

# BLUE OCEAN STRATEGY WITH CONJOINT ANALYSIS APPROACH TOWARDS THE COOKING SPICE PRODUCTS

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## ABSTRACT

*In order to survive in the uniform market condition, a company must develop its specific and appropriate strategy. By implementing the Blue Ocean Strategy, the company could pull itself out of the highly competitive market and dissociate itself from the competition. In Blue Ocean strategy, the market could be mapped in a strategy canvas. To develop the strategy further, a set of attributes like investment interest, customer satisfaction, and traditional and modern/instant spices' customer preferences were needed. Conjoint analysis was the method used to measure the customer preferences with the aid of the IPM diagram. Based on the analysis conducted in this research, one attribute was eliminated, four attributes were reduced, four other were improved and four others were specially created to form the Blue Ocean strategy.*

**Keywords:** Blue Ocean strategy, instant spices, IPM diagram, conjoint analysis.

## 1. INTRODUCTION

A number of companies in the world were trying to develop the appropriate strategy for their companies. One of the strategies which could be developed to survive the global economic crisis is the Blue Ocean Strategy. According to Kim and Mauborgne (2005), the Blue Ocean Strategy created a market room that has no competitor so that the word "competition" becomes irrelevant. The Blue Ocean Strategy focused on growing the number of demands and staying away from competition.

According to research, the instant cooking spices industry had over 10,000 pieces of average monthly demand since the year 2000, for each product item(2008). The competition also grew higher due to the growing number of competitors in the market (Figure 1). By implementing the Blue Ocean Strategy, the company expected to be able to get out of the instant cooking spices industry's red ocean.

This research objective was to develop a new strategy for the instant cooking spices industry PT. Sarimunik Mandiri so that they could step out of the instant cooking spices industry competition by creating their blue ocean strategy.

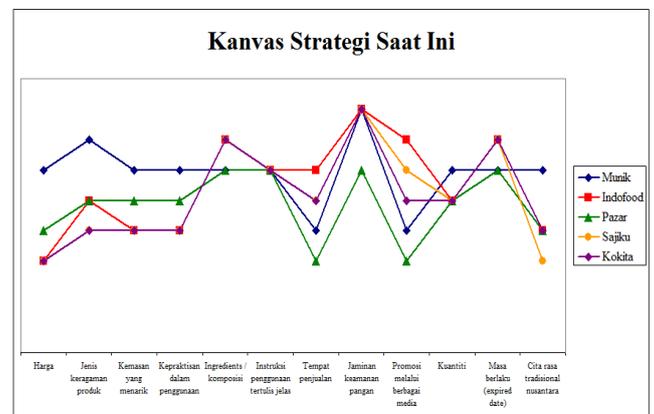


Figure 1. Instant Cooking Spices Market Condition

## 2. THEORETICAL BACKGROUND

In Consumer Preference for Wine Attributes: a Conjoint Approach in British Food Journal, Gil, Jose M., and Sanchez (1997) conducted a research on the consumer preferences towards the wine product in Aragon and Navarra (Spain) based on 3 attributes of price, origin, and manufacturing year. The result was that the Navarra consumers decided that price, then year, then origin as the important attributes in the order of importance while the Aragon consumers decided that the manufacturing

year was more important than price and origin.

Tendero, Antonio and Bernabéu, Rodolfo (2005) in Preference Structure for Cheese Consumers : A Spanish Case Study - Universidad de Castilla-La Mancha stated that the attributes for Spaniards in choosing a cheese product was the cheese type, price, and certificate. Murphy, Maurice., Cowan, Cathal., and Meehan, Hilary. (2004) in A Conjoint Analysis of Irish Consumer Preferences for Farmhouse Cheese - The National Food Centre analyzed the consumers' chosen product in the Irish farming cheese market based on groups of cheese eaters, grocery buyers, ABC1 social-economy, and women.

Olenick, Michael (2008). Nintendo Wii Blue Ocean Strategy–Canvas Strategy. Blue Ocean Strategy and Technology business ([www.valueinnovation.net](http://www.valueinnovation.net)). This research developed a new market by deleting the movie playing feature, reducing graphics & physics, adding fun, and creating Wiimote. By developing wiimote, Nintendo has created a new market in the game console industry. Wiimote was chosen as a replacement for the conventional stick, with the aid of wireless technology.

Lee, Seungwhan and Kwak, Dong Kyun (2005). TV in Your Cell Phone: The Introduction of Digital Multimedia Broadcasting (DMB) in Korea - Telecommunications Policy Research. The research succeeded in developing the innovation of TV streaming for mobile phone users instead of a mere music player and game in their mobile phones.

Goodrich, Nina and Smith, Lynda Aiman (2007). What Does Your Most Important Customer Want? - Research Technology Management, Canada. This research developed the three main stages in the value innovation process in Alcan Pharmaceutical Packaging to find the pharmacy packaging that suited the customers' wishes.

## 2.1 Blue Ocean Strategy

The Blue Ocean Strategy was a new strategy developed by Professor W. Chan Kim and Professor Renée Mauborgne of INSEAD, Fountainebleau, France in 2005. This strategy focused on growing demand and getting away from the competition. The

stepping stone of the Blue Ocean strategy was the innovation of the value adding item using the greatness of technology, be a market innovator or futuristic items and often targeting on things that weren't market ready (Kim and Mauborgne, 2005).

In implementing the Blue Ocean Strategy, an analytical work frame consisted of strategy canvases was needed. The four steps work frame was a part of the eliminate-reduce-raise-create scheme and the three criteria of a good strategy.

In an effective Blue Ocean Strategy's value curve, there were three complementing criteria: focus, divergence or a moving away motion, and an enchanting motto. Without these criteria, the company's strategy would be biased, not unique, hard to be communicated, and costly. These three criteria would encompass the company in conducting the reconstruction process towards achieving a value adding breakthrough for both the customers and the company itself.

## 2.2 Conjoint Analysis

Conjoint analysis was a multi variant analysis technique used in order to seek the consumers' preferences towards a product or service. This analysis was conducted based on a simple premise that the consumer would evaluate the value of a product/service/idea by combining separate values that each factor offered. (Hair, Rolph E, Ronald L, Black, 2003).

## 2.3 Conjoint Analysis Model

The conjoint analysis method tried to elaborate the consumers' preferences in both form of actual or hypothetical product or service that was shown for the evaluation purposes. The respondent would than gave a statement upon their preferences towards the product or service. The two traditional conjoint models were the conjoint main effect only model and the conjoint main effect plus selected interaction model. The main effect only conjoint model could be mathematically written down as:

$$V_h = \sum_{i=1}^m \sum_{k=1}^n V_{ik} X_{ik}^{(h)} \quad (1)$$

Where:

$V_h$  = respondent's total evaluation for alternative profile h

$V_{ik}$  = part-worth on k level for i attribute

$X_{ik}^{(h)}$  = dummy variable that represents k level of the i attribute that connects with alternative profile h

While the main effect plus selected interaction conjoint model could be written down as:

$$V_h = \sum_{i=1}^m \sum_{k=1}^n V_{ik} X_{ik}^{(h)} + \sum_{i=1}^m \sum_{j=i+1}^m \sum_{k=1}^n V_{ijk} X_{ijk}^{(h)} \quad (2)$$

Where :

$V_h$  = respondent's total evaluation for alternative profile h

$V_{ik}$  = part-worth on k level for i attribute

$X_{ik}^{(h)}$  = dummy variable that represents k level of the i attribute that connects with alternative profile h

$V_{ijk}$  = part-worth that connects with the i x j interaction

$X_{ijk}^{(h)}$  = dummy variable that represents the i x j interaction that connects with alternative profile h

### 3. RESEARCH METHODOLOGY

#### Research Framework

The research framework of the basic model of the whole research was:

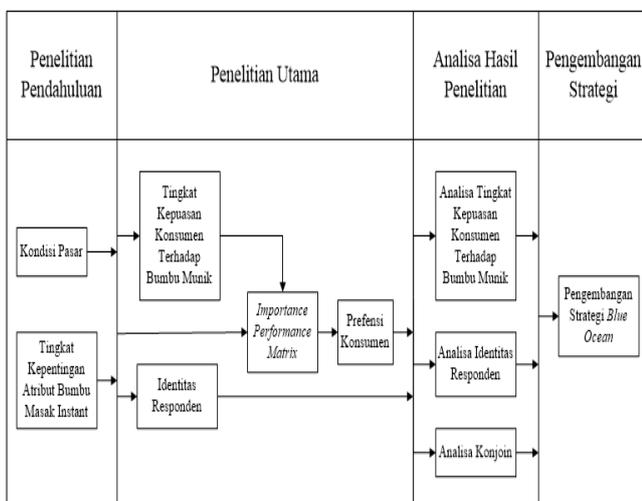


Figure 2. Research Framework

### 4. RESULT AND ANALYSIS

Vision: “creating spice products that are easy to prepare and delicious”.

Mission: “creating Asian-styled dishes within minutes”.

The the instant cooking spices industry products with certain Indonesian and Asian tastes. Currently, there are 36 products produced: Sayur Asam Spice, Soto Betawi Spice, Ayam Goreng Spice, Soto Mie Spice, Rendang Spice, Rawon Spice, Pecel Spice, Sambal Petai Spice, Gulai Ayam Spice, Soto Ayam Spice, Tom Yam Spice, Laksa Spice, Nasi Goreng Spice, Empal Spice, Gulai Kepala Ikan Spice, Semur Spice, Sambal Udang Spice, Sambal Goreng Hati Spice, Tumis Kangkung Spice, Ayam Woku Spice, Pesmolan Ikan Spice, Ayam Panggang Spice, Kari Kambing Spice, Cakar Ayam Spice, Kepiting Saos Padang Spice, Satai Padang Spice, Cumi Garing Spice, Gado-Gado Spice, Opor Ayam Spice, Tumis Kerang Spice, Balado Ayam Spice, Nasi Kuning Spice, Pepes Ikan Spice, Ayam Kecap Spice, Sup Buntut Spice, Teri Kacang Spice. Market Condition: As an initial step in developing the Blue Ocean Strategy, understanding of the current instant spice market competition condition was needed. There were 10 competitors in this industry. They were: Munik, Indofood, Pazar, Tusance, Podeda, Kokita, Mamasuka, Sajiku, Finna, and Bamboe.

Table 1. Instant Spice Brands that Respondents Ever Tried

No	Brands	Number of Users
1	Indofood	88
2	Kokita	76
3	Sajiku	64
4	Munik	48
5	Pazar	42
6	Podeda	21

The consumers' preferences in this research were based upon the importance performance matrix (IPM) calculated from the average importance level and average satisfaction level, as in Table 2 below.

Table 2. Average of Level of Importance and Level of Satisfaction for the instant cooking spices industry

No	Attributes	Average Level of Importance	Average Level of Satisfaction
1	Price	4,29	2,82
2	Product Variations	4,01	3,90
3	Interesting Packaging	3,62	3,69
4	Easy to Use	2,72	4,54
5	Ingredients	4,04	2,94
6	Clarity of Using Instructions	2,76	3,82
7	Sales Points	3,58	2,85
8	Food Safety Warranty	4,34	4,43
9	Various Promotion Media	2,98	2,68
10	Quantity	3,97	3,91
11	Expiry Date	3,38	3,32
12	Traditional Taste	2,20	4,12
	Average	3,49	3,59

The average from the importance performance matrix (IPM) diagram was 3,49 on the Level of Importance meaning that on this level or above was the highly important attribute proportion. On the Level of Satisfaction, the average was 3,59, meaning that the satisfaction on this level or above was the consumers proportion of those who were very satisfied of the instant cooking spices products.

The importance performance matrix (IPM) diagram for the instant cooking spices products was as in Figure 3 below.

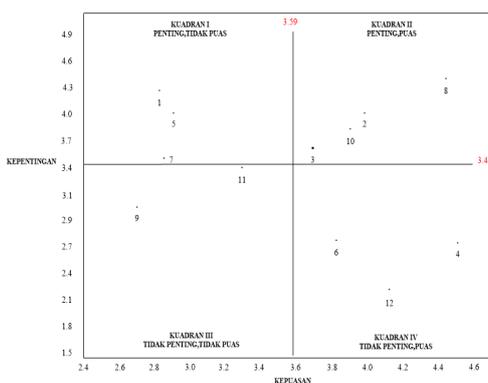


Figure 3. IPM Diagram of the instant cooking spices

The table form of the diagram was:

Table 3. Attributes Positions Based on I, II, III, and IV Quadrants

Quadrant	Attributes
I Important, Not Satisfied	Price
	Ingredients
	Sales points
II Important, Satisfied	Interesting packaging
	Product variety
	Food safety warranty
III Not Important, Not Satisfied	Quantity
	Various promotion medias
IV Not Important, Satisfied	Expiry date
	Easy to use
	Clarity of using instructions
	Traditional taste

From the data earned from 100 respondents, it was found that they were 32% female and 68% male, 20-29 years old (56%), 30-39 years old (32%) and 40-49 years old (12%). Education levels were Undergraduate (52%), diploma (28%) and high school (20%). Occupations of respondents were private company employees (46%), housewives (27%), students (14%), and others: sellers and entrepreneurs (7%). Highest monthly expenses were IDR 3,000,000 to IDR 4,000,000 and had been using instant spices twice (34 %) and more than 2 times (38%).

Conjoint Analysis

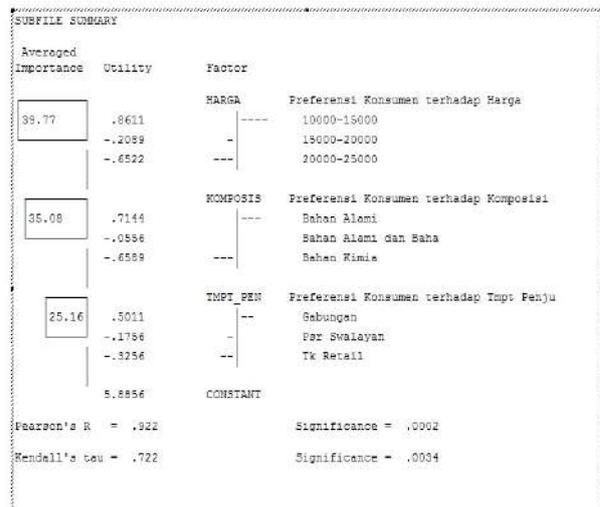


Figure 4. Consumer Preferences Data Processing Using SPSS

Table 4. Level of Importance and Attribute – Sub Attribute Utilities in Quadrant I

Attribute	Sub Attribute	Utilities	Level of Importance
Price	IDR 10,000 – IDR 15,000	0,8611	39,77 %
	IDR 15,000 – IDR 20,000	-0,2089	
	IDR 20,000 – IDR 25,000	-0,6255	
Ingredients	Natural ingredients	0,7144	35,08%
	Natural ingredients and chemical ingredients allowed by BPOM	-0,0556	
	Chemical ingredients allowed by BPOM	-0,6589	
Sales Points	Supermarkets and retail stores	0,5011	25,16 %
	Supermarkets	-0,1756	
	Retail stores	-0,3256	

● Consumers Preferences Analysis

Consumers preferences analysis was useful in determining consumers’ priorities and wishes in choosing an instant cooking spice.

- Price  
Based on consumers’ preferences on price attributes, IDR 10,000 – IDR 15,000 took first place, followed by IDR 15,000 – IDR 20,000 in second place and IDR 20,000 – IDR 25,000 in third place. This is relevant with the consumers’ wishes to get a product with the lowest price, including instant cooking spice.
- Ingredients  
Based on consumers’ preferences on ingredients attribute, the use of natural ingredients took first place, followed by the use of natural ingredients and chemical ingredients allowed by the BPOM in second place while the use of chemical ingredients allowed by the BPOM took the third place. This is highly possible since nowadays consumers were very health conscious of the side effect of the chemicals in their food.
- Sales Points  
Based on consumers’ preferences on sales points attributes, supermarkets and retail stores took first place, followed by supermarkets in second place and retail stores in third place. Consumers wished for the ease in finding instant cooking spices.

Conjoint Analysis

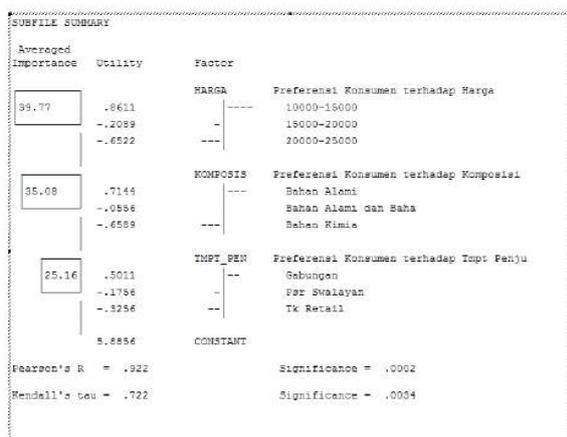


Figure 5. Data Processing Result Using Conjoint Analysis

Based on the data processing result for consumers preferences, it was known that the price attribute was the highest ranked attribute with 39,77%, followed by ingredients with 35,08%, and in the last place was sales points with 25,16%.

Blue Ocean Strategy Development

The Blue Ocean Strategy was a strategy that emphasized on the new market room, by getting away from the competition. Upon conducting the consumers’ preferences analysis, the Blue Ocean Strategy development was conducted using the analytical frame work, four steps working frame work, eliminate-reduce-raise-create scheme, and the three criteria of a good strategy.

● Strategy Canvas

The strategy canvas was an action frame work and a diagnostic tool to form the good Blue Ocean Strategy. This strategy canvas functions as a tool to summarize the latest known market situation, to make an understanding on current competition, competition factors in products, services, and deliveries and whatever the consumers earned from a market competition easier (Kim dan Mauborgne, 2005). The canvas strategy of the instant cooking spices industry was as in Figure 6.

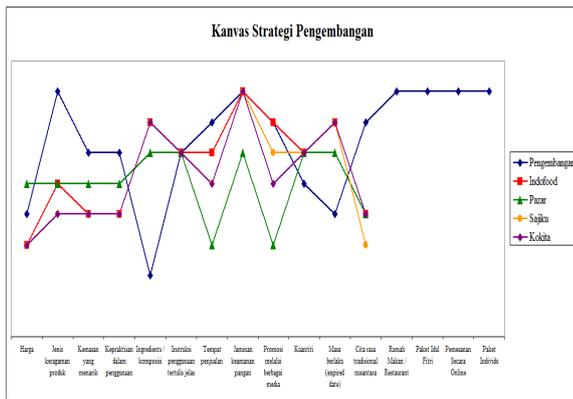


Figure 6. The Developed Strategy Canvas

<p><b>Eliminate</b> The use of food preservatives</p>	<p><b>Create</b></p> <ul style="list-style-type: none"> <li>• Restaurant</li> <li>• Islamic celebration or Idul Fitri Package</li> <li>• Online ordering system</li> <li>• Individual Package</li> </ul>
<p><b>Reduce</b></p> <ul style="list-style-type: none"> <li>• Price</li> <li>• Expiry date</li> <li>• The use of taste enhancer</li> <li>• Quantity</li> </ul>	<p><b>Raise</b></p> <ul style="list-style-type: none"> <li>• Sales points</li> <li>• Product diversity</li> <li>• Promotion</li> <li>• Traditional taste</li> </ul>

Figure 7. Eliminate-Reduce-Raise-Create Scheme

- The three criteria of a great strategy When formed into a value curve, an effective Blue Ocean Strategy had three complementing criteria: focus, divergence or a moving away motion, and an enchanting motto.
- Focus – According to W. Chan Kim and Renée Mauborgne, a great strategy should have focused. The company’s focus was to create the instant cooking spices that were preservatives free, had various products, easy to get, and at affordable price.
- Divergence – the motion to get away from the nowadays market. The company maintained the existing market while creating new market using the Blue Ocean Strategy.
- Enchanting Motto – a great strategy should have a clear and enchanting motto. The the instant cooking spices industry’s motto was “Various preservatives free cooking spices.”

## 5. CONCLUSIONS

1. The main and most important attributes that affected consumers in choosing an instant cooking spice were the food safety warranty, price, ingredients, product variety, quantity, interesting packaging, and sales points.
2. There were seven attributes that earned the above average points of average consumers’ satisfaction towards Munik cooking spice. They were: easy to use, food safety warranty, traditional taste, quantity, product variants, clarity of using instruction, and interesting packaging.
3. Consumers of the instant cooking spices were females, 20 – 29 years old, undergraduates, working as employees in private companies, with monthly expenses of IDR 3,000,001 – IDR 4,000,000, and using instant cooking spice products twice a month.
4. The best development of the instant cooking spices based on the consumers’ preferences towards the attributes in quadrant I were price between IDR 10,000 – IDR 15,000, using natural ingredients, and sales points at supermarkets and retail stores.

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