

## The Business Model Canvas in The Context of Enterprise Creation: A Case Study from Jumia online shopping

نموذج الأعمال التجاري في سياق إنشاء المؤسسات، دراسة حالة موقع Jumia للتسوق عبر الإنترنت

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**الملخص:** نموذج الأعمال هو أداة تقوم المؤسسات بتنفيذها لإنشاء قيمة لعملائها ثم توزيعها من أجل مواجهة الضغوطات الخارجية في السوق، فهي تستثمر وبكثافة في نموذج أعمالها لتحسين قدراتها التنافسية، فهي تعتبر طريقة مستدامة لممارسة الأعمال التجارية، وتهدف هذه الورقة البحثية إلى توضيح دور نموذج الأعمال في عملية إنشاء المؤسسات وتحقيق الأهداف المحددة منذ بداية نشاطها عن طريق تكييفها مع التكنولوجيا، وهذا بالابتكار المستمر في نموذج أعمالها، وعليه توصلت الدراسة إلى أن نموذج الأعمال يعكس حالة المؤسسة مهما كان مجال تخصصها، فهو يعتبر أداة استراتيجية لبناء القدرة التنافسية، تحقيق الأرباح، وخلق القيمة المضافة.

**الكلمات المفتاحية:** المقاولانية، المقاول، مؤسسة ناشئة، نموذج أعمال، خلق قيمة.

**Abstract :** The business model is a tool that enterprises start to create value for their customers and then distribute it to face external pressures in the market. They invest heavily in their business model to improve their competitiveness. It is a sustainable way to do business. This paper aims to clarify the role of business model in the process of creating and make the goals set from the beginning of its activity by adapting it to technology, and this by continuous innovation in its business model. Therefore, the study concluded that the business model reflects the status of the organization, whatever its field of specialization. To win profits and create added value.

**Key Words:** entrepreneurship, entrepreneur, start-up, Business model, value creation.

**JEL Classification:** L26, L81, M13.

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**Introduction:**

Business is a human activity in a very competitive market environment characterized by the exchange of goods and services for money, this business refers to a whole set of elements: persons, decisions, resources, buildings, products, values, procedures, and any other components necessary to carry out this activity. (Fuller & Mangematin, 2015)

The enterprises are a structure of authority capable for product and treatment; it is responsible for establishing, and recording the value of such commercial activities. The business model has two aspects: its internal constitution and external alignment.

The strength the company has over its employees gives it the ability to coordinate its productive activity when interacting with other agents in the market. This is a sustainable way to start a long-term profitable business. To achieve this, organizations need to develop their business model; customers are usually the starting point in designing how to achieve business returns, taking into account the constant change in their needs.

The aim of this paper is to increase our understanding of the concept and the various components, because the term of BM (Business model) can provide us with a general perception of abstract structure determination and there are, deferent elements make the concept more specific and concrete, and make it suitable for different purposes and contexts of business.

Formal and prototype classifications provide a more empirical and practical perspective and can provide insights into the relationships between the business model and the elements of a better understanding of the business, and finally, the concept of the model can improve the quality of work, especially for emerging enterprises.

This paper will examine published articles about the business models using the literature reviews to provide a comprehensive understanding about the concepts discussed and present the different views. There is much research about it but there is no specific topic on contextual business model in the process of enterprises creation, we will try to address the relationship between the business model of the companies and the benefit of building an effective model

**The purpose of this study:** The goal is to show the value of the business model in the organization creation process and it impacts on the company's competitiveness in its sector of here activity is known as permanent changes with the digital economy. This leads us to ask the main question: How does the business model affect the competitiveness of the start-up company (Jumia shopping online)?

At the first section, will give an overview of the business model with its nine construction phases and its importance in creation of an institution and in the second section; we will talk about the business model in the context of the enterprise creation process, and at the last section, we will give general information about the shopping market jumia.dz

**Hypotheses of the study:** The business model helps the institutions to build a solid strategy with its competitors and enhances its image among its employees, customers, suppliers, banks, and competitors.

## **1 Theoretical framework of the study**

### **1.1. Literature reviews**

Many researchers have given a set of definitions for this concept and we can define it according to them as an expression, description, representation, structure, conceptual tool, a structure model, a method of creating value for the enterprises.

The objective of any company is to exploit business opportunities and create value with a successful business model reflects a theoretical framework that had developed over the years throughout their previous research papers. (Zott. & Amit, 2010)

The goals of the business models are to solve the problem of what to sell and how to do it, which is in alignment with the proposed purpose.

The organization has chosen a system of inputs business activities and outputs outcomes that aim to create value over the short, medium, or long-term, and he is a great strength as a planning tool is that it focuses attention on how all the elements of the system fits into a working whole. (Magretta, 2002)

Targeting a specific market with a clear value proposition informs choices of what must do and what can omit in the technical domain, this gives scientists and engineer's signals on where to focus their activities, for on-time delivery and achieving competitive cost structures (Chesbrough. & Rosenbloom, 2002).

Osterwalder & Pigneur have classified the business model literature into three categories:

- Studies, which describe the business model concept as an overarching concept that can describe all real-world businesses.
- Studies that describe several different abstract types of business models, each describing a set of businesses with similar characteristics.
- Studies presenting aspects of or a conceptualization of a real-world business model.

### **1.2. Concepts and definition**

The business model explains how a company transacts with customers, partners and vendors, and how it connects itself with product and factor market, fit the pattern of transactional links between the firm and its exchange partners. (Zott. & Amit, 2008)

- Business model is" a structural template that can describes the organization of a focal firm's transactions with all of its external constituents in factor and pro framework for understanding how a firm makes money and captures the fundamental linkages in a venture on a number of levels. Duct markets"(Amit. & Zott, 2001)

- Business model contains a set of elements and their relationships expressing the business logic of specific firm, and he is a description of the value offers to several

segments of customers and of the architecture of the firm and its networks of partners for creating, marketing and delivering this value and relationship capital, to generate profitable and sustainable revenue streams. (Osterwalder. & Pigneur. & Tucci, 2005, p. 02)

- Business model is a machine for making money because money is important not only to produce but also to appropriate, and BM visualizes company as a place of decisions and consequences. It is a group of resources and activities in the varying degrees of detail and operational view, which result and serve to offer value to customer. (Slavik, 2014)

### 1.2. The functions of the business model:

This model determine the path to expanding of creation, by clarifying a potential value proposition in the new technology, because it requires an initial definition of what the product will be and in what form the customer may consider, Therefore, the business model should identify a group of customers or a market segment that will attract them to the organization (Hvilsom, 2012)

- Clarification of the proposed value, the value created for users through the offer based on technology.
- Identify a market segment who has used this technology because it is useful to them and what purpose.
- Determine the value chain structure within the organization required to create and distribute the display.
- Estimate the cost structure and potential profit of the production of the offer, considering the value of the selection structure and the selected string value.
- Describe the position of the company within the value network that links suppliers and customers, including the identification of complements and potential competitors.

**Figure (1): The main components of the business model**



Source: (Hvilsom, 2012, p02)

### 1.3. The main components of the business model canvas

The use of the Business Model is a method developed by” Osterwalder and Pigneur” in their Book” Business Model New Generation”, it has allowed representing in a single page, through a canvas for the entire economic model. (Osterwalder, 2010) They gave a definition to entrepreneur’s priorities by showing at a glance what they should do and what they need to do, but also the steps to make progress. Its simplicity presentation will facilitate dialogue with your interlocutors and potential partners.

Canvas model is a help tool for entrepreneurs, whether in the process of creating a business idea, or the idea is already at an advanced stage, and can help in the structure of conceptualization of the business to understand the future difficulties. (Amandine, 2016)

The Business Model Canvas has **nine brick** that translates the main economic aspects of the business:

✓ **Customers segments:** The purpose of your project, at the heart of all your attention on, you must determine who they are. In case there are several types of customers, we will talk about segments since they will have different needs, different sensitivities to prices and means of communication that you can use, or even specific consumption habits.

✓ Differentiate your customers from your users. Indeed, customers (those who pay) are not always users of your products or services.

✓ **Value proposition:** it goes far beyond the product or service offered. That is what makes a customer choose your business rather than another. Is your offer better? More aesthetic? More accessible? More customizable? More competitive? Etc. Remember, she has to solve first a real problem or to meet an existing need. It can also reveal a new need and satisfy it: this is the case of breaking innovation. Supply is inseparable from the customer that you target the tandem thus created is the spearhead of your business.

✓ **Channels:** all the means of communication and distribution that you put in place to reach your customers. How are you going to advertise your offer, sell it? Distribute and provide after-sales service? This is an opportunity to stand out.

✓ **Customer relationship:** it concerns all the means used, beyond the product or the service sold to ensure the loyalty of your customers, to acquire new ones, to facilitate the act purchase, or even increase the frequency of purchase. It may be to provide personal assistance dedicated, a return merchandise service, a loyalty card, etc.

✓ **Revenue streams:** This is all the cash inflow generated by your activity. They can be punctual or recurrent, fixed or variable. In other: how will your customers pay?

✓ When will they pay? Before or after spending? What the price is of charged according to your different customer segments? For ex are prices fixed according to volumes, time spent? Will it be a list price, a fixed price, a subscription, a rental, dependent on a condition, an objective? Do your prices depend on the rarity of the product or service? Are they negotiable? Etc.

✓ **Key resources:** it is about all the material, intangible, human, and financial means that the company must come together to produce an offer that meets the expectations of its customers. Examples: employees, business, furniture, equipment, vehicles, website, financial resources, premises, knowledge, expertise, expertise, file qualified leads, a database, etc. (Osterwalder. & Pigneur, 2010)

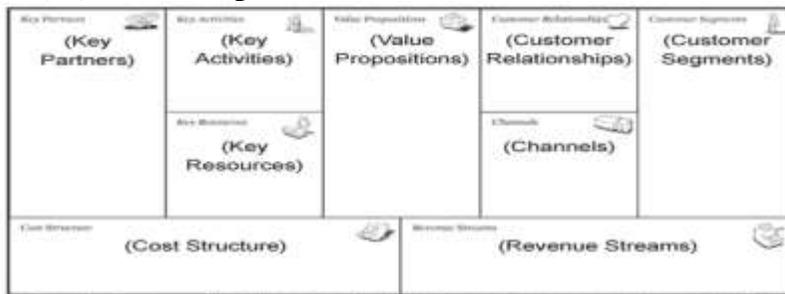
✓ **Key activities:** they concretely translate what the company does. For example, say that you sell clothes is not enough. Indeed, an idea, however simple, can

express different realities. Is it the purchase/resale of clothing or the design, manufacture and sale of clothes? On the contrary, an internet marketplace where fashion brands and buyers meet. In the latter case, the real activity of the company will consist in managing a website and a logistics center. In the case of consultants, the main activity is to research and analyze information and to advocate actions.

✓ **Key partners:** these are the outside allies of the company through which you can do evolve and improve your offer. They may be suppliers, subcontractors, co-producers, integrators, experts, etc. The choice of partners is relating to the customer that you target. A good partnership relationship can also guarantee you certain advantages over your competitors: price control, exclusivity of expertise, mastery of the cycle production, etc. Convincing partners to work with you, deserves as much attention to convince prospects to become your customers.

✓ **Costs structure:** finally, it is necessary to evaluate all the costs that are essential to the good operation of the described activity. Costs can be variable, that is, depending on the level of business activity; they increase as the turnover increases increase (purchase of goods, raw material, etc.). On the contrary, some costs are fixed; these are incompressible expenses independent of turnover (rent, premium insurance, etc.).

**Figure (02): The components of the business model canvas 09bricks**



Source :( Osterwalder & Pigneur, 2012, p23)

## 2. Empirical framework of the study

### 2.1. Case study of start-up Jumia online shopping

Examples of innovative Business model

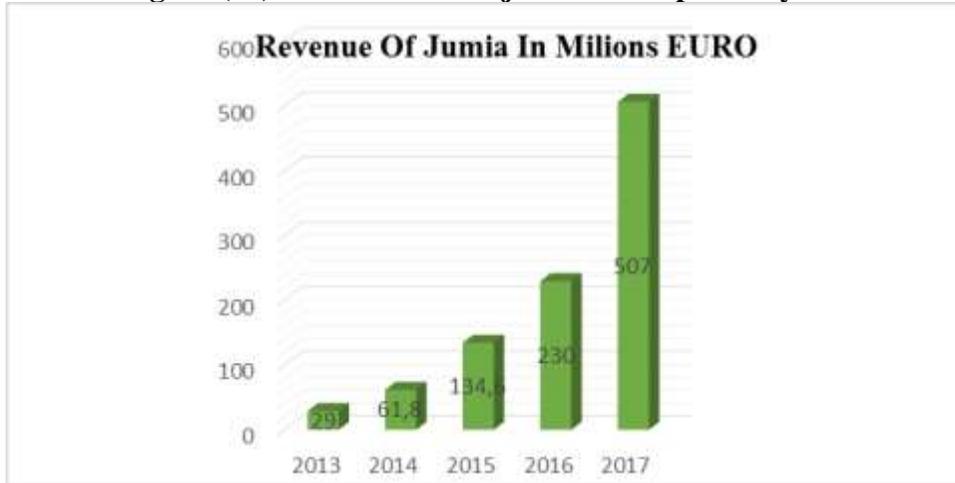
**Amazone.com:** This American giant has made a success through the online sale of books, currently this company changes its remuneration policy on Kindle Unlimited, for authors who self-publish, and they will be paid for the number of pages read. (Gershgor. & Griswold. & Kessler, 2017)

**Trivago.com:** This is the largest online hotel price and comparison site, with a single click the user can book his room according to the time, place and price that suits him based on user reviews who have experienced this experience, without having to look for a day in the sites or guides to find one that suits us to 70%. This site is actually an aggregation of hospitality sites around the world. There is also Trip advisor, which includes the hotels and also the flight, holiday rental, restaurant. (Schmidt, 2016)

## 2.2. Jumia online shopping

In order to test our hypothesis we have chosen to study the case of the site shopping on line website Jumia.com in Algeria. (Darras, 2016) Created by Tuned Kehinde, Raphael Kofi Afaedor in Nigeria in 2012, this business is classified as the best online sites in Algeria against other website Market.com, Zawwali.com, etc. This site is well operational in 16 African countries such as Morocco, Cameroon and Ivory Coast. This company markets products in the areas such as appliances and electronics, clothing, cameras, computers, DIY, cosmetics, real estate, overnight stay, travel and food delivery.

**Figure (03): The revenue of jumia in the past 05 years**



**Source:** established by authors based on :( the table below).

The revenues of jumia back to 507 million euros on 2017 (+42%) much better than what they reached on 2015 with 134.6 million euros, more than double (+ 117.8%) of those achieved in 2014 (61.8 million euros) and almost 5 times those of 2013 (29 million euros) (Francis Dufay, 2017)

In the next section, we will talk more about jumia.dz because it is consider as the first website shopping online in Algeria and there is more details about all the activity and branches owned by jumia.dz.

**Table (01): General information about Jumia Company**

Jumia			
products	country	National & international brands	Employees
12000	16 African country	More than 600 brands	1200

**Source:** established by authors based on ( <https://www.jumia.dz/a-propos/> )

**Table (2): The branches that owned by Jumia.dz**

<b>Jumia .dz</b>	
Sport	×
Jewelry	×
Clothes and accessories	×
Camera	×
Smartphone and Tablet	×
data processing	×
Video Games and Consoles Toys	×
Apparatus	×
Appliances and electronics	×
Furniture	×
Books	×
Food	×
Car Accessory	×
Gardening	×
House and decoration	×
Trips	×
Hotels	×

**Source:** established by authors based on (www.jumia.dz).

This table showed all the branches that owned with the best quality and the best prices we can have in Algeria.

The following table show that jumia.dz offer to her costumers, many branches that can be useful to their basics need specially.

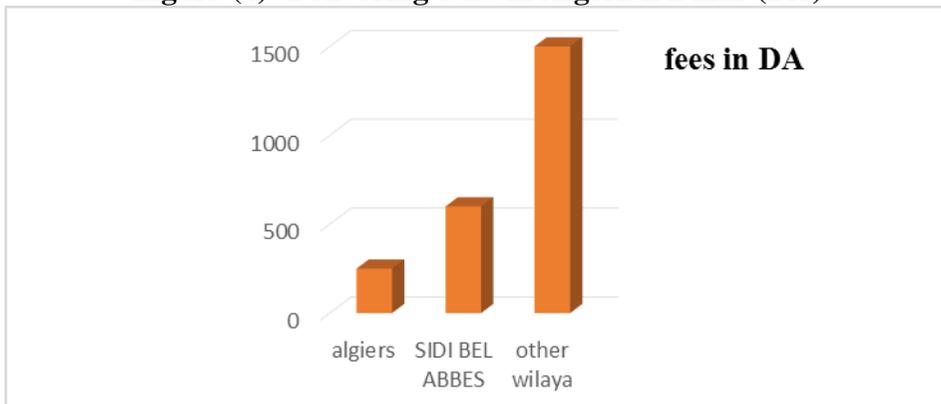
**Table (03): Delivering time of jumia.dz**

<b>Jumia .DZ Delivering time</b>			
<b>To the 48 wilaya of Algeria</b>	<b>bearing the logo from JUMIA</b>	<b>Home delivery</b>	<b>Pickup point</b>
To Algiers	between 1 and 2 days	Between 2 and 4 days	Between 2 and 6 days
To Annaba, Bejaia, Blida, Boumerdes, Constantine, Oran, Setif, Tiaret, Tipaza, Tizi-Ouzou or Tlemcen	between 3 and 5 days	Between 5 and 7 days	Between 2 and 6 days
Sidi-Bel-Abbes	between 3 and 5 days	7	between 2 and 6 days
the other wilayas	between 4 and 7 days	Between 6 and 9 days	Between 2 and 6 days

**Source:** established by authors based on:( www.jumia.dz//laivration )

- What we derive from the table is that the timing of the arrival of the product to the customer varies according to the region where he lives, and the website of jumia.dz gives the costumer an opportunity to know the time of arrival of his goods without any change of time, and is free to accept or reject the offer.
- We can relies also that the website is give all details to their customers and show the all information considering their product.

**Figure (4): Delivering Cost in Algerian Dinar (DA)**



Source: established by authors based on :(www.jumia.dz//laivrastion)

- We conclude that the payment change from place to nether, and this is due to the fact that the branch of Jumia in Algeria is located in the capital city, so the delivery amount is very cheap compared to the states that are from 500 km to 1000 km
- What distinguishes this site from other shopping sites in Algeria is the fast delivery and on time exactly, and the payment is when the product is presented to the customer.
- Despite the absence of e-payment and the lack of a legal framework governing e-commerce, many online sales sites at the national level make use of other alternatives in this case: the cash payment on delivery as Jumia.DZ

**Table (04) : Followers on social media**

social media Followers	Facebook	Instagram	Twitter
Jumia DZ	17 Millions	27500	3663 subscribers
Luxury shop DZ	674000	24500	1800 subscribers

Source: established by authors based on (social media info)

- We compared jumia with other website shopping online, we shoes luxury shop because they have the same conditions to deliver the goods and the same payment, but as we can see on the table jumia took the number 01 in Algeria in terms of site followers.
- We can also notice that jumia.com is on the top of website of shopping in Algeria with an average of 45% of the Algerians following on Facebook.

### 2.3. Business model of the JUMIA :

The ecommerce business depend all the time on effective business model and strategy to achieve the successful and to make money, because BM always give the enterprises the general idea how to make money and how to create value proposition to their clients.

**Figure (05): The business model of Jumia**

<u><b>Key partners</b></u> AIG (African internet group) -Network of sellers and distributors - Hotel networks	<u><b>Key activities</b></u> - ecommerce -home delivery	<u><b>Value propositions</b></u> -The low price -The choice of products	<u><b>Customer relationships</b></u> - Self service -Call center -social networks - Google ads	<u><b>Customer segments</b></u> mass seller market
	<u><b>Key resources</b></u> -resource human developers from the web -resources technology: the servers and the platform Web		<u><b>Channels</b></u> <b>Jumia.dz</b>	
<u><b>Cost structure</b></u> -transportation of goods development of the web platform and call centers		<u><b>Revenue stream</b></u> Delivery costs commission on sales of goods and services like Jumia Marke		

**Source:** established by authors based on: (the all information is that we have)

### 2.4. The business model in the context of enterprises creation

The business model is a convention built around a business that envisage and later effective directly give resources in exchange for what they expect from the relationship established, because when it comes to resources, the creator cannot start his business without both identifying and assembling “the way he will arrange his business ( Jouison. & Verstraete, 2008)

The enterprises that have not started their activities they will try to rely on their ability to show their success by mastering the resources available to them.

The organizational configuration put in place then plays a crucial role since it organizes these resources optimally that is to say, so that the value of the offer is appreciated on the one hand by the markets (generic value of the project) and on the other hand by the different parties’ stakeholders (value that is singularly given to them).

The model must be clear so that everyone agrees it is an effective way to generate the value that the organization is seeking to achieve, and will be able to

explain what the real business of the company must maintain in order to create a value proposition for customers.

The business must show the concrete way that how the money is going to go and, in a more abstract way, how are unfold the exchange relations with the stakeholders. However, for an owner of resources turns into stakeholder a business creation project, whether the process is at the beginning or already well advanced, he must adhere to the proposal of the creator and believe in its durability, because this proposal can be understudying by the theory of conventions.

### **Discussion and Conclusion:**

The company develops competencies that it proposes to the markets, which it will have pointed out, as being able to be interested. It is really about finding the markets that are most sensitive to these skills. In the context of business creation, it is a question of first finding the resources necessary for the realization of the project to undertake.

The creator must show how he will arrange the resources together to make them capabilities. These concretely show how things done or will done by the company. This is not enough to gain a competitive advantage because, according to the resource model, it results from skills derived from these abilities to do these things well.

The capacity of business model must adaptable by responding to the market and its variables without losing sight of the overall value of the model, which can't replace by another capacity, the entrepreneur must have a clear idea of the organization that the resource meeting is gathering.

The entrepreneur shows how many of the abilities he owns or intends to build provide it with a competitive advantage. From the point of view of the resource owner, these skills aim to achieve a better return on investment.

We find that the subject of the electronic business model is a topic debate, since the viability of companies relies first on its managerial performance particularly in the generation of profits, in order to grow in your industry, build your advantage competitive, and strengthen its image. As a result, the electronic business model reflects the situation of the company in the field, so if the latter built based on its strategy initially conceived with the relevant information, the company insured economic growth and remain viable.

Business model is a tool of the strategy and for building the competitiveness of the company; it is important application for the process of generating profits by taking into consideration of the importance of the organization of the value chain.

Finally, the entrepreneurs also gets a useful tool for making the money and giving value to the project, the first estimate of funding called for by the meeting and resource planning, understand your business network, and BM also help to persuade, regardless of their understanding of the BM (based on either the proposed modelling or the used on the field).

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