

Original Paper

Digital Agency Start-up Strategy in Indonesia

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Received: April 1, 2018

Accepted: April 9, 2018

Online Published: April 23, 2018

doi:10.22158/jbtp.v6n2p146

URL: <http://dx.doi.org/10.22158/jbtp.v6n2p146>

Abstract

This study aims to find an alternative strategy based on important factors to market and analyze strategy for digital agency company. Based on IE matrix result, the agency is placed on quadrant I as growing and developing strategy. SWOT analysis that on quadrant IV, the agency using defensive strategy to control internal performance. The agency is expected to use competitive strategy because of SPACE results marked a line on competitive quadrant. There is a high value on TAS based on QSPM assessment. The agency suggested using market penetration strategy to maintain and increase market share, competitive price, advertising, and promotion.

Keywords

IE Matrix, SWOT, SPACE, QSPM

1. Introduction

The development of technology in the world has been growing rapidly. Technological blessings including the informational advancements through online tele-communication connect each other without limitations. These limitless advancements make the people dependent by fulfilling their needs and wants in the future. According to Indonesia beats Japan in the 5th rank (<https://www.internetworldstats.com/top20.htm>), the following graph gives us the information of Internet users in the world:

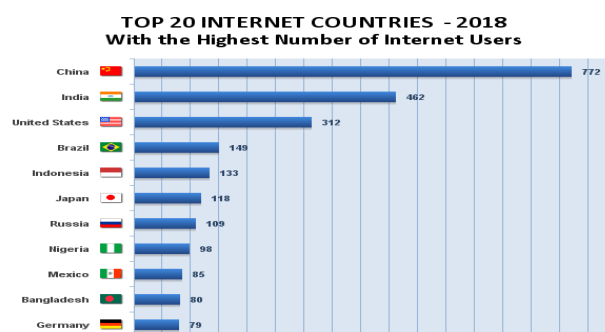


Figure 1. Top 20 Internet Users in the World

Figure below shows that 133 million Indonesian people use Internet. According to <https://www.statista.com/outlook/216/120/digital-advertising/indonesia#market-revenue>, developing country like Indonesia still growing with a large number of Internet users and can reach double digits every year.

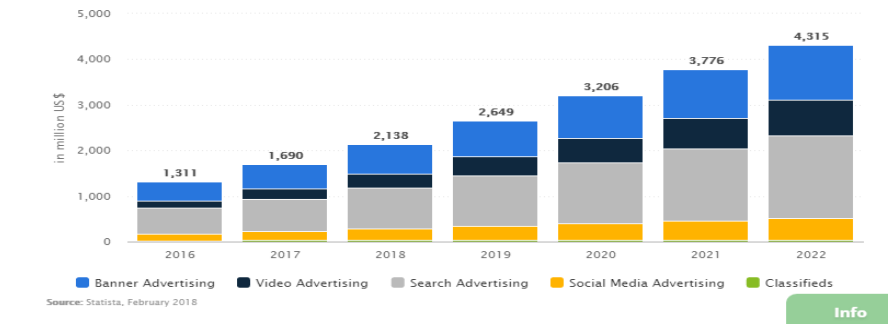


Figure 2. Digital Advertising Market Establishment in Indonesia

Internet growth offers businesses to the digital world with new interactions, a new market place with digital companies using advertising services, business by utilizing Internet media advertises their businesses. Nugraha and Wahyuhastuti (2017) research study technological developments relentlessly have a positive impact made new opportunities for business (Blank, 2014). One of the business opportunities in technology is the start-up company that appears especially in the digital world agency. According Jamaludin (2016), Indonesia has a National Movement 1000 Start-up Digital which is a movement that bring into the world a pioneering company based on quality digital technology and provide a positive impact by solving the major problems. It can not be denied that start-up development start-up in Indonesia continues increasing year to year. In the first quarter of 2015, one of the most highlighted countries in the first quarter was Indonesia (Noviandari, 2015). Jaya, Ferdiana, and Fauziati (2017) said that many successful digital start-up companies can survive in Indonesia, with competitive strategy influenced by timing, team, idea, funding and business model can be fossilized in the competition. Based on the above background, this study analyzes that the competitive strategy of digital start-up companies are credible in the eyes of the public and in the eyes of business partners. These research objectives, analyzing Internal and External (IE) factors, analyzing the company's strategy using SWOT matrix, SPACE matrix, and QSPM matrix.

2. Material and Methods

In this research, the researchers use qualitative research methodology. Qualitative data is the data that is not in the form of numbers, but described in the sentence form. Sources in this study is data obtained from the informant who is influential in the process of data acquisition. Moleong (2007) says qualitative research is intended to understand the phenomenon of what the subject of research is experiencing holistically and by the way of description in the form of words and language, in a special context that is natural by utilizing various scientific methods. Qualitative form of data have generated from interviews, documents and group discussions (David, 2011). Data analysis techniques used in this study are external environment analysis with External Factor Evaluation (EFE) matrix and internal environment analysis with Internal Factor Evaluation matrix (IFE) and business-level analysis strategy used are SWOT Matrix, IE Matrix, and SPACE Matrix. Next, determining strategy is that the company intends to run by using the QSPM matrix. This matrix technique objectively demonstrates the best strategies, and the tools that enable strategists to evaluate alternative strategies based on previously identified key external and internal factors of success.

3. Research and Discussion

An internal environmental analysis is conducted to identify internal strategic factors (strength and weakness) that are used to gain the profit. IFE (Internal Factor Evaluation) matrix to determine whether agencies have a good strategy in managing their internal conditions to overcome weaknesses. Results of Internal Factor Analysis (IFE Matrix): Strength: 1) Funding and capital strength; (rating) 4, (weight) 0.14, (score) 0.56; 2) Innovative management, creative and competent employees; 4, 0.15, 0.6; 3) Newly services agency; 4, 0.14, 0.56; 4) Wide networking; 3, 0.13, 0.39; 5) Low price positioning; 3, 0.09, 0.27. Weakness: 1) Not well known agencies; 4, 0.07, 0.28; 2) Poor location; 3, 0.07, 0.21; 3) Unclear workflow; 3, 0.05, 0.15. 4. Lack of promotion; 4, 0.11, 0.44. 5. Lack of product development; 3, 0.05, 0.15. Total weight 1.00; total score 3.61. Employee determine the weight and rating. There are 4 ratings for the variables be added and the results are divided into 4. The results are included in the assessment. External environment analysis is used to develop opportunity factor that can bring benefits to business as well as to know the threat factors that must be faced. First, the collected basic information need to formulate the external aspect to be studied. These information obtained from corporate environment that can affect the success of the company. In the external aspect, the success of the company includes opportunities and threats. Interview results using a questionnaire obtained key external success factors: Results of External Factor Analysis (EFE Matrix). Opportunity: 1) Digital market growth; (rating) 3, (weight) 0.15, (score) 0.45; 2) Expected product offered; 3, 0.090, 0.27; 3) Rapid technology development; 3, 0.095, 0.285; 4) Industrial needed in digital world; 3, 0.10, 0.3; 5) Dependency on Internet; 2, 0.085, 0.17. Threat: 1) Digital start-up agency increasing in number; 4, 0.095, 0.38; 2) Dynamic government regulations; 3, 0.085, 0.255; 3) Price competition; 4, 0.095, 0.38; 4) Lack of trust of Digital start-up agency; 4, 0.12, 0.48; 5) Slower internet connection risk; 3, 0.085, 0.255. Total weight 1; total score 3.225.

Weighting done based on the indicator each person can choose his judgment. Then the number is divided into 4 and the results have included for weighting variables. The sumweights must be 1.0 otherwise it can be adjusted to 1.0. Adjustments are based on management decision. Rating determined by indicator assessment all variables divided by 4. Rating result has rounded up or down. Weighting and rating result will be multiplied and filled in weight score column that determine Opportunities, Threats, Strengths and Weaknesses of the agency. The total weight score identified with the IFE and EFE Matrices. The maximum is 4 with an average of 2.5. The total value of 4 is the value indicates that Agencies have been able to effectively utilize the emerging forces and minimize the weaknesses that exist and externally identifying firms will respond in a remarkable way to the existing opportunities and avoid threats in their industrial markets. Furthermore, the next stage is the strategy formulation, after known how the results of analysis of external and internal conditions of Agencies as well as competitive conditions.

Figure 3 shows SWOT: Internal factors: Strength: 1) Funding and capital strength; (rating) 4, (weight) 0.14, (score) 0.56; 2) Innovative management, creative and competent employees; 4, 0.15, 0.6; 3) Newly services agency; 4, 0.14, 0.56; 4) Wide networking; 3, 0.13, 0.39; 5) Low price positioning; 3, 0.09, 0.27. Total 2.38. Weakness: 1) Not well known agencies; 4, 0.07, 0.28; 2) Poor location; 3, 0.07, 0.21; 3) Unclear workflow; 3, 0.05, 0.15; 4) Lack of promotion; 4, 0.11, 0.44; 5) Lack of product development; 3, 0.05, 0.15. Total 1.23. X axis; 1.15.

External factors: Opportunity: 1) Digital market growth; (rating) 3, (weight) 0.15, (score) 0.45; 2) Expected product offered; 3, 0.090, 0.27; 3) Rapid technology development; 3, 0.095, 0.285; 4) Industrial needed in digital world; 3, 0.10, 0.3; 5) Community dependency on internet; 2, 0.085, 0.17.

Total 1.475. Threat: 1) Digital start-up agency increasing in number; 4, 0.095, 0.38; 2) Dynamic government regulations; 3, 0.085, 0.255; 3) Price competition; 4, 0.095, 0.38; 4) Digital start-up agency lack of trust; 4, 0.12, 0.48; 5) Slower internet connection risk; 3, 0.085, 0.255, Total 1.75. Y axis: 0.275.

For the matching stage SWOT (Strengths, Weakness, Opportunities and Threats), IE (Internal-External), Matrix and SPACE (Strategic Position and Action Evaluation), Matrix used to determine what strategy is appropriate to current condition. With this analysis that is known from Agencies, which will be used as a basis for formulating alternative corporate strategies, determine the position. Agencies in the SWOT analysis are performed by reducing the weight score: Strengths (S) with Weakness (W) from Agencies in the x-axis of the IFE matrix, as well as the reduction of the Opportunities (O) value score with Threat (T) from Agencies from the EFE matrix. Based on the IFE matrix score, the total weight-strength score: 2.38 minus total score of weakness weights: 1.23, so the value of x: 1.15. Total score of opportunity weight: 1,475 minus total threat score: 1.75, so y value: -0,275. Based on the above calculation can be described the position of Agencies in the SWOT analysis are: $(x, y) = (1.15, -0.275)$, entered into the category of Consciousness II (positive and negative), Position in this quadrant describes the situation that the company faces a threat, which is reliable. In Quadrant II it is expected that the agencies have difficulties to continue spinning if only follow the previous strategy, therefore the Agencies are advised to immediately expand their tactical strategy, hence the recommendation of suitable strategy is that diversification strategy or innovation strategy.

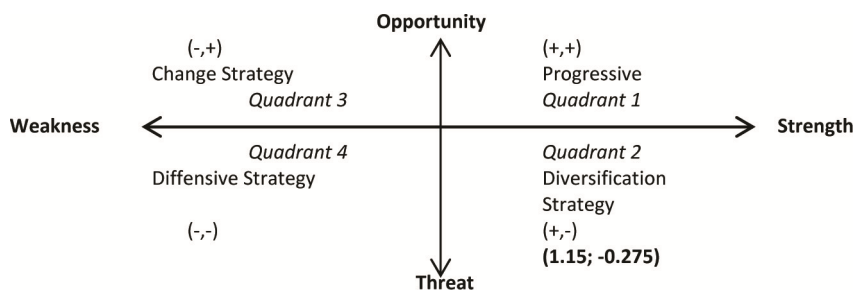


Figure 3. SWOT Quadrant Image

Figure 4 shows External Internal Matrix (IE) is based on two key dimensions: total value on IFE on X axis and total nilai on EFE on Y axis. IE matrix can be divided into three major sections that have different strategy implications: IFE weight score a total of 1.0 to 1.99 indicates a weak internal position; a score of 2.0 to 2.99 indicates a moderate internal position; and a score of 3.0 to 4.0 indicates a strong internal position. Similarly, the EFE weight score on the Y axis is: Cell I, II, IV are included in the growth and development strategy (integration, market concentration, market development, product development), Cell III, V, VII are included in market penetration and product development strategy, Cell VI, VIII, IX included in harvesting or in divesting.

		Total Weighted Average IFE				
		Strong	Average	Weak		
		3,0 – 4,0	2,0 – 2,99	1,0 – 1,9		
Total Weighted Average EFE	High 3,0 – 4,0	I ★	II	III	Middle	
	Average 2,0 – 2,99	IV	V	VI		
	Low 1,0 – 1,99	VII	VIII	IX		

Figure 4. Internal-External Matrix

Based on the results of IFE and EFE data processing it can be seen with Score EFE 3.225 and IFE 3.61 can be concluded the results of IE matrix is number I which includes growth and building strategy (integration, market penetration, market development, product development).

Figure 5 shows SPACE Matrices:

Internal Strategy: 1) Financial Strength (FS); lots of funds (rating; 3), internal liquidity (2), total FS: 5; 2) Competitive Advantage (CA): broad client base (-3), Producing compatible product to all kind industries (-3), Increase service quality (-3), Customer loyalty (-3). Total CA: 5. total IS: -12. FS: 5/2= 2.5, CA: -12/4 = -3.

External Strategy: 1) Enviromental Stability (ES): Fast technology development (-4), Digital agency competition (-4), Internet failure risk (-2), Price competition (-2). Total ES: -12;

Industry Strength (IS): 1) Good potential market (4); 2) Optimalize human resources (3); 3) High productivity level (3). Total ES: 10. ES: -12/4 = -3, IS: 10/3 = 3.3. Each of these values FS/IS and ES/CA will be processed to determine the vector X and vector Y. These vectors, which will show the average rating of the coordinates of the strategic position Agencies. If the calculation of the average rating of each vector is X and Y the resulting number for Vector X will be 0.8 and Vector Y will be -0.5. From this it can be seen that the coordinates of Agencies are X, Y (0.8 and -0.5).

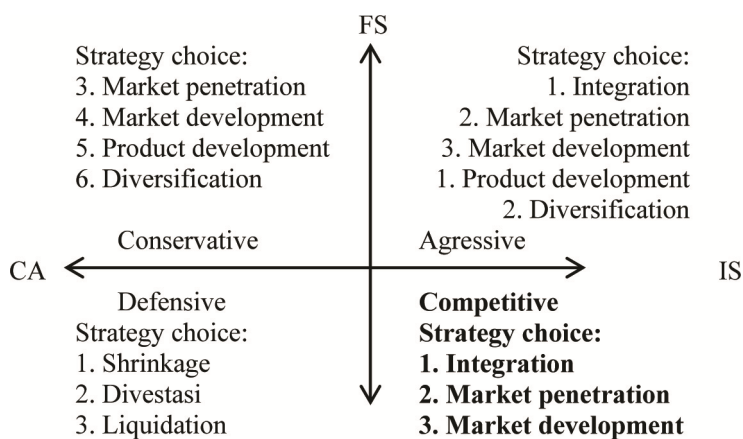


Figure 5. SPACE Quadrant Image

This shows that Agencies are in a competitive position, which has the power to face the competition of digital companies. In its competitive position the strategy is to exploit opportunities and avoid threats. A proposed suitable strategy to Agencies in the competitive quadrant is market penetration and product development because these two strategies are most appropriate used in a digital start-up agency company.

3.1 Decision Stage

For the priority, determination of the proposed strategy is determined by a tool called QSPM (Quantitative Strategic Planning Matrix). By determining the weight based on those defined in the IFE and EFE Matrices. Next assessment is done to determine the AS (Attractive Score) proposed strategy with several internal and external variables. The scoring method is chosen from a scale of 1 (not very interested), 2 (quite interested), 3 (interested), and 4 (very interested).

The results of each AS will be multiplied by the wight that results in a TAS (Total Attractive Score).

Table 1. Results SWOT Analysis

Critical Success Factor	Weight	Strategy 1		Strategy 2	
		Market penetration		Product development	
		AS	TAS	AS	TAS
Strength					
1. Funding and capital strength	0.14	4	0.56	4	0.56
2. Innovative management, creative and competent employees	0.15	4	0.6	3	0.45
3. Newly services agency	0.14	4	0.56	4	0.56
4. Wide networking	0.13	3	0.39	3	0.39
5. Low price positioning	0.09	4	0.36	3	0.27
Weakness					
1. Unknown agencies	0.07	3	0.21	3	0.21
2. Poor location	0.07	2	0.14	2	0.14
3. Unclear workflow	0.05	2	0.1	3	0.15
4. Lack of promotion	0.11	3	0.33	3	0.33
5. Lack of product development	0.05	3	0.15	3	0.15
Opportunity					
1. Digital market growth	0.15	4	0.6	4	0.6
2. Expected product offered	0.09	4	0.36	3	0.27
3. Rapid technology development	0.095	4	0.38	4	0.38
4. Industrial needed in digital world	0.10	4	0.4	3	0.3
5. Community dependency on internet	0.085	4	0.34	4	0.34
Threat					
1. Digital startup agency increasing in number	0.095	3	0.285	3	0.285
2. Dynamics government regulations	0.085	3	0.255	3	0.255

3. Price competition	0.095	4	0.38	4	0.38
4. Digital startup agency lack of trust	0.12	3	0.36	3	0.36
5. Slower internet connection risk	0.085	4	0.34	3	0.255
Total			7.100		6.635

Results of TAS I is market penetration strategy 7.100 and TAS II value is product development strategy 6.635. Based on the assessment, the result of TAS which has the highest score becomes the main priority as a strategy proposal that can be developed by Agency in a market penetration strategy to maintain or improve market share products with a combination of competitive pricing strategies, advertising, and more vigorous promotions.

4. Conclusions

- 1) The greatest opportunity in EFE Matrix of the company is the industry's need for the digital world. While the threat posed by the company is the lack of trust for mutual cooperation with the start-up company.
- 2) The greatest strengths in IFE Matrix are innovative and creative management and competent employees. The weakness of the company is the lack of distribution and lack of interesting promotion of products.
- 3) SWOT analysis shows management done a good strategy to overcome weaknesses and threats by using force to seize opportunities.
- 4) Matching strategy by using SPACE, Agencies have the power to face competition. In its competitive position the strategy is to use force to exploit opportunities and avoid threats.
- 5) QSPM Matrix results market penetration strategy (7.100) has greater attractive value than product development (6.635).

4.1 Recommendations

- 1) Agencies from external factors must take advantage of the company's opportunities by following changes in the external environment and create excellence that builds other advantages to achieve the desired position and achievement of the goals set by the company, while the threats starting a business partner nearest such as the company's charity and family, will lead to a brand image of mouth to mouth and spread through social media will work together and always keep the data of its business partners confidential.
- 2) Agencies from the internal factors make explanations in the workflow and workloads in the company so that employees will be more focused in work and the brand can provide innovative and creative ideas to exceed excellence of the company product with an attractive design. As for the internal deficiencies of the company, it should conduct more intensive dissemination through social media, following events to increase experience, promote or cooperation with other media by sponsoring company product.
- 3) Diversification or innovation strategies include three things (1) Core: Optimizing existing products for existing customers, (2) Adjacent: Expansion of existing business into new business, (3) Transformational: Developing breakthroughs & inventing products for new markets. This suggestion will help the company to do its strategy.
- 4) Competitive strategy should be in line with business diversification, by creating advantage and a

supportive position in opposing forces that determine industrial competition. Therefore the company must determine the attractiveness for the long-term profit of the company and determine the factors by looking at low cost, broad differentiation, best-cost provider, dedicated or market niche. This determination is very relative done by the company. If this is applied to the company will be made competitive strategic choices that become challenging.

5) QSPM results provide a more vigorous promotion of new clients by way of free trial for a month, so that clients know the company's performance, give company merchandise: sticker, glass, calendar, and improving the quality of service for clients and maintaining or improving the company's products. By way of all existing work units in the company perform periodic performance evaluations and refine strategies that are not relevant.

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