

Digital Marketing Development Strategy for Sharia Consumer Cooperatives with Business Model Canvas

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Abstract

Globalization has brought increasingly fierce competition for Islamic cooperatives, which threatens their survival in the market. As one of the important business sectors, sharia cooperatives need to develop strategies to remain relevant in various services, including financial services. The purpose of this study is to evaluate the business model and provide alternative recommendations for developing digital marketing with a business model canvas approach. This study uses a qualitative method with a business model canvas approach and the selected sharia cooperative model is the Baiturrahman Mitra Umat Sharia Consumer Cooperative (KKS). The results showed that the Baiturrahman Mitra Umat PSC experienced growth. The strategy that needs to be implemented should focus on growth that improves service, profit, and exploring new opportunities by prioritizing the role of digitalization for the marketing process of cooperative services. This strategy is formulated based on nine elements of the business model canvas, including customer segments, value proposition, distribution channels, customer relationships, revenue streams, key resources, key activities, key partnerships, and cost structure.

Keywords: business model canvas, digital marketing, sharia cooperative, marketing strategy

Introduction

Cooperatives are microfinance institutions that focus on community service by using an approach that prioritizes kinship and a spirit of mutual cooperation. In addition, cooperatives also act as economic organizations that are able to encourage increased production and strive for a fair and equitable distribution of income to achieve prosperity (Kamaluddin & Muhajirin, 2018). It can be seen that in contrast to many modern financial institutions which are reluctant to provide financial services to the poor due to low profits, cooperatives show more inclusive access to various groups (Mohamed & Fauziyyah, 2020). The development of cooperatives is currently experiencing a significant increase. This fact is reflected in the growth in the number of cooperative members from 2019 to 2022, as shown by data released by the Central Bureau of Statistics, which shows an increase (BPS, 2022).

Nevertheless, the development of cooperatives cannot be separated from the challenges they face. As a business sector, cooperatives are also involved in business dynamics in an increasingly complex and uncertain globalization era, especially with increasing competition in the market. Business management is faced with demands to formulate appropriate policies and strategies in order to maintain its business position in the market, with the aim of optimally supporting national development (Singgih & Priyono, 2022). Cooperatives that rely on traditional methods will face difficult challenges because they have to compete with other financial institutions that have adopted digital technology (Latip et al., 2019). Therefore, in facing competition and meeting consumer needs, especially Muslim consumers who are looking for financial services that are in accordance with sharia values, Islamic microfinance services such as sharia cooperatives need to develop the right strategy (Hoamid et al., 2017).

Along with technological developments in marketing activities, social media has become one of the tools that can effectively reach a wider audience (Cao & Weerawardena, 2023), increase brand awareness (Swani et al., 2017), can develop new products (Du et al., 2016) so as to further improve the company's performance (Cheng et al., 2021). The use of social media is very relevant to help Micro, Small and Medium Enterprises (MSMEs) when they have difficulty competing with competitors effectively due to a lack of human resources, expertise, and finances (Temple et al., 2018). This is because in addition to offering instant communication with customers, social media also provides an environment that is easier and more cost-effective compared to traditional marketing methods which need to require quite a large amount of money. Currently the competition between companies is getting higher so that the use of social media is a necessity to establish good relations with customers to market the company's products (Keke, 2022).

The object of this research is the Baiturrahman Mitra Umat Sharia Consumer Cooperative (KKS) Bojong Gede, Bogor, West Java. Bojong Gede is known as an area where loan sharks and mobile banks frequently occur, which tend to rely on usury practices. KKS Baiturrahman Mitra Umat exists with the aim of reducing the level of these problems through the provision of Islamic financial services that are free of interest. However, the Baiturrahman Mitra Umat PSC faces various problems in achieving this goal. Some of them are the absence of digitization in cooperative operations, limited public access to information on cooperative products due to the absence of social media and official websites, resulting in a lack of member participation and limited resources.

Previous research shows that cooperatives are currently facing challenges in the digital era, including obstacles in digitization, data security, and low digital economy literacy. Therefore, it is important for cooperatives to play a role in advancing information technology, as in the research conducted by Aryanti et al. (2022). Research conducted by Yusnaldi et al. (2022) also shows that low member participation, lack of outreach, poor quality management, and limited business capital are challenges for cooperatives in the digital era. However, these studies only identify the problems faced by cooperatives without providing a comprehensive study regarding the development of strategies to overcome these problems.

Method

The research approach used is a qualitative method with an approach *Business Model Canvas*. Interview data collection techniques and questionnaires. In addition, the researchers also conducted interviews with sources from regulators, such as the Office of Cooperatives and MSMEs, as well as the head of Bojong Gede Village. In addition, the views of experts and academics related to the development of sharia cooperatives will also be the subject of interviews in this study.

Results and Discussion

***Business Model Canvas* Sharia Cooperative**

The following are nine elements of the Business Model Canvas that can explain the Baiturrahman Mitra Umat KKS business model based on the results of interviews with the chairman and operational management of the cooperative:

1) Customer Segments

According to Osterwalder and Pigneur, customer segments are a group of people or organizations that are targeted by the company and it is to them that the company offers a

value proposition. This group is classified based on behavior, needs, and attributes that can satisfy customers. In the member segment, KKS Baiturrahman Mitra Umat has a total of 353 members, consisting of 202 women and 151 men. Cooperative members come from various backgrounds, including MSMEs (Micro, Small and Medium Enterprises), middle class, upper class, and housewives. This shows that the cooperative attracts and serves a diverse group of consumers seeking sharia-based microfinance services.

2) *Value Propositions*

According to Osterwalder and Pigneur, Value Proposition refers to the value provided by a company to customers as a reason that encourages customers to choose that company. This value proposition provides solutions and benefits that meet customer needs. The value proposition can be explained through the advantages that distinguish the Baiturrahman Mitra Umat KKS from other cooperatives as well as the products and services they offer. One of the advantages possessed by KKS Baiturrahman Mitra Umat is their status as the only sharia cooperative in the Bojonggede area which is legal and officially registered on the website of the Ministry of Cooperatives and SMEs. KKS Baiturrahman Mitra Umat offers a variety of products that can be grouped into three categories. First, they provide a savings and loan unit that includes various types of savings such as mudharabah savings, qurban savings, holiday savings, and education savings. Second, they have financing units using contracts such as murabaha, ijarah, and mudharabah. Third, they also provide a consumer unit that offers agency services that assist in trading products from MSMEs that are members of the cooperative.

3) *Channels*

According to Osterwalder and Pigneur's theory, the element "Channels" (channels) describes how companies communicate and distribute value propositions to customers. This channel plays a role in increasing customer awareness about the products and services offered, as well as providing an assessment and evaluation of the value proposition. KKS Baiturrahman Mitra Umat uses a traditional promotional approach to reach members and introduce their cooperative's products and services. They use brochures as a promotional tool that contains information about the cooperative and the services they offer. In addition, they also socialize through community events and activities. Through this activity,

4) *Customer Relations*

Osterwalder and Pigneur explain that "customer relationships" (customer relations) describes the type of relationship that the company wants to build with its customers. The purpose of the relationship can be varied, such as acquiring new customers, retaining existing customers and increasing sales. In the context of the Baiturrahman Mitra Umat KKS, the relationships built with its members are not only commercial in nature, but also involve emotional and brotherly aspects. This cooperative also maintains a close relationship with its members by visiting members' homes and following up on members' businesses. This approach allows members to feel comfortable and can talk freely about the problems they face in their business.

5) *Revenue Streams*

Osterwalder and Pigneur in theory say that "revenue streams" are cash flow conditions of income generated by the company through customer segments, the value proposition for which customers are willing to pay, payment methods used, and how income from customers contributes to finance. company as a whole. In the case of the Baiturrahman Mitra Umat PSC, the majority of their revenue stream comes from the profit sharing system for the

financing services they provide. For payment, customers can use various methods. They can make transfers via m-banking indirectly, or directly by visiting cooperatives. Besides that,

6) *Key Resources*

According to Osterwalder and Pigneur, "key resources" refer to assets or resources that are very important for the company in carrying out its business model. These resources can be intellectual, financial, physical, or human resources. In the context of the Baiturrahman Mitra Umat PSC, the human resources currently have eight workers. However, daily attendance consists of one operational manager and one employee, while other members attend according to a predetermined schedule. This situation shows that cooperatives have limitations in the number of human resources they have.

7) *Key Activities*

According to Osterwalder and Pigneur in the theory of the business model canvas, the concept of "key activities" describes important activities carried out by companies to run and operate their business models effectively. To create value propositions to deliver to customers, manage customer relationships, reach markets, and open revenue streams, companies need to engage in key key activities. KKS Baiturrahman Mitra Umat as an example, carries out key activities in the form of providing financial services such as savings and loans and financing to the people in Bojonggede. In addition, the cooperative also assists in the process of buying and selling merchandise of MSME members and following up on the financing that has been provided.

8) *Key Partnerships*

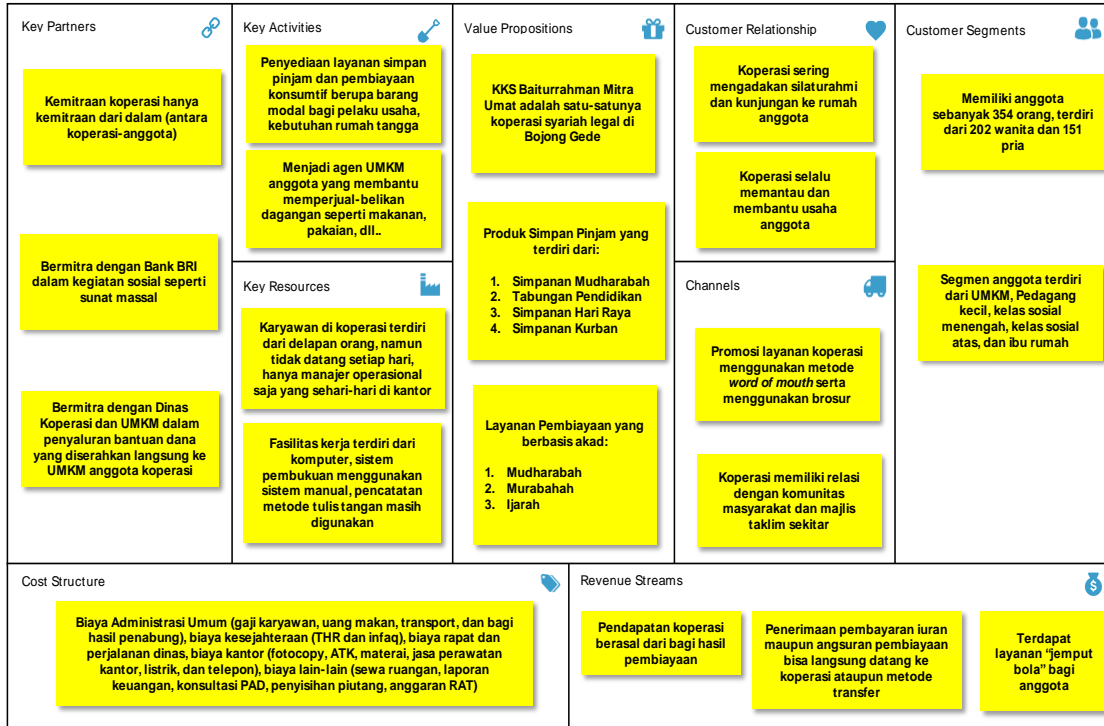
According to Osterwalder and Pigneur, the concept of "key partnerships" describes partnerships or suppliers that play a role in supporting the operational business model of a company. Such partnerships can be strategic between non-competitive companies, strategic between competing companies, equity participation, or buyer-supplier relationships that ensure continuity of continuous supply. The partnership in the Baiturrahman Mitra Umat PSC as a financial service provider is based on a strong relationship between members and the cooperative. Cooperative business continuity is very dependent on the financial activities of members and the profitability of businesses funded by cooperatives. Currently, there is no partnership with external parties for investment in cooperatives. Partnerships with outsiders are limited to social activities such as the mass circumcision that was carried out with Bank BRI. Cooperatives also establish partnerships with the Office of Cooperatives and MSMEs, but regarding channeling funds directly to MSMEs, provided that these MSMEs are affiliated with cooperatives. Cooperatives also receive training from the Office of Cooperatives and SMEs.

9) *Cost Structure*

Osterwalder and Pigneur explain that the cost structure describes all expenses incurred by the company to run its business model, including fixed costs and variable costs. Based on the KKS Baiturrahman Mitra Umat financial report, there are several types of costs that must be borne by the cooperative:

- a) General administration costs, including employee salaries, meal and transportation allowances, as well as profit sharing for savers.
- b) Welfare costs, such as infaq and holiday allowances.
- c) Expenses for official travel and meetings.
- d) Office costs, such as photocopying, telephone, electricity, office maintenance services, and the purchase of stamp duty.

- e) Other costs, such as the cost of renting office space, consulting on the preparation of the articles of association, annual budget meetings, financial reports, and allowance for receivables.



Picture1. The Baiturrahman Mitra Umat KKS Service Business in the Business Model Canvas
 Source: Processed data

Implications

Alternative Strategies in the Business Model Canvas Block

In this section, the authors will categorize strategies based on nine alternative elements in the business model canvas as a result of the research. The following is a detailed explanation of this:

1. Customer Segments

Through its good connectivity with the community, KKS Baiturrahman Mitra Umat has the opportunity to attract members from the surrounding community. Cooperatives also have the potential to gain new members by organizing training and education programs for the community. Thus, the Baiturrahman Mitra Umat KKS can expand its outreach and gain wider support from community members.

2. Value Propositions

In its effort to attract new members, there are several value propositions that can be strengthened by KKS Baiturrahman Mitra Umat. One of them is an agency service that helps facilitate trade in member MSME products, so that cooperative members can increase market access and get support in trading their products. This will provide additional benefits to MSMEs as cooperative members.

In addition, KKS Baiturrahman Mitra Umat can also offer ball pick-up services for members who need financing. With this service, cooperative members who need loans or

financing will get convenience and comfort, where cooperatives will take the initiative to visit members and provide the services needed. This is an additional advantage for MSMEs as cooperative members, because they will experience easy access to financing services.

By strengthening this value proposition, the Baiturrahman Mitra Umat KKS can attract new members, especially MSMEs, to join the cooperative.

3. *Channels*

With good relations between the community and access to the community, the Baiturrahman Mitra Umat KKS has greater opportunities for promotion. Cooperatives can use training programs and hospitality forums as a means to re-socialize their service products to the community. Through this program, cooperatives can explain the values and benefits of their products and communicate the vision and mission of the cooperative to prospective members.

Facebook social media can be one of the channels that Baiturrahman Mitra Umat KKS can use to promote their products because Facebook social media has a considerable impact on product marketing. This is in accordance with the statement of a cooperative member in an interview session regarding social media that is often used by cooperative members.

The members of the Baiturrahman Mitra Umat KKS are familiar with the Facebook social media menu choices so this will make it easier for members to promote cooperative products. Apart from using Facebook social media as a channel to connect direct communication with the public, KKS Baiturrahman Mitra Umat also uses the website as one of the channels to make it easier for members to manage finances more systematically and promote cooperative products in detail on the website.

It is important for the cooperative to have a strong presence on social media and have an official website. Social media and the official website will provide easy access for the public to obtain information about cooperative services. Through this platform, cooperatives can publish products, activities, and share relevant information with members and the public. This will help increase public awareness about cooperatives and make it easier for them to get the information they need.

4. *Customer Relations*

In order to maintain good relations with members and increase retention, KKS Baiturrahman Mitra Umat needs to intensify its relations with members, especially those who are less active. One way that can be done is to involve members in activities held by cooperatives, such as training and friendly forums. The purpose of this step is to increase the awareness of members that they have an important role and are needed by the cooperative. By actively involving members, cooperatives can build strong bonds and maintain sustainable relationships.

5. *Revenue Streams*

In order to reduce the risk of bad financing, the Baiturrahman Mitra Umat KKS can consider implementing a financing guarantee system. By implementing this system gradually, cooperatives can carry out more effective risk mitigation. A financing guarantee system can involve guarantees in the form of assets or guarantors from third parties who can provide certainty for financing payments in the event of a failure to pay from the borrower. This helps protect the cooperative's finances and reduces the risk of bad financing.

In addition, the Baiturrahman Mitra Umat PSC needs to collaborate with Islamic banks that provide special loan or financing services for cooperatives. Through this

partnership, cooperatives can meet the high financing needs of the community. Islamic banks can provide greater financial support and offer financing products that comply with sharia principles, thereby expanding cooperative access to the necessary resources.

6. *Key Activities*

To reduce the risk of bad financing, in addition to the Baiturrahman Mitra Umat PSC, it is important to consider the guarantee system in stages. It is important for KKS Baiturrahman Mitra Umat to integrate an automated bookkeeping system. By using an automated system, cooperatives can increase the effectiveness of recording and bookkeeping activities. The automatic bookkeeping system allows for more accurate and orderly records, as well as facilitating real-time monitoring of cooperative finances. With good monitoring, cooperatives can identify potential risks of bad financing more quickly and take the necessary actions to reduce their impact.

7. *Key Resources*

To speed up the process of digitizing cooperatives, KKS Baiturrahman Mitra Umat can take advantage of the potential and abilities of young people who are proficient in the digital field by opening an apprenticeship program without pay. In this program, cooperatives can provide opportunities for students or new graduates who have digital expertise to contribute to the development of cooperative systems and technology. In addition, the Baiturrahman Mitra Umat KKS needs to consider improving facilities such as internet access (wifi) and accounting software to facilitate recording and bookkeeping. By having adequate facilities, cooperatives can be more efficient in managing and tracking financial transactions.

8. *Key Partnerships*

The Baiturrahman Mitra Umat KKS can re-establish cooperation with Islamic financial institutions through Corporate Social Responsibility (CSR) to organize social activities. In addition, cooperatives can build partnerships with universities or educational/training institutions to bring in experts in the field of Islamic and digital finance who can provide counseling and training to cooperative members and the surrounding community regarding the importance of digitization in Islamic finance and it is also important for cooperatives to improve relations with the Office of Cooperatives and UMKM, this will help increase the awareness and understanding of the Dinas regarding the role and contribution of cooperatives in local economic development.

9. *Cost Structure*

The good income at the Baiturrahman Mitra Umat PSC provides an opportunity for cooperatives to consider budget allocations for organizing business and digital training for employees, members, and the community around the cooperative. By providing these trainings, cooperatives can increase the capacity of human resources involved in cooperative activities

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Conclusion

The Baiturrahman Mitra Umat KKS is in a position to experience growth to be able to compete digitally. The business model and alternative strategy for the Baiturrahman Mitra Umat

PSC have also been formulated in nine block elements of the business model canvas consisting of customer segments, value propositions, channels, customer relationships, revenue streams, key activities, key resources, key partnerships, and cost structure. From the nine block elements the researcher found that the importance of the Baiturrahman Mitra Umat KKS is to develop channel strategies, one of which is by creating social media accounts and websites to make it easier for the general public to access cooperative services. By considering and optimizing these nine elements,

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