

DEVELOPING BUSINESS STRATEGY OF TriBeCa URBAN RETREAT

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Abstract - TriBeCa Urban Retreat is one of a beauty salon that located in the heart of Bandung. The problem in TriBeCa Urban Retreat is in capturing larger market to increasing sales growth, which is the unpreparedness in capturing larger market while the competitors are increasing aggressively. The internal problem in human resource, also may cause declining the standard quality of TriBeCa. The purpose of this research is to develop the business strategy to analyze the company ability to compete and help the business to grow, which supported by the functional strategy in resolving the business internal problem. This research uses Porter's generic competitive to determine the most suitable competitive strategies for TriBeCa Urban Retreat. To support the business strategy, the functional strategy is more focused on marketing strategy and Human Resource (HR) strategy. The primary data for this research was obtained by interviewing the owner of TriBeCa and also some of the customers by using convenience sampling, to define the business focus of TriBeCa, by adapting from SERVQUAL dimension. The result of this analysis, TriBeCa can be the product leader to capture the larger market and increase the sales growth. Based on characteristic of Porter's Generic Competitive Strategy, the differentiation focus strategy is the most suitable and feasible for TriBeCa Urban Retreat. Horizontal integration, in opening another branch not necessarily needed because the existing place still capable in handling the expected number of customers.

Keywords : TriBeCa Urban Retreat, Salon Industry, Business development, Strategic Development, Porter's Generic Competitive Strategy

Introduction

Salon and beauty industry is one of the industry that always growing. In fact, the beauty industry survived from global economic crisis that hit the world in late 2008. Indonesia is predicted to be the country with the greatest growth potential in the beauty industry in ASEAN. The market of beauty industry in Indonesia also continues to grow. The growth of salon and beauty industry in Indonesia has grown quite widely from year to year and continuously showed a more stable growth. In addition, a new trend also appear on beauty products and treatments. Because of the high level of need, the business is becoming very attracting and promising. This fact encourages the businesses that engaged in the field of beauty and personal care to continue to innovate in the improvement of products and services quality that consumers wanted to be able to win the market.

TriBeCa Urban Retreat is one of a beauty salon that located in the heart of Bandung. After one and a half year preparation step, at last TriBeCa opened for public in May 2010, and provides only manicure, pedicure, threading, tweezing, and waxing services. In November 2011, TriBeCa opened their hair services. To keep presenting the best service for customer, TriBeCa uphold their values, which is prioritizing the customer satisfaction and customer needs in beauty trends, lifestyle, and health. From the number of customer data, until now, TriBeCa growth of business is about 30% (from 2013 until June 2014). TriBeCa target market are female between 15 to 39 years old, students, housewives, employee or businesswoman, who spends more than Rp1,000,000 per month for beauty and health care in Bandung that concern about their beauty and health as well.

To obtain the topics and issues related this business, pre-interview was conducted. According to the interview with Mr. Teddy, one of TriBeCa's owner, the expectation of TriBeCa is to open another branch, but until now, it can not be realized because TriBeCa is afraid can not fulfill the customer satisfaction and customer needs, and maintain the standard quality of TriBeCa. The possibility of expanding this business has been expected by the owners, due to increasing the sales growth. The only issue TriBeCa faced is the unpreparedness of the capability in capturing the larger market. Moreover, the competitors are increasing aggressively to create quality products and services that customers wanted to be able to win the market. There is also an inconvenience due to the competition in working environment among the employees. Therefore this research tries to develop the business strategy to help the business grow bigger and can compete with the competitors.

The main objective of this research are research are to develop business and functional strategy plan that suitable with the capability of TriBeCa Urban Retreat to achieve the desired growth of business, increase the business performance, the growth of sale, and giving recommendations in order to solve the business issue, especially in the internal solving improve, and leveraging the performance. Objective of this formulation of business strategy is to be the product leader

Literature Review

A company strategy forms comprehensive master plan that states how the company will achieve its missions and objectives. It maximizes competitive advantages and minimizes disadvantages. Typical business firms usually consider three types of which consist of corporate strategy, business strategy, and functional strategy.

Business strategy usually occurs at business unit and it emphasizes improvement of the competitive position of corporation's products or services in specific market segment served by that business unit. This strategy is grouped into two categories: competitive and cooperative strategies. Competitive means that the company must battle against all competitors for advantages. Cooperative means that the company prefers working with one or more companies to gain advantages against other competitors.

Porter Competitive Strategy

Competitive strategy is a strategy to position an organization in such a way that it will have a distinct advantage over its competition. Michael Porter proposed two "generic" competitive strategies for outperforming other corporations in a particular industry : lower cost and differentiation.

The firm's competitive advantages in an industry is determined by its competitive scope, that is, the breadth of the company's or business unit's target market. The company or business has to choose the target whether it is broad target or a narrow target

Cost leadership is a lower-cost competitive strategy that aims at the broad mass market and requires aggressive construction of efficient cost. Differentiation is aimed at the broad mass market and involves the creation of a product or service that os perceived throughout its industry as unique. Cost focus is a low-cost competitive strategy that focuses on a particular buyer group or geographic market. Differentiation focus, like cost focus, concentrates on a particular buyer group, product line segment, or geographic market but has a unique value of products or services.

Based on Porters Generic Competitive Strategy above, business control can be focusing in two types whether it is on cost control or on quality. In general, cost control focus emphasis on producing standard products (equal in all aspects) with the cost per unit is very low. Quality focus emphasis on and physical attributes of a product or experience satisfaction (real or

psychological). Quality in services, has five difference dimensions, those are reliability, responsiveness, assurance, empathy, and tangibles.

A complex combination of strategies is needed to ensure that service employee are willing and able to deliver quality services in order to stay motivated to perform in customer oriented. By approaching human resource strategies, an organization will move toward delivering service quality through its people. To build customer-oriented, service-minded workforce, the firms must hire the right people, develop people to deliver service quality, provide the needed support systems, and retain the best people.

Functional Strategy

Functional strategy is the approach a functional area takes to achieve corporate and business unit objectives and strategies by maximizing resource productivity (Wheelen and Hunger, 2012) The orientation of a functional strategy is supporting the business unit's strategy.

Competitor Analysis

A primary objective of competitor analysis is to understand and predict the rivalry, or interactive market behavior, between firms in their quest for a competitive position in industry (Caves, 1980).

Top-down analysis

Top down approach starts with market and industry data. It takes a close look at a geographic market area and profiles the consumers and/or businesses to let you know their propensity to buy your products and services.

Methodology

To formulate the main problem regarding the research, the researcher gathering all the basic information and conduct a pre-interview with the owner of TriBeCa Urban Retreat. This research uses books, articles, internet or else that related to the topic of this research In the process of finding the supporting literature. To get the primary data, an observation, in-depth interview with the owner and some customers with convenience sampling method was conducted. The secondary data were obtained from menu and price list of TriBeCa Urban Retreat and its competitor. Beside that, some questions regarding the value of TriBeCa Urban Retreat and the existing condition about TriBeCa Urban Retreat comprehensively are also proposing. This research uses Porters generic competitive to determine competitive strategies used by TriBeCa Urban Retreat.

Data Analysis

From the number of customer data, until now, TriBeca growth of business is about 30% (from 2013 until June 2014). TriBeCa target market are female that concern about their beauty and health as well.

Number of customer

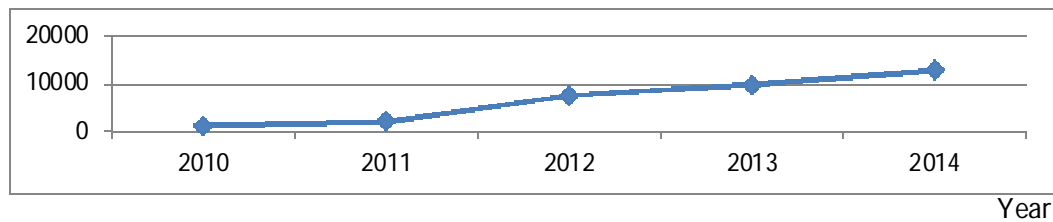


Figure 1. Growth of number of customer data per year

There is a great leap of customer from 2011 to 2012 that happened due to the price of TriBeCa services cutted into half from the beginning.

Porter's Generic Competitive Strategy divided into four kinds. Those are Cost Leadership, Cost Focus, Differentiation, and Differentiation Focus. Each strategy has each characters, different in market segmentation, channel, center, business focus, integrating mechanism, value, and product differentiation.

		Competitive Advantage	
		Lower Cost	Differentiation
Competitive Scope	Broad Target	Cost Leadership	Differentiation
	Narrow Target	Cost Focus	Focused Differentiation

Figure 2. Porter's Generic Competitive Strategy

TriBeCa product differentiation is principally by uniqueness, since for Bandung region the service is only can be found in TriBeCa. TriBeCa is giving the new way instead of competitive price against its competitor in provides their service. TriBeCa offered different service than other competitor. TriBeCa uses premium ingredient, sterilized tools, and excellent quality of services.

The result of SERVQUAL interview shows that TriBeCa is focusing on the quality instead of cost control. TriBeCa not focusing on the cost control since suppliers is having more power than the company itself. Yet, there are still some weakness from the quality of TriBeCa such as the marketing communication and the inconvenience operational hours of TriBeCa.

This business has the ability to provide uniqueness value, rather than the pricing value since TriBeCa has the higher price than its competitor. Pricing value are usually aimed to the consumers who are relatively easily influenced by shifting price (price sensitive) or using price as a deciding factor in buying. TriBeCa can still be product leaders, since TriBeCa still be the only beauty salon that has a different product and service than others.

As can be seen from above, TriBeCa always prioritizing their customer rather than the service and product. Customers as the co-creators of their value. The service and product development are following the customer needs and customer satisfaction goals.

TriBeCa only has one place to cover Bandung area, with specified target segmentation. The target market are urban people that lives in Bandung, especially female from 15 to 39 years old, that usually work as executive, entrepreneur, housewife, or even a student. The target market are also they who follow today's trends, know well about brand, high capability in buying (spends about Rp1,000,000 for beauty care) and concern about beauty and health. This business products only capable in handling a market niche. Therefore, TriBeCa obtains to capture five percent of their potential market.

Table 1 TriBeCa's Competitive Strategy Analysis

	Cost Leadership	Cost Focus	Differentiation	Differentiation Focus	TriBeCa
Product differentiation	Principally by price	Principally by price	Principally by uniqueness	Principally by uniqueness	Principally by uniqueness
Business control focus	Cost Control	Cost Control	Quality	Quality	Quality
Center on	Product	Customer	Product	Customer	Customer
Channel	A lot of channel	Few	A lot	Few	Few
Market Segmentation	Mass Market	One or few segment	Many Market Segment	One or few segment	Specified Segment

To support the strategy, TriBeCa also can improve their marketing communication. To capture the larger market, it would be easier to use more than one kind of integrated marketing communication, which is word of mouth. TriBeCa can use the advertising and promotion to implement a market saturation/penetration strategy to gain the dominant market share in a product category. The easiest way, is make the best use of the website and social media that has been owned by TriBeCa since its also low cost. Start from fix the website and updating the social media. TriBeCa should make an attractive way for the customer, therefore the customer interest to open the social media.

To actualized the customer oriented service delivery, it can be said that TriBeCa has a lack of improvement in the human resource strategies especially in empower employee, promote teamwork, complete and develop the measuring internal service quality, include employees in the company's vision. Because of the differentiation from services that offered, TriBeCa can be the product leader of aroma-cream waxing especially chocolate wax, and able to win the market. Beside that, TriBeCa also gives the different touch of the services to gives the added value in every treatment or services. The most important, TriBeCa always try to maintain the standard quality of the services.

Conclusion and Recommendation

TriBeCa business needs to grow. This business need growing strategy to develop the business. TriBeCa wants to increase their sales growth and capture the larger market, from about three percent, into five percent of potential market. Horizontal integration, in opening another branch not necessarily needed because the existing place still capable in handling the expected number of customers. The strategy formulation is to aim the objective of this research, which is be the product leader to capture the larger market and increase the sales growth. There are two approach that used in this research, business strategy and functional strategy.

In order to compete with the competitors that increasing aggressively, TriBeCa can be the product leader. TriBeCa is the only beauty salon that has a different product and service than others. To support it, business strategy can be implemented for the business based on Porter's Generic Competitive Strategy, with using differentiation focus strategy since TriBeCa has a very specified segment and only capable for serving market niche. In using differentiation focus strategy, TriBeCa seeks differentiation in a targeted market segment. TriBeCa has to be able to serve the special needs of a narrow strategic target more effectively than its competitor. TriBeCa can increase the business performance by solving the

business issue, improve the quality, and pressed down the weaknesses of their current strategy.

The functional strategy is more focused on marketing strategy and Human Resource (HR) strategy. Human resource strategy used to solve the internal problem that possibly declining the standard quality of TriBeCa. To actualized the customer oriented service delivery, it can be said that TriBeCa should make a program to empower their employee, measure and develop the internal service quality for all of the employee. The CEO has to include the employees in the company vision to share an understanding the big picture of the organization and its goal in order to success the vision of the company.

On the marketing strategy, market development strategy is suitable to capture the larger market for current product through market saturation and market penetration. They can use the advertising and promotion, such as joining the event to increase the awareness of their potential target market while they still can do their business at the event. Promotion also can be implemented, for example discount or frequent card. Combining advertisement and promotion also can be done. It would be better for TriBeCa to make an attractive way for the customer, therefore the customer interest to open the social media. TriBeCa can use the promotion program such as, discount when the customer update about their experience in TriBeCa, upload, and mention the social media of TriBeCa so the customer will advertise the TriBeCa indirectly. Moreover, TriBeCa can make a movement to campaign the using of safe nail polish. The operational strategy also used to support in maintaining the standard quality of TriBeCa and giving continuous improvement for the quality.

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