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## **MARKETING STRATEGY ANALYSIS TO INCREASE COMPETITIVENESS IN NATIONAL SHIP DESIGN INDUSTRY**

**Fachrul Herwanzah**

*Faculty of Economic and Business, University of Airlangga, Surabaya, Indonesia*  
[farulutina@gmail.com](mailto:farulutina@gmail.com)

**Sagitha Devina Wijaya**

*Faculty of Economic and Business, University of Airlangga, Surabaya, Indonesia*  
[sagithawijaya@gmail.com](mailto:sagithawijaya@gmail.com)

**Rydhho Jalu Nuringtyas**

*Faculty of Economic and Business, University of Airlangga, Surabaya, Indonesia*  
[rydhojalu@gmail.com](mailto:rydhojalu@gmail.com)

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### **Abstract**

*The increasingly fierce competition in the era of globalization has a considerable influence on marketing and fosters new challenges in today's marketing functions. Business people are required to be able to understand how developments around the world can affect the domestic market and the opportunity to find new innovations, without exception the shipping design industry. The competitiveness of the national shipping design industry is also influenced by industrial competitiveness and the competitiveness of similar business actors, so that plans for developing the ship design industry must be analyzed comprehensively and accompanied by strategic steps in order to be able to run a sustainable business. Problems related to general aspects that influence the ship design industry business require special strategic formulations. Diamond model from Hambrick (2001) is considered to be able to answer the problem because it includes a series of strategic formulations, namely in helping*

*answer questions about what strategies a company / organization needs to do in the future. The results of the formulation using this diamond model are several proposed strategies that are classified into several aspects, namely arena, vehicles, differentiations, staging, and economic logic.*

### **Keywords**

Ship Design, Strategic Formulation, Competitiveness, Diamond Model, Globalization

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## **1. Introduction**

At present, the development of the shipping industry in Indonesia is certainly very potential to become the backbone of the national industry. This is related to Indonesia, which is a country with 70% of the total area of the sea making it so that it is not an exaggeration to judge that the maritime business is very tempting. Exploration of marine resources in Indonesia is largely determined by at least transportation equipment both as passenger transport, mineral resources, cargo, and natural resources.

Since 2015, there have been polemics that have caused a decline in world oil prices. Many oil and gas companies operating in Indonesia have reduced and even stopped exploration activities in their respective oil fields. The fall in world oil prices has caused a decline in production of ships specifically for oil and gas transportation. At that time, many shipping companies began to reduce their employees in order to reduce excessive operating costs due to the lack of production without the exception of ship design services companies.

On the basis of the above problems, it is necessary to analyze the business strategy of the ship design industry in the context of sustainable business development. This paper aims to analyze the condition of the ship design industry and the level of competition in the industry, as well as formulate the ship design industry's competitiveness strategy itself. There are five indicators that are critical success factors from the ship design industry, which are related to capital structure, delivery time, technology, prices, and experts.

Problems related to general aspects that influence the ship design industry business require special strategy formulations. The Porter (2008) five-force analysis model is considered capable of helping researchers to answer problems related to the current condition of the national ship design industry. As for the development of competitiveness in the ship design industry, the Diamond model strategy from Hambrick (2001) is considered to be able to answer the problem because it includes a series of strategy formulations, namely in helping the writer answer questions related to what strategies the company or organization needs in the future. The results of the formulation using this diamond model are proposed strategies

that are classified into several aspects, namely arena, vehicles, differentiation, staging, and economic logic.

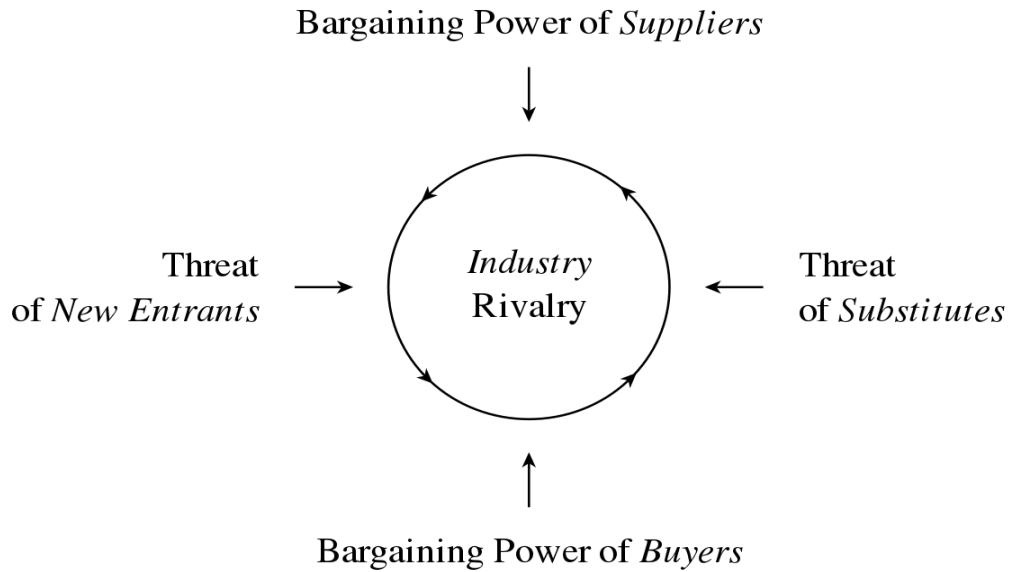
## **2. Literature Review**

### **2.1 Conditions of the National Ship Industry**

Geographically, Indonesia as the largest archipelagic country in the world is located in a very strategic position because it is located between two oceans namely the Indian Ocean and the Pacific Ocean which are trade routes between the Asia-Pacific countries where around 70 percent of world trade takes place there. With the longest coastline in the world Indonesia should have enormous potential to enter the world shipping industry competition, especially the shipyard industry. But in reality, the shipping industry in Indonesia is still difficult to compete in the international market. The difficulty of developing the national shipbuilding industry has also affected the difficulty of the ship design industry to develop as the shipping design industry relies on ship building jobs received by domestic shipyards.

### **2.2 Industry Analysis**

In this case, industry analysis is carried out by researchers with reference to the five force model developed by Michael Porter (2009). this model contains five key competitive strengths needed by the company as consideration when analyzing the industrial environment and formulating strategy formulations. Adjusting to what was explained by Rothaemel (2013), this model has absolute provisions. If the five forces are weak, then the industry's potential to profit is very large. And vice versa, if the five forces are strong, then the industry's potential to obtain profits is very small. It can be seen in Figure 1 below which illustrates the five forces model introduced by Porter (2008).



**Figure 1:** *Five Forces Porter Model (2008)*

### **2.2.1 Threat of Substitute Products or Service**

This aspect is intended to mean that the more goods or services that can replace the company's products, the more weak the company's position will be. Moreover, these substitutes can attract consumers if they are sold at lower prices with the same quality.

### **2.2.2 Threat of New Entrants into the Market**

The success of running a certain business will attract the presence of new players to enter the competition. Each industry has its own characteristics regarding this. Porter introduced the concept of barrier to entry to describe the difficulty level of new players to enter into an industry. The stronger the barrier to entry, the safer the position of the old player in the industry. An example of a very strong barrier to entry is the amount of capital to start a business in the industry.

### **2.2.3 Bargaining Power of Suppliers**

Companies that depend on few suppliers will have weak bargaining power. The scarcity of suppliers will make them easily increase the price of raw materials so that the profit margin of a company is running low. Conversely, companies that have many alternative suppliers will benefit greatly.

### **2.2.4 Bargaining Power of Buyers**

The more number of competitors a company, then the buyer (buyer) will have a stronger bargaining power and reduce the profitability of the company. Conversely, if the

number of players in an industry is relatively small, then the bargaining position of customers will weaken.

### **2.2.5 Threat of Competition from Rival**

The next threat is increasing competition from competitors. One example of the high level of competition is the price war and the innovation of new products from competitors. In general, it can be said that the more the number of competitors, the higher the level of competition in the industry. This is where brand equity plays a very important role.

### **2.3 Diamond Model Analysis**

Hambrick and Fredrickson (2001) state that the success of a company in competing can be determined by the implementation of five elements of corporate strategy which include arena, vehicle, differentiator, staging, and economic logic that all five are continuously integrated and together as a center for consideration of external factors for achieving goals.

Hambrick's Diamond Model includes a formulation of strategies, which helps answer questions in depth about the meaning of the strategy used and what will be faced in the future. The purpose of this model is to collect and consider all parts of the strategy that overall answer a series of questions related to the coverage of the five elements mentioned above. All of the above elements must be answered in full in order to produce a good strategy. The five elements will create a good strategy implementation because it makes activities mutually supportive and integrated.

## **3. Research Methods**

This research is an exploratory study using qualitative approach with the aim of exploring the information needed to help analyze the strategy of developing the domestic ship design industry.

In this study, the data used included primary data and secondary data. Primary data in this study were obtained through questionnaires and interviews with ship design industry players. Secondary data obtained from this research are related to data on the number of projects that have been handled by domestic ship design companies.

After all the data was obtained, then it was analyzed the industry by using the five forces method which then the results of the analysis were used as input in analyzing strategies using the diamond model.

## **4. Result and Decisions**

### **4.1 Industry Environmental Analysis**

Referring to the five important elements in the concept of five forces Porter (2008), then the ship design industry conditions are as follows:

#### **4.1.1 Threat of New Entrants**

The ship design industry is an industry that has the threat of new entrants who can be said to be quite potential. Although the capital needed to enter this business is quite large, based on information obtained from the ministry of industry, shipping investment will continue to increase, mainly due to the more stable world oil prices so that demand is increasing in the offshore sector. Moreover, 70% of Indonesia's oil and gas activities are in the sea.

#### **4.1.2 Bargaining Power of Suppliers**

In the shipping design consulting industry, the supplier referred to here is a related software licensing provider. The threat of power from suppliers in carrying out the project of a shipping design consulting company is enormous. Software suppliers are very few, so companies in the shipping design consulting industry will be very forced to buy licenses even at high prices.

#### **4.1.3 Bargaining Power of Buyers**

Based on the results of interviews that the authors did with industry players, data was obtained that the bargaining power of buyers was very high. This is because there are quite a number of companies engaged in similar core businesses. This can be a threat to companies in the industry considering that customers will have a high sensitivity to service so companies in the industry need to maximize their respective competitive strategies.

#### **4.1.4 Threat of Substitute Products or Services**

Based on the results of interviews with actors in the shipping design consulting industry, the researchers concluded that the threat to the existence of substitute products was very weak. In the shipping design industry, the work done cannot be immediately replaced with other products. Because the nature of this industry is a complex workmanship process that requires design to be carried out systematically and does not necessarily change the process or tools of the process.

#### **4.1.5 Rivalry among Existing Competitors**

The growing development of the shipping industry market in Indonesia encourages competition among one-level competitors, without exception among ship design companies.

Based on data from the Ministry of Industry of the Republic of Indonesia, shipyard industry players have reached 250 companies. This implies that the potential for competition in the ship design industry will be very potential.

#### 4.2 Analysis of Critical Success Factor

**Table 1:** *Critical Success Factor*

Key Success Factors	Rating (Responden)					Average	Weight
	1	2	3	4	5		
Capital	6	5	5	6	6	5.6	0.16
Project Accuration	9	9	7	8	9	8.4	0.23
Technology	7	9	6	7	7	7.2	0.20
Price	7	8	5	7	7	6.8	0.19
Expert Workers	8	9	6	8	8	7.8	0.22

Based on the results of the questionnaire distributed to industry players, it can be seen that the most important factor of the ship design industry is related to the accuracy of project results, then the expertise of the company, supporting technology, and price. The results conclude that the design industry requires companies in the industry to always maintain the quality of the projects being carried out. This can increase the competitiveness of companies in the industry.

#### 4.3 Diamond Model Analysis

Diamond Model introduced by Hambrick (2001) includes a series of strategy formulations, namely in helping answer questions about what strategies a company or organization needs to do in the future by classifying into five things namely arenas, vehicles, differentiations, staging, and economic logic. To answer this, the researcher conducted an interview with the following results.

##### 4.3.1 Arenas

This aspect relates to where companies will compete. When choosing an arena, strategies can be implemented by identifying several factors such as: product categories, market segments, geographical regions, and technology. From the product category, it is clear that the shipping design industry is engaged in the design business only so that the targeted segmentation is local and international shipyard companies.

##### 4.3.2 Vehicles

This aspect relates to the way in which a company in the ship design industry is able to reach the arena. From the results of interviews with industry players, it is known that the experts needed to run this industry are still fairly adequate for the current conditions. But it will lack if the development of the industry becomes very rapid, moreover competition with

similar international companies is getting tougher. Because of this, there is a need for continuous HR development.

#### 4.3.3 Differentiator

Is a way to win competition in the arena. Based on key success factor analysis through a questionnaire, it was found that the superiority of the ship design industry in the country is optimal service at a fairly cheap price.

#### 4.3.4 Staging

This aspect is the stages that need to be passed to achieve its goals. Based on interviews with industry players, the ship design business must begin with improving the design infrastructure first, then training the human resources owned, because in general the Ministry of Industry has instructed to increase production in the shipping sector so that competition will be tighter and every time industry players must prepare themselves.

#### 4.3.5 Economic Logic

This aspect is how the industry will benefit. Based on interviews, the superiority of the domestic ship design industry is in terms of low prices, therefore it should be noted that in order to get maximum profit, the ship design industry needs to make the best possible efficiency in all forms of operational expenditure that are deemed unnecessary. This is to maintain competition but still gain profits.

### 5. Conclusion

After conducting an industry analysis using the five forces model, the conclusions we can take regarding the ship design industry are that the strongest threat in the shipping design industry is the threat posed by the high supply ability of the customer given the large number of players in the industry both domestically and abroad. In the analysis using the diamond model listed in the previous sub-section, a number of proposed strategies for the company were obtained in several elements analyzed. Some of the proposed strategies are below in table 2.

**Table 2: Diamond Model Result**

Diamond Model Analysis	Strategic Recommendation	Benefit for Company
<i>Arenas</i> 1. State-owned enterprises 2. National 3. Ministry 4. International	a. Record the state-owned enterprises that has business relevance with industry b. List countries with developing maritime potential	a. Target market increases b. Turnover value increases
<i>Vehicle</i>		



<ol style="list-style-type: none"> <li>1. Increase Capital</li> <li>2. Upgrading System</li> <li>3. Upgrading Engineer</li> <li>4. Upgrading Technology</li> </ol>	<ol style="list-style-type: none"> <li>a. Establish good relations with potential investors</li> <li>b. Make a clear work procedure</li> <li>c. Language training</li> <li>d. Add to the list of software licenses that are in great demand by market</li> </ol>	<ol style="list-style-type: none"> <li>a. In order to get additional capital loans</li> <li>b. Facilitate the development of the company with a fixed system</li> <li>c. Improve the quality of existing experts without spending recruitment fees</li> <li>d. Increase market</li> </ol>
<p><i>Differentiator</i></p> <ol style="list-style-type: none"> <li>1. Cheaper service prices</li> <li>2. Accuracy of project results</li> <li>3. Technology application</li> </ol>	<ol style="list-style-type: none"> <li>a. Establish good relations with software licenses providers</li> <li>b. Technology research</li> </ol>	<ol style="list-style-type: none"> <li>a. Get compensation in the use of the license</li> <li>b. Get the technology for application in certain fields</li> </ol>
<p><i>Staging</i></p> <ol style="list-style-type: none"> <li>1. Fast internal development</li> <li>2. Improve market development</li> <li>3. HR quality development</li> </ol>	<ol style="list-style-type: none"> <li>a. Give a deadline and targets in the preparation of industrial work systems</li> <li>b. Give a time limit on the market development process</li> <li>c. Give a deadline on the HR mapping plan</li> </ol>	<p>All plans can be well structured and carried out on time</p>
<p><i>Economic Logic</i></p> <ol style="list-style-type: none"> <li>1. Efficiency</li> </ol>	<ol style="list-style-type: none"> <li>a. Work on projects with easy reach and can be done almost simultaneously</li> </ol>	<ol style="list-style-type: none"> <li>a. Pressing unnecessary operational costs</li> <li>b. Project execution is more effective and efficient</li> </ol>

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