Original Article

Challenges Equity Crowdfunding Company Business Model

Teuku Ghalib M[1], B. Yuliarto Nugroho[2]

[1,2], *Faculty of Administrative Science, Universitas Indonesia*
Prajudi Atmosudirdjo Building, Level 2. FIA UI, Depok 16424, Indonesia

Abstract - *The purpose of this study is: (1) to analyze the company's business model using Gap Analysis to see the gap between expectations and reality on the Business Model Canvas, (2) to strengthen the company's business model using SWOT analysis. This research method uses mixed methods with a concurrent embedded design model to collect data by conducting interviews and questionnaires with five sources. Data analysis techniques use reduction, display data, conclusion, gap analysis, and SWOT analysis from the questionnaire results using a Likert scale. This study indicates that the company's existing business model can fulfill the nine building blocks of the Business Model Canvas. The company's business model produces several ways to strengthen its business model through the SWOT analysis evaluation.*

Keywords - *Equity Crowd funding, Business Model, Business Model Canvas*

I. INTRODUCTION

Raising funds or funding is one of the essential factors to achieve commercial and social activities. Initially, fundraising in a traditional way, in a small scope, and the management was carried out by one or several people responsible for managing the funds (Tirdanatan, Georgiana, & Sun, 2014). However, along with technological developments and increasingly global use of the internet, a new term in fundraising has emerged called Crowdfunding (Febriani, 2017).

Crowdfunding is the activity of collecting funds from individuals and groups in small or large amounts to fund an activity or business that is carried out using internet facilities (Prasetyawati, 2017). Crowdfunding has four types, namely: a). Lending Based Crowdfunding, where someone borrows funds for an activity to get the funds back with certain benefits; b). Equity-Based Crowdfunding, where a person obtains property rights from an entity in exchange for the funds given; c). Reward-Based Crowdfunding, where

individuals will get prizes according to their contribution and d). Donation-Based Crowdfunding is an example of Crowdfunding in providing funds to donate to activity without any hope of returning funds from the donations that have been given (Tirdanatan, Georgiana, & Sun, 2014).

Crowdfunding is closely related to financial technology (Fintech). Crowdfunding is included in the financial inclusion section, one of the four sections in financial technology, and the Financial Services Authority is making the regulation. Apart from Crowdfunding, there are also financial literacy, digital currency, and payment gateways, which are also the focus of the OJK. Financial inclusion aims to educate residents so they can get financial assistance, which sometimes has difficulty getting it from conventional-based financial institutions.

Of the four types of Crowdfunding above, Equity Crowdfunding is rated as one of the three types of most suitable investments for millennials besides peer-to-peer lending and gold (Muamar, 2020). Also, the current development of fintech opens opportunities for startups and SMEs to get funding through equity crowdfunding so that they are not burdened with the obligation to pay interest and principal loans (Listyorini, 2020).

The equity crowdfunding system is similar to investing in the capital market. There are publishers (companies that offer their company shares), crowdfunding service providers, and investors. The difference is, the stock offering with the Equity crowdfunding system is carried out by the issuer to sell shares directly to investors through an online electronic system. Those who are given the disbursement of funds or from now on referred to as publishers are startup companies or SMEs with a total capital of not more than IDR 30 billion and must be in the form of a Limited Liability Company (PT) and not a company controlled either directly or indirectly by a business group or conglomerate. The issuer will make an offering of its company's shares through a crowdfunding service provider. After that, investors can buy shares of the currently being offered (Listyorini, 2020). Regulations

related to platform arrangements, investors, and the amount of money collected from share offerings are in POJK Number 37 / POJK.04 / 2018 (Ryza, 2020).

Based on POJK Number 37 / POJK.04 / 2018 concerning Crowdfunding Services through Information Technology-Based Stock Offerings (Equity Crowdfunding), OJK said three organizations had received three organizing companies OJK permits as of December 31, 2019, namely Santara, Bizhare, and Crowddana (Ryza, 2020). Although only three operators have received OJK permits, with the POJK Regulation Number 37 / POJK.04 / 2018, it can create new players because it is a long-term business (Qolbi, 2019).

The emergence of equity crowdfunding firms also poses challenges to governance systems, requiring thought and breakthrough approaches to structuring relationships among different actors. Also, equity crowdfunding has new governance problems that are digital-based. A governance problem is that it can occur in small companies because they usually do not have many investors and often do not have management. Not to mention that there has been a change in actors where retail investors become digital-based investors. Thus, there is a need to understand better the different governance mechanisms that various actors can use to ensure effective participation in equity crowdfunding and ensure equity crowdfunding firms (Cumming, Vanacker, & Zahra, 2017).

(Wallmeroth, 2019) explains that Crowdfunding is currently filling the growing equity gap in the technology sector and diversifying into real estate, music, art, where equity gaps do not explicitly exist but are supplied by Crowdfunding combined with low-interest rates. The most successful form of Crowdfunding is equity-based Crowdfunding, which is currently overgrowing.

Seeing the possibility of competitors and the challenges that the company will face in the future, equity crowdfunding companies must have a good business model to survive in the market to help the sustainability of many SME businesses in Indonesia. It is then necessary to strengthen the company's business model to develop in the future.

One business model widely used by companies in the Business Model Canvas. The Business Model Canvas consists of nine elements: Customer Segment, Value Proposition, Channel, Customer Relationship, Revenue Streams, Key Resources, Key Activities, Key Partnership, and Cost Structure, which show how the company gets the desired results (Bilqis, 2017).

The purpose of this study is: (1) to analyze the company's business model using Gap Analysis to see the gap between expectations and reality on the Business Model Canvas, (2) to strengthen the company's business model using SWOT analysis.

II. LITERATURE REVIEW

A. Crowdfunding

According to Freedman and Nutting (2015) (Aprilia, 2016), Crowdfunding collects many small contributions through an online funding platform to fund activities and start a business. In short, Crowdfunding is an activity where a person, group of people, and a business entity raises money from the wider community to support a business, project, campaign, and individual interest through the internet media. (Prakoso, 2016).

In 2012, Massolution in (Rahayu C., 2013) explained the distribution of Crowdfunding. According to him, Crowdfunding can be divided into four types, such as:
1. Equity-based Crowdfunding is when the donor wants a return in equity or income or stock arrangement due to fundraising.
2. Lending-based Crowdfunding is when the donor receives the reward periodically in the form of interest and expects a return from the funds donated after an activity is booming.
3. Reward-based Crowdfunding is when the donor gives money to get benefits or rewards in a form other than money.
4. Donation-based Crowdfunding is when the donor does not expect anything in return from the activity owner.

B. Business Model Canvas

Business model canvas is a tool used to describe a business model and has nine blocks. (Osterwalder & Pigneur, 2013) The nine blocks are customer segments, value propositions, channels, customer relationships, revenue streams, essential resources, key activities, key partnerships, and cost structures.

C. Gap Analysis

Gap analysis is a tool that can be used to evaluate company performance, especially to provide public services. The results of this analysis can be useful input for planning and determining budget priorities in the future. The gap will be (+) positive if the actual value is greater than the expected value. On the contrary, it will be negative (-) if the expected value is greater than the actual value. If the expected value is bigger than the actual value or the actual value is getting smaller, a wider gap will be obtained. (Mutiara, 2010)

In short, gap analysis is useful for assessing how big the gap is between actual performance and an expected performance standard. Performance improvements are needed to close the gap and become a basis for making decisions regarding the priority of time and cost required to meet the service standards required. has been established. (Mutiara, 2010)

To facilitate quantitative measurement, each dimension being assessed is given a scale or a score of up to 5. Analyze the data using descriptive statistics. The calculation of the average score for each pair of factors is being calculated as the gap. The calculation of the average score is done using the following formulation: (Mutiara, 2010)

$$G = \text{Reality / Actual - Expectation}$$

a. Information on the calculation of the gap analysis

a. If G < 0, then reality / actual is lower than expectations, so the company needs to improve its existing business model.

b. If G > 0, then reality / actual is higher than expectations so that the company has a good business model.

c. If G = 0, then reality equals expectations. so that the company has a good business model but still needs to be improved.

III. RESEARCH METHODS

This study will combine qualitative research methods as primary methods and quantitative research as data reinforcement. This research uses mixed methods with a concurrent embedded design model where the qualitative weight is more significant than quantitative (Sugiyono, 2012). Primary data collection methods are direct interviews and questionnaires addressed to essential officials and employees in the company. Researchers interviews five sources to collect data for qualitative research. On the other hand, researchers distribute a questionnaire to five resource persons to get quantitative research data. Researchers also using secondary data through documents or literature. Data analysis techniques use reduction, data display, conclusion, and gap analysis from the questionnaire results using a Likert scale.

IV. RESULT AND DISCUSSION

A. Characteristic of Interviewees

Interviewees were determined through a purposive sampling technique. The following is table 1.1, which lists the characteristics of the interviewees in this study.

Table 1. Characteristic of Interviewees

No	Position
1	Chief Business Officer
2	Partnership Leader
3	Customer Support
4	Head of Digital Marketing
5	Human Capital Manager

The interviewees in table 1. were chosen because they represent each position considered to understand the company's conditions in this study. Interviewee 1 was selected because he runs the company. Interviewee 2 was selected because it represented data related to partnerships. Interviewee 3 was chosen because it represented customer-related data. Interviewee 4 was selected because it represented data related to channels and their marketing processes. Interviewee 5 was chosen because it represented data pertaining to one of the key resources such as HR.

B. Gap Analysis of the Company Business Model Canvas

After getting an overview of the company's business model canvas, a gap analysis is carried out on the nine elements of the business model canvas with a questionnaire to the same interview participants. From the results of the questionnaire, the gap score for each element is obtained as follows

Table 2. Total Gap Score of Nine Elements of the Business Model Canvas

Total Gap Score Nine Elements	Expectation-Actual	Gap Analysis
Total Gap Score Customer Segment	(14)	G < 0
Total Gap Score Value Proposition	(9)	G < 0
Total Gap Score Channel	(5)	G < 0
Total Gap Score Customer Relationship	(6)	G < 0
Total Gap Score Revenue Stream	(7)	G < 0
Total Gap Score Key Resource	(3)	G < 0
Total Gap Score Key Activity	(6)	G < 0
Total Gap Score Key Partnership	(4)	G < 0
Total Gap Score Cost Structure	(2)	G < 0

Source: Processed by Researchers

Based on Table 2, in each block, it is necessary to strengthen the existing business model. This is indicated by G < 0, where reality is lower than expectations. Because of this, the company needs a SWOT analysis to see the strengths, weaknesses, opportunities, and threats of each block so that later it can answer the challenges of strengthening the existing business model

C. Evaluating the Business Model Canvas and Strengthening the Company's Business Model

A SWOT analysis is carried out to answer the challenges in strengthening the existing business model after getting the gap analysis results. To perform the analysis, the researcher used the score continuum line. Based on the researcher's answers from each statement item, each category of statements' assessment criteria was compiled based on the continuum's value with the classification as in figure 2.
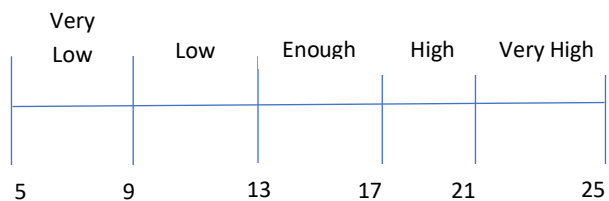

Fig. 2 Continuum of Score

The total score of each interviewee's answer is averaged, then the average result becomes the value that will be interpreted for analysis in the Business Model Canvas.

Furthermore, from the SWOT analysis results using the score continuum line, each element's results and conclusions are obtained as in table 3.

Table 3. Evaluation of the SWOT Analysis of the Company Business Model Canvas

	Strength	Weaknesses	Opportunity	Threat
Customer Segment	22.5 Very High	20 High	21.7 Very High	13 Enough
Value Proposition	21 Very High	11.5 Low	21.5 Very High	16 Enough
Channel	21 Very High	16.5 Enough	18.5 High	15.5 Enough
Customer Relationship	21.5 Very High	19 High	20.3 High	16 Enough
Revenue Stream	20.5 High	16 Enough	19 High	16 Enough
Key Resource	20.5 High	14.5 Enough	18.5 High	15.5 Enough
Key Activity	21 Very High	16 Enough	20.5 High	17.5 High
Key Partnership	20 High	12 Low	21 Very High	13.3 Enough
Cost Structure	18 High	13.5 Enough	22 Very High	15 Enough

Source: Processed by Researchers

Table 3 shows that each block has different characteristics. In the Customer Segment block, the strength is Very High, and the weakness is High, showed that the customer segment is well segmented, although there is still something that needs to be improved. The opportunity is Very High, and the threat is Enough, especially threats from competitors that can be minimized again by serving new customer segments. In the Value Proposition block, the strength is Very High due to the ability to provide customer satisfaction by distributing fair dividends and ease of transactions. The weakness is Low because the company can meet the demands and complaints of customers. The opportunity is Very High, which indicates that the company can increase the value offered to customers. The threat is Enough, suggests that competitors can have equal value. In the Channel, the strength is Very High and showed that the Channel is effective and efficient, and the weakness is Enough. The opportunity is High, so there is a chance to be able to integrate the Channel better. The threat is Enough because there is a possibility that competitors have better channels, so it is necessary to increase the channels they have. In Customer Relationship, the strength is Very High and showed that the customer's relationship is solid. However, the weakness is High, so the company has to improve customer relationship quality. The opportunity is High, and the threat is Enough showed that opportunities are great if we can increase personalization with customers. In

the Revenue Stream, High indicates that the means used to achieve income are already running smoothly. The weakness is Enough, which means that the way to get income is with a clear mechanism. The opportunity is High, and the threat is Enough so that the company needs to improve the revenue stream system so as not to be threatened by competitors. In Key Resource, the strength is High, and the weakness is Enough explained that the company uses the right amount of primary resources and at the right time. The opportunity is High, and the threat is Enough because the company has the appropriate resources. In Key Activity, the strengths are Very High, and the weakness is Enough because the quality of the company's implementation is excellent and efficient. The opportunity is Very High, and the threat is Enough; the company could do this by maintaining the website better if the business model works better. In Key Partnership, the strength is high. The weakness is Low because the company has good relationships with partners. The opportunity is Very High, and the threat is Enough indicated that there are opportunities for partners and companies to complement each other to achieve value proportions. In Cost Structure, the strength is High indicates that the costs incurred by the company are systematic. Enough's weakness showed that operating costs are proportional to income, but it is possible that the company's cost structure is not yet suitable for existing business models. The opportunity is Very High, and the threat is Enough indicated that there are costs that are threatening and unpredictable. Therefore, the company is expected to be able to anticipate by maximizing value to customers.

Based on the questionnaire that has been concluded, the researcher obtained the results of the SWOT matrix, which is described based on the results of the nine-block Business Model Canvas questionnaire analysis as follows: Related to the SO (Strength-Opportunity) Strategy there are several strategies, namely adding new customer segmentation (aged between 35-50), collaborating with local governments to strengthen local business groups, strengthen branding as Equity Crowdfunding to help scale up SME businesses, increase online activities such as live Instagram by inviting important figures, reduce operational costs from resources that are already efficient and actively participate in associations and seminars/talk show related to Equity Crowdfunding.

In the WO (Weakness-Opportunity) Strategy, there is a strategy: increasing interaction with customers and growing database server capabilities as the number of users increases.

For the ST (Strength-Threat) Strategy, there is a strategy to focus on market segmentation that has been controlled (UKM players), receiving input from investors for company development, and increasing collaboration with major partners KSEI, Custodian Bank, and Moka Pos. For the WT (Weakness-Threat) Strategy, there is a strategy to keep business processes in the company from being misused by irresponsible people.

V. CONCLUSION AND SUGGESTION

The company's business model canvas is generally said to be good enough. An existing business model can fill the nine building blocks of the Business Model Canvas. This can be illustrated from the company's current Business Model Canvas based on interviews with five sources related to the nine building blocks of the Business Model Canvas. Based on each block's gap analysis, it is necessary to strengthen the existing business model because the reality is lower than expectations. Furthermore, the SWOT analysis is used to see the strengths, weaknesses, opportunities, and threats of each block so that later it can answer the challenge of strengthening the existing business model. From the evaluation results of the SWOT analysis on the nine building blocks of the Business Model Canvas regarding the strengths and weaknesses, opportunities and threats of the company, it produces several ways to strengthen the company's business model.

From the research results, several suggestions can be conveyed to the company. The author hopes that the company can take advantage of the opportunities and strengths to anticipate and prevent incoming threats. Based on the research that has been done, several suggestions can be conveyed:

1. Improving the business model in the value proposition block. By looking at what value competitors will provide in the future. So that the company can determine what is the right value to give to their customers.
2. Serving new customer segments, those with an age range under 25 years of age, especially generation Z, to become investment literate.
3. Faster and more efficient use of IT and increase the number of database servers.
4. Making additional partners such as foreign custodian banks and increasing the volume of channel usage so that the public or its customers increasingly recognize the company's image.

Suggestions for further research need additional studies on millennial generation investments, comparisons between equity crowdfunding companies, other studies on increasing startups, especially fintech startups, and strengthening its business model in a force majeure situation.

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