

DEVELOPMENT OF BUSINESS STRATEGY THROUGH BLUE OCEAN STRATEGY MODEL (BOS) (CASE STUDY: RESTO X, BATAM)

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Abstract. Culinary business development is now growing quite rapidly, Batam became one of the target markets of domestic and foreign businessmen in culinary business. The high competition in the culinary business is a powerful reason to apply the right business strategy to be able to survive and win the competition. One of the methods that can be used in offering business strategy is the Blue Ocean Strategy (BOS). The blue ocean is taken as a metaphor to represent these industries that may offer greater opportunity or higher profit potential. In this study the object of observation used is traditional pizza business. The purpose of this research is to create a business strategy formulation with BOS and provide an alternative solution for business development to the management in accordance with the socio-cultural conditions of Batam. The results showed that there are two strategies that should be eliminated, such strategies are to offer a partnership with no royalty fees and no separation of smoking and non-smoking area.

1. Background of Study.

Culinary business is one of the businesses that has recently grown rapidly and has considerable potential for development. There have been many culinary efforts that have succeeded in reaping big profits from this business, but also not a few who failed because the marketing strategy that was carried out was less precise the quality of service was not optimal. Today's culinary business has developed a lot with a franchise model. The development of franchise business in Indonesia is very fast, both from Sabang to Merauke. There are several factors that encourage growth, namely the characteristics of the franchise itself, increased purchasing power, the availability of resources with expertise needed, high return on investment, and internal factors such as motivation, an open personality, as changes lifestyle [1].

As a city with a large industrial area in the western tip of Indonesia, Batam is a market place that is mostly targeted by domestic and foreign entrepreneurs. Especially for culinary business, it can be said that the market opportunity is very open to anyone.

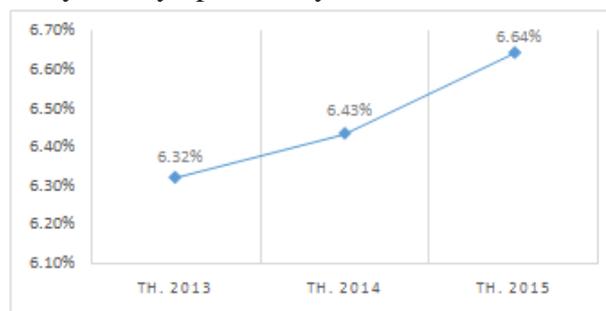


Fig 1.1 Graph of Number of Culinary Business Players Based on GRDP Value Results of BPS Batam (Source: BPS Batam 2016)

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The rapid development of the culinary business in Batam has caused intense competition between businesses. To survive, entrepreneurs must be able to build a positive image of their business, this is due to the large number of competitors running the same business. Especially for a type of culinary business, of course, there are many alternative solutions regarding decision making. One effort to build a positive image is through a brand. In giving a brand the most important thing is that the brand can identify and differentiate (differentiate) goods or the service of a seller of goods and services of other sellers [2]. But there is a slightly strange but interesting brand that was created by one of the pizza restaurants in the Batam area, namely "Resto X". Not only does the name attract attention, but in terms of the concept of Resto X "also has a very unique concept and is far different from the pizza restaurant that already exists in Batam.

Before the existence of "Resto X", in Batam there were many pizza restaurants. This caused many competitors, both from small competitors to large competitors. The tight competition in the culinary business is a strong reason for implementing the right business strategy to survive and win the competition. In this study wanted to provide a business strategy solution that is right for the development of the business "Resto X". One approach that can be used in offering business strategies is to use Blue Ocean Strategy (BOS). BOS is the right business strategy to use in the face of competition. BOS can find new spaces in business that can improve business efficiency and performance processes [3]

The formulation of BOS will create value innovations that will positively influence the cost structure and offer value to buyers. Value innovation directs the company to a leap in value for the buyer and for the company itself. To achieve this, companies must expand their industrial boundaries to alternative industries and market boundaries to non-consumers [4]. In BOS, the most important thing is how to break away from the red oceans by making competition irrelevant, and how to open and capture blue oceans from market spaces that have no competitors [5]. In addition, strategies will also be made which contains ideal business conditions, actual conditions, vision, achievement strategies and strategic steps per division.

2. Literature Review.

2.1. Business Strategy.

Business strategy is concerned with how businesses compete in an industry or market [6]. The two dominant frameworks of business strategy that have emerged are the Porter typology (1980) with its focus on external competitors with its focus on intended rate of product-market change [7]. In this study, author follow Slater, Olson, and Hult who through a series of studies [8] helped to validate the existence of a hybrid typology of business strategies. Adopting their model, in this study we consider: Prospectors (those continuously seeking to locate and exploit new product market opportunities), Analyzers (quick second movers who seek to capitalize on successful product/market opportunities created by Prospectors in terms of enhanced features/services or lower costs), Low Cost Defenders (those who attempt to seal off a portion of the total market by providing a stable set of products or services at the overall lowest costs), and Differentiated Defenders (those who attempt to seal of a portion of the total market by providing a stable set of products or services of superior quality)

2.2. Marketing Strategy.

Marketing is a social process by which individuals and groups get what they need and want by creating, offering and freely exchanging valuable products and services with other parties [9]. The application of marketing to be more precise in the company requires a marketing strategy. Marketing strategies are defined as an analysis of the strategy of developing and implementing activities in the strategy of determining target markets for products in each business unit, setting marketing objectives, and developing marketing program strategies, designed market positioning to fulfill consumer desires [10].

2.3. SWOT Analysis.

SWOT analysis is a systematic procedure to identify the factors that determine the success of the company's internal strengths and weaknesses, as well as opportunities and external threats [11]. Meanwhile, SWOT analysis is an important strategic planning tool to help planning to compare internal strengths and weaknesses with external opportunities and threats [12]. The SWOT analysis is based on the appropriateness between the company's internal resources and its external situation. Good conformity will maximize the company's strengths and opportunities and minimize weaknesses and threats. Strengths and weaknesses are management factors wholly in management control, where strength is the factors that have been successfully controlled which have a positive impact on the organization. While the weakness is a factor that is not successfully managed which provide a negative impact for the company. Opportunities are factors that are beyond management control, but their appearance will provide a chance for success for the company. If the company has enough power to adapt. Threats are factors that are outside management, but if it appears will threaten the life of the company. Threats are a major obstacle for the company in achieving its current position or desired position.

2.4 Blue Ocean Strategy (BOS).

The definition of Blue Ocean Strategy (BOS) is how to create unexplored market space, which can create demand and provide a very profitable growth opportunity. In essence, how competitors competently in competition, how to smartly read competition, develop strategies and systematic frameworks to create blue oceans. BOS is a term in the science of strategy management that refers to strategies to create new markets that have not been met with intense competition. This is done by creating and reaching new demands that have not been thought of by the people competitor. BOS is basically a strategy to defeat competitors through offering innovative product features that have been ignored by competitors. The features of this product are usually radically different from those that have been on the market. This is of course different from Red Ocean, where all competitors offer uniform, by product features, and all compete for the same market, so what often happens is bloody battles, because the arena of competition is contested by players who offer uniformity product and approach [13].

BOS shows that organizations must create new demand in the undisputed market space, rather than Head-to-head competition with other suppliers in the existing sector. The foundation used in BOS is *innovation value*. BOS was created when a company achieved value innovation that creates value simultaneously for both buyers and companies. Innovation (in products, services, or shipping) must increase and create value for the market while reducing or eliminating features or services that are less valued by the current or future markets.

3. Model Development for Quality Improvement.

The development of model for quality improvement in this research will use principle in SWOT Analysis to know about weaknesses and opportunity at the business and to get alternative solution which will be inputted into blue ocean strategy (BOS) model. In the first phase, it aims to identify strengths, weaknesses, opportunities, and threats to the existing (internal and external) business conditions. Next there is a calculation on each column on the SWOT that will bring up the position in the SWOT quadrant. Next, determine the new strategy by using TOWS matrix. Furthermore, on the SWOT after the emergence of a new strategy will be weighted or ranking on strategies that have been formulated on the TOWS matrix by using analytical hierarchy process (AHP) which aims to determine the priority of each strategy that has been formulated.

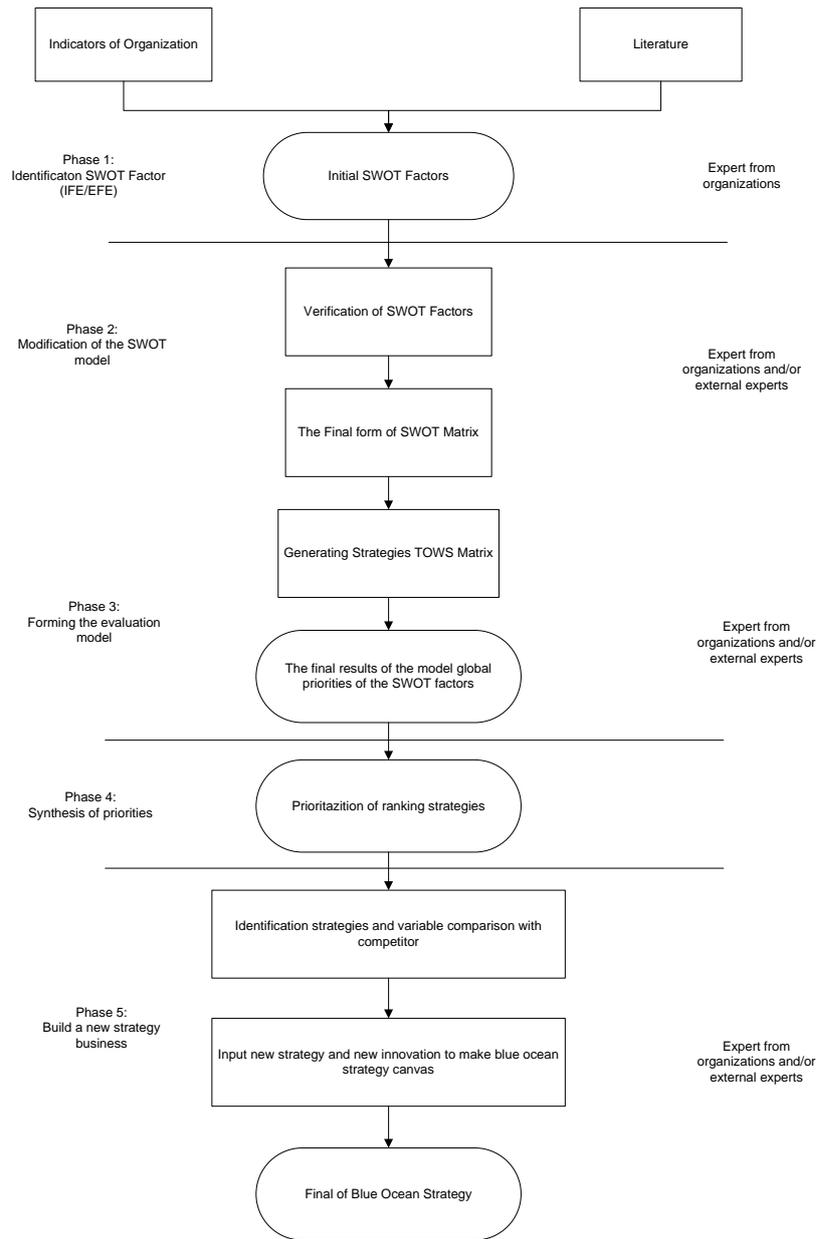


Fig. 1 Business Model
Source : MS. Visio

And the last step is to create a new strategy marketing using blue ocean strategy. The essence of BOS is to identify and look for new market potentials that other players are still unaware of, thus accompany can swing alone to dominate the market before competitors realize it. In the application of BOS, the author needs to compare several variables with existing competitors, so that the strategy that will be used is a new innovation that has never been implemented in a competitor's company. The overall approach of this system is what makes the creation of blue oceans a sustainable strategy. Therefore, blue oceans need an analytical framework to create blue oceans and principles for managing risk effectively.

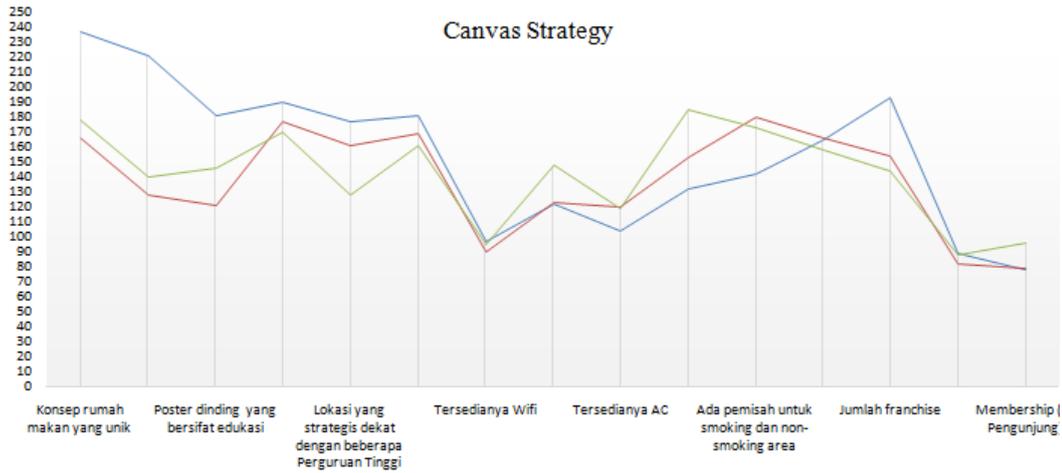


Fig. 2 Canvas Strategy
Source : MS. Excel

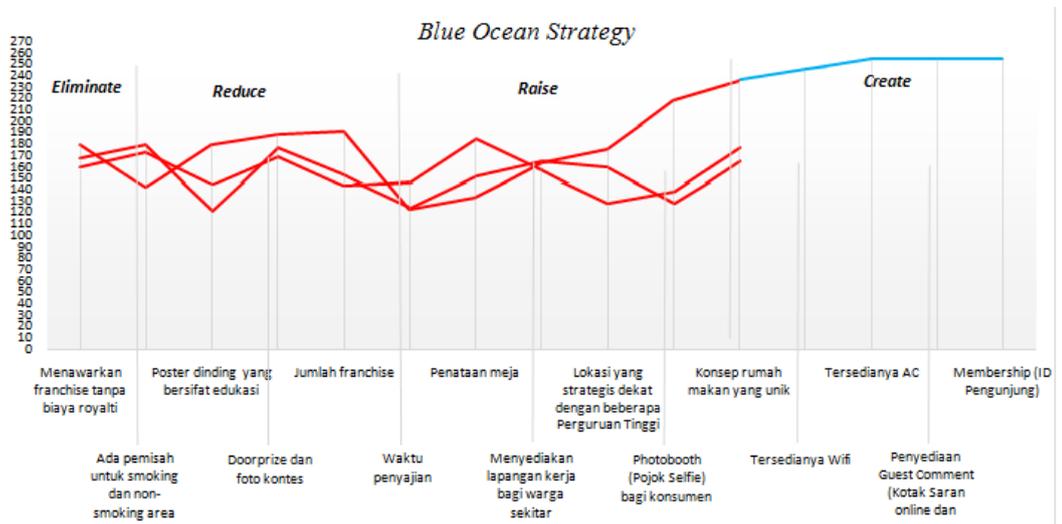


Fig. 3 Blue Ocean Strategy
Source : MS. Excel

4. Conclusion.

In this study, it can be concluded that there are 2 strategies included in the eliminating category, namely offering a franchise without royalty fees and there are separators for smoking and non-smoking areas. For the reduce category, there are 3 strategies, namely wall posters that are educational, door prizes and contest photos, as well as a reduction in the number of franchises. For the raise category there are 6 strategies, namely, increasing the time of presentation, streamlining table arrangement, providing employment for local residents, strategic location close to universities and shops, photobooth (selfie corner) for consumers and improving the concept of a unique restaurant.

For further research will be applied in overall culinary business was conducted in various concepts by classifying based on more diverse types of pizza so that the resulting preferences were more complete

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