

Blue Ocean Strategy: Business Transformation on Traditional Market Revitalisation

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Abstract

This research was conducted to analyse the business transformation in revitalising the traditional market of Kosambi Bandung – The Hallway Space using the Blue Ocean Strategy. This study uses a descriptive qualitative research design. This study's data collection techniques were observation, in-depth interviews, and documentation review. The data analysis used in this study is a qualitative data analysis technique by analysing the statement of the interview results using the stages of data reduction, data presentation and data verification, and contextual analysis of the literature review. The result of this research is an initiation to build creative areas in traditional markets where later creative industry activists in fashion, food, art, hobbies, performing arts, and others can gather to create a new innovative ecosystem. This research concludes that the blue ocean strategy implemented in the kosambi traditional market is one of the best alternatives that can be done to revitalise traditional markets.

Keywords: Blue Ocean Strategy; Business; Transformation; Traditional Market; Kosambi; Bandung; The Hallway Space

INTRODUCTION

Economic growth is essential for every country in the world regardless of the country's economic structure (Alp Ozel et al., 2013). One of the indicators of economic growth is economic activity in the market. According to its physical form, the market is divided into traditional and modern markets (Ayuningsasi, 2010). In the context of economic growth, the function of the market is not only limited to buying and selling transactions, but the market is also a means of driving the wheels of the economy on a large scale. The distribution of traditional markets in Indonesia can be seen in the following figure:

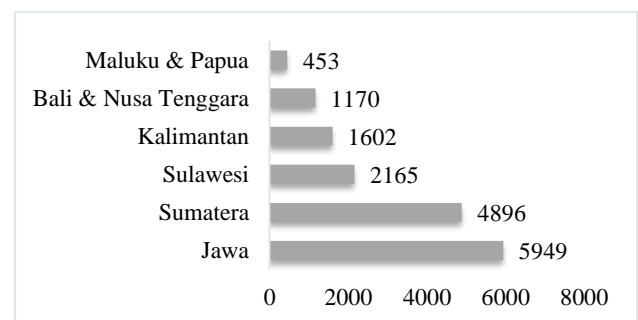


Figure 1. Distribution of traditional markets in Indonesia

Source: BPS, 2021

The development of the economy and changes in people's lifestyles have made traditional markets' attractiveness decline (Dian Utari, 2017). In recent years, traditional markets have begun to face threats, and it is even feared that they will go bankrupt because they are unable to compete with the many shopping centers or modern markets. Factors such as comfort, cleanliness, quality of goods make many people prefer to shop in current markets (Caroline et al., 2007)

Research by Eric Chichung and John (2001) and Ratih (2017) state that consumers from a higher social class, higher education, and young family heads tend to shop at modern markets. Consumers are more comfortable shopping in a store environment, making it easy to buy fresh food products (Rika Terano et al., 2014).

Modern markets are slowly starting to threaten the sustainability of traditional markets and directly threaten traders with small capital who will most likely lose to compete with traders with significant capital in the modern market. This condition is exacerbated by the many inherent weaknesses inherent in traditional markets. The most crucial disadvantage of traditional markets is mainly caused by slum, dirty and smelly conditions so that people feel discomfort in shopping (Dwi Perwira, 2017). Until February 2021, the number of traditional markets that have never been renovated in Indonesia is 2,256 traditional markets with the distribution as shown below:

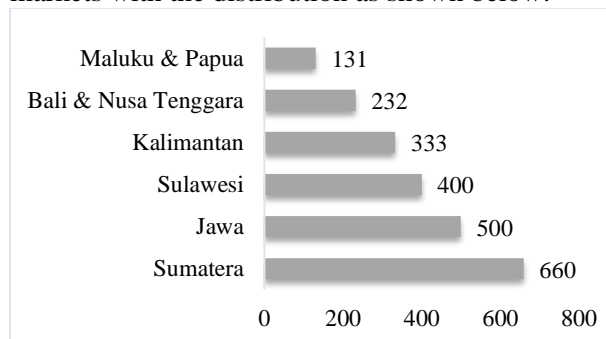


Figure 2. Distribution of traditional markets that have not been renovated

Source: BPS, 2021

Based on these conditions, the government feels the need for changes and improvements in traditional markets. As a follow-up, the local government plans to revitalise traditional markets to restore the community's positive image of traditional markets.

The traditional market revitalisation program emerged as an answer to the negative image attached to traditional markets. In addition to revitalising infrastructure, this program also targets improving market governance. Realising a professional market must be managed with integrated management where all market stakeholders cooperate. PD Pasar Bermartabat Bandung City, in 2021, will

continue to revitalise the market owned by the Bandung City Government. PD Pasar Bermartabat Bandung, in this case, will launch several programs such as improving facilities, parking spaces, providing rental discounts for traders, cleanliness and security management, and other programs to make traditional markets more comfortable for consumers to visit.

To optimise the revitalisation of traditional markets, PD Pasar Bermartabat Bandung City has implemented various strategies, which the authors identify as blue ocean strategies, such as Kosambi Market. PD Pasar Bermartabat Bandung City, in collaboration with The Hallway Space, rebranded traditional markets so that young people can visit; this is done by transforming the business into making the Kosambi market a shopping center, hangout place by opening many food stalls.

According to Thompson et al. (2010), the Blue Ocean strategy describes the business realm into two types of market space:

1. Create new markets. This type of market is an industry that is not yet well established, with low levels of competition and opportunities to generate significant profits with rapid growth. This strategy seeks to shape new demand rather than compete with the existing market.
2. Re-create existing ones. This type of market is a type of industry that has clear boundaries. Competition exists, but this strategy captures the more considerable demand (more significant market share).

The blue ocean strategy provides a systematic approach to solving the problem of bloody competition in the red ocean and makes competition irrelevant by reconstructing market boundaries to create practical steps for the company and its customers. Rather than competing within an existing industry, the blue ocean strategy equips institutions with the framework and analytical tools to create their blue ocean that has never been played before. The red ocean strategy focuses on the company as a natural source of innovation, while the blue ocean strategy focuses on creating strategic steps. A strategic move is a set of managerial actions and decisions to make a large market in starting a business offering. The difference in strategy between the blue ocean and red ocean can be seen in the table below:

Table 1. Differences between Blue Ocean Strategy and Red Ocean Strategy

Red Ocean Strategy	Blue Ocean Strategy
<ol style="list-style-type: none"> 1. Compete in existing market space. 2. Beat the competition. 3. Exploit existing demand 4. Make the value-cost trade-off. 5. Align the whole system of a firm's activities with its strategic choice of differentiation or low cost. 	<ol style="list-style-type: none"> 1. Create uncontested market space. 2. Make the competition irrelevant 3. Create and capture new demand. 4. Break the value-cost trade-off. 5. Align the whole system of a firm's activities to pursue differentiation and low cost.

Sources: Kim and Mauborgne (2005)

Blue ocean strategy is innovation and foresight of a concept, by seeing an opportunity in the market at the right time and place, after seeing and observing consumer demand. The first principle of the Blue Ocean Strategy is to reconstruct market boundaries to move away from competition and create blue oceans. Leaders must be able to read commercial opportunities interestingly.

Value innovation is part of the Blue Ocean Strategy created in areas where the company's actions positively affect buyers' cost structure and value proposition.

There are six principles in the blue ocean strategy divided into 2 clusters: the strategy formulation principle cluster and the strategy execution cluster.

- The principle of strategy formulation is divided into four things, namely:
 1. Changing market boundaries and creating new market spaces. To make searching easier. Can use a six-step framework approach and strategy canvas as an analytical tool.
 2. Focus on the big picture, not the numbers, to facilitate planning.
 3. Using a four-step framework and analytical tool, the strategy canvas, delete-subtract-add-increase-create schema, and PMS maps can be used.
 4. Reach beyond the current market demand to facilitate the scale of development using a three-tier approach to non-customers and a strategy canvas as an analytical tool.
- While the principle of execution is divided into two things, namely:
 1. Overcome the main obstacles in the organisation. According to Kim and Mauborgne, there are four organisational barriers to strategy execution:

- a. Cognitive barriers that prevent employees from seeing the importance of radical change
 - b. Widespread resource constraints within the company
 - c. Motivational barriers that lower staff morale and morale.
 - d. Political barriers from internal and external resistance to change
2. Integrate execution into strategy by carrying out a fair process through three essential elements, namely:
 - a. Emotions of engagement
 - b. Explanation
 - c. Clear expectations

METHODS

This study used a descriptive qualitative research design (Moleong, 2004). The data collection techniques in this study were observation, in-depth interviews, and documentation review. The data analysis used in this study is a qualitative data analysis technique, namely the analysis of statements from the interviews from informants by using the stages of data reduction, data presentation, data verification, and contextual analysis from literature review (Sugiyono, 2012).

RESULT AND DISCUSSION

Kosambi's traditional market business transformation studied in this paper has a different approach from most other traditional market business segmentation. Kosambi's traditional market employs a high level of diversification, from selling daily ingredients of vegetables, meat, spices, clothing, school supplies, snacks, but also has a creative space business segmentation for young people, which is managed independently by The Hallway Space. This research will focus on what The Hallway Space has done to revitalise the kosambi traditional market business.

The Hallway Space is a millennial movement that campaigns for a new economic paradigm that relies on human resources' ideas, ideas, or creativity as the main production factor in its economic activities. In line with the rapid advancement of technology, the millennial generation can use it as a work or business development for branding and increasing sales.

In the last two years, The Hallway Space has started a business by opening a shop at the Kosambi market for production sites and stock warehouses. The Hallway Space has initiated a creative area for various businesses such as fashion, food, art, hobbies, performing arts, and others to create a new creative ecosystem in the Bandung City in a building neglected for approximately 15 years.

The concept of 'collaboration space' allows The Hallway Space to create a new ecosystem in the creative industry organically and makes The Hallway Space a gathering point for creative industry activists in the city of

Bandung. Utilising a room that has been in suspended animation for 15 years, we are trying to reactivate the room at the Kosambi market to become a usable space and make it a comfortable public space to visit. Becoming one of the choices for family recreation, a place to shop, and a place for young millennials to discuss. Located in the heart of Bandung, The Hallway Space is part of a Kosambi traditional market 2nd floor Jl. General Ahmad Yani no 221-223 Bandung city.

The overall building concept that The Hallway Space took the industrial theme and raised the old decoration theme to decorate several parts around the shops without changing the building structure much. Taking advantage of the shortcomings in the Kosambi market area makes The Hallway Space a hidden gem behind the traditional market wrap. The concept of each store that will join in the hallway space is required to have a unique and pleasing interior design to help get a different image when entering The Hallway Space.

Table 2. Blue ocean strategy action was taken in Kosambi Traditional Market

Blue Ocean Strategy	The action was taken in Kosambi Traditional Market (The Hallway Space)
1. Create uncontested market space.	The Hallway Space initiates the creative development of an area that has been neglected for 15 years. Later, creative industry activists in fashion, food, art, hobbies, performing arts, and others can create a new creative ecosystem city of Bandung.
2. Make the competition irrelevant	The concept of each store that will join in the hallway space is required to have a unique and pleasing interior design to help get a different image when entering The Hallway Space. So that all shops have other characteristics with different products so that there is no competition among traders.
3. Create and capture new demand.	The Hallway Space has reactivated the space in the Kosambi market to become a usable space and make a comfortable public space to visit. It is becoming one of the choices for family recreation, a place to shop, and young millennials to discuss.
4. Break the value-cost trade-off.	The Hallway Space takes the overall building concept for public areas and shops by raising industrial themes and old decoration themes to decorate several parts around the shops without changing the building structure.
5. Align the whole system of a firm's activities to pursue differentiation and low cost.	The Hallway Space curates all merchants in its shopping area; this is intended to make prices and products aligned and in line with the millennial target market.

Source: Primary data

An interesting fact that the authors found during interviews and observations was that revitalising the Kosambi market was very successful because the management was handed over to The Hallway Space, not managed by PD Pasar Bermartabat, Bandung City, the market manager only provided the location and permits. In contrast, the entire market management was handed over to The

Hallway Space, so that the business transformation process could run entirely well.

The government's role is crucial in the business transformation process in the Kosambi market; the collaboration between the government and The Hallway Space can be used as a benchmark to implement traditional market revitalisation.

Table 3. Blue ocean strategy six paths framework action taken in Kosambi Traditional Market

Blue Ocean Strategy Six Paths Framework	The action was taken in Kosambi Traditional Market (The Hallway Space)
Look across alternative industries	The Hallway Space sees an industrial alternative rarely implemented in traditional markets: a creative space with millennial shops.
Look across strategic groups	The Hallway Space does a lot of collaboration with groups and communities, both in the creative and business fields
Look across Buyer Groups	The Hallway Space segmentation of buyers in traditional markets that are rarely found in traditional markets, perhaps by targeting millennial buyers
Look across complementary product and service offerings	The Hallway Space offers products for all traders and creative space activists by optimising social media
Look across the functional-emotional orientation of an industry	The Hallway Space creates a functional-emotional direction for buyers by working closely with the millennial community so that these buyers will continue to come to The Hallway Space
Look across time	The Hallway Space is transforming with the spirit of the future regarding how to take advantage of abandoned traditional markets so they can come back to life and be enjoyed

Source: Primary data

CONCLUSION

The traditional market revitalisation program emerged as an answer to the negative image attached to traditional markets. In collaboration with The Hallway Space, PD Pasar Bermartabat Bandung City carried out a blue ocean strategy to optimise the traditional market revitalisation program. This collaboration has succeeded in building a creative area where later creative industry activists in fashion, food, art, hobbies, performing arts, and others can gather to create an innovation ecosystem in the city of Bandung. The concept of 'collaboration space' allows The Hallway Space to create a new ecosystem in the creative industry organically and makes The Hallway Space a gathering point for creative industry activists in the city of Bandung.

The transformation of the traditional market business, which was previously only a place to sell uniforms, spices, meat, and

vegetables, can finally be expanded by having a creative space that is comfortable for millennials to visit, who were previously reluctant to come to traditional markets.

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