

Implementation of Blue Ocean Strategy for long-term business strategy in land transporter companies in Indonesia

Eric Harianto¹⁾ Cienthia Lookman²⁾
Universitas Ciputra¹ PT. Lookman Djaya²
E-mail: eric.harianto@ciputra.ac.id

Abstract: Intense competition in business not only slashes profitability but can also cause a slowdown in the growth of a company. Moreover, the competitive advantage competitive strategy that is often used by many companies is no longer sustainable. The disruptive era makes efforts to maintain competitive advantage short-lived. The purpose of this research is to explore the Blue Ocean Strategy approach to be able to leverage the long-term business strategy for the land transporter company PT Lookman Djaja in order to become an innovative family company and continue to grow across generations. This research was conducted for six months starting from February 2021 to July 2021. The research was conducted using a qualitative descriptive method Creswell (2014) with informants consisting of 3 members of the board of directors, 3 employees from the marketing, accounting and operational divisions, along with 18 customers of PT Lookman Djaja who have a deep understanding of the company. Testing the data in this study was carried out using the data triangulation method. The results of this study are: 1) Strategy Canvas which provides an overview of the current conditions of the competitive arena: advantages and disadvantages of PT Lookman Djaja compared to its competitors, 2) ERRC matrix where PT Lookman Djaja can simultaneously eliminate, reduce, increase and create factors that offered to create value innovation, 3) Three paths from the Six Paths Framework that can be implemented by PT Lookman Djaja to reconstruct industry boundaries. In this research, finally found a new innovation strategy are warehousing service, multimode and information system.

Keywords: *Blue Ocean Strategy, Business Strategy, Land Transporter, Value Innovation, multimode.*

1. Introduction

Competition in the business world is certainly a very natural thing. Competition can encourage companies to "scale-up the game" by improving the quality of the products and services offered and selling them at competitive prices. But as time goes by, competition in the business world will become more stringent and competitive because more and more companies are fighting for the same market share. Intense and "bloody" competition slashed profitability and caused a slowdown in the company's growth.

This is also experienced by the logistics industry, especially the delivery of goods by land.

Competition in this industry is quite intense, marked by "slashing prices" by competitors who offer identical services. Many differentiation and focus efforts (segmentation) are also carried out in order to provide more value to consumers, but the freight forwarding industry is an industry that is very sensitive to cost or price (cost-driven). In the end, the one who can win the consumer is the company that can provide the best service at the lowest price. Brand image and reputation is also a determining factor in choosing a transporter company and this certainly cannot be built in a short time. To be able to win the competition in the land transportation industry, a reliable strategy is needed for the long and short term. Strategy within the company is defined by making a comprehensive plan so that the company can achieve its mission and goals. Strategy can optimize competitive advantage (Wheelen & Hunger, 2018). All companies are currently optimizing in every movement to be able to achieve competitive advantage. The concept used is a lean concept in its implementation. Each strategy before implementation can be mapped with a lean canvas so that it is more optimal in its execution (Harianto, 2018). An effective strategy can create new innovations by using blue ocean strategy tools in CV family companies. Gama Jaya (kosasih, 2014). Competition in the land transportation industry is already very tight and has entered the red ocean. Therefore, blue ocean strategy tools are needed to be able to create new innovations in the land transportation industry. This is also done by the Pandu Logistics company in Malang (Rakhman, 2017).

To be able to make a strategy with a blue ocean strategy, an analytical tool is needed, namely a strategy canvas that formulates the competitor's company value curve. In addition, a four-step framework is needed to be able to create value innovation. Value innovation is one of the keys to being able to create competitive advantage (Kim & Mauborgne, 2006). The logistics industry is an industry that continues to grow along with economic growth in Indonesia. Based on data from Supply Chain Indonesia (SCI), even when hit by the COVID-19 pandemic, in May 2020 the land transportation transportation sector experienced an increase of 5.15% (Setijadi, 2020), and was the second highest increase after sea transportation. The growth of this sector is certainly influenced by many factors, namely the large population of Indonesia, the level of economic growth, the wide coverage area and the variety of commodities in Indonesia. Rapid developments in E-commerce also encourage the growth of the logistics sector, especially the pandemic situation where many consumers shop online so that the delivery of goods is increasing.

PT Lookman Djaja is a land transporter company that has been operating in Indonesia since 1985. Owned and led by the Lookman family, PT Lookman Djaja has served thousands of Indonesian consumers, especially in Java, Sumatra, Bali and NTT. Guided by being a fast, safe and reliable transporter, many differentiation and efficiency efforts have been made to continuously improve the quality of services offered and of course at competitive prices. To be able to exist for more than 35 years in a "bloody" industry is certainly not an easy thing. However, it is undeniable that PT Lookman Djaja is also experiencing stagnation due to intense competition from competitors in the industry. Seeing the potential and also the challenges and opportunities offered by the logistics industry, this study aims to explore the Blue Ocean Strategy to be able to leverage the long-term business strategy for PT Lookman Djaja in order to become an innovative family company and continue to grow across generations.

2. Literature Review

The strategy that is generally adopted by many companies is the competitive strategy by Michael Porter, 1985. According to Porter, there are three strategies that can be adopted by companies, namely cost leadership, differentiation, and focus (market segmentation) to achieve competitive advantage. sustainable (sustainable competitive advantage). But according to Rita Gunther McGrath, a professor from Columbia Business School in her book "The End of Competitive Advantage" (Gunther, 2013), it is time for companies to "give up" in their search for sustainable competitive advantage in business. The current disruptive era characterized by globalization, availability of information, technological advances and digitalization makes efforts to maintain a competitive advantage difficult to achieve for a long period of time in various industries. Of course the company can still exploit the competitive advantage for a time but it is no longer sustainable or sustainable.

Chan Kim & Renée Mauborgne (Kim & Mauborgne, 2006) offer an innovative approach to business, namely the Blue Ocean Strategy (BOS). BOS sees the industrial structure as something that is not fixed and can be reconstructed and/or created, while competitive advantage sees the industrial structure as fixed and the company's task is to choose the best position within the boundaries of the existing industrial structure. They further explained that the current market conditions can be categorized into two types of oceans, namely the red ocean (Red Ocean) and the blue ocean (Blue Ocean). In the Red Ocean, which is the condition of most industries in today's disruptive era, companies are fighting for market share in industries where demand remains or even decreases. Meanwhile, Blue Ocean is a market ocean that is still untouched by competition where opportunities are still available big, wide and deep. To be able to enjoy this sea of opportunity, companies need to shift and get out of the "bloody" competition in the Red Ocean and explore new market spaces in the Blue Ocean by: stop focusing on the competition itself but focus more on pursuing Value Innovation. innovation) to open up new market shares so that business competition becomes irrelevant. In other words, companies need to shift from "market competing" to "market creating".

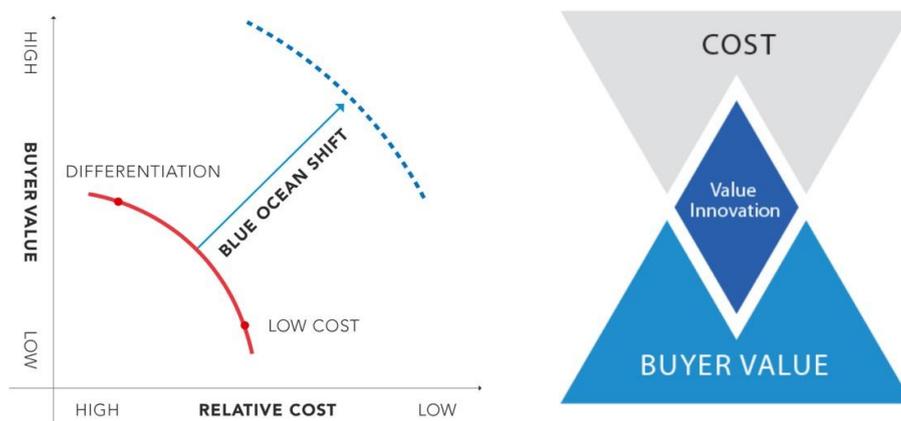


Figure 1: Value Innovation

Source: Chan Kim & Renée Mauborgne. All rights reserved.

Value innovation is an effort to simultaneously pursue differentiation and cost reduction, so as to achieve a leap in value for consumers and for the company. The concept of value

innovation is a pillar of the “market creating” strategy. Cost reduction is achieved by eliminating and reducing the factors offered and invested by the company. Differentiation or added value for consumers is achieved by raising and creating factors that are invested or never offered in the industry. It should be remembered that value innovation does not always have to be innovation in terms of technology but can also be in the form of any innovation that increases added value for consumers that has never been offered in the industry (Hanifah, 2015).

Strategy tools or tools used in formulating BOS in this study are as follows:

1. Strategy Canvas: provides an overview of the current competitive conditions in the industry. The Strategy Canvas also presents the factors that players in the industry offer and invest in and their profile strategies.

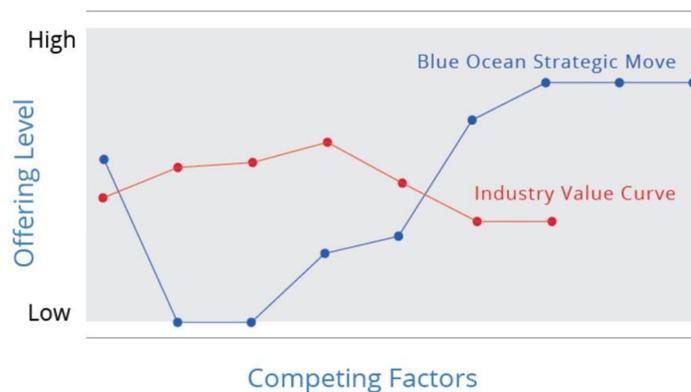
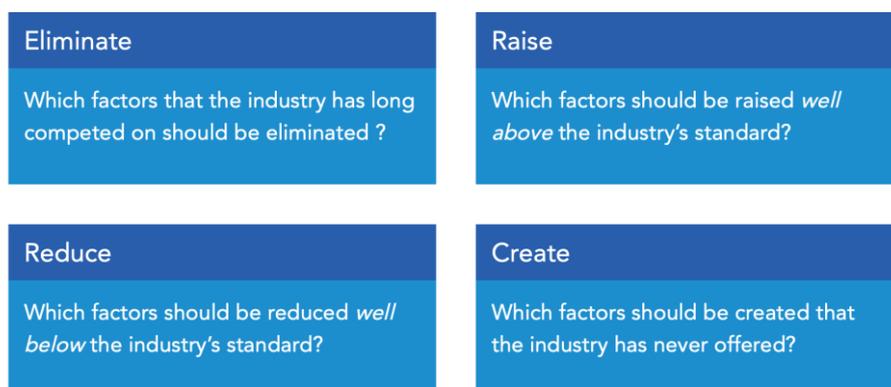


Figure 2 : Strategy Canvas

Source: Chan Kim & Renée Mauborgne. All rights reserved

2. ERRC (Eliminate, Reduce, Raise, Create): a matrix that is used to eliminate and reduce, as well as increase and create factors that are offered and invested simultaneously so as to create value innovation.



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Figure 3 : ERRC

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3. Six Paths Framework: provides six possible paths that can be explored to reconstruct existing boundaries in the industry

	Head-to-Head Competition	Blue Ocean Creation
Industry	Focuses on rivals within its industry	Looks across alternative industries
Strategic Group	Focuses on competitive position within strategic group	Looks across strategic groups within industry
Buyer Group	Focuses on better serving the buyer group	Redefines the industry buyer group
Scope of Product or Service Offering	Focuses on maximizing the value of product and service offerings within the bounds of its industry	Looks across to complementary product and service offerings
Functional-emotional Orientation	Focuses on improving the price performance within the functional-emotional orientation of its industry	Rethinks the functional-emotional orientation of its industry
Time	Focuses on adapting to external trends as they occur	Participates in shaping external trends over time

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Figure 4 : Six Paths Framework

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3. Research Method

The research method used is descriptive qualitative with a focus on the application of Blue Ocean Strategy tools at the land transporter company PT Lookman Djaja located in Surabaya, Indonesia. This research method was chosen because it requires a detailed and in-depth understanding so that the results obtained are right on target with the objectives of this study. Sources of data in this study using primary and secondary data sources. Primary Data is data that uses original data from the initial source. This is obtained by means of interviews with informants to obtain information and data (Sarwono, 2006). The second data source uses secondary data, namely the second source after the primary source because for information it is difficult to find information in primary data sources (Bungin, 2008). Primary data in this study is the company's internal staff, while secondary data is obtained from company consumers.

Data collection techniques used are direct interviews with related parties, documentation of data from reports provided by related parties, and library studies on books and journals regarding business strategy formulation. a technique for determining informants who do not provide equal opportunities to each member of the population selected to become informants (Sugiyono, 2011). Informants from this study were 3 members of the board of directors, 3 employees from the marketing, accounting and operational divisions, along with 18 customers of PT Lookman Djaja so as to provide a comprehensive perspective both from the external and internal aspects of the company. They were selected using a purposive technique, which was chosen because of a deep understanding of the company. This research was conducted for six months starting from February 2021 to July 2021.

Data analysis uses several stages as follows: identifying all data obtained from primary and secondary sources, filtering data, determining categories, checking data validation, and providing interpretations on data (Moleong, 2013). Testing the data in this study was carried out using the data triangulation method. Data triangulation was carried out after the research was formulated and concluded with various findings. All findings obtained are compared

with relevant theories and in one scientific field. This comparison is very necessary to be able to find out the relationship between the findings in the study and the existing theory (Putra, 2013).

4. Results and Discussion

4.1 Results

The implementation of BOS at PT Lookman Djaja is carried out in 3 phases. The first phase is the implementation of the Strategy Canvas to explore competitive conditions and competitor profiles in the current industry. Followed by the second phase, namely the implementation of ERRC to simultaneously eliminate, reduce, add and create the offered factors so as to create value innovation. And finally, the third phase is the implementation of the Six Paths Framework to explore the paths that can be taken by PT Lookman Djaja to reconstruct the boundaries of the logistics industry for shipping goods by land.

First Phase of AWAKENING: CANVAS STRATEGY

To create a Strategy Canvas graphic, it is necessary to identify the factors offered and invested by the logistics industry players, especially the current land line delivery (horizontal axis) along with the level of supply offered by PT Lookman Djaja's closest competitors in each of these factors (vertical axes). In this study, two competitors - competitor A and competitor B - were chosen as the company's closest competitors.



Figure 5 : Strategy Canvas PT Lookman Djaja vs Competitor A vs Competitor B
 Source: PT. Lookman Djaja

From the Strategy Canvas graphic above, it can be seen that PT Lookman Djaja is superior to its two closest competitors in terms of speed of delivery, brand image and reputation, speed of response time, and speed of billing and returning documents. This of course needs to be maintained. However, from the graph it can also be seen that PT Lookman Djaja is still lacking or below competitors in terms of delivery range, truck availability, truck condition and Customer Service. It is the duty of the company to be further improved.

This Strategy Canvas graphic provides a snapshot, in a simple graph, of the current state of the competitive arena, the advantages and disadvantages of PT Lookman Djaja, and future prospects for the company to be able to increase (Raise) the offered factors to be better than competitors or create (Create) a new factor that has never been offered before. This will be explored further in the second phase.

Second Phase of EXPLORATION: ERRC

After understanding where PT Lookman Djaja is compared to its closest competitors, the next

phase is to implement the ELIMINATE, REDUCE, RAISE and CREATE (ERRC) matrix. By examining each supply factor in the industry in detail and presenting it in this matrix, PT Lookman Djaja can simultaneously make efforts to differentiate and reduce costs so as to create a new strategic profile and towards the Blue Ocean. Things to do:

1. Eliminate: PT Lookman Djaja can eliminate unnecessary paperwork and/or convert it to digital so that operational processes can run faster. Companies can also eliminate unnecessary procedures to streamline processes. There are several things that can be done, such as outsourcing, redesigning and/or automating some work steps, and empowering employees.
2. Reduce: Efforts will be further increased in reducing Response Time with several strategies such as SOPs and KPIs in responding to consumers, reducing paperwork and/or automating processes, as well as training the marketing division so that it can respond to consumer needs more quickly. PT Lookman Djaja can review inefficient Operational Costs in order to provide better offers and prices for consumers.
3. Raise: PT Lookman Djaja can increase more contracts so that price lock-in and sales are guaranteed. In addition, the company can also be more efficient in the distribution and scheduling of trucks, thereby reducing order rejection. Companies can also further enhance their online presence in the current digital era of E-commerce to build a "trusted" brand image and reputation in the hearts of consumers. PT Lookman Djaja can also improve monitoring of the physical condition of trucks and maintenance, training for drivers regarding safety driving and material handling, expanding network coverage with authorized parties and dealerships to support the fleet while on the move. The Customer Service system can also be improved even more with jobdes, SOPs and KPIs measurable so that it can be even better in handling all existing questions and complaints.
4. Create: Companies can create warehousing facilities as a complementary service that is integrated with the delivery of goods. In addition, it also creates an Information System from upstream to downstream for a faster flow of information so that operations can run more quickly, effectively and efficiently. This is of course very much needed, especially in today's industrial conditions. PT Lookman Djaja can also make a Delivery Assurance Policy so that consumers can send goods with feelings (emotional factors) that are safe, comfortable and reliable. Finally, the company can also expand into a multimodal railway company to be able to add complementary service options and increase the range of integrated goods delivery areas.

Figure 6 : ERRC PT Lookman Djaja



Source: PT. Lookman Djaja

Third Phase EXPLORATION: Six Paths Framework

In the exploration phase of the Six Paths Framework, there are six path frameworks that can be taken by companies to reconstruct industry boundaries and create new markets or Blue Oceans. Researchers found that PT Lookman Djaja can reconstruct industry boundaries by doing 3 of the following 6 path frameworks:

The first path is to explore other industrial alternatives. Currently, PT Lookman Djaja is more focused on the B2B segment that requires delivery of goods via trucks. Companies can “Scale-Up the Game” by creating new opportunities by becoming a Multimodal Transporter company where freight forwarding is integrated between Truck and Train shipments. Containers can easily move from ship - truck - train and of course will greatly cut Lead Time and costs and further expand the range of shipments. Not many or even no Transporters in Indonesia have done this. In this way, PT Lookman Djaja will serve more B2B services and of course will prepare the foundation for B2C delivery which will be explored for future strategies.



Figure 7 : Six Paths Framework PT Lookman Djaja
 Source: PT. Lookman Djaja

The second path is to explore things that can complement the services that have been offered. In addition to requiring goods delivery services, there are several complementary services that are actually also needed by consumers, including warehousing, packaging, insurance and loading and unloading workers (TKBM). This service doesn't have to exist, but it would be helpful to have it as a complementary option. PT Lookman Djaja can build warehousing facilities that can be rented and integrated with the delivery of goods, also build a network with insurance companies, packaging and TKBM so that customers can enjoy all-in service and get many conveniences.



Figure 8 : Six Paths Framework PT Lookman Djaja
 Source: PT. Lookman Djaja

The third path is to rethink the emotional orientation attached to the services offered. In addition to needing goods delivery services to carry out functional work, consumers also want safe, fast delivery of goods and look for reliable Transporters because the accuracy of delivery and security of goods to their customers can also affect the reputation and good name of their company. PT Lookman Djaja can continue to build a Brand image and Reputation to become a safe, reliable and trustworthy Transporter.



Figure 9 : Six Paths Framework PT Lookman Djaja
 Source: PT. Lookman Djaja

After conducting the exploration phase with the ERRC GRID and Six Paths Framework, a strategic profile was created for PT Lookman Djaja which can be visualized as follows:

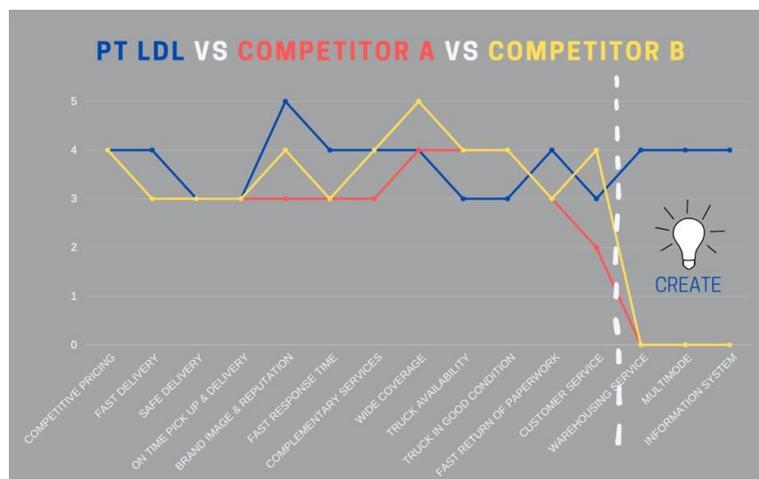


Figure 10 : New Strategy Canvas PT Lookman Djaja
 Source: PT. Lookman Djaja'

4.2 Discussion

Competition is something that is unavoidable in doing business, especially in the current disruptive era where competitive advantage is no longer sustainable and short-lived. This research was made because of the researchers' desire to apply Blue Ocean Strategy (BOS) as a long-term competitive strategy so that the company can be sustainable across generations.

Intense competition with competitors causes PT Lookman Djaja to experience a decline in growth and stagnation and companies are required to think innovatively in order to boost performance and reconstruct existing boundaries. As a result of the implementation of the Strategy Canvas, PT Lookman Djaja gets a snapshot of the current condition of the industrial competition arena where the company is ahead of its two closest competitors in terms of speed of delivery, brand image and reputation, speed of response time, and speed of billing and document returns. It was also found that PT Lookman Djaja is still lacking or below competitors in terms of delivery range, truck availability, truck condition and Customer Service. Departing from a deeper knowledge of competitor and industry profiles, PT Lookman Djaja can detail and simultaneously eliminate, reduce, increase and create the offered factors.

This is done so that a unique combination is created, just like a dish with the right and special seasoning mix, which can only be formulated by PT Lookman Djaja and creates a value innovation for consumers and for the company. Factors that can be maximized include:

1. Eliminate and automate paperwork and inefficient procedures
2. Reduce response time and operational costs
3. Increase the number of contracts with consumers, increase monitoring and training, improve customer service, and build an online presence
4. Creating warehousing facilities, IT systems, delivery assurance policies, and multimodal Services

Research on the implementation of blue ocean strategy in finding new innovations is in accordance with research on the family company. CV.Gama Abadi (kosasih, 2014), research conducted on the logistics guide transportation industry in Malang (Rakhman, 2017) and The Implementation of Blue Ocean Strategy in Trans Studio Bali PT. Chairul Tanjung Corpora (Aini, 2021). The use of a lean organizational concept with a lean canvas is needed to be able to increase optimization to be able to create value innovation (Harianto, 2018). So that it can face all the trends, challenges and perspectives of the transportation industry during the new normal (Saragih (2020)). Then, the path that can be taken by PT Lookman Djaja to reconstruct industry boundaries is another alternative industry path by becoming a truck and rail multimodal company, the path of adding complementary services offered, and the path of rethinking the functional- emotional orientation of the services offered.

After reviewing the previous canvas strategy, a new innovation strategy was finally found to be able to increase the competitive advantage of PT Lookman Djaja so that it can become a sustainable business and win competence in the land transport industry in accordance with the presentation of Strategic Management and Business Policy (Wheelen & Hunger, 2018). Some of the new innovations found are warehousing service, multimode and information system.

5. Conclusion

Compared to the pursuit of sustainable competitive advantage which is not easy, the combination of steps resulting from the implementation of BOS is very “down-to-earth”, easier to apply and achieve because it is a series of small company-wide strategies in the ERRC matrix. Moreover, the value innovation effect produced is also long-lasting and has a big impact, namely bringing the company into the Blue Ocean. BOS also takes an inside-out

perspective where the company focuses more on self-development and innovation rather than spending energy on competing. Focusing on competing in the industry can make companies feel inferior, unable to achieve targets and further reduce profits and growth. In this research, finally found a new innovation strategy to be able to win the competition in the land transportation industry. Some of the new innovations found are warehousing service, multimode and information system.

In its application, BOS also has limitations. One of them is the unavailability of data to fill out competitor profiles in the Strategy Canvas so that the numbers presented in the graph tend to be subjective. Inaccurate data can result in strategies that are less effective and on target. In addition, as said by Rita Gunther McGrath that business strategies, including BOS, must be formulated regularly. This is because over time the company needs to re-evaluate the strategy used and re- create other value innovations in its field so that the company does not fall back into the Red Ocean (Kosasih ,2014). Moreover, to produce and implement innovations in BOS in a sustainable manner, of course, requires no small amount of funds. Research by Andrew Burke, André van Stel, and Roy Thurik on the retail industry in the Netherlands found that a short-term competitive strategy was also needed to fund Blue Ocean's considerable innovation and R&D efforts. So according to them, instead of requiring companies to choose and use one type of strategy, the optimal step that can be taken is to adopt a blend of competitive strategies and BOS for short-term and long-term goals (Burke, 2009).

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