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Creating Sustainability: Business Model Innovation for Lamongan Batik Industry

Septy Bian Sastro¹, Melita Maharani Putri¹, Okty Trisya Rahmadani¹, and Noer Rafikah Zulyanti^{1*}

¹Universitas Muhammadiyah Lamongan

*Correspondence: rafikahalie@umla.ac.id

Abstract: This study aims to analyze the business model strategy at Batik Wongso Adi, a micro, small and medium enterprise (MSME) that focuses on producing batik typical of Lamongan, East Java. The research method used in this study is a qualitative approach. Data collection was conducted through in-depth interviews with business owners as key informants and direct observation at the production site. Documentation studies are also needed to support the research, analysis was conducted using Business Model Canvas innovation to create business sustainability. The results showed that to create business sustainability, innovation in the business model was carried out, including increasing the product value proposition, focusing more on key activities such as foreign market expansion, and stimulating customer behavior to advocate for products to make the business more. Batik Wongso Adi strength branding through participation in exhibitions while increasing sales and developing custom motif designs according to customer wishes.

Keywords: Batik, Batik Wongso Adi, Business Model.

A. Introduction

Batik is one of the great works of art that reflects the cultural identity of the Indonesian people, and has been known since the Majapahit Kingdom and has experienced continuous development until tod(Irfa'ina Rohana Salma, 2012). However, the weak legal protection of traditional intellectual property has caused batik to be claimed as the property of other countries or private companies. In response to these problems, the Indonesian government has made

various strategic efforts, including organizing scientific studies, seminars, and exhibitions and workshops aimed at strengthening the position of batik in the national and international legal framework. One concrete form of legal protection for batik is through Indonesia's participation in the UNESCO mechanism (Lusianti & Rani, 2012). On September 3, 2008, the Indonesian government officially submitted a batik nomination to UNESCO, and after going through an evaluation process, the nomination was



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accepted for follow-up. Finally, on October 2, 2009, UNESCO officially designated batik as an Intangible Cultural Heritage of Humanity (Masterpieces of the Oral and the Intangible Heritage of Humanity. This recognition not only strengthens the position of batik as a national cultural symbol, but also becomes an important instrument in the legal protection and promotion of batik at the global level (Siregar et al., 2020)

The problems faced by the batik industry today are limitations in business development caused by a less conducive business climate. Some of the influencing factors include regulations that have not been optimally supported, complicated bureaucracy, and the fluctuating security situation and socio-political conditions. In addition, the issue of cultural claims arose when Malaysia patented batik as part of its cultural identity. However, through various diplomatic and cultural efforts, the international community finally recognized that batik is part of Indonesia's cultural heritage (Nurainun, 2008). Analysis of the batik industry in Indonesia.

As a micro business actor in the creative economy sector, Batik Wongso Adi Lamongan faces a number of problems that affect the sustainability and competitiveness business. One of the main problems faced by Batik Wongso Adi is the limitations in managerial and marketing aspects. The business management system is still conventional and not fully integrated with modern business strategies. This has led to less optimal market expansion, especially in reaching consumers outside the region and on a national scale. In addition, the lack of utilization of digital technology is also a significant challenge, especially in terms of promotion, distribution, and sales. In today's digital era, the presence of a business on an online platform is an essential need for business sustainability. However, Batik Wongso Adi has not maximally utilized the potential of the platform as a marketing tool.

Some previous studies mention that topic of improving the performance and sustainability of SMEs, especially in the manufacturing sector, is explored by utilizing integrated social media technology(Bruce et al., 2023), optimizing financial literacy and supply chain management (Wardhani et al., 2024), and digital marketing and e-commerce (Udayana et al., 2023). Meanwhile, previous research with the topic of business model innovation for business sustainability was carried out with a background and point of view before and after the pandemic (Azhar & Evanthi, 2024) while several others focused on business model innovation strategies with SWOT analysis (Aisyah & Kusrini, 2021; Tahwin & Widodo, 2020). Thus, the current research is important and able to fill the void of literature related to business model innovation applied to local batik businesses.

This study aims to analyze the business development strategy of Batik Wongso Adi as part of the creative economy sector based on local cultural wisdom. Batik Wongso Adi, located in Lamongan Regency, East Java, is one of the micro, small, and medium enterprises (MSMEs) that shows a commitment to the preservation of traditional batik values, while at the same time trying to adapt to the changes and dynamics of the modern market.

This research specifically examines the design and management of Batik Wongso Adi's business model using the Business Model Canvas (BMC) approach. The analysis focuses on the nine main elements in the BMC, namely customer segments, value proposition, distribution channels, customer relationships, revenue streams, key resources, key activities, key partners, and cost structure. This approach aims to identify the contribution of each element to the sustainability and improvement of business competitiveness.

Thus, this research is expected to provide strategic contributions for Batik Wongso Adi in developing its batik business amidst the increasingly competitive national batik industry.

Batik is experiencing a very development dynamic so that the variants of batik products are rapidly increasing from batik cloth in the form of long cloth to sarong cloth and then developed into fashion materials to batik products used for interior products. The uncertainty of the definition of batik triggers unlimited free changes to the process of making batik cloth. The process of coloring batik cloth begins by putting malam (batik wax) on the cloth first as a color barrier using canting tulis, cap or a combination of both. This coloring process changes without the attachment of malam first but coloring directly on the fabric using slik screen printing or even slik screen digital printing to create batik motifs on the fabric which are called

batik-patterned printing textiles. Thus, the process of making batik by dyeing the fabric into a batik dye solution to get color on both sides of the fabric turns into a process of printing or coloring the fabric by attaching dye to one side of the fabric background so that the color does not penetrate(Widadi, 2019). Although the results are very different, there are still many people who are unable to distinguish batik cloth or printed textiles (Widadi, 2019). The Meaning of Batik as an Intangible Cultural Heritage.

Business strategy is a series of planned actions decisions and designed organization to achieve competitive advantage and long-term goals in a dynamic business environment(Wheelen, 2011), business strategy is a pattern of decisions used by companies to determine the main objectives and policies that will guide the direction of action and allocation of company resources as a whole (Wheelen, 2011). Strategic Management and Business Policy: Toward Global Sustainability). In this context, Batik Wongso Adi as a micro business actor in the creative industry sector requires a directed and sustainable business strategy to face the increasingly competitive market, especially in the batik industry.

Formulating a business strategy is important to strengthen business position, expand market segmentation, and improve operational efficiency. Implementing the right strategy allows Batik Wongso Adi to optimally manage resources, develop a unique value proposition, and establish more effective relationships with customers and business partners. Thus, business strategy is not only a planning tool, but also a foundation in building competitive advantage and long-term business sustainability.

Business Model Canvas (BMC) is a strategic framework used to systematically describe how an organization creates, delivers, and captures value (Osterwalder & Pigneur, 2010)as well as an instrument in business strategy development. BMC consists of nine main elements that are interrelated, namely key partnerships, key activities, value propositions, customer relationships, customer segments, channels, key resources, cost structures, revenue streams, and revenue streams.

In the context of Batik Wongso Adi, BMC is used as a tool to map and analyze the business model run by the business as a whole. Through this approach, strengths and weaknesses in bus business operations, including marketing, resource management, and customer relations, can be identified. BMC also helps formulate business development strategies that are more structured and adaptive to market dynamics.

Thus, the use of BMC in Batik Wongso Adi aims to strengthen business competitiveness, improve internal efficiency, and expand market reach through business model innovation based on local values and creative economic potential.

B. Materials and Methods

The research method used is a qualitative method through the case study method. The case study approach can help study an event, situation or certain social conditions and provide insight into the process that explains how certain events or situations occur (Campbell, 2008). The

following is a model of the research framework used (Figure 1).

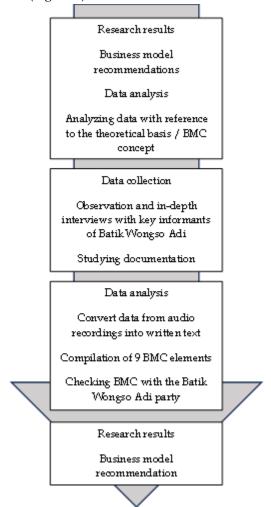


Figure 1. Research Framework

The research method begins with research preparation. This stage is carried out crucially before starting research, by compiling and designing research, identifying problems and determining key informants and studying literature studies. In the data collection method, the process of systematically collecting and measuring information about variables is carried out so that later it will allow the author to answer research problems. At this stage the author has determined Wongso adi batik as the object of research as well as has determined key informants. The author collects data by observing and conducting in-depth interviews with key

informants and studying the documentation of the object of research. Furthermore, the data analysis process begins by collecting data obtained during observation, then the researcher converts the interview recording data into written text and then compiles the 9 BMC elements. In data analysis, the data interpretation process is also carried out with reference to the BMC concept. Then an important part of the research is the validation of the analysis results conducted with Batik Wongso Adi to ensure that the analysis results are accurate and in accordance with the conditions of the object of research. The results of the study contain the findings obtained after collecting and analyzing data, namely recommending innovations to the elements of the business model.

C. Result and Discussion

The research results were obtained after conducting in-depth interviews with Lamongan hand-written batik, namely Batik Wongso Adi. Batik Wongso Adi was founded in 2021 when the covid pandemic hit various countries. Almost all sectors of the economy were affected and practically experienced a decline. Economi pressure made the owner of the Wongso Adi batik business, start pursuing this batik business.

The types of batik produced are written and stamped batik with a batik making process that is still very traditional and depends on the weather. The batik process is carried out by a team, some of whom are in the design department, some are in the sewing department, and some are in the coloring department. The production process is held in Bojonegoro, while the workshop is in Lampongan.

The motifs produced by Wongso batik are dominated by motifs that characterize the distinctiveness of Lamongan city such as Bandeng Lele, Siwalan, Lamongan Megilan, Boranan, Bekasri. However, motifs are a challenge for craftsmen. Because motifs are one of the strengths in the value proposition in the batik business. The wants and needs of

consumers must be met by presenting the latest batik motifs but still characterizing Lamongan.

The biggest challenge and threat to Wongso Adi's batik production is human resources. The lack of human resources who have expertise in batik production is a concern that has not been resolved until this research was conducted. Meanwhile, the government's attention to provide solutions to this challenge is considered lacking. Mrs. Eny as a key informant also argued that,

"this batik work needs to be developed for the entire region so that the community plays an active role in the batik industry, especially developing local motifs so that Lamongan batik motifs are more diverse".

To this day, Wongso Adi batik remains consistent with motifs that highlight the distinctiveness of Lamongan. Mrs. Eny as the owner also tells a historiography about one of the batik motifs, namely the Bekasri motif, which tells about the traditional bridal ceremony of Lamongan in the past, where a woman proposes to a man. In the Bekasri custom, there are characteristics of clothing, ornaments such as necklaces, jasmine flowers, which all of this has a distinctive style in batik motifs. The Ijon Boat motif is another motif produced by Wongso Adi batik. This motif tells or depicts a fishing boat that has been appointed as a cultural heritage in Lamongan.

Batik motifs are one of the strengths of batik production. However, no less important is the marketing model or technique. Batik Wongso Adi is a small and medium-sized enterprise whose product marketing cannot be separated from the role of the local government. So that batik is often used as souvenirs, souvenirs typical of Lamongan or for official uniforms.

The channel used for batik sales uses online marketing as well as physical outlets or batik galleries. Based on the results of interviews with the owner, Batik Wongso Adi's target market is middle-class consumers because it prioritizes quality. Meanwhile, another challenge for Wongso Adi batik is that sometimes some consumers want batik with custom motifs. Although still with Lamongan characteristics, the combination of creativity and innovation of motifs becomes the differentiation of Batik Wongso Adi compared to other batik producers.

Batik Wongso Adi does not only think about the profitability aspect, but there is also a social aspect that has been implemented. A portion of every sale is distributed to orphanages. "The principle is to work together for others too. Not just making as much profit as possible, because Wongso Adi batik does not do everything itself, and the principle of fellow humans must help each other." Said the key informant

Another challenge is the aspect of managing raw materials in the production process. To produce batik, coloring materials are needed.

"In batik making, the weather greatly affects the color quality. There are 2 types of dyes, namely environmentally friendly remasol. Remasol requires a long process and natural drying. And the other dye is indikosol. It is a chemical, so it must be selective in waste so as not to damage the environment. Indikosol will appear color if there is sun." Said the key informant

Batik Wongso Adi as an SME also partners with various parties. The key partnership that has been undertaken is working with an institution that oversees the MSME market. Mrs. Eny, as a key informant, said that Batik Wongso Adi has an MoU with the institution.

"Finally, I made an MoU with a community of batik artisans and Wongso Adi's batik products have become one of the batik products in the display room at the Lamongan Regency Industry and Trade Office, known as MOOLA. It sold well and was brought to various exhibitions in Jakarta and other cities. To attract more consumers, Wongso Adi Batik prepares unique packaging," said Mrs. Eny.

Mrs. Eny also said that the distinctive motif as the character of Wongso Adi batik is the circular and transparent catfish design. This is the brand identity that Wongso Adi batik has built. Wongso Adi batik packaging also has a distinctive feature, namely the selection of catfish images that have meaning, in accordance with the principle of Wongso Adi batik that does not only focus on profit but for the common good.

Based on the results of observations and interviews conducted by the author and to achieve the objectives of this research, the following can be presented Wongso Adi's batik business model.

KEY PARTNERSHIP

Key partnerships are focused on production cooperation and its role in providing the resources needed in the production of Wongso Adi batik, which includes establishing cooperation and MOUs with government agencies that oversee the empowerment of MSMEs in the city of Lamongan (MOLLA), employing human resources in the surrounding area to produce batik, and also building cooperation between producers and batik resellers.

KEY ACTIVITIES

Key activities in this study, focused on describing the production activities and effectiveness carried out by Wongso Adi batik, including overseeing batik training, making batik designs and motifs that are characteristic of the Lamongan region, using the stamp method and also changing which will be inscribed on batik cloth, then batik Wongso Adi also does not only think about profitability, so that batik sales are also distributed to orphanage institutions.

VALUE PROPOSITION

The proportion of value offered to Wongso Adi Batik is that the main characteristics of the batik produced are the characteristics of the city of Lamongan, and Wongso Adi's batik production has a variety of historiography in its motifs, besides that Wongso Adi has a brand identity that has packaging so that it can attract

consumers, then the paint used is also made from natural ingredients so that it is based on environmentally friendly paint.

CUSTOMER RELATIONSHIP

Customer relations is a way of establishing our closeness with more specific customers. Batik Wongso Adi provides facilities to its customers by providing discounts for its resellers. In addition, Wongso Adi also provides special services with its customers, in the form of discounts for customers who make large purchases. Before the ordered batik will be produced, Wongso Adi will make a motif design for its customers, if the customer has agreed with the motif, it will be produced, and the sample will be free as a bonus.

COSTUMER SEGMENTS

Customer segmentation is also an important thing that must be considered, so that we can find out the target market that suits the products we have. Based on the results of interviews with the owner, the target market of Batik Wongso Adi is middle to upper class consumers because it prioritizes quality. Batik Wongso adi itself in its market share is still in the stage of realizing in the form of souvenirs and in the form of cloth. Because if in the form of fashion has not dared, because the share of Lamongan is considered less. For Wongso Adi, for now it is enough for souvenirs or gifts or for official uniforms only.

CHANNEL

The distribution channel used in marketing and selling Wongso Adi batik is a physical outlet (gallery) to display the batik that has been produced. In addition, Wongso Adi batik also participates in exhibitions to show the work that has been produced. Batik Wongso Adi's marketing is also carried out by interacting with loyal customers to invite other consumers to buy Wongso Adi's batik, which occurs by MTM (Mouth to Mouth). Batik Wongso Adi is also

available in e-commerce (Shopee) and in social media (Instagram).

KEY RESOURCE

The intellectual resources owned by Batik Wongso Adi are employing human resources who are near the production location as an effort to open up jobs for the surrounding area. In addition, Batik Wongso Adi also provides batik classes and courses for anyone who wants to learn to produce batik.

COST STRUCTURE

The overall cost of running business operations, for operational efficiency in costs and profits earned. The cost structure of the Wongso Adi batik industry includes: raw material costs (paint and cloth), operational costs, costs for employee salaries, costs for packaging (boxes and paper bags).

REVENUE STREAM

The various sources of income obtained by Wongso Adi batik are from direct sales, online shop sales from e-commerce (Shopee) and social media (Instagram). In addition, another source of income is from a large order system. (Hariani & Sutrisno, 2020)

D. Discussion

With the approach of the Business model canvas concept, a business model development will be carried out so as to get the right business model strategy concept to increase the production of Batik Wongso Adi Lamongan on figure . 2

The Business Model Canvas innovation developed by the author starts from the Key partnership, which is the main partner of Batik Wongso Adi. For market expansion, Batik Wongso Adi conducts various MoUs with related institutions or agencies. The export market is also the main goal of market expansion for batik. Thus Batik Wongso Adi participates in exhibition activities as well as pitching with investors.

The next BMC elements are Key activities and Value proposition. In this study, the authors conducted observations to find out the main activities of Wongso Adi batik. Key activities aim to determine production prospects. Key activities of Batik Wongso Adi are quite complex and require a high level of creativity because Batik Wongso Adi must develop batik patterns and motifs, develop design environmentally friendly batik techniques, and establish net working with various parties with the aim of expanding products abroad. Thus, the opportunity to reach a wider market is increasingly open.

Batik Wongso Adi also increases product value for consumers. Batik Wongso Adi's visible value proposition is batik with bekasri, boranan, and ijon boat motifs. Innovations that need to be made are custom batik designs environmentally friendly batik. This value proposition aims to increase the value of the product. A unique and high-value proposition can increase competitiveness by differentiating products from competitors' products. It also supports business sustainability by attracting and retaining customers.

A business must have a good customer relationship, this is important to reach out and understand more specifically the relationship with consumers. Batik Wongso Adi needs to strengthen its characteristics in order to create a strong impression in the minds of consumers, so that its products can be easily recognized and remembered. In addition, Wongso Adi batik must also stimulate advocacy from customers to develop regional culture through batik, because the culture we have today must be preserved so that it is not consumed by the times. Key informants also explained to the author, if the customer relationship is good, because Wongso Adi also provides more facilities to its customers. Building strong relationships with customers will have an impact on customer loyalty and retention. This will support business sustainability for Wongsi Adi batik.

Customer segment is also an important thing that must be considered by the company, so that the company can find out the target market that is in accordance with its products. Batik Wongso Adi's target market needs to be increased so that the potential for stable income and guarantee long-term relationships, Batik Wongso Adi can target institutions / agencies in Lamongan and surrounding areas. If it wants to open up opportunities for product innovation and identity recognition, it can target overseas consumers who are fans of fashion that characterizes culture. Determining the right target market will cater to specific customer needs and customer loyalty. Loyal customers will be able to ensure business sustainability.

The Channels element explains how Wongso Adi batik communicates and reaches customer segments to deliver value propositions. The author recommends that Wongso Adi batik intensely publicize products through exhibitions, actively communicate with consumers through social media. Stimulate customers to provide recommendations or testimonials by always opening up conversation space so as to create positive WOM. In addition, distribution channels must be effective by ensuring products are available at the location or on time according

to the order. This makes customers satisfied and will trigger positive WOM and thus Wongso Adi's batik business is able to survive.

Key Resource describes the most important assets needed for a business model to work. The Key Resource recommended for Wongso Adi batik is to develop human resources in batik techniques Batik raw materials are environmentally friendly. This allows Wongso Adi batik to be able to create and offer value propositions to its customers. Optimizing key resources can increase competitiveness by increasing operational efficiency.

Cost Structure and Revenue Streams as the last BMC element that describes the cost structure and income sources of Wongso Adi batik. The cost structure is managed with effective and efficient principles including production costs and marketing costs. Organize well the structure of the main resources and main activities so that the overall operational costs are effective and efficient which will contribute to business sustainability. The main source of income is still the sale of batik. And this is an important point because it is influenced by other BMC elements. Stable income will ensure business sustainability for Wongsi Adi batik.

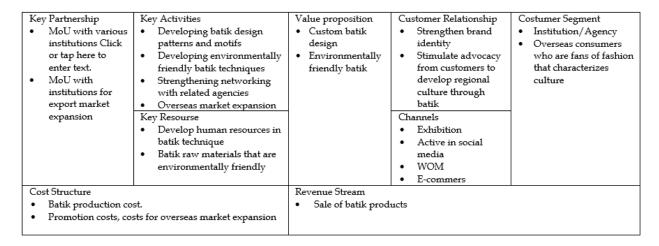


Figure 2. BMC Element

E. Conclusion

Based on observations and in-depth interviews with Wongso Adi batik, it can be concluded that a business model innovation is needed that able to increase the product value proposition, and focus more on key activities such as foreign market expansion, stimulating customer behavior to advocate for products so that the business develops more. To strengthen the channel element, Wongso adi batik strengthens branding through participation in exhibitions while increasing sales and developing custom motif designs according to customer wishes. Thus, overall business model innovation is an effort to support business sustainability. In addition to contributing empirically to Wongso Adi batik, this research contributes to the concept of business models through innovating BMC elements to create business sustainability applied to local batik SMEs.

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