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Creating Value Innovation With Blue Ocean Strategy at “A Leather Bags”

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Abstract: “A LEATHER BAGS” a company that manufactures leather bags made from cow leather. The number of similar leather bag business causes high competition. Therefore, strategies that provide more value to consumers are needed. This study aimed to find out the right strategy to be applied by “A Leather Bags” to design a strategy that focuses on creating new market space through a canvas strategy analysis and a four-step framework through the value innovation process. A strategy canvas sanalysis was used to determine the company’s position against competitors in the market. A four-step framework is used to determine what factors need to be eliminated, reduced, improved and which will be created by the Blue Ocean strategy. This research was conducted by distributing questionnaires, which the samples were 36 leather bag community members in Solo. The results of the research and discussion, the strategy that needs to be applied “A Leather Bags” Indonesia was to renew the purchasing procedure in which previously on every order of product colors and different skin types into the same color and skin type, product innovation by increasing the quality of raw material products to increase the superiority of product compared that previous product, and the last, to open services for product maintenance services and repair “A Leather Bags” products that have been purchased by consumers.

Keyword: Creating Value Innovation, Leather Bags, Blue Ocean

INTRODUCTION

The development of fashion business in Indonesia is very rapid and dynamic. The fashion industry in Indonesia is a developing and profitable industry. It is increasing based on data from CNBC Indonesia 2019 that the industry can contribute 18.01 or 116 trillion (CNBC, 2019). This resulted in competition among producers both in terms of variety, innovation and product quality. One of the fashion industry is genuine leather bag products. Many leather bag manufacturers in Indonesia with some elegant designs are made of a high quality of genuine leather. Indonesia is in the sixth position as an exporter of leather products in the world. The growth and development of this industry is very rapid and the craftsmen are scattered in several industrial centers.

“A Leather Bags” is a leather bag manufacturer from Yogyakarta and its products have a quality recognized by lovers of leather bags in Indonesia. Seeing the business opportunity of genuine leather bag products and an increasing number of craftsmen in Indonesia, there was competition for consumers. Strategies that rely on competition in the same industry (product, demand) and are fought over tightly by various means such as promotion, price, brand, innovation and product differentiation, efficiency, restructuring, downsizing in the arena of business competition as a “bloody” battlefield like the ocean being red with blood which is well known as Red Ocean (Kim and Mauborgane 2014). Blue ocean strategy is basically a strategy to conquer competitors through offering innovative product features, and has been ignored by competitors (Kim and Mauborgane, 2014). Blue Ocean Shift is a systematic process to move organizations from crowded markets with fierce competition (red shark-filled oceans) to wide-open blue oceans or new markets without competition (Kim and Mauborgane 2016). Competition for buyers is so tight that demands “A Leather Bags” Indonesia to design a strategy that supports its efforts from a competitive red ocean to move to a blue ocean (blue ocean shift) with a blue ocean strategy.

Previous studies are as follows:

1. The FTTH application can be a perfect Blue Ocean Strategy to gain competitive advantage in providing different services at lower costs (Muneer Zuhdi, Elisabeth T Pereira, Antonio Teixeira, 12th International Conference on Transparent Optical Networks, 2010).
2. The “Blue Ocean” business strategy aims to create demand by providing impressive value increases for buyers at affordable prices. Prices are reduced to attract more customers in new markets, while the number of goods and services sold increases because the company’s brand name is easily recognizable and synonymous with greatly enhanced value. The results of implementing the “Blue Ocean” strategy show that it can affect company profits. (Mourtzkou A, Stamouli M, Hitou P, The implementation of the “Blue Ocean” Business Strategy in Health Care).
3. Value creation and strategic marketing as a theoretical approach. This article reports a study of sales management in a survey of 168 CEO respondents and sales directors of Finnish companies throughout the industry. This study identifies four approaches for using BOS: strategic awareness building; customer-specific solution orientation; enforcement orientation; and not thinking blue ocean. (Parvinen P, Aspara J, Hietanen J, 2011, Awareness, Action and Context-Specificity of Blue Ocean Practices in Sales Management).

The existence of business opportunities and the large number of genuine leather bag manufacturers in Indonesia create intense competition. Intense competition requires businessmen to design marketing strategies to give their best to seize and defend market prey. From the background of these problems, the formulation of the problems are:

1. How is the current business development carried out by “A Leather Bags”?
2. What is the effect of the Blue Ocean Strategy between “A Leather Bags” and other competitors on creating a new value curve?
3. What is the right business development strategy to be applied by “A Leather Bags” using the Blue Ocean Strategy?

The research objectives are as follows:

1. Find out the current business development of “A Leather Bags”.
2. Find out the Blue Ocean strategy for “A Leather Bags” compared to other competitors.
3. Find out the right business development strategy to be applied by “A Leather Bags” with the Blue Ocean Strategy

The object of research was “A Leather Bags”, who started its business in 2009 in Yogyakarta. This research used a quantitative and qualitative approach. Data sources used primary and secondary data sources. This study collected data by distributing the consumer questionnaires to 36 respondents and interviews with several respondents using “A Leather Bags” leather bag.

Red oceans are all known industries or existing markets. The company tried to defeat their opponents to get a greater share of demand. Competition in business is like a battlefield, to win it requires certain strategies. Many strategies are used; many ways are used to win the battle (business competition). Strategies that rely on competition in the same industry (product, demand) and are fought over tightly in various ways such as promotion, price, brand, innovation and product differentiation, efficiency, restructuring, downsizing in the arena of business competition as the arena of “bloody war” like the ocean being red with blood famous for the term Red Ocean (Kim & Mauborgne 2014).

Blue Ocean strategy is a strategy to conquer competitors through offering innovative product features and has been ignored by competitors. Kim & Mauborgne introduced the blue ocean strategy (Blue Ocean Strategy) as a strategy that emphasizes the creation of new demand and market space for which there are no competitors yet. Difference between the Red and Blue Ocean Strategy is seen in table 1. (Kim & Mauborgne 2014).

Table 1 Difference between the Red and Blue Ocean Strategy

No.	The Red Ocean Strategy	The Blue Ocean Strategy
1	Compete in the existing market space	Creating market space that has no competitors.
2	Oriented in winning the competition	Making competition irrelevant.
3	Exploit existing market demand.	Create new requests.
4	Choose one between product value and product cost.	Get value and costs together.
5	Choose between a Differentiation or Low Cost strategy	Integrate strategies to achieve differentiation and low cost.

Blue Ocean Shift is a systematic process to move organizations from crowded markets with fierce competition (shark-filled red oceans) to wide-open blue oceans or new markets without competition. The process of the blue ocean shift is a human process. By involving humanity in its process, the organization can change the psychology of its team and create an emotional landscape for change. The shifting process of the blue ocean to achieve it is demanding no one changes, but by easing people’s fears and building their confidence at every step of the way (Kim and Mauborgne 2016).

METHOD

The object of this research was “A Leather Bags” established in Yogyakarta in 2009. This research used quantitative and qualitative approach. Data sources used primary and secondary data. This study used data collection through distributing consumer questionnaires to 36 respondents and interviewing several respondents who are members of the leather bag lover community in Solo. Data processing techniques used the stages in the Blue Ocean Strategy, which is observing the company, interviewing customers, making the initial strategy canvas, doing the four steps of work, creating the scheme eliminate-reduce-enhance-create and move away, and strategies based on the Blue Ocean Strategy.

The strategy canvas is both a framework of action and a diagnosis for building a good blue ocean strategy. The strategy canvas has two functions: first it summarizes the current situation in a well-known market space and second, it summarizes the level of offer that buyers get in all the main factors of the competition. Four stages in making a strategy canvas.

1. Analyze the factors that made the competition.
2. Draw a horizontal axis that represents these factors.
3. Summarize the level of supply obtained by buyers in all major competition factors on the vertical axis.
4. Draw a value curve

Four-Step Framework

The actions of the four step frameworks are as follows:

1. Eliminate

What factors must be eliminated from factors taken for granted by the industry? In your industry, what features are not really important but are out of habit, always offered to customers.

2. Reduce

What factors must be reduced to below the industry standard? In your industry, what features should be reduced because they do not provide high value to customers.

3. Enhance

What factors must be increased to above the industry standard? In your industry, what features should be given because it can provide very high value to customers; although maybe this feature has been offered by competitors.

4. Create

What factors have yet to be offered by the industry that must be created? In your industry, what new features should be created; new features that can provide high value to customers, and so far have never been offered by customers.

RESULTS AND DISCUSSION

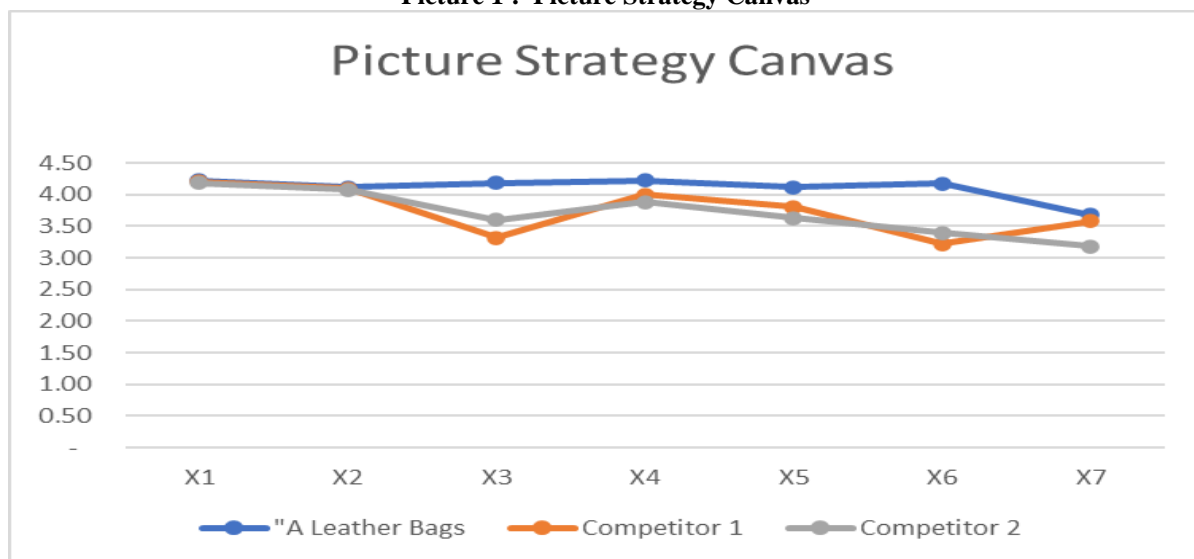
For initial data of strategy canvas was the result of the mean of the recapitulation of the questionnaire as seen in table 2.

Table 2 The Initial Strategic Canves

Variable	"ALeather Bags"	Competitor 1	Competitor 2
X1	4,22	4,20	4,18
X2	4,12	4,10	4,08
X3	4,18	3,32	3,60
X4	4,22	4,00	3,88
X5	4,12	3,80	3,63
X6	4,17	3,22	3,40
X7	3,68	3,58	3,18

Source: Research Results

Picture 1 : Picture Strategy Canvas



Source: Research Results

X1 : Product prices
X2 : Product quality

X5= Promotion of Social and Digital Media
X6= Shipping Quality

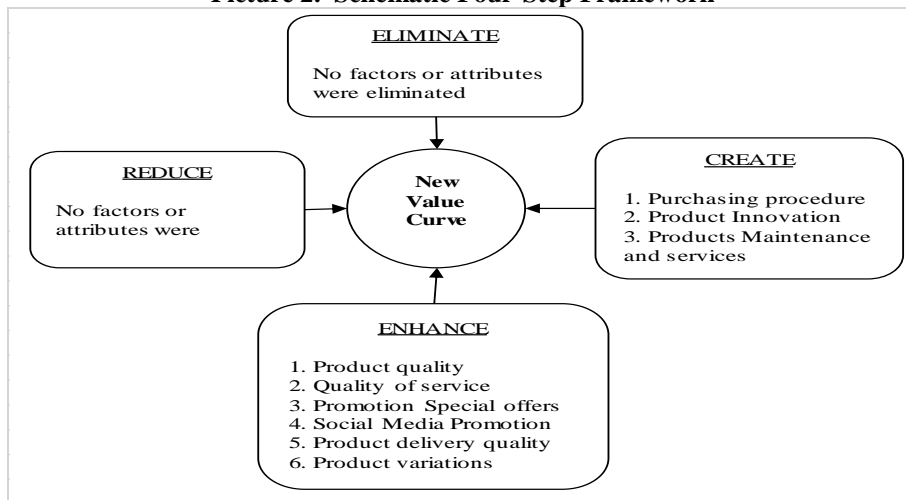
X3 : Service quality X7= Variasi Produk
 X4 : Special offer Promotion

From the Initial Canvas Curve above, “A Leather Bags” Indonesia had a high mean score compared to Competitors 1 and Competitors 2. There was competition in the variable price of products, product quality, special offer promotions and product variations, where the mean score of “A Leather Bags” was almost the same as its competitors and the graph was tangent.

Four-Step Framework

In this Four-Step Framework the company determines what factors must be eliminated, reduced, improved and created in preparing the Blue Ocean Strategy. The following factors will emerge in the four-step framework:

Picture 2. Schematic Four-Step Framework



From the results mentioned above, then a variable questionnaire was created, and the results were:

Table 3. The Mean Score of Questionnaire Result of New Variables Created

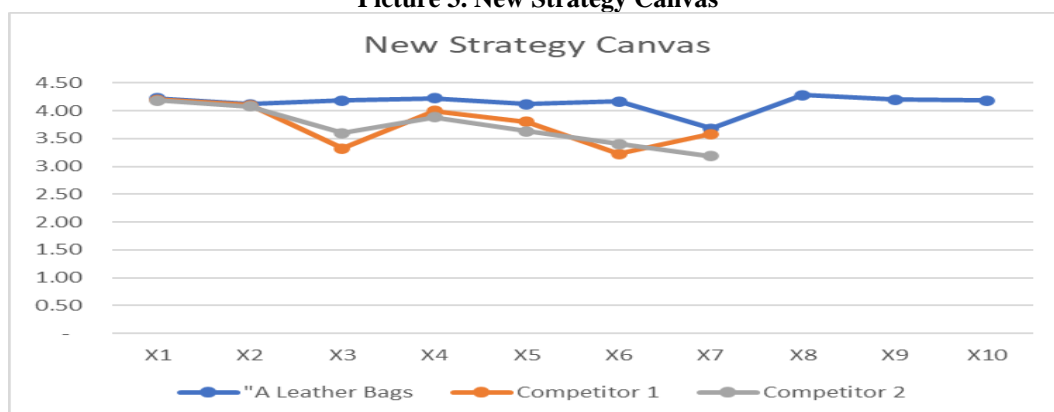
X8 Purchasing Procedure	X9 Product Innovation	X10 Product maintenance and service
4,28	4,20	4, 12

Source: Research results

New Strategy Canvas

The next step was to create a new strategy canvas. The proposed new strategy canvas was:

Picture 3. New Strategy Canvas



Source: Research results

- X1 = Product Prices
- X2 = Product quality
- X3 = Service quality
- X4 = Special Offer Promotion
- X5 = Promotion of Social and Digital Media
- X6 = Product Delivery Quality
- X7 = Product variations
- X8 = Purchasing Procedure
- X9 = Product Innovation
- X10 = Product Maintenance and Service

The original strategy canvas, the new strategy canvas and the blue ocean shift were:

Table 5 Schematic Four-Step Framework

No	Attribute	Current Situation	Action	Future plan
1	Product Prices	Price “A Leather Bags” was based on the quality of existing products. “A Leather Bags”’s price was not much different from other products such as Competitor 1 and Competitor 2.	Fixed	Focus on product quality and product prices
2	Product quality	The quality of “A Leather Bags” products was good based on the questionnaire, meanwhile based on the results of the interview must be improved	Improve	Maintain and improve product quality.
3	Service quality	The condition of the service based on the questionnaire was not much different from other products, so it needs to be improved in avoiding the long queues that may be added by employees.	Improve	Improve service to consumers so that consumers will be loyal to “A Leather Bags” products.
4	Special Offer Promotion	Promotions with special offers, based on questionnaire results, Abakeni was above competitors.	Improve	Defense and increase promotions with special offers, for example, give bonuses to loyal consumers.
5	Promotion through social media	Promotion through social media had been done well and formed the “A Leather Bags” Lovers Community	Improve	Increase loyalty to customers by providing services to the “A Leather Bags” Lovers Community
6	Product Delivery Quality	The quality of delivery was considered good by respondents and the value was high compared to other competitors	Improve	Improve in the process of packing products that will be sent safely, neatly and on time.
7	Product Variations	Product variations were made more varied based on the wishes and trends	Improve	Increase the variety of products so that consumers are more interested in making a purchase

Source: Research results

CONCLUSION

Based on the results of the study, it can be concluded that

1. “A Leather Bags” was currently included in the Red Ocean zone. It was seen in the description of initial strategy canvas that showed several variables or attributes that intersected in the curve.
2. The right strategy applied by “A Leather Bags” based on the Blue Ocean
 - a. Strategy was based on a four-step framework:
 - 1) Elimination factors from the four-step framework: no variables or attributes were removed.
 - 2) Reduction factors from the four-step framework: no attributes were reduced.
 - 3) Enhancement factors were product quality, service quality, special offer promotions, social media promotions, product delivery quality and product variations.
 - 4) The creation factors were purchasing procedures, product innovation, and product maintenance and service services.
 - b. The result of the focused strategy was to increase the attributes that the values were still and almost tangent to competitors so they come out of the red zone such as product prices, product quality, and product variations. The focus of the company’s strategy was better carried out by updating the purchasing procedures so that each batch of colors and skin types were the same, product innovation by improving the quality of raw materials for its products to improve the products excellence compared to previous products, and opening services for “A Leather Bags” products maintenance and services.
3. “A Leather Bags” company needs to consider the results of research and formulation of strategies to increase the excellence through the blue ocean strategy to face competition out of the red zone and increase business growth in leather bag products by improving the quality of raw material products, renewing purchasing procedures so that consumers can easily make purchases as they wish, and opening maintenance and services of “A Leather Bags” products.
4. Further research needs to be conducted on the blue ocean strategy carried out by a business unit and using other methods such as Path Analysis. Research development can also be executed by conducting similar research but in different places or locations.

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