

THE FORMULATION OF BLUE OCEAN STRATEGY FOR SMALL AND MEDIUM INDUSTRY IN TANJUNG BALAI CITY NORTH SUMATERA- INDONESIA

Samrin

Department of Management, Faculty of Economics and Business
Universitas Pembangunan Panca Budi, Medan, North Sumatera, Indonesia
samrin@dosen.pancabudi.ac.id

Muhammad Dharma Tuah Putra Nasution 

Department of Management, Faculty of Economics and Business
Universitas Pembangunan Panca Budi, Medan, North Sumatera, Indonesia
dharma_nasution@dosen.pancabudi.ac.id

Abstract

The business players always compete for competitive advantages to reach the market share and create differentiation. The competition often brought the consequences of business bankruptcy. Blue Ocean Strategy tried to encourage the business into a new market arena and a potential market but ignored by the business competitors. This study was the descriptive qualitative research which conducted in-depth exploration and interaction among the informers. The purposive sampling method to determine the informants and data collected using questionnaires, interview, and literature related to this study. The research is located in Tanjung Balai city, North Sumatra. Testing the validity of data using the sources and techniques of triangulation, Cochran tests, and Kaiser Meyer Olkin tests. Strategy competes carried out to identify factors of competition which consists of price factor, the diversity of products offered, business skills in providing services quickly and accurately, providing the product – product process accurate, the speed of the process. The strategy formulation has the characteristics, focus on product and service delivery, improvement of product creation.

Keywords: Business Competition. Blue Ocean, Red Ocean, Curve Value, Value Innovation

INTRODUCTION

Geographically, Tanjung Balai was located opposite with the Port Klang in Negeri Selangor, Malaysia, and that makes it as a gateway in the export trade of spice to several countries in the era before the independence of Indonesia. No wonder if this city was formerly known as the pearl of the Malacca Straits.

Currently, Tanjung Balai city continues to improve itself in developing the tourism potential by promoting the local wisdom community. It was beginning from cultural performance activities, attractions across the rivers of "Asahan" and "Silau." Also, the seashell festival that has become a routine event in every year. Tanjung Balai has some old building of Dutch heritage such as a Great Mosque from the Sultanate of Asahan.

Viewing the tourism potency at this time, Tanjung Balai also has built the economic engine by moving the various sectors including lodging services, restaurant, and trade. Also, the creative industries which produce souvenirs and traditional specific culinary. The creative industries scattered in six districts in the city. According to data from Industry Department in 2015, the small and medium industries have the leading cluster on each sub-district which is as follows:

Table 1. Leading Clusters in Small and Medium Industry of each sub-district

Number	Sub-districts	Leading Small and medium industry
1.	NorthernTanjungBalai	Crafts embroidery
2.	SouthernTanjungBalai	Culinary
3.	Datuk Bandar	Crafts sticks
4.	Datuk Bandar East	Weed handicrafts
5.	Sei Tualang Raso	Coconut shell handicrafts
6.	Teluk Nibung	Crafts Shellfish

Source: Department of Industry inTanjungBalai (2017)

The small and medium industries are the economic pillar of a developing country such as Indonesia. The spirit to develop economic creative made within the creation of added value to fulfill the challenges of the industry-friendly environment (Afif, 2012). Unfortunately, the business players in small and medium industries were more advanced aspects of competition in the face of changes the business and achieve the business growth. The business players always compete for competitive advantages to reach market share and create differentiation. The competition has often brought the consequences of business bankruptcy.

Kim and Moubourgne (2005) noted that the business often uses various attempts to overcome the changes in a market with how to build market restrictions to inhibit and minimize the presence of the new business. The aims are to protect the market share of their business. This action shows that the existence of the industry competition situation is unhealthy and strictly interpreted as a red ocean (Kim and Moubourgne, 2005). Here the market space was increasingly crowded, and the prospect of profit has a less condition. Also, the business growth tends to be low and goods produced has already shifted into commodities.

It was the different case with blue ocean, which has a market space that is still incomplete; create the market demand, and opportunities for business growth is still quite large. Blue ocean strategy is a strategy that challenging business to refrain from a situation that the bloody rivalry which was described by the condition of an important of the price war, the profit margin has declined. Blue Ocean Strategy tried to encourage the business into a new market arena and a potential market but ignored by the business competitors.

Research Questions

How is the competitive strategy for the small and medium industry in Tanjung Balai today?

How is the strategy formulation for small and medium industry using the blue ocean strategy?

LITERATURE REVIEW

Blue Ocean

An affordable market space and defined clearly and have the opportunity for the growth of the industry and do not see the trade-off between cost and value as an option in developing business. Here the trade-off is to improve the quality of resulting in a rise in the prices charged to consumers. Blue ocean can be created from the outside and within the existing markets through the expansion of the current market restrictions to encourage companies to look beyond the boundaries which can still be achieved later.

The term of blue ocean appears when Kim and Mauborgne (2005) tried to define a new market space that does not have the tight competition. Blue ocean refers to the industry or the market yet to be discovered now. The market demand is created rather than fought over a so-called market demand to be unlimited. Blue ocean has six basic principles to form a strategy. The six principles are presented in the following table.

Table 2. Six Principles of Blue Ocean Strategy

Principles of Formulation	Risk Factors for each Principle
Reconstruct the market boundaries	↓ Search Risks
Focus on the big picture and do not on the number	↓ Planning Risks
Reaching and beyond the existing demand	↓ Scale Risks
Conduct a set the appropriate strategy	↓ Business model Risks
Principle of Execution	Risk Factors for each Principle
Overcome the major obstacles in an organization	↓ OrganizationRisks
Integrate the execution into strategy	↓ManagementRisks

Red Ocean

The Market always changed as well as the number of competitors, consumer preferences, appropriate technology in the industry. Under these circumstances, the market leader seeks to impose limits and barriers to their competitors. This situation is called a red ocean. The strategy is increasingly tightening the competition among the business players to the other competitors to create a bloody situation (red ocean). In the red ocean, the company tried to defeat their opponents to get a significant market share. When the space of the market are increasingly hard-pressed, prospects and profit growth are decreases, until the products become commodities. The Atmosphere of competition become very strict to change the red ocean become "a bloody ocean."

Creating Value Innovation

Blue Ocean Strategy emphasizes on creating the new market space by focusing the growth of market demand and competition divergence in industry. Blue ocean no longer focused on competition, but on the value innovation. The innovative value creation and shy away from the competition by using a low cost.

Value innovation is the first step of the blue ocean that intends to embrace the entire system of company activities. The company's value innovation was directed a whole system to achieve a leap in values for buyers and companies. Value innovation was based on the view of the market limits, and the industries structure were unaccepted for granted but it was reconstructed through the actions and beliefs of businesses, or it was called "reconstruction" (Kim and Mauborgne 2005). The company focused systematically examined the limits competition and reconstruct the elements in different markets to make the level of market demand for new ones that it can be created.

Kim and Mauborgne (2005) also explained that the value innovation was fundamental in creating the Blue ocean. The companies can use innovation value with differentiation and cost leadership simultaneously. Differentiation by adding and creating a new factor that was never offered by industry. Cost leadership by reducing or eliminating the factors that become the starting point of the competition, but the benefits didn't overtly support the benefits to the company. Innovation value was not only intended to retain the existing customers, but it can reach out to people who have become the consumers.

Non-consumers in the formation of Blue Ocean Strategy

A way to reach the blue ocean was to oppose the two things that usually applied to the red ocean, which was focused on the existing customers and sharpen the segmentation to accommodate differences buyers. The companies must have attention with non-consumers and developed something potential that was generally appreciated by buyers.

Three levels of non-consumers who can turn into the consumers. Three levels were different in the relative distance on the market.

- The first level which was the closest market community who purchased the products necessity. This group would be willing to become the consumers when the products offered were more suitable and appropriate. This group would increase the purchase frequency and break down the huge latent demand when a leap in value offered by the company by their expectations.
- The second level was the community who refused to purchase the products offered by the industry. The group assesses the industry offered were an option to fulfill demand, but they still refuse to purchase the products offered. The group has a reason that the products offered were unspecific targets or beyond their range. Their needs have been satisfied by other products.
- The third level was the society who were not thinking about the industry offered as an option. In general, the groups weren't considered as potential customers due to their distance were far away from the market. The market would have become stagnant and saturated when the number of groups becomes the non-consumers who has increased.

Canvas strategy

Canvas strategy was a framework for action and diagnostics to build blue ocean strategy (Kim and Mauborgne, 2005). Three things can be produced canvas strategy namely

- Canvas strategy to show the strategic profile of industry to describe the various factors that affect competition among industry players.

- Canvas strategy to show the strategic profile the current and potential competitors with identifying these factors into strategic investment arena.
- Canvas strategy to show the company's strategic profile (curve value) that described how the companies' effort to invest in the various factor for the competition and investing these factors in the future.

Curve Value

The curve value was the essential components of a canvas strategy. The curve value illustrates the company's performance for the factors of competition in an industry (Kim and Mauborgne, 2005).

Typically, the companies who did not have to apply the blue ocean strategy or vision to win the competition in the market would follow the strategies of differentiation or cost-leadership. It was based on the business conditions in red ocean competition where the company was faced with trade-offs dilemma in the decision-making on whether to implement the strategies of differentiation or cost leadership. Blue ocean strategy has three complement qualities in the curve value: focus, movement away (divergence), and the main motto.

The company's strategy would be biased without this quality. It was unspecific, it was difficult communicated, and it has a high-cost structure. The curve value of blue ocean strategy would always seem to stand out, which meant that the curve value of the company would be seen moving away (divergence). However, if the company did not have the divergence so the corporate strategy would become the imitator who did not stand out from the market space. Also, a good strategy has the compelling tagline and can deliver to the market so that the market would be interested in the motto of the products or services offered. Conversely, if the motto weren't attractive and able to attract buyers, the company strategy only would be private discourse or become a classic example of innovation that did not have commercial potential and natural abilities (Kim and Mauborgne 2005).

Create Blue Ocean Strategy

In particular, Kim and Mauborgne (2005) found six approaches to establish the limits of the market, and it is referred to as the six-way framework. The six-way framework was contrary to the key assumptions underlying the strategy in many companies which makes the companies continue trapped to compete in the red ocean.

1. Consider the alternative industry.

A company was not only to compete with the other companies in the same industry, but the company competes with the companies that produce the more alternative of products or

services. Alternative products include the products or services that have the different function and form, but they have the same goals. Alternative products understanding of the broader than substitutes. The substitution of products or services have different forms, but they offer the same function or core utility.

2. Consider a strategic role in the industry.

The strategic group in an industry to pursue the same strategy. The primary key for creating a blue ocean in across strategic groups which meant to break the narrow horizons (tunnel vision) with how to understand the factors that determine the consumer's decision to move up or down from one group to another group.

3. Consider the chain buyer.

Competitors have a common definition who is the target buyers. However, in practice, there are the chain buyers who are directly or indirectly involved in the purchase decision. The buyers who pay for the products or services may be different in using the product, and in some cases, also there is an important influencer by looking across groups of buyers. The company can consider the groups of buyers, and they can get the new knowledge about how to re-design of the curve values that focus on buyers group during they have been neglected.

4. Consider the offer complementary products and services.

In most cases, the other products or services may affect the value of the product. Values have unexploited often hidden in complementary products or services. The key is to define the total solution to search for buyers when they select the product or service. The simple way is to think happened before, during and after the product used.

5. Consider the functional or emotional appeal for buyers.

The companies often find a new market space when the companies are willing to oppose the orientation of the functional emotional from industry. Emotional-oriented industries offer more advantages by increasing the price without increasing the functionality. Eliminating the advantages might be able to create a simpler business model with minimum cost and lower prices that consumers will be welcomed. Functional-oriented industries are often biased by filling out a new spirit to every additional commodity products through emotional aspects that can stimulate demand the new markets.

6. Consider Time.

Considering the time value is given to the current market for the value that might be given in the future. There are three principles to assess the trends over time to form the basis of the blue ocean strategy. These trends should be necessary to company's business, they should not be reversed, and they should have a clear path.

The four steps framework is the framework to reconstruct the buyer's value elements to create a Blue Ocean Strategy. According to Kim and Mauborgne (2005), the framework as follows:

Eliminate

Eliminate the factors that are considered standard and accepted by the industry. The aim is to see beyond the scope of business opportunities that have been created previously.

Reduce

Reduce factors that excessive force on the product to obeying the rules of the game competition. That means an increase over something on the products thus increase the cost without produce anything. The products follow the current competition tends to invest in excess without providing enhanced the consumer's benefits

Raise

Improving the factors capable of exceeding the industry. The aim was to eliminate the compromises the industry forced to the consumers. The company tries to improve what is considered to be a reasonable thing for the industry that will demonstrate an opportunity to develop the business.

Create

Create the factors had never offered industry previously. Through the creation of a new factor, the companies can find the new source for buyers and create the new demand also provide the industry's strategic price.

The Series of Blue Ocean Strategy

The strategy found and produce a new curve value, and then the next step is to create a solid business model. The aim was to verify whether the strategy can produce business growth and profitability expected. Build a series of Blue Ocean Strategy, and companies need to test a few things that the buyer's utility, price, cost, and adopt the product. It begins with the buyer's utility whether consumers are willing to try the products offered. If they do not, then the chance of blue ocean strategy does not capture the market to feel the privilege of the products offered over the competitors' products. Further, when the market response "yes" the next step is to determine the strategic price. Blue Ocean Strategy does not recommend the application of the low price to attract customers to try the products offered. The third step is the cost as a sign to secure the profit impact to the cost factor rates does not affect the price. The company must remove or delay and improve the strategy when the product has the high costs and corporate action at the utility expense. The principles of the Blue Ocean Strategy will oppose the condition of value-cost trade-off. The last step is to encounter the adoption. This obstacle was obtained from the external companies such as business partners or interested parties who are outside of the

company. Meanwhile, the internal barriers originate from employees who feel comfortable before they adopt the strategy. Blue Ocean Strategy is considered commercially feasible to be executed when barriers to adoption can be resolved.

RESEARCH METHOD

This research was the descriptive qualitative research selected the format which can be conducted in-depth exploration and interaction between informers in the target groups of the research. The determination of the research informants using the purposive sampling method to facilitate determining the sources criteria (Moleong, 2011). This method is a method of determination of respondents or informants based on the consideration such as expertise or the role of respondents related to the knowledge, skills and their involvement in the small and medium industry. In this research the number of sample of 38 respondents based on the minimum number of sample is 30 respondents (Nasution, M. D. T. P, 2015)

The research data sources include interviews with informants documentation, literatures related to the research. The research is located in the city of Tanjung Balai, North Sumatra. The sampling technique using the purposive sampling procedures and data collected using questionnaires and interview.

Analysis of qualitative data has the following step

- 1) Analyzing data from the interview
- 2) Reduce data
- 3) Checks the validity of the data
- 4) Data interpretation

Testing the validity of data using the sources and techniques triangulation. Furthermore Cochran tests and KMO factor tests.

ANALYSIS AND RESULTS

Analysis of Situation of Small and Medium Industry in Tanjung Balai

The concentration of economic activity in a country shows that the industrialization is a selective process in light of the geographical dimension. The cluster is the reflection of the geographical concentration of a group in the same industry. The industry in the narrow meaning is a group of companies can produce the similar products, and there are similarities in the raw materials used, products process, end consumers. Meanwhile, in the sense of a broad industry is a group of companies produces the goods and services with cross-elasticity (cross-price elasticities of demand) were a positive and high.

In this research, the industry examined a collection of Small and Medium Industry in Tanjung Balai that produce the products and market such as unique handicrafts in Tanjung Balai. Small and Medium Industry defined as a set of home-based business that has production and marketing location in Tanjung Balai. Every business has its strategy in the face of the competition. This strategy can be seen from the strategic profile of each industry. Small and Medium Industry in Tanjung Balai analyzed strategic profile in the industry include Embroidery craft, Culinary, handicrafts, Weed handicrafts, Coconut shell handicrafts and seashell skin handicrafts.

a) Embroidery craft

Embroidery craft is located in the "Beach" Johor, Tanjung Balai. Here private business was serving embroidery services for the kebaya dress and bag. Embroidery crafter already has the skills and experience so that the quality of products produced according to the buyer expectation. The prices affordable and a wide selection of embroidery motifs become hallmarks of the embroidery village. The embroidery Business village produces as such as:

- Embroidery Motifs and Arts
- Dress Bride
- Wedding Fashion
- Kebaya
- Bag to order

b) Culinary

Special Culinary coastal areas including shellfish "daguk" and shellfish "bulu", salted fish "mayung", shrimp salt, "belacan," "gulai asam," "sombam" fish, "anyang" fern and "anyang" Clams.

c) Crafts Sticks

Skills to make handicrafts sticks on community groups in Tanjung Balai already exists since their parents. This case is significant especially about the effort to preserve the national culture and the traditional handicrafts products still maintained and improved the product quality and quantity until today. Tanjung Balai has the diverse ethnic background including arts and crafts and one of these crafts sticks in the villages of "Sijambi, Pahang, Sirantau, Pantai Johor, Gading." The era of globalization, the handicrafts are increasingly excluded this is due to technology growth made the art objects can be made more quickly with the amount of the masses.

d) Weed handicrafts

Handicraft products from the raw water plant eceng gondok (*Eichornia crassipes*,) in the sub-district "Datuk Bandar" exactly in the district of "Pulau Simardan, Bunga Tanjung, Semula Jadi" "Selat Lancang" and "Selat Tanjung Medan" can penetrate the overseas markets, notably Japan and Germany. Weed products made craftsman "Hulu Sungai Utara " have been marketed abroad in the form of carpet products, cushions, and box. However, regarding the product quantity of weed has not yet been able to meet orders from abroad. In fact, the number of weed's crafter has spread across nine sub-districts. In term of quality of this type of craft has been overgrowing in the last six years. Even supported the abundance raw material for the area of "Sungai Hulu Utara" around 89 percentage dominated swampland. The constraints in the effort to increase the amount of production are located on the aspects of the raw materials provision. The number of crafters and many raw materials, but there are unspecific community groups as a provider or supplier the raw materials. Hence, the craftsman took a long time to make handicraft products as seizing time was looking for raw materials. Supposedly, the crafters focus on efforts the production only while the supply of raw material do for the other community groups so that the productions process are more smoothly. Weed handicrafts order and marketing from this village to reach the Province of Sumatera and Kalimantan. However, along with the improvement of handicrafts quality, It necessarily the results of the weed handicrafts should continue to be marketed abroad.

e) Crafts coconut shell

Coconut shell handicrafts are located in the sub-district Sei Tualang Raso, exactly in several villages such as Muara Sentosa, Sumber Sari, Pasar Baru, Keramat Kubah, Sungai Raja. Coconut shell currently has not been used optimally and most often only used to make the fuel. However, if treated with the creative handicraft, such a change could affect coconut shells into a work of art craft business value of which accessories, ornaments, toys, and household items. The coconut shell creativity could be the crafts, one of them is a unique, beautiful bowl. Given that there are among the community needs and purchase power for something unique value and does not a few others. Then it can is predicted the coconut shell has been transformed into the unique object and valuable art will receive a great response by the community, for example, the restaurants want to emphasize the uniqueness on the dining compartment than consider using the coconut shell bowl.

Most of the bowl was sold in the market made of the raw materials "glass" and plastic "atoms." The bowls made from glass material easily broken when exposed to impact or excessive heat. While a bowl of plastic from atoms material if exposed to oil, there is still

residual oil stuck in the bowl. Thus looking at the problems of coconut shell, the alternative would provide with using coconut shell bowl, it caused the health aspect of coconut shell does not harm the body. The natural elements will retain copyright the food taste. Besides that, In the process to make the bowl of coconut shells can introduce to the traditional society because of the material and the process naturally. Also, the manufacturing did not have to use the machine, and it does not produce the pollution problem and environment-friendly.

f) Crafts Skin shells

Craft skin shells in the district of Teluk Nibung in Tanjung Balai such as "Pematang Pasir, Kapias Pulau Buaya, Kula Kapias." The social group of Sakinah Aisiyah Kemuning in Teluk Nibung capable utilizing the waste into a unique decoration, beautiful and attractive. Thus, the waste initially was not widely used; now it has an economic value. The Craftsmen have been participating on kreanova exhibition held by the government of North Sumatera province, and also the government facilitates the skills training of waste utilization to add the crafter's expertise and make the products more varied, beautiful and attractive. Now, the market for Seashell products handicraft has been reached to the various regions and it always facilitated by the government in the exhibition of "inakraf" and "kreanova" in Jakarta.

The competition factors from Small and Medium Industry in Tanjung Balai

The competition factors are defined as the factors or the essential element that act as the competition to increase the companies advantages and benefits in the industry. The competition factors have been obtained to become the basis for determining the strategic profile of each company where were located in Tanjung Balai. These factors identified by the first, namely the customers and non-customers. The competition factors proposed to consumers and non-consumers did not only the factors that were found in the attribute of the product, but it's also the factors related to supporting services and marketing system. The competition factors identified amounted to 17 factors, among others as follows :

- 1) Specificity of product
- 2) Servings and size of the product
- 3) Price offered by small and medium industry.
- 4) Diversity of products offered
- 5) Business skills to provide services fastly and accurately
- 6) Provide information on the product's process accurately
- 7) The speed of process and presentation.
- 8) Responsiveness to the customer

- 9) The speed of transaction
- 10) Hospitality and courtesy
- 11) Cleanliness and neatness
- 12) Location
- 13) Areal adequate parking
- 14) The name board attract
- 15) Availability of adequate support
- 16) Availability of the facilities online
- 17) Keep fame products offered

The competition factors on the customers and non-customers were identified with the questionnaires. This research used two different kinds of questionnaires that were given to each group. The competition factors in the questionnaires for the first group to use the form of simple measurement scale with the answer "YES" or "NO." This case was done to determine that the factors in question are factors that serve as the competition in the small and medium industries.

Canvas strategy for Small and Medium Industry in Tanjung Balai

Canvas strategies used to describe the competition that occurs in the small and medium industry in Tanjung Balai with the factors of competition has been formed. Canvas strategy was produced from the second phase of the questionnaire information that was distributed to the consumers and other customers which was the number of as much as 38 people. Canvas strategy for the small and medium industry which was needed to make comparisons to get the competitive situation in the industry.

Canvas strategy was the map picture connected by the horizontal axis and vertical axis. The horizontal axis on the canvas the strategy showed the factors of competition based on the Cochran Test. Here are the results of respondents' answers to the competition factor featured small and medium industries Tanjung Balai which can be seen in the table as follows:

Table 3. Value of Factors Leading Competition

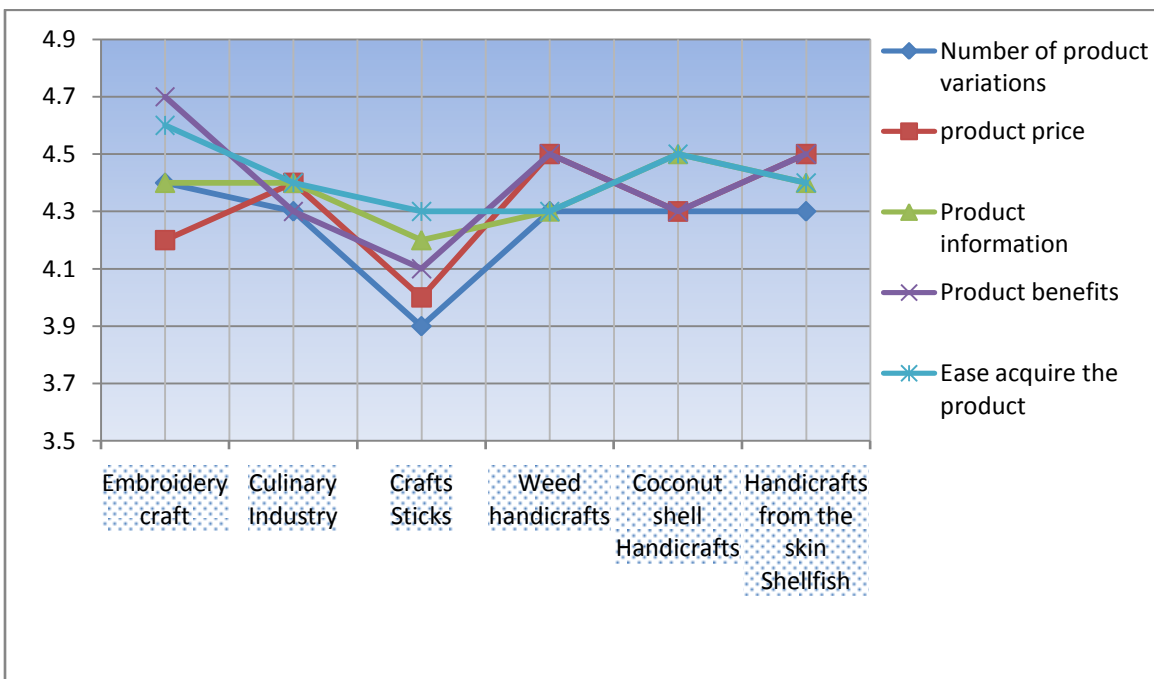
Small & Medium Industries	Factors Leading Competition				
	Product variation	product prices	product information	product benefits	Ease to acquire the product
Embroidery craft	4,4 (Very Much)	4,2 (suitable)	4,4 (Very Complete)	4,7 (very useful)	4,6 (Very easy)
Culinary	4,3 Very Much)	4,4 (very suitable)	4,4 (Very Complete)	4,3 (very useful)	4,4 (Very easy)

Crafts Sticks	3,9 (Many)	4,0 (suitable)	4,2 (Complete)	4,1 (very useful)	4,3 (Very easy)
Weed handicrafts	4,3 (Very Much)	4,5 (very suitable)	4,3 (Very Complete)	4,5 (very useful)	4,3 (Very easy)
Crafts coconut shell	4,3 (Very Much)	4,3 (very suitable)	4,5 (Very Complete)	4,3 (very useful)	4,5 (Very easy)
Crafts Skin shells	4,3 (Very Much)	4,5 (very suitable)	4,4 (Very Complete)	4,5 (very useful)	4,4 (Very easy)

On table 3, it can be seen the value and interpretation of the factors in every small and medium industry in Tanjung Balai. Values that have been obtained are used as the score for each factor on the vertical axis strategy canvas. Meanwhile, each factor is mapped on the horizontal axis, and it can be made a strategy canvas that shows the strategic profile.

Figure 1. Canvas Strategy of Small and Medium Industry in Tanjung Balai

CANVAS STRATEGY



Description:

- A = Product variations
- B = Product price
- C = Product information
- D = Product benefits
- E = Ease to acquire the product

The following description of the curve value is shown in the canvas strategy.

- **Factor number of product variants**

Based on the strategy canvas curve value shown in Figure 1, it can be seen that the number of product variations presented by the embroidery was higher than the number of product variations by five other small and medium industries. The result shows that the small and medium industries embroidery more variant models of products than products offered by other small and medium industries. Factors variations of this product is an important factor in offering a product processing industry because of this very influential factor in consumer preferences. Consumers are more interested in products that have a diverse variety of products so that consumers will make repeat purchases.

- **Factor of product price**

Based on the curve values on Figure 1, the performance factor in the price of products offered by small and medium industries in Tanjung Balai on weed handicrafts and Crafts Skin shells has the same values; namely, the price offered is appropriate. This performance value is still higher than the other small and medium industries. Prices are very influenced by the low cost and vice versa

- **Factor product information**

Curve value in Figure 1, shows that small and medium industries in Tanjung Balai embroidery craft, culinary and craft shells have the same performance values on these factors, which is very complete. This case is caused the concept of offering products made by small and medium industries is the concept of the order in which the product information already contained in the product ordered.

- **Factor product benefits**

Based on the curve value shown in Figure 1, the small and medium industries in Tanjung Balai has the same performance values, i.e., the value of the products benefit is beneficial. This case could be a consideration for the managers of small and medium industries to venture to invest heavily in improving the efficacy and benefits of products that can be felt by consumers.

- **Factor ease to acquire the products**

Curve value on the canvas the strategy above shows the small and medium industries have the highest performance values on these factors is the embroidery craft industries. The value of the performance of small and medium industries in this factor is consumers have a comfortable and safe feeling. Value of high performance at Ease to acquire the product is significant to be maintained by the small and medium industries to retain customers and encourage customers to make repeat purchases.

Cochran tests and Kaiser Meyer Olkin (KMO) Tests

The following is done Cochran tests in assessing the degree of the interests of each of Small and Medium Industry in Tanjung Balai can be seen in the table 4 following as:

Tabel 4. Frequencies

	Value	
	0	1
Embroidery craft	0	38
Culinary	26	12
Crafts Sticks	8	30
Weed handicraft	0	38
Coconut shell Handicrafts	27	11
Handicrafts from the skin Shellfish	6	32

This frequency table shows the information about the amount of data obtained for each variable.

- **Embroidery craft.**

The result showed that all respondents stated the effort is important in the formulation of Blue Ocean strategy.

- **Culinary.**

The result shows that 26 respondents stated this effort is not essential in the formulation of Blue Ocean Strategy, while the stated this effort is essential as much as 12 respondents.

- **Crafts sticks.**

The result shows that eight respondents stated this effort is not essential in the formulation of Blue Ocean Strategy, while the stated this effort is essential by 30 respondents

- **Weed handicrafts.**

The result shows that all the respondents stated this effort is essential in the formulation of the strategy Blue Ocean.

- **Coconut Shell handicrafts.**

The result shows that 27 respondents stated this effort is not essential in the formulation of Blue Ocean Strategy, while the stated this effort is essential as much as 11 respondents

- **Seashell handicrafts.**

The result shows that six respondents stated this effort is not essential in the formulation of Blue Ocean Strategy, while the stated this effort is essential as much as 38 respondents.

Tabel 5. Test Statistics

N	38
Cochran's Q	89.039 ^a
Df	5
Asymp. Sig.	.000

a. 1 is treated as a success.

The table shows that provide valuable information as the basis for the decision makers. The result indicates on Asymp Sig seen that the probability value is 0.000, H_0 is rejected ($0.000 < 0.05$) and H_a accepted. Thus the decisions are taken six types of small and medium industries do not have the same level of interest in the formulation of the Blue Ocean Strategy.

Tabel 6. Correlation Matrix

		x1	x2	x3	x4	x5
Correlation	x1	1.000	.238	.050	.022	.217
	x2	.238	1.000	.072	-.128	.770
	x3	.050	.072	1.000	.569	.094
	x4	.022	-.128	.569	1.000	-.129
	x5	.217	.770	.094	-.129	1.000
Sig. (1-tailed)	x1		.075	.384	.447	.095
	x2	.075		.335	.222	.000
	x3	.384	.335		.000	.288
	x4	.447	.222	.000		.221
	x5	.095	.000	.288	.221	

Testing Determinant of Correlation Matrix

Matrix correlation between the variables related to each other when the determinant has a value near the numbers 0. The test results presented the value of the Determinant of Correlation Matrix is (> 0.05). The results reveal that the matrix correlation among the variables does not relate to each other.

Tabel 7. KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.			.530
Bartlett's Test of Sphericity	Approx. Chi-Square	48.922	
	df	10	
	Sig.	.000	

Analysis of the second factor is the Kaiser Meyer Olkin (KMO)

The results of the study showed that KMO value of 0.530. Thus the value of KMO requirements because it has a value in the 0.5 with the significance of $0,000 < 0.05$.

Tabel 8. Component Matrix^a

	Component	
	1	2
Price from the manufacturer or agents	.451	.138
Content	.915	.029
Ease of Raw Materials	.061	.889
Facilities	-.207	.872
Contract System	.911	.041

Extraction Method: Principal Component Analysis.

a. 2 components extracted.

Description :

- The first component is the consumers perspective
- The second component is the perspective of non-consumers

Data processing of five competition factors of competition using factor analysis from the main component extraction method or principal component that produces two main components. Clustering into the competition factor main components seen from loading value or correlation value is selected based on the largest absolute numbers.

Based on the table above, then the value of loading or the value of the correlation obtained from the results of orthogonal varimax rotation is done for five competition factor. Also produces two main components of contents of the system and the contract for the first component and ease of raw materials and facilities for the second component.

DISCUSSION

The competitive strategy used small and medium industries in Tanjung Balai

Competitive strategy for small and medium industries are to apply the business strategy capabilities in the external and internal environment, formulate the strategy, plan to act design to achieve the company's goals and evaluate to obtain the feedback from strategy formulation in the future. The indicators are used to drive the competition of business as follows:

- 1) Always introduce new products
- 2) Creating products differentiation
- 3) Conduct market research
- 4) Pressing lower costs than competitors
- 5) Products with cost efficient
- 6) Improvement of coordination of various products
- 7) Optimization of the appliance and the production facility
- 8) Do cost analysis
- 9) Increase the availability of working equipment
- 10) Focus on a specific customer
- 11) Focus on specific products
- 12) Focus on a specific market

Competitive strategy is carried out to identify the competition factors which consists of price, diversity the products offered, business skills to provide products and services quickly and accurately. Thus deliver the products information – the product processing accurately and quickly

Competitive strategy for small and medium industry formulated using the Blue Ocean Strategy

Discussion focused related to the problem phenomenon in the field that supported the prior research. Curve value is contained in canvas strategy to present the information of the strategic profile from each business in the small and medium industries. Based on the explained by Kim and Mauborgne (2005) regarding the interpretation of the curve value of canvas strategy. The interpretation of curve value is analysis of situation from small and medium industries in Tanjung Balai as follows

Companies found the red ocean have almost the same curve value with the competitors curve values. Also, the curve value having a meeting point with the curve values competitors

are in the red ocean. This case indicates that small and medium industries tend to be in the red ocean of competition situation.

Creation of all factors involved partners, small and medium industries which offer handicraft products. What the companies fall into this category is the company doing in excess deals to consumers without providing sufficient additional value to the company. In this category, the company has a curve value shows a high level of all the factors, but the market share is not obtained by the investment incurred. Small and medium industries need to reconstruct systematically to create uncontested market space until a search can minimize the risk.

Based on information from the questionnaire, the consumers have some reasons to purchase the products from small and medium industries, among others, as souvenirs and gifts. In general, any less strategic groups provide consideration to the other strategic groups caused the strategic groups tend to have the different viewpoint that was requested. Positioned in this industry group is the group offers the food products and crafts.

Small and medium industries need to look at the other strategic groups, i.e., who offer the products through social networks. The role of social networks for cooperate the opportunities and market a product at a cost that is not too big and easy to use. The use of social networks is also to reach people who have become consumers or non-consumers. Non-consumers in this study are the ones who do not have the need or the opportunity because they do not receive the information about the uniqueness of the products from small and medium industries. The formulation of the Blue Ocean Strategy by the four steps framework

a. Eliminate

Eliminate is a company's process as considering the disappearances factors that has been showcase competition in the industry. In general, these factors were received although it did not have value or even reduce the value. In this research, step eliminates to formulate the blue ocean strategy that could not be defined. This case is due to the six factors that have been identified based on the results of the questionnaires were the main factors in small and medium industry.

b. Reduce

Reduce is the company's process where the company needs to rethink whether the products or services produced during designed too force excessive to follow the rhythm of the competition and to win the competition. The company has the force excessive in serving customers and increase their cost structure without produce anything. The small and medium industry need the

attention to reducing. However, the step to reduce that can be applied to consider some important factor in the lead by the manufacturer. This case is due to some factors to determine the success of the industry related to increasing the number of customers. Even it cause the cost without adding the benefits significantly. One of the factors is a product diversity, and this factor required the producers to provide the various kinds of raw material from the products.

Sometimes, some products that less ordered but it spend the cost of the procurement of raw materials of the product. It would be the cost for small and medium industry. Also, this factors can also be reviewed from the consumer side where the majority of consumers do not choose this factor as the main factor in making a purchase to industry, including small and medium industry. One of the ways to reduce the product diversity is to review the complete products - what products are often ordered, and customers less order the products. The products less ordered by consumers would be reduced the provision of raw material. This case can minimize the costs expenditure in the provision of raw materials.

c. Raise

Raise is a process that encourages companies to eliminate the compromises imposed by the industry to consumers. This step is directed to the factors that have low performance on curve values seen in canvas strategy. Therefore, factors for small and medium industry in Tanjung Balai which can be enhanced performance is as follows:

- *Factors of hospitality and civility*

These factors will directly affect the performance of the industry in the minds of consumers. This performance improvement can be made in several ways, among others: Training for the formation of the attitudes and procedures in serving the consumers. Give the reward to the employees who have the best performance and the consequences for employees who make a mistake repeatedly and make Standard Operating Procedure about working governance clearly

- *Decoration*

Decoration factors by adding the elements in the form of ornaments and the appropriate product painting product function.

d. Create

Create is a process where the company is required to find the sources of entirely new value for buyers, create new demand and change the gift industry strategic prices. The steps intended to generate blue ocean and value innovation for the small and medium industries in Tanjung Balai.

- Hall for an exhibition

The creation of this factor is the result of examining alternative industry. This factor aims to create new demand higher as operated an exhibition. The hall for this exhibition activities can increase sales as well as the benefits due to the current industry does not have the hall or auditorium at Tanjung Balai, while most of the consumers expect the availability of the exhibition room.

- Product package for the promotional activities.

The creation of this factor is also the result of an alternative industry, namely promotion. This factor is intended to be a compliment for activities operated in the hall or auditorium. The purpose of consumers in addition to the existence of the interests of others is to eliminate the penetration of saturated.

- Promotion

Promotion factor is the most critical factor to be considered by the manufacturer which is obtained from strategic groups. Promotion factor means to deliver information on the products that they offered and marketing widely. The promotion can be done through the social network. The social network is one of the alternative media, and it does not require the considerable cost, easy to use and can reach out to the community. Social network as a media promotion can change non-consumers to consumers.

- Facilities to support

This factor is the result to offer the complementary products and services. The industry needs to provide the products and services a sensational offer which presented affect the buyer preferences. This principle can be applied to provide facilities that do not increase the cost but give added value to the consumer. For example, offer the playground facilities to eliminate the monotony of their customers when they visited

CONCLUSION

Competitive strategy for small and medium industries was formulated using Blue Ocean Strategy. It concludes, nearly all respondents expressed that this effort is important in the formulation of the Blue Ocean Strategy.

The situation in the Small and Medium Industries in Tanjung Balai describes the red ocean that is shown from the curve value tends to compete in chasing market share in the red ocean area by business players. Additionally, each industry has a position as a business that offering excessive without adequate results. It can be shown from the curve value that the businesses have a high factor value to indicates the businesses have the high investment.

Blue ocean strategy formulation can be recommended for Small and Medium Industries in Tanjung Balai, among others:

- Through the six-way framework, four alternatives can be used by small and medium industries for reconstruction the market boundaries among others to observe the alternative industries across strategic groups, deal with the products complementary and services, also the emotional-functional appeal for buyers.
- The four-step framework, for enhancing the attitude of friendly and courteous; create exhibitions auditorium as facilities complementary, and products promotion through social networks.
- The strategy formulation has three characteristics, namely the focus on service delivery, and marketing product improvement, divergence with the creation of new factors that can create small and medium industry avoid competition.

ACKNOWLEDGEMENT

We gratefully acknowledge the financial support from Universitas Pembangunan Panca Budi, Medan – Indonesia

REFERENCES

- Affif, F. (2012). "Blue Ocean Strategy dan Ekonomi Kreatif", Rangkaian Kolom Kluster I, Jakarta: Binus University.
- Becker, H. (2008). The chaotic blue ocean. *Review of Business Research*, 8(6), 125-130.
- Burke, A. E., van Stel, A. J., & Thurik, R. (2009). Blue ocean versus competitive strategy: theory and evidence.
- Čirjevskis, A., Homenko, G., & Lačinova, V. (2011). How to Implement Blue Ocean Strategy (BOS) in B2B Sector. *Business, Management, and Education*, 9(2), 201-215.
- David, Fred R. (2006). *Strategic Management Concepts & Cases 9th ed.* New Jersey: Prentice Hall
- Hamel, G., & Prahalad, C. K. (1994). *Competing for the Future* Harvard Business School Press. Boston, MA.
- Hong, A. N. H., Chai, D. L. H., & Ismail, W. K. B. W. (2011). Blue ocean strategy: a preliminary literature review and research questions arising. *Australian Journal of Basic and Applied Sciences*, 5(7), 86-91.
- Hsiao, Y. C. (2005). Creative Solutions from TRIZ for the Business Contradiction in Red Ocean Strategy. *The TRIZ Journal*.
- Kim, W. C., & Mauborgne, R. (2004). Blue ocean strategy. If you read nothing else on strategy, read these best-selling articles., 71.
- Kim, W. C., & Mauborgne, R. (2005). Blue ocean strategy (strategi samudera biru): ciptakan ruang pasar tanpa pesaing dan biarkan kompetisi tak lagi relevan. Penerbit Serambi.
- Kim, W. C., & Mauborgne, R. (2005). Blue Ocean Strategy: How to create uncontested market space and make the competition irrelevant. Harvard Business School Press, Boston, MA.
- Kim, W. C., & Mauborgne, R. (2005). Value innovation: a leap into the blue ocean. *Journal of business strategy*, 26(4), 22-28.

Moleong, L.J. (2011). Metodologi Penelitian Kualitatif (edisi revisi). Bandung: PT. Remaja Rosdakarya.

Nasution, M. D. T. P & Gio, Prana Ugiana. (2015). Riset Pemasaran Bagi Pemula Dengan Aplikasi SPSS. Medan. USU Press

Wubben, E. F., Düsseldorf, S., & Batterink, M. H. (2012). Finding uncontested markets for European fruit and vegetables through applying the Blue Ocean Strategy. *British Food Journal*, 114(2), 248-271.