

CHAPTER II

VALUE PREPOSITION

2.1 MARKETS AND INDUSTRY ANALYSIS

A successful company is a company who success in design broad competitive marketing strategies by which it can gain competitive advantage through superior customer value. Different strategies may be required for different business or products. Each company must determine what makes the most sense given its position in the industry and its objectives, opportunities, and resources. (Kotler and Amstrong, 2012)

Michael Porter suggested that five main forces shape competition at the level of strategic business units and that a systematic analysis of each in turn can help managers identify the keys to competitiveness in their particular industry and sustain competitiveness. (Robbins and Coulter, 2009). The five forces model of Industry competition proposed by Michael Porter are:

2.1.1 Rivalry Among Existing Companies

A prime source of competition in any industry is among the existing incumbents. This rivalry is likely to be most intense where the competitors in the industry are roughly evenly balanced in terms of size and/or market share. The rivalry among exiting companies also exist during periods of low market growth and intensifies where product differentiation is low. The competitors of this industry are all other Parking

Service Provider companies in Jakarta. Based on SP2D (system pemungutan pajak daerah) database 2012, number of service provider companies in Jakarta that are registered is about 11 service provider companies. There are:

1. PT. Cipta Prima Parkirindo
2. PT. Anugrah Mandiri Karya Bersama
3. PT. Karya Primapark Semesta
4. PT. Centrepark Citra Corpora
5. PT. Dinamika Mitra Pratama
6. PT. Jakarta Land
7. PT. Anugerah Bina Karya
8. PT. Adiwira Sempurna
9. PT. Sun Parking Service International
10. PT. Yudhistira Swastika Jaya
11. PT. Securindo Packatama Indonesia

There are also 13 companies that are unregistered yet in SP2D database 2012, such as:

1. PT. Jakarta Surya Parkir
2. PT. Karya Usaha Pratama
3. PT. King Indonesia Mulia
4. PT. Maestro Technology Pratama
5. PT. Smart Solution Indonesia

6. PT. Trutama Star
7. PT. Panca Artha Abadi
8. PT. Palang Parkir Indonesia
9. PT. Ratana Permata Mulia (smart parking)
10. PT. VIP Parking
11. PT. Karunia Parking Anta Surya
12. PT. Nusapala Parking
13. PT. Aksesindo Prima Lestari

In total, there is about 26 parking provider companies that existed in Jakarta that can be considered as the competitors in this industry. To analyze the competition situation, because the efficiency and technology will be the key differentiation the observations will be focused on the existing parking system that currently used at malls in Jakarta:

a) Parking man/security

Parking man or security that monitors the parking area is one of the existing parking methods that support the parking system. The parking man is usually trying to help the visitor to find out the empty parking space. The bad thing about parking man is sometimes they are doing the parking assistance for tips.

b) Parking Sensor Light



Picture 2.1 Parking Sensor Light

This parking equipment helps the user to recognize the empty parking spaces. There were rows and rows of lights mounted to the ceiling. The lights had a sensor pointing left and right and were placed facing all parking spots. If both the parking spaces were occupied then the light would turn from green to red.

c) Parking space availability board system



Picture 2.2 Parking Space Availability Board System

This system is the most common system used at malls in Jakarta. This board shows how many spaces available in the building. This system is not really helping in finding out the parking spaces as sometimes the number that is showed on the board does not match to the parking space available in the building

2.1.2 The Threat of Market Entry

The main threat of entry for Parking Industry are the investment and system education for customers to build the awareness also the efforts needed in order to prove the benefits of this new parking system.

2.1.3 The Threat of Substitutes

New entrant may use existing technology of the industry that is changing rapidly and intensify the competition. Indeed, technological substitution may come

from new entrants or from existing firms doing things in new ways.

This new parking system can be substituted with the other parking systems that existed. In comparison to the existing parking system, this new system gives extra benefits for the users. This new parking system enables users to get their parking spot at the time they are taking the parking ticket. Time efficiency would be achieved as the location of parking is selected automatically by the system.

The threat of substitutes on this new system is high as this parking service is easy to be substituted as long as the space of the parking is available.

2.1.4 Bargaining Power of Suppliers

The balance of power between the members of an industry, its suppliers and its customers can significantly affect the level of competitiveness experienced by all. Where suppliers and customers have greater power than the members of the industry competition within the industry for scarce suppliers or scarce customers tends to be more intense. Suppliers tend to have more bargaining power when they are more concentrated than buyers, cost of switching suppliers are high, and suppliers' offerings are highly differentiated.

The bargaining power of suppliers will be based heavily on the IT (information technology) consultant and also all the hardware suppliers.

Even though the number of parking equipment suppliers in Indonesia is high, it does not mean that we can choose the suppliers easily because we need to adjust

this new system with the most suitable parking equipment. For supplier, this new system will use SAP automatic parking equipment supplier as the main supplier.

2.1.5 Bargaining Power of Buyers

The main customers of this business are new building managements that are looking for parking service provider and also all the shopping centers in Jakarta that are ready to have a better parking system. Based on APPBI DPD DKI Jakarta Database 2012, there are about 75 registered shopping centers in DKI Jakarta. The bargaining power of the customer is high because there are many parking provider who offering attractive business relationship in this high technology era.

2.2 BUSINESS MODEL CANVAS: OVERVIEW AND PROPOSED

This section will describe briefly the theory of the business model and also the proposed of full-blown business model, the whole vision of business model and justification of each block.

2.2.1 Business Model Concept

A Business Model describes the rationale of how an organization creates, delivers, and captures value. Growing organization need a business model concept so every stakeholder could understand while facilitating description and discussion in

relevant and intuitively understandable ways (Pigneur, Osterwaler, and Smith, 2012)

One of the surefire ways in describing business model is making a business model canvas. According to pigneur, Osterwaler, and Smith (2012) the business model canvas is a shared language for describing, visualizing, assessing, and changing business model. There are nine building blocks to builds business model canvas which are:

1. Customer Segment

Customer segment consist of different groups of people or organizations an enterprise serve and reach. One business model may define one or few segments that can be classified by their needs require and justify a distinct offer, different distribution channels, different type of relationships, different profitability, and their willingness to pay.

2. Value Preposition

Value preposition underlie the bundle of products and services that creating value for specific segment. Value preposition could be the newness of product, the performance capability, the excellent customization, product design, product bundling, cost reduction, product price, and the convenience for the users.

3. Channels

Channel act as communication vehicle which delivering value preposition. It is also a touch point for the customer experience. Channels consist of direct and indirect ways. Direct channel impose the higher margin under the performance

of sales forces, web sales/e-commerce, and own stores. Indirect channels rely on its partner strength such as partner stores (e.g. franchise) and wholesaler. Channel management includes raising awareness, helping evaluation, enabling purchase, delivering value, and providing after sales-service.

4. Customer relationships

Customer relationships driven by customer acquisition, customer retention, and boosting sales (up selling). The forms of customer relationships is personal assistance (e.g. salesperson), dedicated personal assistance (e.g. key account manager), self-service (e.g. copy machines), automated services (e.g. e-banking), communities (e.g. facebook), and co-creation (e.g. taobao/youtube)

5. Revenue Streams

Revenue streams are the cash generated from its segments. It also divided by one time revenue, on going revenue from value delivered or after-sales services. Revenue streams take a form of asset sale, usage fee, subscription fee, lending/renting/leasing, licensing, brokerage fees, and advertising fees. Revenue streams also produced by volume pricing and yield management.

6. Key Resources

Key resources act as a assets to make a business model works. Key resources can take a form of physical (such as building, vehicles, merchandise, POS, DC, etc), intellectual (brands, proprietary, knowledge, patents, copyrights, partnership, customer profile, etc), financial (cash, credit, stock options) and human. Key resources could be owned or leased; it is a form of acquisition from key partners

7. Key activities

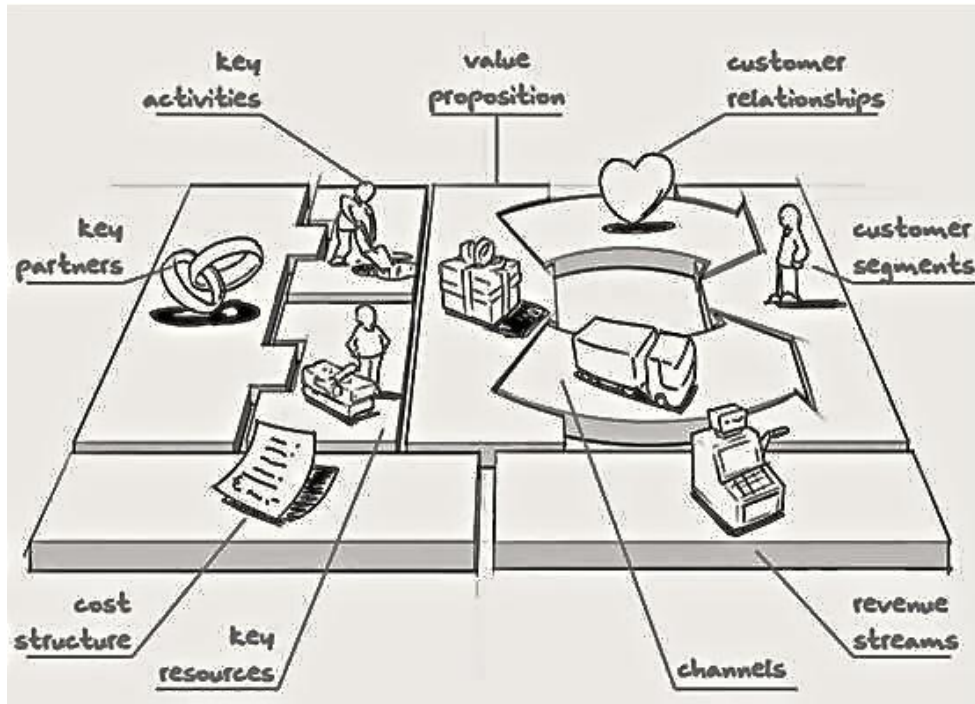
Key activities that company has to do are production, buy and sell, problem solving, platform, and network. This varies also depends with the business models.

8. Key Partnerships

Key partnerships are network of suppliers and partners that making the business model work while reducing risk in acquiring resources. The types of key partnerships are strategic alliance (e.g. Facebook+skype), corporation (e.g. Blu-ray technology), joint venture (CDS +85C), buyer- supplier (e.g Wal-Mart and Coke)

9. Cost Structure

There will be cost incurred to operate business model that calculate after defining “key resources”. “key activities” & “key partnership”. Cost Structure can be a cost driven (e.g. No frills airlines Oasis HK airlines), value driven (e.g. Trinity, LV, Gucci). It also can take a form of economies of scale (e.g. Foxconn) or economics of scope (e.g. Bill payment of CKHK or PSD of CRA)



Picture 2.3. Nine Buildings Blocks of Business Model

Source: Osterwalder, Alexander., Yves pigneur (2012) Business Model

Generation. Jakarta: PT Elex Media Komputindo.

2.2.2. Proposed Business Model Canvas

Table 2.1 Proposed Business Model Canvas

No	Blocks	New Parking System
1	Customer Segment	- Shopping Center/mall Building Management
2	Value Proposition	- For Shopping center/mall building management: + a parking which looks aesthetically and neat

		<ul style="list-style-type: none"> + Increase the satisfaction of tenants and visitor through better parking system + Held the promotion of shopping center through media give financial benefit - Added value for visitor: <ul style="list-style-type: none"> + Technology newness + Accessibility + Convenience
3	Channels	<ul style="list-style-type: none"> - Sales representative - Website - Office (headquarter)
4	Customer Relationships	<ul style="list-style-type: none"> - Order management specialist
5	Revenue Streams	<ul style="list-style-type: none"> - Sales: <ul style="list-style-type: none"> + Guaranteed income + Profit Sharing - License
6	Key Resources	<ul style="list-style-type: none"> - Intellectual property - Human Resources - Capital
7	Key Activities	<ul style="list-style-type: none"> - Personal selling - Survey and propose - Negotiation and commitment - Installation - Trial and implementation

		- Maintenance, supervision, and audit
8	Key Partnership	- Parking Equipment Supplier - Shopping center / mall building management
9	Cost Structure	- Fixed Cost: + Salaries + Rent office + Water and electricity + Telephone bill + Internet bill + Transportation - Variable cost: + Website + Proposal

The short explanation of nine building blocks canvas for briefly describing, visualizing, assessing the business model are:

1. Customer Segments

Super Parking Indonesia is directly segmented to building management who can decide for using this system in their building, and they can get more benefit , not only performance but financially also. Indirectly segmented to tenants and shopping visitor because they will get the advantages from using this new system. This new system allows tenants to get more income from the shopping center visitor who will feel more convenience and efficiency as they are

entering the parking area.

2. Value Propositions

The values that Super Parking Indonesia offers for Building Management are neat parking area, increase the satisfaction of and visitor through the better parking system, help the promotion of the shopping center through media. In addition to building management, Super Parking Indonesia offers for shopping center visitor are technological newness, accessibility, and convenience. This new parking assistance service system is using the new system and technology in order to improve service performance from the traditional way of parking to the new system that allow the user to have an easier way of parking process. Such as to find the available parking area for their car and also gives the more convenience feeling that might reduce the level of stress in finding the parking space when they are visiting malls and the tenants will get more visitor and income.

3. Channels

This new parking service system will be introduced and promoted through our sales representative who offers our business to the shopping center/mall building managements. Also official website and office (headquarter) are other medium of our channel which is explaining the usefulness, value, and other aspects that showing all the reasons why the parking service provider should implement this new parking system.

4. Customer Relationships

Customer relationship is important for most business models. However, the order management specialist will assist the parking service system. The sales representative would help the users during sales process. They will approach the users at their company and give the new solutions for the parking service system, and during the waiting time, they would follow up and explain the new system clearly and how to implement at their buildings until the users decided to purchase the new system. After the purchase process, the order management specialist will give training how to use the system and assist the users when the system running and after the users already proficient to use the system, the order management specialist will always maintain the system and will help if they have any problems with the system. The customer relationship is including the maintenance as mention before, and warranty in order to convince the customers in choosing this new parking system.

5. Revenue Streams

Revenue streams for parking service system come mainly from the sales of the parking service assistance: variance income from guaranteed income and selling the continuous access to use/implement this parking service system. Additional revenue comes from patent holders grant other companies the right to use a patented technology in return for a license fee.

6. Key Resources

Key resources of parking service system businesses are technology as intellectual resources, capital as financial resources, human resources as order management specialist (personal assistance) and IT support system. As order management specialist, human resources needed to help users to implement the system and as IT support system, human resources needed for developing the system. For this type of business needs to be known to the public as qualify parking service system provider.

7. Key Activities

Key activities of parking service system are system development, system maintenance, sales and marketing activities. As a parking service system provider, we must always develop our system to be the best system in the parking sector, and always maintaining system which are use by users (Parking provider, mall, etc), and give training to the users (employees from parking service provider), also do the marketing activities to grab the new customer.

8. Key Partnerships

Parking Equipment Suppliers, shopping center/mall building management are the most important partners for the parking service system business. The parking equipment supplier needed to provide hardware for running the system, and the building developers as the clients who purchase the system.

9. Cost Structure

The cost structure is value driven, fixed cost and variable cost.

2.3 THE DECISION-MAKING HIERARCHY

According Ebert and Griffin (2011) when establishing decision-making hierarchy organization should consider the distributing authority, which is, consist of a centralization and decentralization. In a centralized organization, upper-level managers hold most decision-making authority. Centralized authority is most commonly found in companies that face relatively stable and predictable environments and is also a typical of small business. Centralized organizations typically require multiple layers of management thus become tall organizational structures and tend to be narrow span of control.

In Decentralized organizations, decision making authority is delegated to levels of management at various points below the top. Decentralized is typical in firms that have dynamic environmental conditions it makes a company more responsible by allowing managers more discretion to make quick decisions in their area of responsibility. (Ebert and Griffin, 2011)

Schermerhorn (2005) discovered that decisions have traditionally resulted in three major types of organizational structures, which is the functional, divisional, and matrix structures. A functional structure groups together people with similar skills who perform similar tasks whereas Divisional structure groups together people working on the same product, in the same area, with similar customers, or on the

same process. There are different types of Divisional structure that are:

1. Product structure, which is that group together people and jobs working on a single product or service.
2. Geographical structure, which is group together people and jobs performed in the same location
3. Customer structure, which is groups together people and jobs that serve the same customers or clients
4. Process structure, which is groups jobs and activities that are part of the same process

Matrix Structures is the authority structure that combines functional and divisional approaches to emphasize project or program teams. The matrix organization has gained a strong foothold in the workplace, with applications in such diverse settings as manufacturing, service industries, professional fields, and the non-profit sectors.

2.4 THE OPERATION MANAGEMENT

According to James (2011) Operation management is about the management of the processes that produce or deliver goods and services. The role of operation management is to manage the transformation of an organization's inputs into finished goods and services using processes. Transforming organization inputs are

transforming facilities such as building, equipment, and process technology. Transforming resources also mean transforming staff, all the people involved in the operations process. There are several steps in operations strategy that provide a long-range guidance for in transforming organization inputs to its client as in the Quick response manufacturing service:

1. Survey and propose

A survey conducted is a proposed for a new product. The purpose of the survey is to get detail on ideal product or service characteristics and purchase likelihood.

2. Negotiation & Agreement

The most common form of negotiating depends on successive taking and giving up of positions (imagine two people haggling over the price of an item). Although positional bargaining can be successful, it is not necessarily efficient and may not result in a peaceable solution. Negotiation goal is to confer with another person or organization so as to arrive at an agreement of project operation; also to arrange for or bring about such conferences.

3. Installation

There number of installation strategies that could apply to maximize the operation performance. The needs organization users and the application operation plans are deploying affect the installation configuration its choose. After understanding the architecture of client specification and the strategies discussed, operation strategy focused on specific installation strategy.

4. Trial and Implementation

Conducting trial and strategy implementation is the translation of chosen operation strategy into organizational action so as to achieve strategic goals and objectives. Strategy implementation is also defined as the manner in which an organization should develop, utilize, and amalgamate organizational structure, control systems, and culture to follow strategies that lead to competitive advantage and a better performance.

5. Maintenance and supervision

The last phases operation strategy is understanding several key skills to maintain and supervise the operation performance effectively, including skills regarding of coaching, giving feedback, and conducting performance review meetings to the employee.

2.5 MARKETING MIX AND MARKETING COMMUNICATION MIX

According to Kotler and Keller (2012) marketing planning begins with formulating an offering to meet customers' need and wants. The customer will judge the offering by four basic elements: product quality with its services, price, its place to reach the product, and the promotional arrangement. Several Strategies will be developed as marketing mix characteristics that are:

1. Setting product strategy

Many product could be differentiation in the form (size, shape, physical structure, etc), offered with varying features that supplement their basic function, customizing them that meet customers' requirements, and adopt value model also provide higher quality for less money. The last buyers have to expect a high conformance quality that is the degree to which all produced units are identical and meet promised specification.

2. Developing pricing strategy

Pricing decision are clearly complex and difficult, and many marketers neglect their pricing strategies. Holistic marketers must take into account many factors in making pricing decisions, which is company, the customers, the competition, and the marketing environment. Pricing decisions must be consistent with the firm's marketing strategy and its target markets and brand positioning.

3. Managing Integrated Marketing Channel

Companies today must build and manage a continuously evolving and increasingly complex channel system and value network through marketing channel system. In marketing channel system, the firm must decide how much effort to devote to push verses pull marketing. A push strategy uses the manufacturer's sales force, trade promotion money or other means to induce intermediaries to carry, promote, and sell the product to end user, whereas the pull strategy is manufacture uses advertising, promotion, and other forms of communication to persuade customers to demand the product form intermediaries, thus inducing the intermediaries to order it.

4. Proposed promotional tools

Excellent product with a competitive price must go through channel which the communications are carried. According to Egan (2007) there are a tools used in marketing communications that referred to as the promotional mix, which is consist of:

1. Advertising

A non-personal form of mass communication with a high degree of control over design and placement but potentially a low degree of persuasion and credibility.

2. Sales Promotion

The use of incentives to generate a specific (usually short-term) response. Capable of targeting and with a high degree of control over design and placement. Generally regarded as having low credibility although cause related promotions might have a very positive effect.

3. Personal selling

Inter-personal tools where individuals, often representing an organization, interact in order to inform, persuade, or remind an individual or group to take appropriate action, as required by the sponsors.

4. Public Relations

The art and social science of analyzing trends, predicting their consequences, counseling organizations' leadership and implementing planned programmers of action which will serve both the organization's and the public's interest

5. Direct marketing

Seeks to target individual customers with the intention of delivering personalized messages and building a relationship with them based on their responses to direct communication

2.6 HUMAN RESOURCE PLANNING PROCESS

According to Ebert and Griffin (2011) Human resource planning involves job analysis and forecasting the demand for, and supply of, and labor management. The first path of Human resource planning is conducting job analysis. Job analysis is a systematic analysis of jobs within an organization. A job analysis is a systematic analysis of jobs within an organization. A job analysis results in two things. The first thing to do is jobs description which is listing the duties and responsible of a job; its working conditions; and the tools, material, equipment, and information used to perform it. The second thing is jobs specification, which is listing the skills, abilities, and other credentials and qualifications needed to perform the job effectively.

After comprehend the jobs performed within an organization, the next planning is furcating HR demand and Supply. Noe et al (2006) discovered that demand forecast developed around specific job categories or skill areas relevant to the organization's current and future state. Once jobs categories and skills are identified, the planner need to seek information that will help predict whether the need for people with those skill will increase or decrease in future. Once the company has projected labor demand, it needs to get indicator of firm labor supply.

The next step planning is determining firm vision, generating its mission to accomplish dedicated vision, and setting organization goals and target. Aguinis (2009) stated that once the goals and target is set, reward system of the employee must be implementing reward system to reward employee for the positions they fill as indicated by their jobs descriptions and by how they do their work. Reward must be effectively used so that they produce the effect intended and tools to motivate employees.

The final step in the planning process is to evaluate the results. This path is the most obvious evaluation involves checking whether the company successfully avoided any potential labor shortages or surpluses. Although this bottom line evaluation is critical, it is also important to go beyond it to see which specific parts of the planning process contributed to success or failure. (Noe et al, 2006)

2.7 CASH BUDGET, INCOME BUDGET, AND BALANCE SHEET THEORIES

Rudianto (2009) said that cash budget is a prediction of the flow of money planned turnover company within a certain period , along with an explanation of the sources of cash receipts and disbursement. Cash flow is divided into 3 groups such as:

1. Operating Activities is a various activities which is related in producing a company's product and selling the company's product such as selling company's product, receivables, other income, material purchased, payment

of labor cost, payment of overhead cost, payment of marketing expense, payment of general and administration expense.

2. Investing Activities is various activities which is related with purchasing and selling the company's assets such as property, land, building, equipment, bonds etc.
3. Financing Activities is a various activities which is related to support the company's operation by providing funds from any other sources and risks such as bonds issuance, share issuance, dividend payment, etc.

Another staple point in financing new business activities is to generate income budget. Rudianto (2009) discovered that income budget is amounts of profit to be obtains through the company's operational activities include the production and sales activities within in a given period. Ebbert and Griffin (2011) discovered that Income statement divided into four major categories which are:

1. Revenues which is Funds that flow into a business from the sale of goods or services.
2. Cost of revenue, cost that company incurs to obtain revenues from other companies.
3. Operating expenses, cost incurs other that cost revenue, happened in producing a good or services.
4. Net Income (Net Profit, Net Earnings) is gross profit minus operating expenses and income taxes.

The last path of new business financing activities is to determine budgeted

balance sheet. Rudianto (2009) stated that balance sheet Performa is a prediction of the number and wealth of details that will be owned by the company and all of its obligations both to creditors and shareholders in a certain period in the future. The Formula which is $Assets = Equity + Liability$ consist of following elements:

1. An asset is divided into current assets and non current assets, long term investment, intangible assets, and others assets.
2. Liability is divided into current liability and non current liability, long term debt, and unearned revenue.
3. Equity is divided into owners' equity such as dividend, share premium, etc.

2.8 VALUE PREPOSITION AND IDEA GENERATION

According to Harvard Business Essentials in Managing Creativity and Innovation (2003) one of the problems that innovator face in determining market needs is that target customers cannot always recognize or articulate their future needs. Because most are unaware of technical possibilities, they tend to identify their needs in term of current products and services with which they are already familiar.

To generate Innovation that go beyond improvements to the familiar, organization must identify needs and solve problems that customers may not yet recognize. (Harvard Business Essentials, 2003). Empathetic design is a technique for interpreting customer's veiled needs, an idea-generating technique with five- step process including:

1. Observe

Company representation observes people using product in their homes and workplace. The key questions in this step are: who should be observed, and who should do the observing?

2. Capture data

Observers should capture data on what people are doing, why they doing it, and the problems they encounter. Because data are frequently visual and no quantifiable, use photograph, videos, and drawings to capture the data.

3. Reflect and analyze

In this step, observers return from the field and share their experiences with colleagues. Reflection and analysis may result in returning people to the field for more observations.

4. Brainstorms

This step is used to transform observations into graphic representation of possible solutions.

5. Develop and prototype

Prototypes clarify new concepts, allow others to interact with them, and can be used to stimulate the reactions of potential customers. Are potential customers attracted by the prototypes? What alterations do they suggest?

As the organization can well imagine, empathetic design is critically important when they are developing product that create a value. Value is the ratio between benefits and costs. In accordance with the ontology of marketing, value

creation process involves an exchange between the corporation and the market.

According to Daniels, Radenbough, and Sullivan (2009), the importance of making a company's value creation is to develop a suitable proposition to target consumers based on each country or globally, create the fulfillment, and sell products / services that exceed customer expectations.

Porter (1980) says that a company can create value proposition by making products / services at a lower cost than other corporation in an industry or create a product / service that is worth more that consumers are willing to pay in a higher price. Both of these strategies is useful in turn makes the corporation a competitive advantage (Hooley, Piercy, Nicolaud, 2008). A corporation that choosing a strategy to make the product / service at a lower cost compared to other companies (low-cost leadership) struggling for products / services with cost efficient as possible at the level of a certain quality. This strategy encourages corporations to sell their goods at the average price in the industry to get a bigger profit, or sell the goods at a price below the market price of the industry to gain a bigger market share.

The second strategy is to create a product / service that is worth more that consumers are willing to pay a higher price (differentiation). Differentiation can be achieved with such a diverse base, through the design, style, features of the product or service, and image. Characteristics of product differentiation among competitors is worth (valuable), rare, it is difficult for competitors imitated (inimitability), cannot be replaced (non-substitute ability). The main advantage of this strategy rather than cost leadership strategy is to create or emphasize a reason why consumers should buy from a corporation than its competitors. (Hooley, Piercy, Nicolaud, 2008).