

Development of the Indomaret Franchise Business Model in Sidoarjo Using the Business Model Canvas

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A B S T R A C T

This study aims to evaluate and develop the business model of an Indomaret franchise in Sidoarjo Regency using the Business Model Canvas (BMC) approach. This research employs a qualitative descriptive approach with a case study method conducted at a Regular-type Indomaret franchise in Sidoarjo. Data were collected through in-depth interviews, field observations, and document analysis. The analysis process involved mapping the existing business model using BMC, followed by SWOT analysis, development of IFAS and EFAS matrices, and strategy formulation using the TOWS matrix. The findings indicate several key gaps in the existing business model, particularly within the Value Proposition, Customer Relationships, and Key Activities blocks, which affect operational effectiveness and competitiveness. Based on these findings, this study proposes an improved Business Model Canvas (BMC Proposed) that is more adaptive to the local market characteristics of Sidoarjo.

INTRODUCTION

Indomaret is one of the leading players in Indonesia's modern retail industry and is widely recognized as the largest minimarket franchise network, reaching areas from major cities to rural communities. As a convenience store, Indomaret emphasizes ease of access through strategic locations, fast service, and a wide assortment of products that meet customers' daily needs. This positioning allows Indomaret to remain attractive amid shifting consumer shopping behavior toward modern retail formats. (Editorial *Jakartamu*, 2025)

In its operations, Indomaret manages several store formats, namely Indomaret Regular, Indomaret Point Coffee, and Indomaret Fresh. These formats differ in product completeness, supporting facilities (such as barista-made coffee and fresh products), and monthly sales ranges. This study focuses on a franchised Indomaret unit located on Jl. Asem Bagus, Kesamben, Wunut, Porong District, Sidoarjo Regency, which is classified as an Indomaret Regular store because it mainly sells daily necessities without special facilities like those found in Point Coffee or Fresh formats.

Sidoarjo was chosen as the research location due to its strategic position as a supporting region for Surabaya, one of East Java's primary economic centers, which creates a highly dynamic business environment and intense retail competition. This context requires modern retailers, including minimarket franchises, to operate with business models that are adaptive to local market characteristics. Sidoarjo's strong economic performance and recognition for regional economic recovery further strengthens its relevance as an empirical setting for analyzing franchise retail management challenges. (M Taufik, 2023)

Although the franchise store follows the operational standards and systems set by the headquarters, the franchise owner in Sidoarjo still faces local operational issues. These include limited feedback from headquarters on market-demand reports, restricted flexibility to implement localized programs, supervision that is perceived as largely procedural, and uneven coordination that forces the branch to actively seek attention. These issues also affect product availability for high-demand items and may contribute to a gap between the centrally designed business model and its actual implementation at the store level. (Teece, 2020)

At the same time, Indonesia's retail sector has experienced a notable shift from traditional markets toward modern retail, with rapid expansion of minimarkets intensifying competition. Recent studies show that modern retail tends to outperform in convenience, product variety, and standardized service, while strategic location, product completeness, and competitive pricing strongly influence customer satisfaction. In such conditions where store formats and offerings are increasingly homogeneous business sustainability depends not only on brand strength but also on the clarity, consistency, and adaptability of the business model to local market dynamics. (Syakiroh et al., 2024; Fauzi & Kurniawan, 2024; Sorescu et al., 2011)

To examine these conditions systematically, this study applies the Business Model Canvas (BMC) as the main analytical framework because it can comprehensively map how an organization creates, delivers, and captures value

through nine interconnected elements. In the introductory stage, a SWOT analysis is used to assess internal strengths and weaknesses as well as external opportunities and threats, providing a strategic baseline before developing more detailed recommendations. In this study, BMC is treated not only as a mapping tool but also as a strategic instrument for evaluating and refining a business model on an ongoing basis. (Osterwalder & Pigneur, 2010; Wirtz, 2021; Sibalija et al., 2021; Hasbi et al., 2024)

Accordingly, the objectives of this project/case study are: (1) to analyze and map the existing business model elements of the Indomaret franchise in Sidoarjo using the BMC framework; (2) to identify key gaps in the existing BMC elements and the internal and external factors influencing effectiveness and competitiveness through a TOWS analysis; and (3) to formulate an integrated, contextual, and implementable proposed business model (BMC Proposed) to improve operational effectiveness and strengthen the franchisee's adaptability in the increasingly competitive modern retail landscape.

THEORETICAL REVIEW

Strategic Management

Strategic management is a systematic approach used by organizations to determine long-term direction and to manage resources and capabilities in an integrated manner in order to achieve strategic objectives in a dynamic business environment. In modern management literature, strategic management is no longer viewed merely as a formal planning process, but as a continuous cycle that includes strategy formulation, strategy implementation, and strategy evaluation and control. This approach emphasizes alignment between organizational goals, internal structures, and the constantly changing external environment (Jeremiah et al., 2019).

Business Model

A business model is a rational description of how an organization creates, delivers, and captures value (Wirtz, 2021). It serves as a blueprint that visualizes the overall architecture of business operations by linking value creation, value delivery, and value capture in the form of revenue. A deep understanding of the business model is essential, as it defines the fundamental logic of how a firm operates and sustains its competitive advantage in the market.

SWOT Analysis

SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats) is a fundamental and systematic strategic planning framework used to evaluate an organization's competitive position (Wirtz, 2021). This analysis identifies key internal and external factors that influence business success or failure. SWOT analysis is important because it provides a comprehensive snapshot of a firm's situation at a given point in time, serving as a foundation for subsequent strategy formulation.

IFAS and EFAS Matrix

Quantitative Strategic Factor Analysis is conducted using the IFAS and EFAS matrices as an extension of SWOT analysis to objectively assess an organization's strategic position (David et al., 2020). The IFAS matrix evaluates internal strengths and weaknesses by assigning weights, ratings, and weighted scores to each factor. The total IFAS score reflects the organization's internal condition, with an average benchmark of 2.50; scores above this value indicate a strong internal position, while scores below suggest internal weaknesses. Similarly, the EFAS matrix assesses external opportunities and threats using the same evaluation mechanism. The total EFAS score indicates how effectively the organization responds to external conditions, with scores above 2.50 reflecting effective strategic responses and scores below indicating the need for strategic improvement.

TOWS Matrix

This TOWS matrix is a follow-up tool to SWOT analysis that transforms situational analysis (S-W-O-T) into specific and actionable strategies (Johnson, 2023). It functions as a bridge between the analysis stage and strategy formulation by matching internal factors (strengths and weaknesses) with external factors (opportunities and threats). The use of the TOWS matrix ensures that formulated strategies are not only reactive but also proactive and aligned with both the organization's internal capabilities and its external environment.

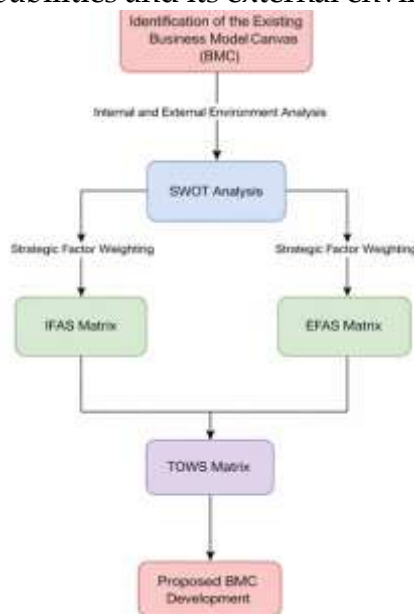


Figure 1. Conceptual Framework

METHODOLOGY

This study employs a qualitative research method with a case study design to gain an in-depth understanding of the management and development of the Indomaret franchise business model in Sidoarjo within a real-life context. The analysis focuses on mapping and evaluating the existing Business Model Canvas (BMC) and the interrelationships among its blocks, with particular emphasis on Customer Segments, Value Propositions, Channels, and Customer Relationships.

The research location was chosen purposively due to Sidoarjo's high level of modern retail competition, making it a relevant setting for examining business model implementation at the franchisee level (Yin, 2018; Sugiyono, 2023).

Data were collected using both primary and secondary sources following the principle of multiple sources of evidence. Primary data were obtained through semi-structured in-depth interviews with key informants, including the franchise owner, area manager, and senior operational staff, as well as structured observations at the store to verify and triangulate findings. Secondary data consists of internal company documents (such as SOPs and performance reports) and external sources, including academic literature, statistics from the Central Bureau of Statistics (BPS), relevant regulations, and retail industry reports to support the analysis of external opportunities and threats (Yin, 2018).

Data analysis was conducted using a qualitative descriptive approach based on the interactive model of Miles and Huberman, which includes data condensation, data display, and conclusion drawing and verification. The mapped BMC was further analyzed using SWOT analysis, which was synthesized into a TOWS matrix to formulate alternative development strategies. Strategy prioritization was then determined using a Multi-Criteria Decision Making (MCDM) approach through a Weighted Scoring Model. Data validity was ensured through source and technique triangulation, followed by concept validation via expert judgment, while research ethics were upheld through informed consent, confidentiality, and academic integrity (Miles, 2014; Yin, 2018).

RESULTS AND DISCUSSION

Existing Business Model Analysis Using Business Model Canvas

Business Model Canvas		Designed for:	Designed by:	Date:	Version:
		Final Task (Thesis)	Alif Sulthan R.		1
Key Partners	Key Activities	Value Propositions	Customer Relationships	Customer Segments	
<ul style="list-style-type: none"> PT Indomaret Pratama (head office) cakupan ritel utama (toko ritel modern) Physet dan teknologi produk elektronik. Probleman karnan digital and stor (freelance management and e-wallet). 	<ul style="list-style-type: none"> Operation of the store, (formation, stok, and customer service, and implementation of promonal programs and store loyalty programs alwmes soon. Coordination with head head office in central management role. 	<ul style="list-style-type: none"> Strategic and convenient locations accessible by foot or vehicle rider. Competitive price with routine discounts. Practical and convenient shopping experience at wales rider. Loyalty programs such Indomaret Point and Stamp Seer. 	<ul style="list-style-type: none"> Transactional relationships through in-store purchases. Enhanced transactiona routine discount via digital content and application for customers. Direct feedback and complaint handling, consistent with the franchise brand. 	<ul style="list-style-type: none"> B2C: Individual customers who shop routinely for daily necessities such as food, beverage, and household items. 	
	Key Resources		Channels		
	<ul style="list-style-type: none"> Brand reputand Indomaret as national retail network. Logistics and supply chain arranged by head office. Skilled human resources is affed to handle store operators. 		<ul style="list-style-type: none"> Physical stores (Indomaret) as the main sales channel. Indomaret Klik online platform for customers to buy online. Digital media for promotions and campaigns. 		
Cost Structure		Revenue Streams			
<ul style="list-style-type: none"> Product procurement costs from suppliers. Operational costs, such as salaries, rent, and store management. Promotional and program implementation costs. Administrative costs at both store and the head office. 		<ul style="list-style-type: none"> Direct sales of everyday retail purchases at the store. Promotional income from brand partners. Payments from promo services (such as e-wallet, top-ups, bills payments, and delivery fees). Franchise fee from new franchisees opening business in new area. 			
Cost Structure		Revenue Streams			
<ul style="list-style-type: none"> Product procurement costs from suppliers. Operational costs (salaries, rent, and store management). Promotional and program implementation costs. Administrative costs at both store and the head office instioe. 		<ul style="list-style-type: none"> Direct sales of everyday retail purchases at the store. Promotional income from brand partners. Payments from promo services (such as e-wallet, top-ups, bills payments, and delivery fees). 			

Figure 2. Business Model Canvas – Indomaret Kesamben Porong (Existing)

Based on the Business Model Canvas chart, it can be seen that Indomaret Kesamben Porong's business model is still centered on physical sales activities in stores (*offline-dominant*), with customer relationships that are still transactional and not supported by a *digital Customer Relationship Management system* . In addition, the Value Proposition offered, although reflecting fast access and daily

necessities, is still not optimal due to stock shortages in high-demand products such as Indomie and cigarettes which impacts the loss of potential sales. The fairly large cost structure, especially employee salaries, space rental, and central royalties, are fixed components that require operational efficiency to maintain business sustainability. This picture confirms the room for improvement in business strategy, especially in the aspects of service channels, stock management, and strengthening customer relations, which will be followed up in the next analysis sub-chapter.

Table 1. Summary of Existing Business Model Canvas

BMC Elements	Description of Current Condition
<i>Customer Segments</i>	Local residents within a radius of ±2 km, factory workers, industrial workers, housewives, dominant age 20–45 years
<i>Value Proposition</i>	Close location, fast access, daily necessities, nationally stable prices, but experiencing stock shortages on high-demand products (Indomie, cigarettes, rice)
<i>Channels</i>	100% reliance on physical stores, no active digital penetration, Klik Indomaret application has not been utilized as an engagement channel.
<i>Customer Relationships</i>	Transactional relationships; passive personal service; no CRM, centrally-dependent loyalty system; customer complaints not systematically recorded
<i>Revenue Streams</i>	FMCG (45%), cigarettes (25%), frozen food (15%), household (10%), PPOB (8%) per month
<i>Key Resources</i>	Cashier HR, POS system, display racks, buildings, supplies from the center, internet network
<i>Key Activities</i>	Cashier service, checking shelves, stock replenishment, running central promotions, maintaining store cleanliness
<i>Key Partnerships</i>	Indomaret Center, FMCG distributor, cigarette supplier, PPOB provider.
<i>Cost Structure</i>	Operational costs Rp. 59–64.5 million/month + system royalty of 4–5% of turnover (± Rp. 14–17.5 million)

Source: Interview Data & Store Performance Data (2025)

The analysis of the Business Model Canvas (BMC) of the Indomaret Kesamben Porong franchise indicates that the existing business model operates with a high level of standardization and strong dependence on directives from the franchisor. This dependence is evident in product supply, pricing policies, and promotional programs, all of which are centrally determined. As a result, the franchisee has limited flexibility to adjust business practices to local customer preferences. While this centralized model provides operational stability, it reduces adaptability to local market dynamics, which is increasingly important in maintaining competitiveness in modern retail.

From the customer segments perspective, the store primarily serves local residents within a radius of approximately ±2 km, dominated by factory workers, housewives, and individuals aged 20–45. Customer shopping behavior is largely

convenience-driven and impulsive, characterized by frequent visits and short shopping durations. As a result, service speed, product availability, and efficient store layout are critical factors influencing customer satisfaction and sales volume. However, field observations reveal recurring stock-outs of high-demand items such as instant noodles, cigarettes, and chilled bottled water, which weakens the shopping experience and increases the likelihood of customers switching to competing retailers.

In terms of value proposition, the Indomaret Kesamben Porong outlet offers strong conceptual value through strategic location, easy access, standardized national pricing, and a one-stop shopping concept for daily necessities. Nevertheless, this value is not consistently delivered due to operational constraints, particularly in local stock management and supply responsiveness. The gap between the promised value (product availability at all times) and actual customer experience creates a value delivery gap, leading to lost impulse purchases and declining customer trust. Strategically, this condition undermines the store's competitiveness despite a fundamentally strong value proposition.

The channels and customer relationship elements also reflect significant limitations. Value delivery remains heavily reliant on the physical store, while the utilization of digital channels such as the Klik Indomaret application and online services is minimal at the store level. Customer relationships are largely passive and transactional, with no structured system for capturing complaints, preferences, or loyalty data. This lack of proactive engagement increases the risk of customer switching in a highly competitive retail environment, as customers have little emotional attachment or long-term incentive to remain loyal to the store.

The interconnection among BMC elements shows that weaknesses in value proposition and customer relationships directly affect revenue streams, key activities, key resources, and cost structure. The store's revenue, largely driven by FMCG and cigarette sales, is highly sensitive to product availability and service efficiency, while relatively high fixed costs necessitate operational efficiency and improved customer retention. Without loyal customers, the cost per transaction increases, as the store must continuously attract new buyers. Therefore, business model development should be approached holistically, focusing on strengthening inventory management, optimizing digital channels, and transforming customer relationships from purely transactional to value- and data-driven in order to enhance long-term competitiveness and sustainability of the Indomaret Kesamben Porong franchise.

SWOT Analysis of Existing Business Model

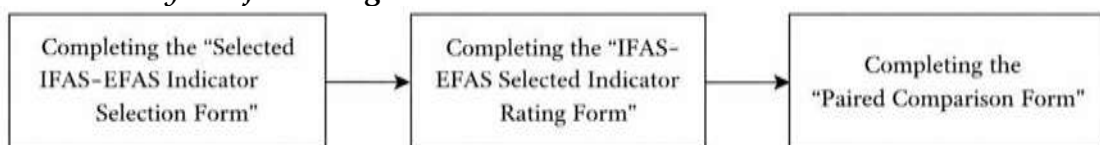


Figure 3. Business Model Canvas - Indomaret Kesamben Porong (Existing)

The SWOT analysis of the existing business model of the Indomaret Kesamben Porong franchise aims to identify internal and external factors that influence business performance and sustainability. Internal factors are analyzed through strengths and weaknesses based on operational observations and in-depth interviews with the franchise owner, while external factors consist of opportunities and threats arising from local retail market dynamics, competitive intensity, and surrounding consumer behavior. To ensure objectivity, structured worksheets were used and completed directly by the franchise owner, including IFAS–EFAS indicator selection, weighting and rating assessments, and paired comparison, which together form the basis for determining strategic priorities.

The findings indicate that the main strengths of the outlet lie in Indomaret's strong brand equity, standardized operational systems and supply chain, and relatively stable revenue diversification. Strategic location and national-level promotional support further strengthen the store's internal position. However, these strengths are not fully balanced by operational flexibility at the local level. From six identified strength indicators, three key factors brand equity, standardized operational systems, and revenue diversification were selected for inclusion in the IFAS matrix based on the paired comparison results.

Conversely, the most critical weaknesses are frequent stock-outs of high-demand products, passive and transactional customer relationships, and a high operational cost structure that is heavily dependent on head office policies. The franchisee's limited authority to manage inventory and implement local innovations constraints profit margins and customer satisfaction. From six identified weakness indicators, three stock availability issues, weak customer relationships, and high operational costs were selected for the IFAS matrix due to their direct impact on operational performance.

From an external perspective, key opportunities arise from Sidoarjo's strong economic growth, the increasing adoption of omnichannel shopping behavior, and the decline of traditional small retail stores. These conditions indicate strong potential for modern convenience-based retail growth. Nevertheless, significant threats remain, particularly intense competition from nearby minimarkets, the emergence of quick commerce platforms, and structural dependence on centrally determined policies that limit rapid local market responses. From the six identified opportunity and threat indicators, three of each category with the greatest potential impact were selected for inclusion in the EFAS matrix.

Overall, the SWOT synthesis reveals that while the Indomaret Kesamben Porong business model is strong in terms of brand and systems, it is weakened by local operational execution, inventory responsiveness, and customer relationship strategies, and it faces growing competitive and behavioral challenges. Of the 24 SWOT indicators identified, 12 were selected for inclusion in the IFAS–EFAS matrices as the basis for further quantitative analysis and the development of the TOWS matrix. These findings indicate that the core challenge lies not in market potential, but in the gap between the centrally designed business model and the operational realities faced by the franchisee, which forms

the foundation for the proposed business model development in the subsequent stage.

Table 2. Summary of Identified and Selected SWOT Indicators

Category	Identified Number	Number Selected to IFAS/EFAS	Selected Indicators
Strengths	6	3	S1, S2, S3
Weaknesses	6	3	W1, W2, W3
Opportunities	6	3	O1, O2, O3
Threats	6	3	T1, T2, T3
Total	24	12	-

Source: Author's processed data (2025)

Preparation of IFAS and EFAS Matrix

Table 3. Paired Comparison Results – Internal Factors

Factor	S1	S2	S3	W1	W2	W3	Total Value	Weight
S1		S1	S1	S1	S1	S1	5	0.33
S2			S2	S2	S2	S2	4	0.27
S3				S3	S3	S3	3	0.20
W1					W1	W1	2	0.13
W2						W2	1	0.07
W3							0	0.00
						Total	15	1.00

Source: Data from Paired Comparison Form Completion Results by Franchise Owners (2025)

The IFAS score of 3.00 (> 2.50) indicates that the Indomaret Kesamben franchise's internal strengths are generally more dominant than its weaknesses. Brand equity is proven to have the greatest weight because it directly influences daily traffic and perceived public trust. This is consistent with interviews stating that the Indomaret name itself "sells" without the need for promotion. However, low scores on weaknesses, particularly out-of-stock and passive customer relationships, indicate that these potential strengths have not been optimally monetized. In other words, the store possesses strong internal capital, but has failed to translate these strengths into consistent and repeatable customer experiences.

Table 4. Paired Comparison Results – External Factors

Factor	O1	O2	O3	T1	T2	T3	Total Value	Weight
O1		O1	O1	O1	O1	O1	5	0.33
O2			O2	O2	O2	O2	4	0.27
O3				O3	O3	O3	3	0.20
T1					T1	T1	2	0.13
T2						T2	1	0.07

T3							0	0.00
						Total	15	1.00

Source: Data from Paired Comparison Form Completion Results by Franchise Owners (2025)

With an EFAS score of 3.13, these results indicate that the external environment is actually the greatest resource for franchise growth. Economic opportunities and consumer behavior provide fundamental foundations that the market is actually ready, but the stores have yet to optimize it. Meanwhile, threats such as competition from Alfamart and the emergence of app-based fast services reinforce the urgency for franchises to act quickly before customer preferences shift. The higher EFAS score than the IFAS also confirms that the market is not the problem; the store's internal readiness to seize these opportunities is the issue.

If both scores are combined, then the franchise position is in Quadrant I – Aggressive Strategy (Growth Strategy), which is a condition where the company has sufficient internal strength and large external opportunities so that the best step is not to maintain, but to expand and transform.

Identifying Business Model Gaps

This section identifies the gaps between the existing business model of the Indomaret Kesamben Porong franchise and the ideal business model expected under modern retail standards and local consumer expectations. Although the existing Business Model Canvas (BMC) describes the store's operational structure, it does not fully capture the mismatch between business model design and actual field implementation. Therefore, a Comparative Business Model Gap Analysis was applied by comparing the current conditions with (1) ideal modern retail benchmarks, (2) observed local consumer expectations, and (3) insights from the franchise owner. This approach allows gaps to be systematically categorized into value delivery gaps, operational gaps, and relational gaps, serving as a bridge between empirical findings and the formulation of the proposed business model.

The analysis reveals several critical gaps across key BMC elements. The most prominent value proposition gap arises from frequent stock-outs of high-demand products, creating inconsistency between the promised convenience and the actual customer experience, which directly leads to lost sales. In terms of customer relationships, interactions remain passive and transactional, with no customer relationship management (CRM), loyalty mechanisms, or systematic complaint tracking, resulting in low customer retention and high switching behavior. Operational gaps are evident in key activities that remain limited to routine tasks without value-adding initiatives such as upselling, local promotions, or community engagement. Additionally, key partnerships are characterized by asymmetric control, where the franchisor dominates decision-making, limiting the franchisee's ability to adapt to local market conditions.

Further gaps are identified in channels and revenue streams. Value delivery relies solely on the physical store, while digital channels such as Klik

Indomaret are not utilized at the local level, resulting in missed omnichannel opportunities and constrained market reach. This limitation directly affects revenue streams, as lost sales from stock shortages and the absence of repeat purchase mechanisms reduce potential monetization. Among all identified gaps, the most critical priorities are the value proposition gap (stock availability) and the customer relationship gap (lack of retention strategy), as both directly influence customer satisfaction and purchasing decisions. If left unaddressed, these gaps pose a long-term threat to operational efficiency, profitability, and the sustainability of the Indomaret Kesamben Porong franchise, thereby justifying the need for strategic intervention through the subsequent TOWS-based strategy formulation.

Internal-External Factor Analysis Using the TOWS Matrix

1. Internal Factors – Strengths (S)
 - a. S1: Indomaret's brand equity is strong and trusted by the public.
 - b. S2: Standardized operational systems, SOP, POS, and supply chain
 - c. S3: Income diversification (FMCG, cigarettes, PPOB)
2. Internal Factors – Weaknesses (W)
 - a. W1: Out of stock often occurs on high-demand products.
 - b. W2: Passive customer relationship, no CRM system
 - c. W3: High operational costs and dependence on central
3. External Factors – Opportunities (O)
 - a. O1: Sidoarjo's economic growth (7.75%) and large consumer market
 - b. O2: Digital shopping behavior-O2O is growing
 - c. O3: The decline of traditional grocery stores makes room for modern retail
4. External Factors – Threats (T)
 - a. T1: Strong competition with Alfamart & Alfamidi within a 2 km radius
 - b. Q2: The emergence of quick commerce (GoMart and GrabMart)
 - c. Q3: Franchise dependence on central policies (prices, stock, strategy)

Business Model Canvas Proposed Business Model Development Strategy

Table 5. Comparison of Existing BMC vs Proposed BMC

Element	Existing BMC	BMC Proposed (Proposed Strategy)
Value Proposition	Convenient store is only "close-fast-available" but the value is inconsistent due to empty stock	Expanded value and guaranteed availability + addition of "fast-line zone", ready-to-eat food, and new slogan: "Fast, Always Available, Ready for the People"
Customer Segments	Domestic radius ±2 km, age 20-45	Segments are clarified: commuting workers, housewives, students;

		digital segments (WhatsApp Service) and MSMEs are added.
Channels	Full offline - no digital integration	Omnichannel: physical store + WhatsApp Service + Social Media
Customer Relationships	Transactional, passive cashier	Simple local customer based CRM with <i>loyal community group creation customer</i> (WhatsApp and Instagram channels), <i>personal attach</i> (3S, survey one click system , <i>emotional connection</i>)
Key Activities	Operational routines	Priority stock monitoring, <i>upselling</i> by cashiers, <i>omnichannel assisting</i>
Key Resources	HR as technical operator	HR is positioned as <i>a value agent for soft-skill service training</i> , customer loyalty-based incentives
Key Partnerships	One-way relationship - dominant center	Collaboration with local food MSMEs, local communities
Revenue Streams	FMCG, cigarettes, PPOB	FMCG + fast food + land rental cooperation with MSMEs
Cost Structure	High operational & heavy <i>fixed costs</i>	Employee Salaries, Building Operations, Internet & POS, Depreciation, Royalties to Head Office)

Source: Author's Processed Data (2025)

This adjustment is in line with studies (Claus, 2016) that state that business models are able to increase competitiveness if they are able to change the value structure through innovation in value propositions and delivery, not just price reductions alone.

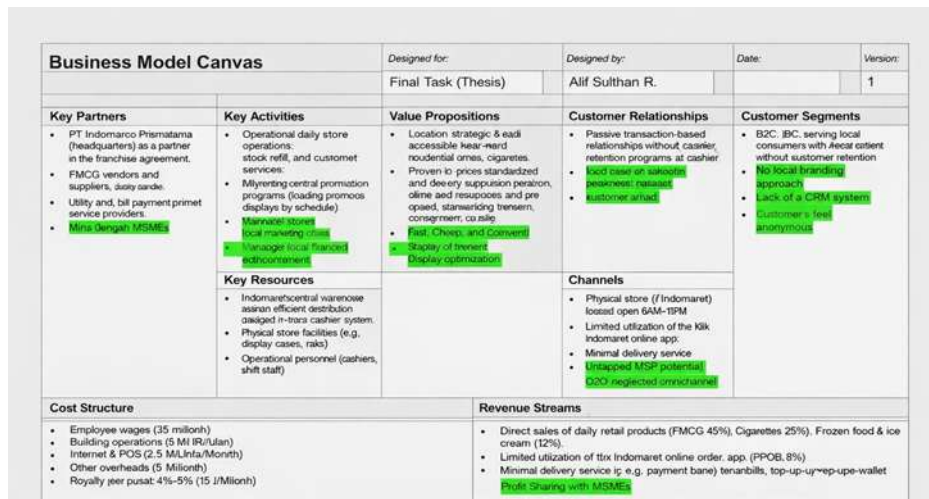


Figure 4. BMC Proposed (Final Model)

The proposed business model development prioritizes strengthening the Value Proposition and Customer Relationship as a response to the most critical gaps identified. The new Value Proposition is built upon three main pillars: *fast* ,

always available , and *community-ready* . The *fast* pillar is implemented through a Fast Line Zone, enabling customers to complete transactions efficiently via the Klik Indomaret application (delivery and pick-up services) and a dedicated WhatsApp channel for real-time stock inquiries and ordering. The *always available* pillar is supported by more frequent stock monitoring, particularly for high-demand products, allowing faster replenishment and minimizing stock-out risks. Meanwhile, the *community-ready* pillar is realized through partnerships with local food and beverage MSMEs, enabling the regular-format Indomaret store to offer ready-to-eat products without upgrading to other store formats, while simultaneously generating additional income through a profit-sharing scheme.

The transformation of Customer Relationships shifts the interaction model from passive transactions to loyalty-oriented engagement through community-based micro CRM. This strategy includes the creation of loyal customer channels via WhatsApp and Instagram to disseminate promotional information and facilitate two-way communication, as well as strengthening *personal attachment* both offline and online. Offline initiatives emphasize the implementation of the 3S service culture (smile, greet, and salute), proactive customer assistance, and transparency regarding promotions and product quality. Online engagement focuses on consistent communication, informative content, and clear calls to action to encourage interaction. These initiatives are reinforced by the development of local omnichannel channels, such as WhatsApp-based click-and-collect services and *in-store assisted omnichannel* , positioning store employees as key connectors between offline and online touchpoints.

Changes to Key Activities, Key Partnerships, and Revenue Streams are designed to support sustainable value creation. Core activities are expanded beyond routine operations to include priority stock monitoring, cashier-led upselling, and omnichannel assistance. From a partnership perspective, the store reduces its dependence on centralized control by establishing horizontal collaborations with local MSMEs to strengthen the local business ecosystem. Revenue streams are also diversified through non-traditional income sources derived from MSME partnerships and additional services, without significantly increasing operational costs. Overall, the implementation of these strategies is expected to reduce lost sales by approximately 2-5%, increase revenue by 7-10%, enhance customer loyalty, and improve the store's long-term competitiveness aligning with the view that innovation in *value delivery* and *value capture* mechanisms generates more sustainable strategic impact than price-based competition alone (Teece, 2020).

Strategy Implementation Plan (Action Plan)

The implementation strategic plan is designed to ensure that the proposed business model is translated into measurable and executable operational practices rather than remaining at a conceptual level. Implementation is positioned as a logical continuation of the TOWS-based strategy formulation and the repositioning of Business Model Canvas elements. Consistent with previous studies, the effectiveness of strategy implementation is considered more critical than strategy design itself. Accordingly, implementation priorities are

determined based on urgency and causal impact, with initial focus placed on resolving issues that directly affect value delivery – namely stock availability, customer service quality, and complaint-handling mechanisms. More expansion-oriented initiatives, such as digital channel integration and MSME collaboration, are treated as secondary priorities and introduced only after internal operational stability is achieved.

The implementation roadmap spans a 3–12 month horizon and is structured into three phases: operational stabilization, value activation, and monetization with efficiency optimization. Standard Operating Procedures (SOPs) function as governance mechanisms to ensure consistent value delivery, particularly through enhanced stock monitoring and service standardization. Resource requirements are intentionally kept low-cost and high-impact, with minimum initial investment to maintain financial sustainability under franchise constraints. Implementation performance is evaluated through Key Performance Indicators (KPIs) aligned with customer, internal process, and financial perspectives, while potential risks such as employee resistance and franchisor approval constraints are mitigated through gradual training, incentive mechanisms, and pilot-based validation. Collectively, this structured and phased action plan is expected to support effective execution, minimize implementation risks, and enhance the long-term competitiveness and sustainability of the franchise.

CONCLUSIONS AND RECOMMENDATIONS

Based on the mapping of the existing Business Model Canvas (BMC), gap analysis, internal and external factor analysis using SWOT, IFAS–EFAS, and strategy formulation through the TOWS Matrix, this study concludes that the Indomaret franchise business model in Sidoarjo has structurally been implemented but remains insufficiently adaptive to local operational conditions. Although all BMC elements are in place and consistently applied according to head-office standards, the model is largely top-down and uniform, limiting the franchisee's ability to respond to local market characteristics, customer behavior, and competitive dynamics. Key weaknesses are identified in the generic nature of the value proposition, the transactional approach to customer relationships, and the operational gap between centrally designed strategies and field-level execution. Nevertheless, supported by strong brand equity, an integrated distribution system, and favorable regional economic growth, the franchise holds significant potential for development. The proposed Business Model Canvas addresses these gaps by strengthening value delivery, enhancing customer relationships, and improving operational responsiveness, thereby increasing competitiveness and long-term business sustainability.

Based on these findings, it is recommended that franchisees implement the proposed BMC gradually, prioritizing quick-win initiatives such as improved stock monitoring, cashier-led upselling, and optimized use of available digital channels. The franchisor is advised to enhance communication and coordination mechanisms and to provide limited operational flexibility that allows franchisees to adapt to local market needs without compromising brand consistency. Area

supervisors should adopt a more consultative and data-driven supervisory role to support continuous improvement at the store level. From an academic perspective, future studies are encouraged to position franchisees as the primary unit of analysis, integrate BMC with complementary analytical frameworks, and replicate similar research across different regions or store formats to strengthen the external validity and enrich the literature on franchise-based retail business models.

FURTHER STUDY

This study has several limitations, including its focus on a single Indomaret franchise in Sidoarjo, the reliance on qualitative data that may involve subjective interpretation, and the absence of long-term empirical testing of the proposed business model. Future research is therefore recommended to examine multiple franchise units across different regions or store formats, apply quantitative or mixed-method approaches to assess financial and customer-related impacts, and conduct longitudinal studies to evaluate the sustainability and effectiveness of business model innovations in franchise-based modern retail.

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