ONLINE CSR BUSINESS MODEL
AS VALUE CREATION FOR PT MAP TBK

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ABSTRACT

In recent time the pressure on companies from governments, people and media on taking its social responsibility has increased. This created a trend of Corporate Social Responsibility, which is CSR as Value Creation. But some critics argue that CSR distracts from the economic role of businesses. In certain culture giving out or sharing to the less fortunate people will get back to us in form of blessings and luck. Regarding donation program, a new question arises from the people. Question about where is the money go and who had had my help or even trust issue about whether the donation is managed in transparent and in honesty.

The purpose of this paper which named the program Affect.Action is to create business model as non-profit organization for MAP (PT Mitra Adi Perkasa) to manage its CSR and for the public so they can donate effortlessly using online platform. As CSR from MAP Affect.Action operational cost will be funded by MAP so that 100% of the donated fund will delivered for the development of the education sector.

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In Affect.Action we invite the public to participate from the beginning of the donation process to create emotional attachment. The people can choose the intended donation target every event in quarterly period and a follow up story and audited report will be presented for public eyes after the donation has been delivered. They can even suggest the donation recipients to Affect.Action for further investigation. In return for their participation, MAP will gives several benefits as a gratitude.

**Keywords:** CSR, value creation, business model.

**INTRODUCTION**

Donating and Contributing to the society has become part and custom of the society not only on Individual level but also business and company (CSR – corporate social responsibility). Recently this phenomenon becomes a certain live style (Ninik Anisa, 2013). There are two problems raised from this phenomenon; first that people tend to question if their donation has reached the target, and what have become of the receiver. Second is CSR activities, some critics argue that CSR distracts from the economic role of businesses. The coexistence of these two apparently is conflicting. Developments has left companies with the dilemma of how to align the problems of running Social responsibility activities while still increasing company monetary value, not depleting company’s fund.

Partnering with MAP (PT Mitra Adi Perkasa), we want to create a new business platform idea that is resided in existing company to aid our education. Using Internet based platform to allow people to easily access web where people can donate, choose the cause they want to contribute, even suggesting and promoting new causes, and follow the progress. Through this web, the story of the cause doesn’t stop after the donation has been delivered. Story about their development and current status will also be updated on timely basis. This activity will give people a way to participate from the beginning and contribute personally with assurance than all the money will be donated and accounted for. Apart from assurance from MAP that 100% of the contributed fund will be donated for the cause, the contributor will also receive several benefits and bonuses from MAP.
Through this activity we also try to align the activity of CSR with the company’s monetary activity. To enhance old CSR strategies to become a proactive value creation tools where these social activities will not only depleting company’s money but will also create a value for company’s name and sustainability.

PROBLEM STATEMENT

The wish to donate to society and the urge to give directly to the poor has raised several problems. Some people who donate their money want to know where the money goes and what have they become. On the other hand, by improving our education we can change the people’s way of live. Together with MAP through our CSR activity we want to give people better education. If you give a man a fish he is hungry again in an hour. If you teach him to catch a fish you do him a good turn (Anne Isabella Thackeray Ritchie, 1885). Education is more than reading, writing, and arithmetic. It is one of the most important investments a society can make and is critical to reducing poverty and inequality (UNESCO, 2010):

- Education gives people critical skills and tools to help them better provide for themselves and their children
- Education helps people work better and can create opportunities for sustainable and viable economic growth now and into the future
- Education encourages transparency, good governance, stability and helps fight against graft and corruption.

LITERATURE REVIEW

Scope of Study (Corporate Social Responsibility)

Over the last decade, some important developments have affected the ways in which companies operate. Companies have found themselves being held responsible by society at large for problems that basically belonged to the society. Non-economic matters that are considered irrelevant when making business decisions have now become entangled with the company’s day-to-day activities. In the meantime,
the main form of investor’s capitalism has become more dominant. This has pressured the management to run their companies more cost-effectively and rationally. The coexistence of these two, apparently conflicting, developments has left companies with the dilemma of how to align the two problems. Running a Social responsibility while still increasing company monetary value not depleting company’s fund.

Corporate responsibility or sustainability is therefore a prominent feature of the business nowadays. The foundation for CSR can be based on a moral argument, a rational argument, or an economic argument (Werther & Chandler, 2006). It is no longer acceptable for a corporation to experience economic prosperity in isolation from those agents impacted by its actions. A company must now focus its attention on both increasing its bottom line and being a good corporate citizen (Alessia D’Amato, Sybil Henderson, Sue Florence, 2009).

Truly successful companies integrate CSR as part of the overall corporate strategy to enhance their competitive advantage. CSR becomes a proactive value creation tool to innovate within the business, develop human capital, enhance energy efficiency and develop shared values with customers and the society at large.

**Competitors Analysis**
Michael Porter identifies 5 components of competitors’ analysis through Five Competitive Forces diagram. This diagram for determine the attractiveness of an industry or market segment is still attractive or not to be entered along with the threat of each of these components. (Kurtz, 2008, p.44).
Competitive circumstances that affect product and service of this business are **Rivalry among existing competitors.** Competitor in this context is competitors that provide the similar services in this industry. For now, Affect.Action competitors in Indonesia are Dompet Dhuafa and Rumah Zakat. Until now, they are still very active in creating new strategies to improve business performance and strengthen their position. The difference with Affect.Action.com is they are based on Islamic and not only focus on education. Here are the explanation about Affect.Action.com’s competitors

**CSR in Retail Industry**

**Corporate social responsibility** is a form of self-regulation integrated into a business model. CSR policy functions as a built-in, self-regulating mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards, and international norms. In some models, company’s implementation of CSR goes beyond compliance and engages in
actions that appear to further some social good, beyond the interests of the firm and that which is required by law. Some people argue that corporations make more long term profits by operating with a perspective, while critics argue that CSR distracts from the economic role of businesses. Some argue that CSR is merely window-dressing, a role of governments as a watchdog over powerful multinational corporations (McWilliams, Siegel, Wright, 2006).

CSR as Value Creation
Corporate social responsibility can also create value that is aligned with the company business strategy. CSR is titled to aid an organization's mission as a guide to what the company stands for and will uphold to its consumers. Development business ethics is one of the forms of applied ethics that examines ethical principles and moral or ethical problems that can arise in a business environment.

Brian Husted (York University) and David Allan (IE Business School) through a survey of Spain’s 500 largest firms pinpointed three approaches for CSR to create value for the company (Husten and Allen, 2007):

First is to differentiate products through innovative CSR products and processes: Firms can differentiate their products by endowing them with CSR attributes (product innovation) or developing the product through CSR processes (process innovation). In both cases, the company creates a new market for such products with consumers who are willing to pay a price premium for products with CSR features.

Second is to build customer and stakeholder awareness of responsible products: Visible CSR activities enhance the firm’s reputation — attracting superior workers, providing leverage for managing stakeholders and creating a significant competitive advantage in markets where product differentiation is difficult.

Third is to innovate new ways to meet social and environmental legal requirements, industry practice and fiscal incentives: In their study, Husted and Allen found that firms reap greater value from CSR activities when they are perceived to arise as the result of industry, fiscal and regulatory constraints.
These three strategies will align responsible activities with business strategy, creating new sources of value for the firm. In fact, Husted and Allen’s research shows that focusing on even just one of these approaches may be enough to create additional value.

**Business Model**

A business model basically describes the process of how a business creates, delivers, and captures value (Business Model Generation, 2010). A business model concept must be simple, relevant, and intuitively understandable, while not oversimplifying the complexities of how enterprises function. The concept can become a shared language that allows you to easily describe and manipulate business models to create new strategic alternatives. Without such concept it is difficult to systematically challenge assumptions about one’s business model and innovate successfully (George & Bock, 2012). A business model can be described best through nine basic building blocks that show the logic of how a company intends to make money. The nine blocks cover the four main areas of a business: Customers, offers, infrastructure, and financial viability. Business model is like a blueprint for a strategy to be implemented through organizational structures, Processes and systems.

**Nine Building Blocks**

In whole the 9 building blocks consist of (Business Model Generation, 2010):

1. **Customer Segments.** An organization serves one or several Customer Segments.
2. **Value Proposition.** It seeks to solve customer problems and satisfy customer needs with value proposition.
3. **Channels.** Value propositions are delivered to customers through communications, distribution, and sales Channels.
4. **Customer Relationships.** Customer relationships are established and maintained with each Customer Segment.
5. **Revenue Streams.** Revenue streams result from value propositions successfully offered to customers.
6. **Key resources.** Key resources are the assets required to offer and deliver the previously described elements.
7. **Key Activities**, by performing a number of key activities.
8. **Key Partnerships.** Some activities are outsourced and some resources are acquired outside the enterprise.

9. **Cost Structure.** The business model elements result in the cost structure.

**Social Marketing**

Refering from theoretical perspective of social marketing, we could create new idea that long term benefit that will be shown from the usage of viral marketing is bigger than the marketing cost at the beginning. Social Marketing to The Business Consumer written by Paul Gillin and Eric Schwartzman was saying “If you pitched a program backed by research that’s likely to deliver even modest gains with minimal risk, you have answered this question already. The return is calculated by subtracting the cost of marketing pilot, the cost of goods sold, and operating expenses from revenue generated. But long-term intangible benefits are more difficult to quantify. “What’s the ROI of a golf club membership or a round of golf with customer?” asks Mark Story a new media director at the U.S. Securities and Exchange Commission when he’s challenged to justify the ROI of social media. These are prospected and affordable way to maintain communications with channels, included your customer. When it used for business, social marketing will lead to stronger relationships, and relationships are valuable for business.

**METHODOLOGY**

**Market Survey of Online Based CSR**

On this business plan we have create basic idea and strategy. But to implement this new business idea in the market properly, we understand that considering external factor cannot be ignored. One of the conventional ways in observing market is through market research. In this research, we made a survey to distinguish market’s insight. The objective on this survey is to identify:

1. Individual budget allocation for charity  
2. Individual expectation for CSR program  
3. Individual concern in social issue

We offer questionnaire to 50 respondents. All of the questions in the questionnaire were designed as simple as possible to make
respondents feel convenient to fill it. In the first part we are collecting their personal information like age, gender, job, and internet usage per week. Then, the second part we were asking further questions to know their thought and action in social fundraise. And the last part is only designed to anyone who has personal experienced in fundraise activity and interested about social issue. To every respondent who has passed until the third part, we also willing to know their expectations on CSR, and especially new system of CSR that created by Affect.Action.

We were doing personal approach to every prospective respondent to assess their general background and interest to assist in the gathering data for our business plan. Some criteria to be prospective respondent in this survey: Physically and mentally healthy and willing to spend time to fill this survey, having in-depth interview with us if necessary, and live at Java Island. This approach helps us to get accurate and reliable survey result.

Extracted data from survey result we see opportunity to expand the market to the blue ocean market area. Affect.Action is concerning on education progress in rural area will dominate the market by new systematic and strategic bidding idea. By the question at number seven, we can see the respondent have high interest on donation for social issue.

Sympathy is emotional feeling that can’t justify by any measurement. But the connection between the donator and causes will stay even after the program for an update will be provided for the public eye to see. By the question number nine, 10 respondents from 50 respondents are interested to know the model of the donation package through online system.

Their interests help us to refer on the next question number 10, what is their concern in life. Number one highest response was health and the second is education. We are sticking with the commitment about education, because education has very powerful long-term effect for an individual, community, and also as a developing country like Indonesia. Survey number eleven also supports our commitment where people are attracted to support education sectors upon health.
Surprisingly people prefer to donate through foundation or organization rather than house of worship. One of our value propositions is also supported by question number 12 where people valued emotional attachment in their donation.

**FINDING AND DISCUSSION**

**Retail Industry Overview**
Information from Consult Data website (Business Research Studies Report), in a period of the last five years (2007-2011) the number of modern retail outlets in Indonesia has grown up to 17.57% per year. Whereas in 2007, the number of outlets only 10,365 and in 2011 the number of stores has reached 18,152 spread across major cities in Indonesia (Global Business Guide Indonesia, 2012).

According to the Chairman of the Association of Indonesian Retailers (APRINDO), Pudjianto, purchasing power became stronger, marked by increasing income per capita of U.S. $ 3,540 per year, a huge opportunity for retailers to target. With a population of 257 million people, with 65% are young people of childbearing age, making Indonesia a very attractive market (Pudjianto, 2013). Moreover, economic growth reached 6% in 2012. Indonesian retail market is estimated to be more attractive. In general, the retail business is selling goods on the various types of retail outlets such as kiosks, markets, department stores, or boutiques are usually the direct purchaser uses the goods.

Rising profits and plans for expansion by major Indonesian retailers as international players enter the burgeoning mall segment highlight confidence in the sector’s prospects. However, creeping inflationary pressures and growing regulatory requirements threaten to dent the growth expectations of the industry and the overall economy.

On March 27 Mitra Adiperkasa (MAP), a local retailer, revealed plans to open 200-250 specialty shops, more than 50 food and beverage outlets, and two department stores across the country at a cost of about IDR900bn ($92.25m). MAP, the master franchisee for a number of global brands, such as Starbucks, Domino’s Pizza and Lacoste, said
in the same week that its revenue jumped 29% in 2012 to IDR7.59trn ($777.98m) (Oxford Business Group, 2013).

**Indonesia Market Background**

Organization that channel donations has risen considerably in passing years. This has escalated a new problem for the people who want to donate. Negative opinion and assumptions is expressed among the people. “Will they corrupt my money?” or “where did my money go?” and some even asked “how are the people that got my money? What they have become?”

Trust is the main point in this area (Ninik Anisa, philanthropy and Zakat researcher from PIRAC-Public Research and Advocacy Center, 2013). One wrong foot can even ruin years of reputation. People don’t care about redemption, one mistake and people will not trust the organization again. Conversely the amount of donation potential is fully realized by the organization. Public Interest Research and Advocacy Center (PIRAC) mentions channel donation institutions continue to increase their takings each year.

In the last view years, researcher found out that 98% of the population in Indonesian has given donation. Even to ‘Dompet Dhuafa’ or ‘Rumah Zakat’, the contributors are diverse not only from Moslem society but also from Non-Moslem. This has become a new trend (Ninik Anisa, 2013).

Observing local market in Indonesia right now, Indonesian has very strong buying power. Indonesian consumers has six characteristic areas: willingness to pay more for brands, homogenous in what they buy, strong brand loyalty, preference for small packs, high purchase frequency and influenced by social media (Bhimanto Suwastoyo, 2013). Creating new business to stabilize their consumerism characteristics is one of the purposes of this new business creation.

**Rivalry among existing competitors**

Competitor in this context is competitors that provide the similar services in this industry. For now, Affect.Action competitors in Indonesia are Dompet Dhuafa and Rumah Zakat. Until now, they are still very active in creating new strategies to improve business performance and strengthen their position. The difference with
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- **Rumah Zakat**
  Rumah Zakat is an Islamic-based humanitarian organization that focuses on self-reliance and community service. Rumah Zakat is known as a socio-religious organization in Indonesia that focus on education, health, youth, and the environment. Acceptance of donations sharply increase public support for post-tsunami rehabilitation program, recorded IDR45.26 billions donations collected.

  While donations reports can be viewed by customers online. The customer can view the reports record donation from the beginning of the first join day. Customer can do that by entering your Username and Password. However to know the username and password the customer must contact us or ZIS Online Interaction Consultant.

  ![Donations Report](image)

  **Figure 2. Donations Report**

- **Dompet Dhuafa**
  Dompet Dhuafa is community owned nonprofit corporation Indonesia who want to raise the dignity of the poor to social and humanitarian ZISWAF funds (Zakat, Infaq, Sadaqah, Endowments, as well as other funds are lawful and legal, from individuals, groups, companies / institutions). For programs, they focus on education, health, and economy.
Figure 3. Donations Report

- **Daarul Quran**
  Daarul Quran is Islam-based nonprofit organization that was founded by one of the Ustad in Indonesia. Daarul Quran has a long-term goal in Islamic education. Therefore, donations are distributed for the development of Islamic-based education such as the distribution of free Quran, Quran mobile, construction of Islam school, training for Santri to read the Quran, etc.

- **Yatim Mandiri**
  Yatim Mandiri was established in 1994 with a different name from the current name. This foundation is the development center focusing for orphans in Indonesia. In 2011, Yatim Mandiri received MURI award for the category as a 'giver Orphans Scholarship Fewest number of 17,531 Children In Time 1 Semester Year 2011'.

**Threat of new entrants.**
Threat of new entrants in Indonesia in this business has not been seen especially in the first year. Nevertheless, barriers to entering this industry are quite low, so that the new entrants have the potential strong enough to compete.

**Threat of substitute product or service**
So far there are threats of the substitute service, the charity for the people of Christian amounting to 10% or zakat for Moslems
amounting 2.5% of the total income. There is a possibility they choose to donate through the church or mosque. But there is also the opinion rather contribute through other institutions because it is more transparent.

**Affect.Action Business Model Concept**

Affect.Action is an online non-profit organization created solely to facilitate MAP’s CSR activity which creates a medium for people to contribute to society. We believe the use of e-platform will be effective in Indonesia because based on The Indonesian Internet Services Providers Association (Asosiasi Penyelenggara Jasa Internet Indonesia, abbreviated APJII) expects the number of Indonesian Internet users to increase between 20 to 30% to 80 million people by end 2013, while by the end of 2012 the number of internet users in Indonesia not only for the sake of browsing but also e-commerce segment have reach more than 61 million users.

Affect.Action will basically mediate and distribute the donation to the education sector using an online platform as its operation base. Audience can also give suggestion about the target of donation to Affect.Action. A websites is especially made for the public so they can donate effortlessly. As CSR from MAP Affect.Action operational cost will be funded by MAP so that 100% of the donated fund will be delivered to the target. A follow up story will be presented for public eyes after the donation has been delivered. An audited report will also available quarterly to be reviewed or downloaded at the websites as accountability.

**CONCLUSION AND RECOMMENDATION**

**Feasibility of Business Model**

Based from the previous research from PIRAC (Public Research and Advocacy Center) indicates that donating and contributing to the society has become a common practice within the general public. It is also a result of the emergence of contributing to society as habits and live style not only on individual level but also company (Ninik Anisa, 2013). Survey that we conduct resulted that all of the respondents have made a donation at least 50,000 rupiah per month. Respondent
interest in social issue and their action through donation are great opportunities for success in this business plan.

Because of the growing number of internet user in Indonesia (APJII, 2013), Affect.Action operation is based on online platform. We also surveyed this situation and found out that most of our respondents in this survey are using internet for more than 4 days in a week. On significant level, 70% of our respondents is using internet more than 3 hours per day. Also there is research done by Markplus in 2012 indicates that Indonesian Internet User likes to share/expose their activity in details on Social Media Thus we create this system:

- 100% of the donated fund will be delivered to the target.
- 100% of operational costs and other promotional cost of Affect.Action will be supported by MAP as its CSR.
- Affect.Action operation is based on online platform for easy access and share.
- Audience can participate since the beginning. From giving recommendation for the story and choosing which story they want to
- Facts and condition is presented before and after the donation is made.
- All of the financial statement and condition will be reported transparently and uploaded on the web for public eyes.
- Member who have been donated their money will get back 10% of the summation of the donation per cycle in form of Grant Voucher by Rp50.000,- denomination value.
- VIP card also will be issued for loyal member.

MAP as our benefactors will receive return value from our activities, customers who are not familiar with MAP products will be encouraged to shop in MAP stores and make repetition purchasing through the use of Grants Voucher. Affect.Action use a different approach in donating, instead of using old concept of inviting people to shop to donate, we reverse the process to donate and shop, by giving those benefits that can be used on MAP’s outlet or event.

**Future Areas for Further Investigation**

At first Affect.Action area of operation will be on close proximity
with its outlets or offices. But in the future after succeeded in gaining the people’s trust, we would like to expand the radius area for Affect.Action throughout Indonesia. By this commitment we are hoping that educational standard in Indonesia will make tally with the expanding of Affect.Action.

Other than the expansion of the operation area, Affect.Action believes that it is also important to expand our target to health and welfare area, as these social sectors in Indonesia is also still below ideal condition (WHO, 2011). Second reason is if we refer back to the question number 10 from our survey about the thing that concerns them in life. The first response was health and the second was education. Though we are sticking with the commitment about education because it has very powerful long-term effect, we intended also to cover health and welfare region in the future.

**REFERENCE LIST**


