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# BLUE OCEAN STRATEGY INVESTIGATION AS A FORMULATION OF COMPETITIVE STRATEGIES ON SMALL AND MEDIUM SMALL BUSINESSES

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**Abstract :** Currently, the community in general is competing to promote the creativity of each individual to change the mindset that previously only wanted to be a worker / employee to become an entrepreneur who is able to open jobs and also be able to provide benefits for himself or others. With so many natural products that can be produced from Indonesia and also people who are urged to be creative, the Indonesian people have been able to modify some of these natural products into a secondary need for other communities. One of Indonesia's natural products that has an important role is Onions, which every culinary and cooking activity of the Indonesian people always uses onions as cooking spices or complementing the taste of cuisine. This opportunity is put to good use by the Small and Medium Enterprises (UKM) fried onions in Kotalama, Malang City for a long time, making the residents of the area familiar with the production and manufacturing activities of fried onions. In an effort to develop an existing SME business, fried onions in the poor city of Malang have constraints in increasing their business. Constraints that exist are generally the same as those of all MSMEs in general such as market, capital, producing and personal constraints. In order to anticipate and resolve problems that arise, it must be known in advance the right way and in accordance with attention to the existing environmental situation both internal and external environment. This study intends to provide advice to entrepreneurs of the Malang City Kotalama Onion business to be able to use the Blue Ocean strategy as an alternative way to be able to compete and also analyze the difficulties that may arise during the process of implementing the strategy. The data in this study were analyzed qualitatively, namely primary data obtained from interviews and observations at locations which can then be followed by internal and external analysis translated into the SWOT analysis. And secondary data in the form of theory, definitions and substance obtained from various literatures. The purpose of this study is 1) To find out and analyze the position of Kotalama Fried Onion SMEs on the EFAS and IFAS Matrix in determining the right strategy and can survive in competition. 2) In an effort to win Kotalama fried onions in business competition which results in a new sales strategy using the Blue Ocean Strategy approach. Based on the Initial Strategy Canvas, it can be seen that there are still some very strict attributes. This matter must be considered by Kotalama Fried Bawang SMEs to stay away from competitors so that competitors do not approach or are much better than us. The strategy can be carried out with product innovation and appropriate technology in processing Fried Onions.

**Keywords:** Micro and Medium Enterprises, Fried Onions, Blue Ocean Strategy

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## 1. INTRODUCTION

Businesses that involve households that continue to experience rapid development in the city of Malang, this makes the Government of Malang City make a desire to make this city as a center of various businesses and industries for the achievement of Malang City as an Industrial City and business. The attention of the government on the development of traditional and modern MSMEs that have been good enough began to be reduced and diverted to the development of the concept of the existing household business industry. The activities carried out are in line with the main purpose of the Malang City Government which would want all household-based businesses to be made large by the formation of thematic business groups in accordance with existing business fields. In realizing this development desire

in an effort to be carried out by developing the concept of these thematic business industry groups, but Malang City Government is still confronted with various problems including funding in development which is still not well established or which is still being pioneered including efforts to increase the participation of businesses a better development strategy to help the needs of the community for the growth and development of industrial MSMEs in the Old City of Malang City while expanding access to information on fried UMKM onions so that more is known by consumers as well as being able to attract tourists to come visit.

The development of Small and Medium Enterprises (MSMEs) has a big contribution to improve the standard of living of the community, besides UKM is a strong business in supporting the economy (Kalpande, Gupta, & Dandekar, 2013)

UKM also plays a strategic role in economic growth besides that SMEs can also become an active and dynamic contributor to the economy. Fried Onion Business that is produced by UKM in the Old City area also has a very important role in the economy of the surrounding community and the city of Malang. The existence of the business is carried out in almost all communities, especially women in Kotalama and the products produced are on average distributed or sold directly in markets in Malang. The fried onion business has been around for a long time and has made people in the area familiar with the ins and outs of fried onion processing. In its development the fried onion business in Kotalama has problems to survive and improve existing businesses.

The problems faced are almost the same as Small and Medium Enterprises (SMEs) in general such as marketing problems, capital, production and human resources. In an effort to improve existing businesses and address problems that are more specific to the fried onion business, it is necessary to know strategies that are suitable and appropriate to the conditions of the region by taking into account existing internal and external factors. Therefore, based on the description above, this study takes the title "Investigation of Blue Ocean Strategy As a Formulation of Competitive Strategies in Micro and Medium Enterprises" Based on the description above, this study has the Purpose: The purpose of this study is 1) To identify and analyze the position of SMEs Kotalama Fried Onions in the EFAS and IFAS Matrix in determining the right strategy and can survive in competition. 2) In an effort to win Kotalama fried onions in business competition which results in a new sales strategy using the Blue Ocean Strategy approach.

## 2. LITERATURE REVIEW

### 2.1. Strategy

According to (Phillips, 2011) strategy is defined as a process of determining the plans of top leaders who focus on the long-term goals of the organization, accompanied by the preparation of a way or effort on how to achieve these goals. According to (Grattan, 2009) defines strategy is a form or plan that integrates the main objectives, policies and series of actions in an organization into a unified whole. A well-formulated strategy will help to compile and allocate company resources into a unique and sustainable form. A good strategy is based on internal capabilities and weaknesses of the company, anticipation of changes in the environment,

as well as unity of movement carried out by enemy spies.

### 2.2. Management Strategy

- a. Strategy management is a scientific field that grows and develops rapidly along with the times and trends that become the benchmark. Strategic management itself views the company as a series of interrelated processes and tries how the company can develop in the face of its environment. Understanding the strategy itself there are various kinds put forward by experts in their work books. The word strategy itself comes from the Greek word Strategos which means a combination of the word Strato or army and ego or leader. A strategy has a basis or a scheme to achieve the intended target, basically the strategy can be said to be a tool for achieving a goal. According to, (Wheelen & Hunger, 2006) "strategic management is that set of managerial decisions and actions that determine the long run of performance of a corporation" (management strategy is a series of managerial decisions and actions that determine the company's performance in the long run).

### 2.3. Competitive Strategy

(Porter, 1998) suggests that a competitive strategy is a combination of the end (objectives) achieved with the tools (policies) where the company gets there. The purpose of a competitive strategy for a business unit is that an industry is not an event of luck or bad luck, but competition in an industry is rooted in the underlying structure and runs beyond existing competitor-competing behavior (Porter, 1998).

- a. Competition among existing companies
- b. The threat of new arrivals
- c. Pressure from replacement products
- d. Bargaining Power of Buyers
- e. Bargaining Power of Suppliers

### 2.4. SWOT Analysis

SWOT analysis is one method to describe conditions and evaluate a problem, project or business concept based on internal (internal) and external (external)

factors, namely Strengths, Weakness, Opportunities and Threats (Kamiske, 2015). This method is most often used in business evaluation methods to find the strategy to be carried out. SWOT analysis only describes the situation that occurs not as a problem solver. SWOT analysis consists of four factors, namely:

1. Strengths (strength): is a condition of strength found in existing organizations, projects or business concepts. The strength analyzed is a factor found in the body of the organization, the project or the business concept itself.
3. Weakness (weakness): is a condition of weakness that exists in organizations, projects or existing business concepts. Weaknesses analyzed are factors found in the body of the organization, the project or the business concept itself.
4. Opportunities (opportunities): a condition of future development opportunities that occur. Conditions that occur are opportunities from outside the organization, project or business concept itself. for example competitors, government policies, environmental conditions.
5. Threats (threats): is a condition that threatens from the outside. This threat can disrupt the organization, project or business concept itself.

## 2.5. Blue Ocean Strategy

Blue ocean strategy is basically a strategy to conquer competitors through offering innovative product features, and has been ignored by competitors. The features of these products are usually also radically different from those already on the market (Burke, Stel, & Thurik, 2009). This is certainly different from Red Ocean, where all competitors offer products that are uniform, the same, and all compete for the same market. As a result, what often happens is bloody battles, because the arena of competition is fought over by players who offer uniformity of products and approaches. With this, of course, business actors need to reduce existing fierce competition so that the business they run can survive and have long-term benefits. (Kim & Mauborgne, 2014) 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. Understanding blue ocean strategy (Blue Ocean Strategy) How to create an unexplored market space, which can create demand and provide profitable growth opportunities. In essence, how to compete competently in competition; how to intelligently read competition,

develop strategies and systematic frameworks for creating blue oceans (Kim & Mauborgne, 2014).

Based on this definition, it is stated that the Blue Ocean Strategy (BOS) is a strategy that comes out of the world of competition by creating new market space and making competitors and competition irrelevant. Or in other words, BOS is a strategy that seeks out of existing market space and is more focused on creating new market space. To see more clearly, here are the differences between the Red Ocean Strategy and the Blue Ocean Strategy. Blue Ocean Strategy, BOS has six principles that drive successful implementation and implementation. Every strategy must involve opportunities and risks in it, as well as BOS. In the six principles of BOS there are also risks that will be addressed by each principle. The first four principles are guiding success in formulating BOS, while the last two principles are guiding when effective BOS is executed.

Principles of Formulation: 1) Reconstruct market boundaries, 2) Focus on the big picture, not on numbers, 3) Reach out, exceed existing demand 4) Conduct strategic sequences appropriately. Principles of Execution: 5) Overcoming the main obstacles in the organization, 6) Integrating execution into the strategy

## 6. RESEARCH METHODS

This research is a combination of qualitative research by combining exploration, descriptive, experimental and applied research which is carried out in a comprehensive manner in stages to find out the Strategy for Improving the Competitiveness of SMEs in Bawang Goreng Kotalama Malang. The object of this research is the Fried Onion SMEs in Kotalama, the data needed is primary data and secondary data. Data processing and analysis techniques use the Blue Ocean Strategy as for the stages of data processing as follows: 1) Making observations in SMEs, 2). Conducting interviews with SMEs and customers as well as distributing questionnaires, 3). Make an initial strategy canvas (to see the position between the object under study with competitors in the actual situation), 4). Perform four work steps of the Blue Ocean Strategy (BOS), which is to eliminate, reduce, enhance, and create. 5). Creating an Eliminate Scheme - Reduce - Improve - Create and determine focus, move away and strategies based on the Blue Ocean Strategy (BOS)



## 7. RESULTS AND DISCUSSION

### 4.1. SWOT Questions

SWOT questioning is based on the formulation of existing internal and external factors, then SWOT questions are made. After the questions are completed, questions are then asked to the resource person (academics) to correct all questions that have been made. The resource person has the right to accept questions that are considered unnecessary, or add other important questions that are considered important in sharpening the strategy of the questions that have been prepared. There are several additional factors in both internal and external aspects based on the results obtained from the resource persons provided in the following table 1 :

Table 1: Formulation of Internal and external factor identification

| No                | IFAS  | No                | EFAS  |
|-------------------|---|-------------------|---|
| 1                 | Ease of obtaining raw materials.                              | 1                 | Ample market availability                                   |
| 2                 | Human resource Capacity (Labour)                              | 2                 | Secure environmental safety conditions in managing business |
| 3                 | Competitive, because there is no business monopoly            | 3                 | Conducive competition                                       |
| 4                 | Cooperation and good relationship with fellow business people | 4                 | Government support  |
| 5                 | Location of Business  | 5                 | High attention to the need for fried onions                 |
| 6                 | Fried Onion Packaging Form                                    | 6                 | Fried onion products from outside                           |
| 7                 | Fried Onion Promotion   | 7                 | Less Maximum association roles                              |
| 8                 | Business management structure                                 | 8                 | Types of raw onion ingredients                              |
|                   |   | 9                 | Consumer buying power decreases                             |
| <b>Additional</b> |   | <b>Additional</b> |   |
| 1                 | Product saving power (expired)                                | 1                 | Lack of appropriate technological assistance                |
| 2                 | Fried Onion Business Capital                                  | 2                 |   |

Source: Primary Data, processed (2019)

### 4.2. IFAS and EFAS analysis

Based on the results of the respondents assessment, there are several internal factors that become the strength, weakness of the fried onion business in the village Kotalama Malang City. As for external factors that become opportunities and threats for the fried onion business in Kotalama village Malang City can be seen in table 2 the following

Table 2: IFAS and EFAS fried onion business in Kotalama village of Malang

| INTERNAL FACTORS  |  |
|---|--|
| Strenght  | Weakness                                     |
| Convenient raw  | Material location                            |
| Labor   | Packaging                                    |
| product saving power  | Ineffective Promotions                       |
| No business monopoly occurs                                   | Capital                                      |
| Cooperation and good relationship with fellow business people | Business management structure                |
| EXTERNAL FACTORS  |  |
| Opportunity   | Threat                                       |
| Available markets   | Onion products from outside Malang           |
| Guaranteed security Conditions                                | Less maximum business associate role         |
| Competitive and conducive conditions                          | Types of raw onion ingredients               |
| Government support  | Consumer buying power decreases              |
| High fried onion needs  | Lack of appropriate technological assistance |

Source: Primary Data, processed (2019)

From the explanation of the external above, it can be concluded several indicators that become opportunities and threats from UKM Bawang Goreng Kotalama Malang

#### 1. Indicator of opportunity

- Available Market
- Guaranteed safety conditions
- Competition and conducive conditions
- Government Support
- High interest in the need for fried onions

#### 2. Threat indicators

- Onion products from outside Malang
- Less optimal role of business associations
- Types of raw materials Fried onions
- Consumer Purchasing Power Declines
- Lack of appropriate technological assistance

### 4.3. Determination of Questionnaire Variables

(X1): Raw Materials, (X2): Labor, (X3): Product Saving Power, (X4): No Business Monopoly, (X5): Relationships between Business Actors, (X6): Location of Business, (X7) : Packaging, (X8): Promotion, (X9): Capital, (X10) Business Management Structure Of the 10 variables will then be distributed to customers. The results of the questionnaire were used to determine the strengths and weaknesses of the Kotalama Fried Bawang SMEs themselves. According to Sugiyono (2006) there are various methods of data collection, one of them is by using rating scale with rating scale 1 to 4. The rating scale is to find out the level of importance and level of expectation which is defined as follows: (Scale 1): Not Good, (Scale 2 ): Poor, (Scale 3): Good and (Scale 4): Very Good Strengths and Weakness value loggers The average value of each variable is then compared to choosing which variables will be used as Strengths and Weakness. With the provisions

- UKM fried onion Kotalama > UKM fried onion Gn Kawi Then the variable will be used as Strengths
- UKM fried onion Kotalama < UKM fried onion Gn Kawi, then the variable is used as a Weakness.

**Table 3: Strengths and Weakness determination**

| Variabel | UKM Bawang Kotalama | UKM Bawang Gn Kawi | Description |
|----------|---------------------|--------------------|-------------|
| X1       | 2.37                | 2.57               | Weakness    |
| X2       | 3.33                | 3.43               | Weakness    |
| X3       | 3.63                | 3.47               | Strangths   |
| X4       | 3.67                | 3.57               | Strangths   |
| X5       | 3.70                | 3.53               | Strangths   |
| X6       | 3.13                | 2.60               | Strangths   |
| X7       | 2.60                | 2.90               | Weakness    |
| X8       | 2.23                | 2.93               | Strangths   |
| X9       | 2.20                | 2.47               | Weakness    |
| X10      | 1.43                | 2.03               | Weakness    |

Source: Primary Data, processed (2019)

#### 4.4. Blue Ocean Strategy Analysis Canvas early strategy

The strategy canvas itself has a function of summarizing the current situation in the familiar market space. This allows us to understand where the current competition is happening and the understanding of what are the factors that serve as a competition in the products, services and delivery,

and understand what the customer obtained from the care Market (Kim & Mauborgne, 2014). For canvas The initial strategy of data used is the result of the average value of recapitulation Kuesioner on Table 3. From the data is obtained in the form of Canvas strategy chart as follows:

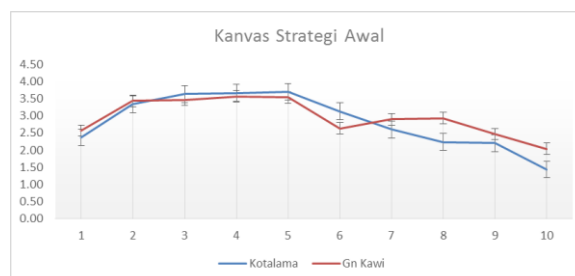


Figure 1: Canvas strategy early

Source: Primary Data, processed (2019)

From the initial canvas curve in Figure 1, the competition level of UKM competition is strict in some variables, indicating that the company is in the position of Red Ocean which happens to be very high competition. So the company must create a new strategy in order to be in the Blue Ocean strategy, by doing a move away from the value focus offered today to stay away from the competition. Carried away movement/divergence because the canvas based on the initial strategy is known that the Kotalama fried onion UKM has the same value focus as the SME onion Wonosari Gn Kawi as a competitor.

#### Four-Step framework

In this four-step framework the company determines what factors should be eliminated, reduce, enhance and which are created in the preparation of the Blue Ocean Strategy. A four-step framework is also done to reconstruct the elements of the buyer's value in creating a new curve. Here are the factors that will be raised on a four-step framework, namely:

1. Removed factors: In this section there is no eliminated factor, because all factors in the company are very important. While the removed factor is a factor that is considered unfavorable for the company or has a low value that has no effect on the companies
2. Factor reduced: In this factor, the onion Kotalama should reconsider whether the product is over-produced in a competition in the market. In SME onion Kotalama factor is reduced there is a business management structure. At the

moment, business management structures in the Onion Kotalama are still considered not needed because in the concept of SME business management is usually managed by one or two people who can already run planning, organizing, mobilization and Control. Business management structures are reduced so that the process input and output of fried onion activities can run quickly.

3. Factor improved: In this factor that must be improved the company must consider the weak factors that must be increased to get competitive or even get out of the current competition. The improved factor is :
  - a. Availability of raw materials: the availability of the raw materials of SMES Kotalama including very far because it took from the onion that is in the city of Jember. In order to continue production continues to increase should the SMES fried Kotalama need to find a breakthrough source of raw materials that are the same quality as existing in the city of Jember to make the cost of procurement of raw materials can be reduced or lower
  - b. Labour: The availability of labor factors that are risky and affect on the sustainability of the resulting products. If Labor availability is not available while the market demand is very large it will cause the production process to become obstructed
  - c. Packaging: Packaging made by SME onion fried Kotalama still has not given attractive packaging, because the SME onion fried Kotalama still use plastic packaging kilogram with sales also in kilogram. By adding another form of packaging can be interesting costumer who want to buy in another smaller form with a little need
  - d. Modal: The capital in the business of fried onion Kotalama need also to be improved, because for business development and product innovation is still in need of capital.

4. Factors created: In conducting the Blue Ocean Strategy the data company offers a factor that does not exist so that the company can create a new market to be superior to competitors. The factors that are created are:

- a. Product innovation: As a MEDIUM fried onion is needed to type fried onions in various types of fried onions for chicken curry, for meatballs as well as for Rawon which all types of fried onions are used differently.
- b. Appropriate technology: the touch of appropriate technology is necessary for the development of fried onions in the kotalama because with the appropriate technology to be able to assist in the process of cutting more symmetrical onions and frying system Which automatically has a constant heat so that the onions do not burnt or cook uneven

**Four-Step framework Schema**

Once a four-step framework is formed then it is made an delete scheme – Subtract – increase – create. The four-step framework schemes that have been created are as follows:

Table 4: The four-step framework schema

|  |  |
|--|--|
| <b>(Eliminate)</b>   | <b>(Reduce)</b>                              |
| -  | Business management structure                |
| <b>(Raise)</b>   | <b>(Create)</b>                              |
| Availability of raw materials<br>Labor<br>Packaging<br>Modal | Product innovation<br>Appropriate Technology |

Source: Processed researchers (2019)

Tabel 5 : Results of variable questionnaire recapitulation created

|                           |                               |
|---------------------------|-------------------------------|
| <b>Product innovation</b> | <b>Appropriate Technology</b> |
| 3                         | 3,5                           |

From the two factors created above is product innovation, and appropriate technology, based on the results of a questionnaire both factors have an average above 3.25 where it can be interpreted that the four factors are important to be created To increase the company's profit and win competition with competitors

**Four-Step framework Schema**

After knowing the variables that were done repair and changing, then the next step is to create a new strategy canvas. As for the new strategy canvas proposed to be done repairs are:

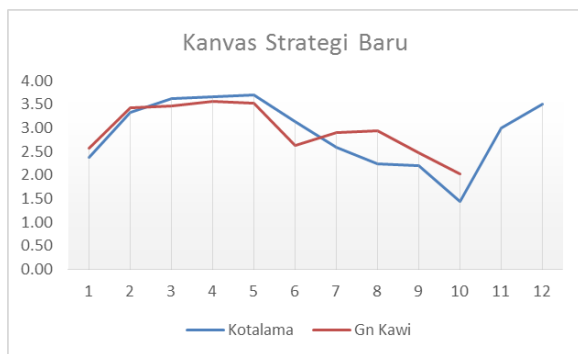


Figure 2: The new strategy canvas  
Source: Primary Data, processed (2019)

## DISCUSSION

1. Raw Materials: Currently on the Initial Strategy Canvas Kotalama Fried Onion SMEs are under competitors. In the sense of ease in obtaining raw materials as a basic material for processing or making fried onions in UKM Kotalama is more difficult considering Kotalama UKM is in the middle of the city and the acquisition of onions is outside the city. The availability of raw materials for Kotalama UKM is very far because it takes from the onions in the city of Jember. In order for the continuity of production to continue to increase, Kotalama Fried Onion SMEs need to find a breakthrough source of raw materials of the same quality as in Jember so that the cost of procuring raw materials can be reduced or become lower.
2. Labor: Currently on Canvas the Initial Strategy of Kotalama Fried Onions SMEs are under competitors. The availability of labor is a risky factor and influences the sustainability of the products produced. If the availability of labor is not available while the market demand is very large, it will hamper the production process.
3. Product Storage: Currently on Canvas the Initial Strategy of Kotalama Fried Onion SMEs is above the competitors. The shelf life of existing fried onion products should be maintained or maintained above the shelf life of the product due to the different quality of raw materials
4. Business Monopoly: Currently on Canvas the Initial Strategy of Kotalama Fried Onion SMEs is above the competitors. There is no monopoly of fried onion business in Kotalama should be maintained so that togetherness in trying to

continue to be established so that between entrepreneurs help each other and need rather than vice versa

5. Relationship Between Business Actors: Currently on the Initial Canvas Strategy Kotalama Fried Onion SMEs are above competitors, Latak businesses should be maintained. Indeed, with the current location there are advantages and disadvantages, but the existence of Kotalama UKM which is very close to the city center is very helpful in the distribution process of finished goods and product promotion.
6. Business Location: Currently on Canvas the Initial Strategy of Kotalama Fried Onion SMEs is above the competitors. Latak business UKM should be maintained. Indeed, with the current location there are advantages and disadvantages, but the existence of Kotalama UKM which is very close to the city center is very helpful in the distribution process of finished goods and product promotion
7. Packaging: Currently on Canvas, the initial strategy of Kotalama Fried Onion SMEs is under the competition. packaging made by Kotalama fried onion SMEs still does not provide attractive packaging, because Kotalama fried onion SMEs still use kiloan plastic packaging with sales also in kilos. Adding another form of packaging can attract customers who want to buy another smaller form with little need.
8. Promotion: Currently on Canvas the Initial Strategy of Kotalama Fried Onion SMEs is under a competitor. The promotions that have been carried out so far have been maintained because with the current promotion, the need for production has been very good and continues to run.
9. Capital: Currently on Canvas the Initial Strategy of Kotalama Fried Onions SMEs are under competitors. Capital in the Kotalama Fried Onion business also needs to be increased, because for business development and product innovation it still needs capital.
10. Business Management Structure: Currently on Canvas the Initial Strategy of Kotalama Fried Onion SMEs is below the competitors. In Bawang Kotalama UKM, the factor reduced is

the business management structure. At present the business management structure in UKM Bawang Kotalama is still considered to be unnecessary because in the concept of UKM, business management is usually managed by one or two people who have been able to carry out planning, organizing, mobilizing and controlling.

11. Product innovation: At the moment Kotalama UKM does not yet have a production packaging product innovation, as an Fried Onion SME, different types of fried onions are needed, such as fried onions specifically for chicken curry, for meatballs and for rawon which all types of fried onions used are different .
12. Appropriate technology: At present UKM Onion Gorang Kotalama does not yet have an appropriate technology in the implementation of production, making appropriate technology in a symmetrical onion cutting system and automatic heat frying system 10. Business Management Structure: Currently on Canvas the Initial Strategy of Kotalama Fried Onion SMEs is below the competitors. In Bawang Kotalama UKM, the factor reduced is the business management structure. At present the business management structure in UKM Bawang Kotalama is still considered to be unnecessary because in the concept of UKM, business management is usually managed by one or two people who have been able to carry out planning, organizing, mobilizing and controlling.

## CONCLUSIONS

1. Strategic Focus: Every great strategy must have a focus and a strategic profile or company value curve must clearly show that focus (Kim & Mauborgne 2005). In the case of Bawang Goreng UKM, the focus of the strategy is to improve attributes that are still below the competition so that they can get out of the red zone of competition.
2. Movement Away: Based on the Initial Strategy Canvas, it can be seen that there are still some very strict attributes. This matter must be considered by Kotalama Fried Bawang SMEs to stay away from competitors so that competitors do not approach or are much better than us. Strategy that can be done with product

innovation and appropriate technology in processing Fried Onions.

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