

## CHAPTER 5

# CONCLUSIONS

### 5.1 FEASIBILITY OF BUSINESS MODEL

*Furniloka* is a furniture rental digital platform that offers many value propositions to internet users and strives to change customers mindsets from purchasing to renting their furniture needs. Its end-to-end approach makes *Furniloka* distinctively different from existing furniture rental by several brands that only offers rental as a small part of their business.

*Furniloka* platform is developed and designed to offer the total solution that is currently not provided by existing rental furniture market actors in Indonesia. Since the contemporary internet users utilize tools such as the laptop, tablet and mobile devices in their daily routine, most activities are dependent on many platforms and omnichannel. This means the marketplace has been giving solutions to users to easily do transactions such as purchasing product and booking tickets, as well as to follow up-to-date news and information that can help customers to solve their needs.

The platform will switch and change customers' conventional mindset from purchasing to renting furniture, which will eliminate conventional pains that usually comes with purchasing furniture. *Furniloka* offers hassle-free and cost-effective solution, affordable price yet high-quality furniture, with benefits such as flexibility and possibility to swap furniture anytime when customers feel bored or in need to

upgrade their style. The rental price will be charged monthly, with a minimum of 3-months subscription period.

### **Change in buyers' behavior to online transaction, furthermore from purchase to rental**

The change in B2B-B2C buyers' behavior should not come as an amazement. In fact, B2B-B2C buyers are used to make online transactions. With easy access to internet-enabled mobile devices, such as smartphones and tablets, there is a new generation of buyers who are tech-savvy and demand the same convenience in work, as they do in other parts of their busy lives. The B2B-B2C buyers expect the same kind of seamless experience as they have while online shopping for shoes or electronic gadgets. More than 70% of B2B buyers conduct research on their work-related purchases online. *Furniloka* does not only help B2B commerce to provide the much-needed convenience to today's digitally tuned buyers, it also offers a low-cost sales channel for the B2B-B2C sellers as well.

#### **5.1.1 INDUSTRY AND MARKET FEASIBILITY**

According to HIMKI data in 2016, furniture sales via e-commerce shows significant growth in 2015-2017 and is projected to grow even higher in 2018-2020:

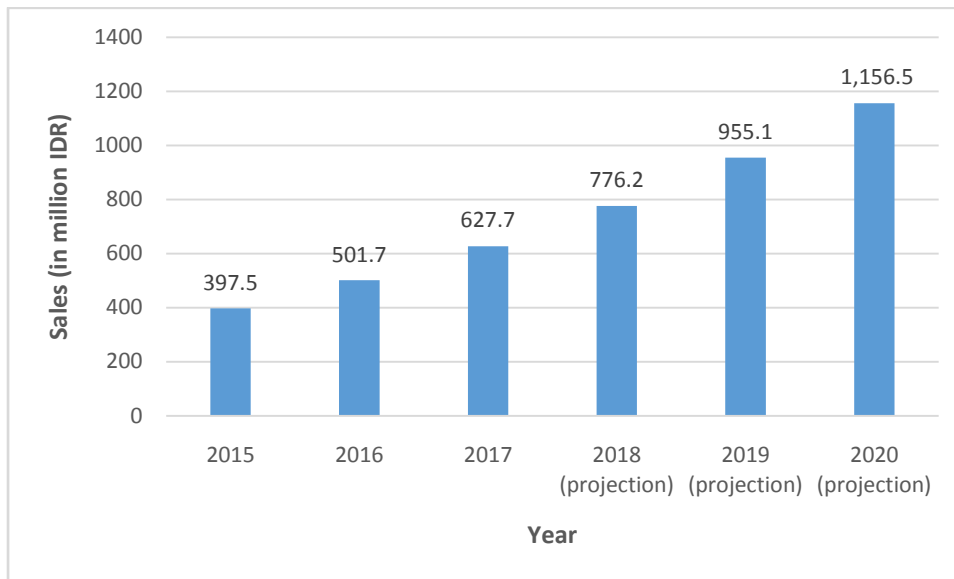


Figure 5.1: Furniture sales through e-commerce  
 Source: *Info Komoditi Furnitur (HIMKI, 2016)*

In the *Furniloka* survey conducted by our internal team, we included two important questions to ensure the business model is feasible:

- “If there is a platform to rent furniture and "Garage Sale", are you interested in using the platform?”

Answer: Yes 33.1% , No 23.4% , Maybe 43.5%

- “If there is a furniture rental solution (dining room or living room) to complete your residence without having to buy/own, do you want to rent? “

Answer: Yes 36.1 % , No 23 % , Maybe 40.9%

Based on the results, we can conclude there is a potential demand from prospective customers for furniture rental and used furniture market. In other words, industry and market of *Furniloka* are very feasible to be developed in Indonesia. The feasibility of *Furniloka*'s business will be shown in the financial measurement below.

### 5.1.2 FINANCIAL FEASIBILITY

The business feasibility from financial perspective will give a clear picture of how the business will benefit shareholders. Several assumptions are made in order to have the projection of up to 5 years ahead. How long will this business need to pay back its shareholder equity and start generating profit? From *Furniloka* financial projection, we expect a 3.28 years payback period and with total initial investment of IDR 3.6 billion, *Furniloka* will have net present value (NPV) of IDR 4.7 billion at the end of the fifth year. Positive NPV and IRR calculation means *Furniloka* is a financially feasible business to start.

### 5.1.3 BUSINESS MODEL LIMITATION

The business model of *Furniloka* is the first business model of its kind in Indonesia. There is still room for improvement and limitations on this stage. As previously mentioned, *Furniloka* business model relies on rental volume quantity to generate revenue not only from home and office furnishing, which will dominate the revenue contribution. Therefore, the main important and crucial part of this business model will be on customers' behavioral change, when their mindsets are switched from purchasing to renting their furniture needs. But with *Furniloka's* business model, the value proposition of products and services may strongly persuade customers to switch their mind and behavior to renting furnitures through the online platform.

*Furniloka's* reputation as a platform might be challenged and it can be a threat

in this business model. Reliability and credibility of products would be the strength of *Furniloka* to compete in the market. Marketing strategies, as well as brand awareness, will be determining factors to the success of this business. In addition, customers will also see partners of this platform and if customers perceived the partners or the platform is unreliable and incredible, they will not be willing to switch to rent their furniture needs from *Furniloka*.

#### **5.1.4 FUTURE AREA INVESTIGATION**

In this disruption era, the internet is playing an important role by driving and creating new but competitive economic values. Building business in the future means continuously change to adapt to trends and consumers' mindset, habit and desires towards products, which may change quickly. Therefore, business should rely on strong marketing strategies and tools to promote products by companies. If previously conventional companies utilized actors, actress and celebrities as their brand ambassadors, currently most emerging start-ups use social media influencers to shape market trends and consumer perceptions on the product. Engagement in social media might often affect consumers' decision in purchasing product and services.

In other words, marketing mix will be an important strategy by *Furniloka* to generate revenue, create traffic and deliver products, services and values to its customers. As the current agility era might rapidly change consumers habit on the internet, equipped with strong research as basis of our business model and business plan, the marketing plan will be a robust strategy that may create sustainability for

this business model. To sustain its growth, *Furniloka* will need improvements in the following aspects:

<b>Key Activities</b>	<b>Description</b>	<b>Opportunity</b>
	Create market growth	Strong brand awareness
<b>Portfolio</b>		
A. Product differentiation	<ul style="list-style-type: none"> <li>▪ More products: home furnishing</li> <li>▪ Office furnishing</li> <li>▪ House designer</li> <li>▪ Marketplace: Garage Sale</li> </ul>	Increase customers' satisfaction Increase market share Increase customers' loyalty Increase market share and traffic Increase brand awareness
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B. Penetration of new market	Expanding to other countries in Southeast Asia	Better value and higher number of customers
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	Increase market share	
<b>Share Gain</b>		
A. Cost leadership	<ul style="list-style-type: none"> <li>• Low price more volume</li> <li>• Low price more services</li> </ul>	Generate revenue
B. Marketing strategy	<ul style="list-style-type: none"> <li>• Monitor customers' habit and trend in internet</li> <li>• Big data analysis customers'</li> <li>• New strategy promotion</li> </ul>	Improving customers' satisfaction and brand awareness Improving service and satisfaction Provide what customers want
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<b>Go Public</b>	Initial Public Offering	Raising investment fund and capital
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Figure 5.2: *Furniloka* sustainability plan

In order to have a financial sustainability for the long period, there are short-term and long-term opportunities for *Furniloka* as follow:

**1. Short term plan:**

- a. Addition of "Garage Sale" feature as one of the revenue generators to support *Furniloka's* values to its customer, by strengthening product differentiation and new market penetration.
- b. Improvement of platform to add a new *Furniloka's Designer* feature to help customers to mix and match furniture to suit their style and budget, and to solve customers' problems to creatively design their home or office interior.
- c. Increasing market share through cost leadership strategy and implementation of the right marketing strategy.
- d. Increasing number of rental furniture partners and merchants, products and "Garage Sale" merchants.

**2. Long-term plan:**

- a. Increasing revenue through advertising. The main revenue streams of *Furniloka* are its monthly rental subscription fees, Garage Sale transactions and more traffic. We believe the customer who are convinced by our value propositions will result in revenue streams. As *Furniloka* becomes familiar to their key segments, companies in the furniture industry will be interested

to advertise their products or services on *Furniloka*'s website and platform.

- b. Implementing extensive marketing strategy and aggressive marketing activities to attract customers, such as product placement in movie or TV program, as well as furniture industry related seminars and workshops, in collaboration with Indonesia Furniture Association.
- c. **“Go Public”** through ***Initial Public Offering (IPO)***. Before offering the platform to the public through IPO, in order to gain more revenue and traffics, *Furniloka* should implement a solid marketing plan.