impacts the working-class population, affecting their consumption habits (Figure 4C). Indonesian consumers increasingly prioritize value for money and are becoming more aware of the quality and price of goods. Often driven by desires, trends, or social prestige rather than necessity, they seek reputable brands for furniture products, such as Vinotti Living, IKEA, and INFORMAN. In technological factors, Wood & Velvet employs a mix of traditional and modern technologies. While machines handle tasks like wood cutting, finishing, and shaping, the company still relies on skilled craftsmanship, as it does not engage in mass production. This combination allows Wood & Velvet to maintain a high level of craftsmanship and quality in its products.



B

C

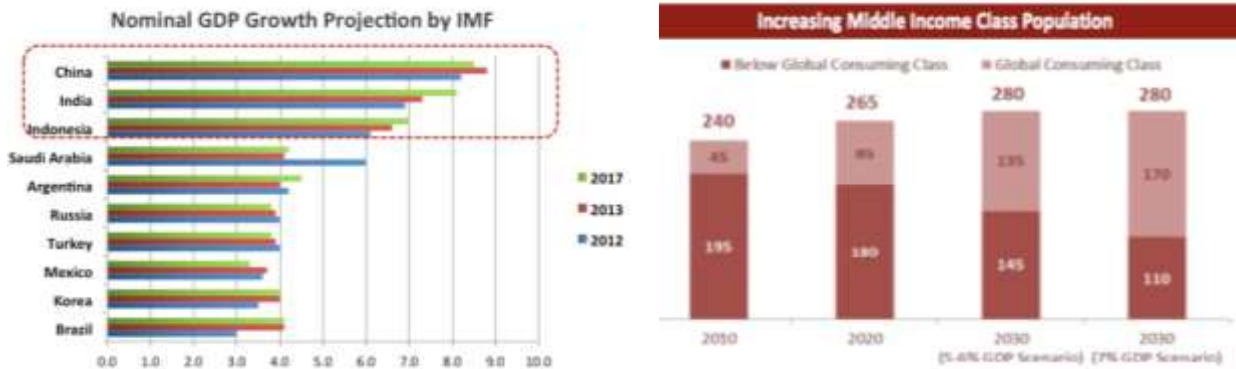


Figure 4. Business situation analysis. A) PEST Analysis, B) Nominal GDP Growth Projection by IMF, C) Middle Income Class Population (Source: BPS, Bappenas, UNPP, McKinsey)

Internal (Business Model Canvas)

The internal assessment of Wood & Velvet will be conducted through the business model canvas approach, which will analyze key aspects such as value proposition, customer segments, channels, customer relationships, revenue streams, key resources, key activities, key partnerships, and cost structure. This comprehensive evaluation will help identify areas for improvement and strategic development to enhance business performance and competitiveness.

Wood & Velvet has established relationships with furniture retailers in West Java and surrounding cities (Figure 5A). These retailers sell products directly to customers at higher prices. For operational and production needs, Wood & Velvet collaborates with suppliers and vendors to ensure a smooth flow of materials. Additionally, the company employs outsourced workers for specific products and engages freelance designers for design development before production. These designers are typically involved in projects like commercial interior spaces. Wood & Velvet also collaborates with government entities such as Perhutani to ensure the legality of raw materials, particularly wood logs.

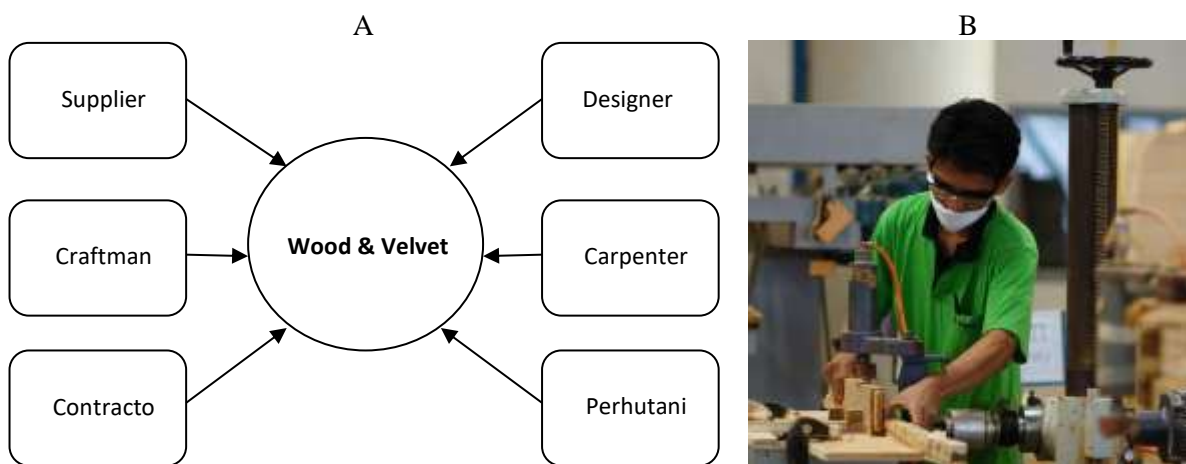


Figure 5. Key partners and activities. A) Key partners of Wood & Velvet company. B) Production Process in Workshop

In key activities, production is a primary focus for Wood & Velvet (Figure 5B). The company produces more "make to stock" items for retailers than custom-designed products. The designs are often derived from benchmarking or modifying existing designs from other brands, which are then repeated

over several years. Other key activities include delivery and marketing. The production process encompasses everything from material purchasing to quality control. Delivery services cover Bandung, Jakarta, and West Java. Marketing activities involve customer canvassing and advertising to various retailers across West Java. There is also a design consultancy process where customers can communicate their design and specification needs, although this service is currently limited to specific projects like commercial interiors and apartment furnishings.

Wood & Velvet provides high-quality, ergonomic, and durable furniture products. The use of selected materials, such as teak wood and first-grade foam for sofas, ensures high durability, allowing the company to offer a lifetime guarantee. For retailers, Wood & Velvet's products are more affordable than those of other producers, helping build trust among all retail partners. Wood & Velvet also maintain good relationships with customers by fostering an honest and friendly atmosphere during design consultations. The after-sales service and lifetime guarantee further enhance customer trust and satisfaction, increasing the likelihood of repeat purchases. This guarantee is a cornerstone in building long-term customer loyalty. Currently, Wood & Velvet caters to the middle-low segment, primarily through business-to-business sales. In the future, the company aims to target the middle-upper segment. This new segment comprises individuals living in big cities, mainly young families with an urban lifestyle. They are trend-aware and open to new things. Young families, who typically have new, small homes to furnish, prefer minimalist products at affordable prices. Their furniture references include Informa and IKEA. Geographically, this segment resides in Bandung, Jakarta, and other cities in West Java. In the long term, Wood & Velvet plans to expand beyond Java and into international markets via e-commerce.

In revenue streams, Wood & Velvet generates revenue primarily from furniture sales to the middle-low segment in smaller cities around West Java. Most revenue comes from business-to-business transactions with retailers, with direct sales to customers being rare and limited to specific projects. Moving forward, the company plans to introduce products aimed at the middle-upper segment in big cities with different specifications. This diversification will create a more varied income stream. Currently, 70% of total revenue comes from the middle-low segment due to higher sales volume but lower prices, while 30% comes from the middle-upper segment with fewer sales but higher prices. In addition, Wood & Velvet ensures high product quality through stringent resource selection and quality control from all supplier channels. Other channels include outsourced craftsmen communities and retail marketing channels. Currently, marketing is conducted through furniture retailers around West Java. In the future, Wood & Velvet plans to add new marketing channels, including owned retail stores and a dedicated sales force. Further, the business's cost structure mainly consists of variable costs. Labor costs are calculated based on man-hours or the number of products made. Distribution costs are determined by distance and delivery time, with overtime work being compensated hourly. Additional expenses include electricity and tools and equipment costs.

Internal and External Assessment

The initial concept for Wood & Velvet was simple: sell furniture products such as wardrobes, chairs, and sofas based on existing designs. However, after 20 years, the company faced declining revenue and realized the need to expand and adapt to the evolving external environment. An external assessment of political, economic, sociocultural, and technological factors revealed several issues. Politically, the challenges include competition from free trade agreements, particularly with low-cost products from China and Southeast Asia, government support requirements, and high logistic costs for exports. Economically, competitors with better promotional strategies pose a significant threat to Wood & Velvet.

Socioculturally, there is a growing demand for furniture among consumptive consumers that has not yet been fulfilled. Technologically, the production process still relies on a mix of traditional craftsmanship and modern machinery, leading to longer production times. The internal analysis, conducted through the business model canvas, identified problems in several areas. The value proposition needs to be specified, with a clear standard for product quality. The company also needs to cater to both middle-up and middle-low segments effectively. Diversifying channels to supply various materials and meet different needs is essential.

Key activities require more focus on planning and design processes to develop new products. Additionally, Wood & Velvet needs more resources for idea generation and design. The company also needs more designers and suppliers to fulfill the demand for new product ideas and material exploration. The balance between "make to stock" and "by order" products must be optimized to avoid inefficiency and idle time. While product development incurs higher costs, this can be offset by high sales volumes. Customer engagement should be increased by building relationships and better understanding their needs.

The analysis of both external and internal environments reveals several key problems faced by Wood & Velvet in developing the business. One significant issue is the global trend where consumers tend to prefer and show more interest in international products. Local products struggle to compete due to higher brand awareness and preference for international brands. Additionally, product development is essential for entering new market segments. Customer expectations vary across different segments, and addressing these differences is crucial for success. Wood & Velvet must address these internal and external challenges to enhance its business development. By focusing on improving product quality, diversifying market segments, expanding channels, and engaging more effectively with customers, the company can adapt to the changing market landscape and improve its competitive position.

Business Solution

Situational analysis

After exploring the business issues and analyzing the problems in both the external and internal environments, several challenges have been identified for Wood & Velvet. The most significant challenge is the intense competition between local and imported products. To address this, the preferred solution is to enhance product competitiveness by developing quality specifications that align with the targeted market segment. This involves defining and standardizing quality specifications to increase the selling value of Wood & Velvet in the furniture industry. This strategy represents a shift from Wood & Velvet's old business strategy to a new business model canvas that incorporates innovation in market segments, distribution channels, and value propositions. More detailed explanations of these solutions within the business model canvas will be discussed in the next chapter.

New business development

Based on the root cause analysis in Chapter 2, high competition is the primary issue affecting Wood & Velvet's business. The following problem is the need for quality specifications to compete effectively. As a furniture provider, Wood & Velvet must contend with larger companies from other countries. To gain a competitive edge, Wood & Velvet needs to develop unique value propositions. The product development strategy begins with defining quality specifications tailored to each target market: middle class, upper middle class, and bottom middle class. Each segment has distinct needs and preferences, necessitating differentiated quality standards. The strategy involves several steps, including market research to understand market behavior and customer needs in each segment. Then, standardizing design features based on quality specifications, and balancing make-to-stock and make-to-order products. The product development process starts with market research, including surveys to

gather data on customer needs and preferences. This information guides the design development phase, ensuring the new designs meet customer expectations. The goal is to create innovative products that resonate with the target market. The manufacturing process follows, beginning with pilot products, refinement through trial and error, and eventually launching the final products to the market.

Market research

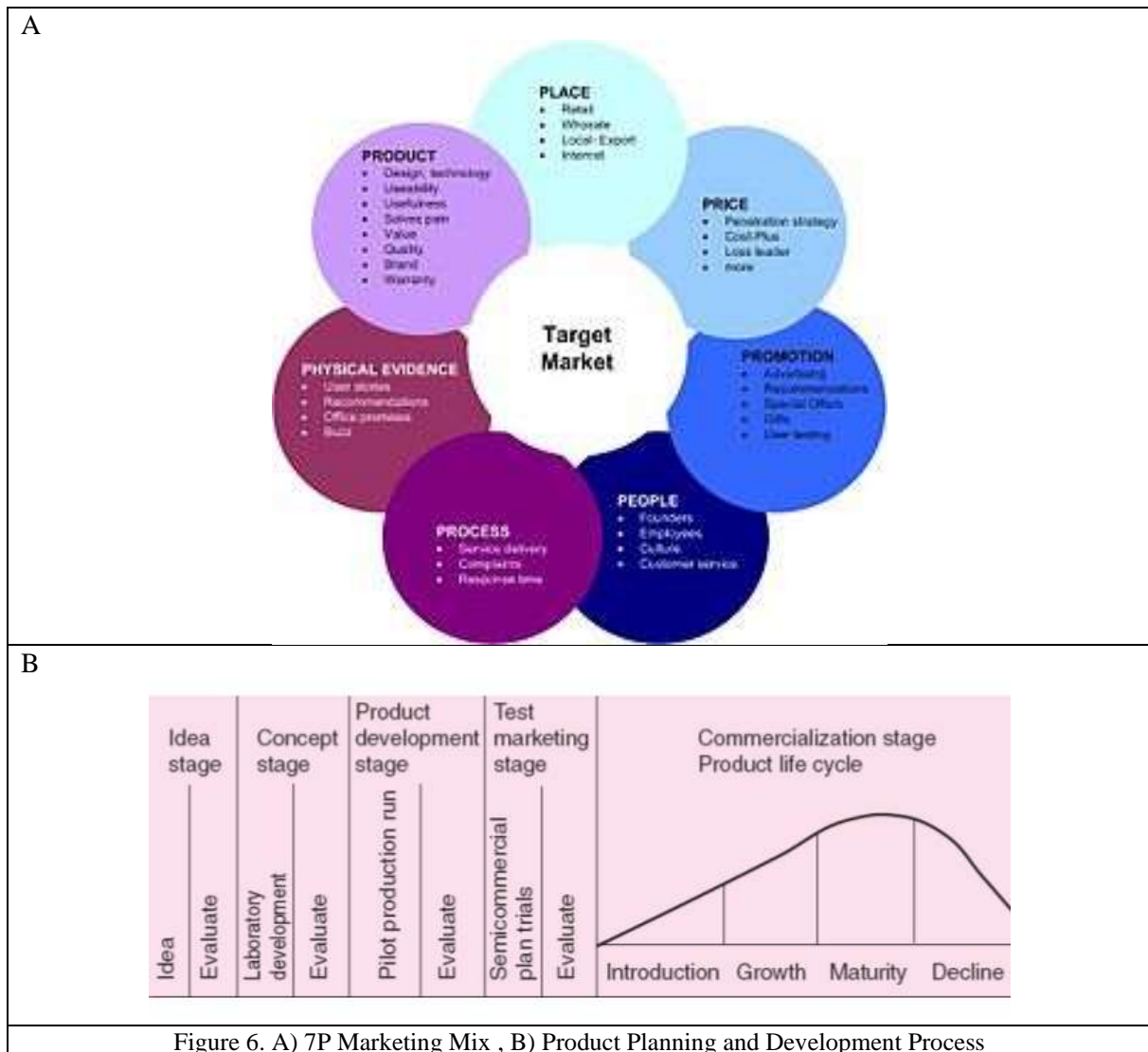
Wood & Velvet must analyze customer needs and market behavior to determine the appropriate design specifications. This analysis involves surveying 150 respondents in the upper middle segment, focusing on their furniture preferences and desired features. The target market includes middle and upper middle segments. According to Cravens in *Strategic Marketing* (2000), consumer market segments can be defined by age (25-45), gender (male/female), income: 7,000,000-20,000,000 IDR, family size (small family with 1-2 children), life-cycle stage (young family), geographical location (Bandung), and lifestyle (urban lifestyle).

Design development

Following market research, Wood & Velvet uses the gathered data to innovate and update designs based on customer needs and preferences. This data provides guidelines for standardizing quality specifications during manufacturing. Designers must consider ergonomics, design, comfort, and price—key factors influencing customer purchasing decisions. Given the target market of small, young families, products should be minimalistic and modern, with an affordable price point. Wood & Velvet can incorporate unique local aspects, such as Indonesian materials and batik patterns, to differentiate their products. The design process involves free-hand sketches, computer-aided design (CAD), and physical modeling (mock-ups), culminating in a finalized design ready for production.

Manufacturing

The manufacturing process is crucial as it produces the final product for customers. Following the design phase, manufacturing involves producing both make-to-order and make-to-stock products. Efficiency and time accuracy are vital to avoid delays and ensure customer satisfaction. The process begins with creating pilot products, refining them through trial and error, and finally launching the product to the market.



Process of New Product Planning and Development

Innovation is key to successful product and service development. It begins with idea generation and progresses through formulation and implementation. The new product planning and development process can be divided into five stages: idea stage, concept stage, product development stage, test marketing stage, and commercialization stage (Hisrich, 2004). In the idea stage, new product suggestions are gathered from various sources and screened for feasibility. The concept stage involves developing these ideas into detailed product concepts. The development stage includes prototyping and testing the technical and economic aspects of the product. The test-marketing stage assesses consumer acceptance in real market conditions. Finally, the commercialization stage involves launching the product and evaluating the balance between costs, time, and profits.

CONCLUSION

Furniture embodies design, function, and uniqueness, making it essential for home interiors. Wood & Velvet, as a creative industry, aims to meet these needs with their products and services. Wood & Velvet faces competition from established furniture retailers and the challenge of entering new market

segments. The objective in is to penetrate these new markets and innovate to meet customer demands. This goal can be achieved by offering custom products and services with designs and specifications that meet market expectations. To this end, Wood & Velvet must implement two key solutions: new product development and a revised business model canvas. Strategies for new product development include conducting market research through questionnaires, interviews, and observations to inform targeted product design. Additionally, they will differentiate their offerings with customized design consultancy. These strategies will be incorporated into the new business model canvas, which includes: segmenting the business into different customer segments; enhancing value propositions with trendy, affordable designs; utilizing direct and online marketing; offering lifetime guarantees and design consultancy for customer relationships; generating revenue from product sales and projects; hiring and outsourcing skilled employees; focusing on marketing, design, and production as key activities; forming alliances with stakeholders for stability and optimized production; and managing costs through variable production/distribution costs and fixed salaries/wages. Wood & Velvet aims to enhance its business model through product and service innovation, leveraging the company's capabilities and resources. To ensure clarity and timely execution, the action plan will be divided into short-term and long-term phases.

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