

3 Kg LPG Business Strategy Development Using BMC and BOS

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Abstract—Arief LPG is a new distributor that distributes 3 kg LPG gas in the Menanggal area, Surabaya. As a new distributor Arief LPG will face existing competitors, be able compete Arief LPG must have a business model that can be used as a reference for the business being undertaken. Tools that can be used to analyze business models are using Business Model Canvas (BMC) and Blue Ocean Strategy. Using Business Model Canvas and Blue Ocean Strategy can be used to create a new business model design. This study aims to map, evaluate and improve Arief LPG's business model. The method used in this study is by interviewing Arief LPG customers. Results obtained from the Business Model Canvas are adding types of LPG that are sold LPG 12 Kg in addition promotions that can be done using online media such as creating a personal Blog or Web, and other social media. While results of the Blue Ocean Strategy factors that need be reduced accuracy of delivery, factor that needs improved is increase the amount of 3 kg LPG distribution, and create factors that have never been sold, such Bright Gas, 12 kg LPG and making a training on gas handling.

Keywords—Arief LPG, Business Model Canvas (BMC), Blue Ocean Strategy (BOS).

I. INTRODUCTION

LPG (liquefied petroleum gas) is a hydrocarbon gas liquefied with pressure to provide convenience in storage, transportation, and handling. Basically LPG consists of a mixture of chemical Propane (C3) and Butane (C4). (PT. Pertamina)

To be able distribute properly requires a good marketing strategy, such as determining a strategic location establish good relations with consumers this are supportive that companies can distribute their product properly. With good marketing, distribution can smoothly and continuously. Distribution that increases that LPG can reach consumers safely while minimizing consumer spending according to their uses.

Arief LPG is a new agent, is just starting a 3 Kg LPG distributor business. The location of Arief LPG establishment in North Menanggal, choice of location is due to high demand of 3 Kg LPG, due large people from the lower middle class, rail shops, and street vendors, while there is a limited supply.

In starting a new business will find competition. Competition that occurs between seller who wre both trying get a profit, market share, and high number sales. In this case intended competitors are distributor that already exist and distribute LPG on Menanggal. Able to compete, a strategy is needed so that can compete with existing competitors.

To develop a business, Arief LPG must know the business model being undertaken at this time. Tools that can be used are Business Model Canvas (BMC) and Blue Ocean Strategy. Business Model Canvas (BMC) has 9 segments that are

Table 1.
Internal Factor

No	Internal Factor	Weight	Rating	Value = Weight * Rating
Strength				
1	Stock Available	0,18	4	0,72
2	On time delivery	0,1	3	0,3
3	Good relationship with SPPBE	0,15	3	0,45
4	Good service to customer	0,15	3	0,45
5	Good quality product	0,1	3	0,3
	Amount	0,68		2,22
Weakness				
1	Lack of market reach	0,1	4	0,4
2	Price less as competitive	0,1	4	0,4
3	Limited space	0,01	3	0,03
4	Dependence of 1 SPPBE	0,1	2	0,2
5	Lack of labor	0,01	1	0,01
	Amount	0,32		1,04
	Total	1		3,26

connected to each other. The intended segments are customer segments, value propositions, channels, customer relationships, revenue streams, key resources, key activities, key pathnership, and cost structures (Osterwalder & Pigneur, 2010). Blue Ocean Strategy is a strategy that challenges companies to get out of the red ocean of bloody competition by creating markets that have no competitors (Kim, W.C.and Mauborgne, R, 2005).

A. Formulation Problem

1. How develop a business strategy on "Arief LPG" that it can produce a quick turnaround.
2. How the Business Model Canvas (BMC) method and Blue Ocean Strategy in developing business strategies.

B. Research purposes

1. Identifying Arief LPG business model with the Business Model Canvas method develop the 3 kg LPG business.
2. Provide improvements Arief LPG business model with the Business Model Canvas (BMC) and Blue Ocean Strategy (BOS) methods in developing the 3 kg LPG business strategy.

C. Research Limits

Limitation of problem be carried out in order focus study be carried out. The limitations of the problem are as follows:

1. Research will be conducted on "Arief LPG" which engaged in distributor / sales of 3 kg LPG.
2. Using the Business Model Canvas (BMC) and (Blue Ocean Strategy) methods solve problems Arief LPG.
3. Data taken is internal data from "Arief LPG".

D. Research Benefits

From this research hoped that Business Model Canvas (BMC) method and theory of strategy management (Blue

Key Partnership - SPPBE - Retail store	Key Activities - Check the stock product - Order on SPPBE - Distribute to customers	Value Proposition - LPG 3 Kg - Stable price	Customer Relationship - Keep prices stable - Maintain product quality	Customer Segment - Middle class down - There are no social restrictions
	Key Resource - 4 employees		Channel - Wourth of mouth - Brochure	
Cost Structure - Vehicle operations - LPG reservations			Revenue Stream - Selling LPG 3 Kg - Selling 400 tubes	

Figure 1. Arief LPG Initial Business Model.

Ocean Strategy) can develop a 3 kg LPG business strategy that can be applied by Arief LPG.

II. METHOD

This research is descriptive study using a qualitative approach. The study was conducted on a new distributor LPG 3 Kg Arief LPG located in North Menanggal. Data collection techniques were interviews with customers of Arief LPG. The method used *Business Model Canvas* (BMC) which used to identify and provide improvements the business model used Arief LPG. Second method use *Blue Ocean Strategy* (BOS), this method used Arief LPG in order able to compete in unprecedented market share.

A. Business Model Canvas

First step taken in this research to identify the Arief LPG business model using Business Model Canvas. This step used to find out the business model that Arief LPG currently doing.

B. SWOT Analyze

Second step is analyze with SWOT find out the company's position. This analysis is look at internal factors forming the strengths and weaknesses of the company and see external factors in the form of opportunities and threats from the company. After analyzing with SWOT, it provides an improvement to the Arief LPG business model.

C. Blue Ocean Strategy

Last step is the blue ocean strategy, in blue ocean there are two steps, first is making a canvas strategy and second step making a four-step framework. SWOT results can used as a basis for developing a four-step blue ocean strategy framework.

III. RESULT AND DISCUSSION

A. Arief LPG Early Canvas Business Model

After conducting interviews with customers, then mapping

9 segment of *Business Model Canvas* (BMC), this mapping in 2 stages, first stage used to identify business model, and second stages to improvement business model of Arief LPG. Results of interview with customers found 9 segment in the BMC in Figure 1:

1) Customer Segment

Arief LPG prioritizes lower middle class in marketing 3 Kg LPG.

2) Value Propositions

Arief LPG has a value proposition about price, accessibility, cost reduction.

- Price of Arief LPG is a stable and standard price with the highest retail price that has been set.
- Access owned by Arief LPG is easily accessible, because the location is on the main road.
- Cost reduction from Arief LPG is done customers who buy wholesale.

3) Channel

Channel is a method used establish relationships with customers. Arief LPG promoted by distributing brochures and offering directly from shops around the area and arguably word of mouth.

4) Customer Relationship

Customer Relations ship has a goal to retain customers who already have. Steps taken by Arief LPG were maintain quality of product, and to keep prices stable.

5) Revenue Stream

Revenue stream is revenue obtained by the company. Income from Arief LPG is sell or distribute 3 kg LPG, currently Arief LPG operates 400 3 kg LPG cylinders.

6) Key Resource

Key resources are resources that company has that can be used to realize a value proposition. Key resources of Arief LPG are 2 vehicles that are used send LPG, and have 4 employees.

<p>Key Pathnership</p> <ul style="list-style-type: none"> - SPPBE - Retail store - Refill water depot 	<p>Key Activities</p> <ul style="list-style-type: none"> - Check the stock product - Order on SPPBE - Distribute to customers - Online marketing 	<p>Value Proposition</p> <ul style="list-style-type: none"> - LPG 3 Kg - Stable price - Add LPG 12 	<p>Customer Relationship</p> <ul style="list-style-type: none"> - Keep prices stable - Maintain product quality - Promotion 	<p>Customer Segment</p> <ul style="list-style-type: none"> - Middle class down - There are no social restrictions - General public
<p>Key Resource</p> <ul style="list-style-type: none"> - 4 employees - Enlarge storage warehouse 			<p>Channel</p> <ul style="list-style-type: none"> - Wourth of mouth - Brochure - Online Marketing (Blog, Web, Social Media) 	
<p>Cost Structure</p> <ul style="list-style-type: none"> - Vehicle operations - LPG reservations - Expand warshouse - Promotion fee - Increase tubes 			<p>Revenue Stream</p> <ul style="list-style-type: none"> - Selling LPG 3 Kg - Selling 400 tubes - Selling LPG 12 Kg - Increase Tubes 	

Figure 2. Improvement Arief LPG Business Model Canvas.

7) *Key Activities*

Key activities are main activities carried out by the company. Key activities of Arief LPG are checking inventory of goods, placing an order with SPPBE, and distributing to customers.

8) *Key Pathnership*

Key pathners are resources that are needed by company, but these resources aren't owned by the company. Pathnership of Arief LPG is SPPBE PT. X Jl. Romokalisari, Gresik.

9) *Cost Structure*

Cost structure carried out by Arief LPG is vehicle operating costs, employee payroll, and gas purchases from SPPBE.

B. *SWOT Analysis*

Results of the SWOT analysis include internal factors, strengths and weaknesses, external factors, opportunities and threats.

1) *Internal Factor*

Before a SWOT analysis is performed, classification and analysis of internal factors (strengths and weaknesses) are carried out (David, 2017). Steps in determining internal factors in Table 1 are as follows:

- Determine factors that are strengths and weaknesses of the company in column 1 (try 10 factors)
- Give weight each factor with a scale of 1.0 (most important) to lowest 0.0 (not important), based on influence on the company's strategic position.
- Give a rating between 1 (very weak) to 4 (very strong)
- Perform weighted score calculations by weighting * rating
- Add up column 4 to get the company weight. This value shows company's part responds to its internal. Can also be used to compare against similar companies

2) *Eksternal Factor*

After determining the internal factors of Arief LPG, then determining the external factors of Arief LPG in Table 2:

- Determine factors that are strengths and weaknesses of the company in column 1 (try 10 factors)
- Give weight to each factor with a scale of 1.0 (most important) to lowest 0.0 (not important), based on influence on the company's strategic position.
- Give a rating between 1 (very weak) to 4 (very strong)
- Perform weighted score calculations by weighting * rating
- Add up column 4 to get company weight. This value shows the company's part responds to its internal. Can also be used to compare against similar companies

C. *Improvement of Arief LPG Business Model Canvas*

After analyzing SWOT, it then provides improvements to Arief LPG's canvas business model. Improvements made can be seen in Figure 2:

1) *Customer Segment*

Determine segmentation for customers, Arief LPG can apply Segmentation, Targeting, and Positioning (Prihasto, 2017). From these three steps, Arief LPG can determine which markets will be used to market 3 kg LPG.

2) *Value Proposition*

Increase the value proposition, Arief LPG can sell other products such as 12 kg LPG. So Arief LPG not only sell 1 product.

3) *Channel*

In addition to using word of mouth marketing, Arief LPG can use social media such as creating a web or personal blog that explains the products being sold.

4) *Customer Relationship*

In the marketing mix there are 4 important elements, product, price, promotion, and place (Kotler & Keller,

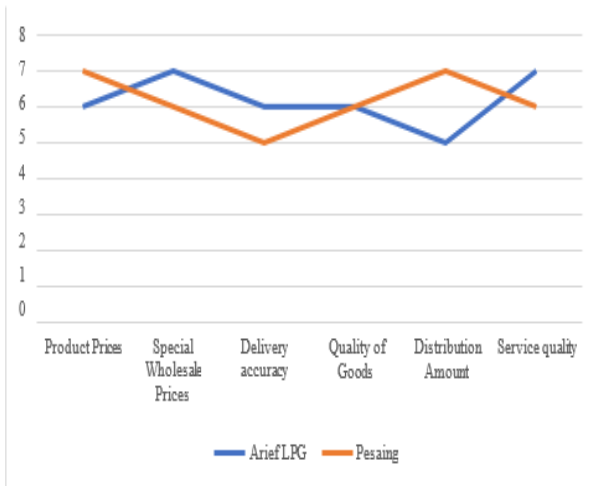


Figure 3. Initial Canvas Strategy Arief LPG.

2016). Promotion can be done to attract the interest of customers. Promotions that can be done by Arief LPG are online media or social media.

5) *Revenue Stream*

Increase revenue streams, Arief LPG can sell other products besides 3 kg LPG, the intended product is 12 kg LPG. In addition to selling other products, Arief LPG can also increase number of tube volumes, so that it can expand market reach.

6) *Key Resource*

Increase value proposition, assets that can be added are by expanding location of Arief LPG. This can be done by finding a bigger place that can later be used as an office, and a storage warehouse that can store LPG in even more quantities.

7) *Key Activities*

Additional activities that can be done are marketing and expanding market reach. Marketing can be online. This online marketing used to view and accept orders placed online. By creating a blog or website, customers can place an order online and Arief LPG can directly process the shipment.

8) *Key Pathnership*

Besides being handled by the SPPBE, Arief LPG can establish cooperation with refilling water around. By cooperating with refilling water, it can indirectly expand market reach.

9) *Cost Structure*

Cost structure required by Arief LPG with the new business model is cost of expanding warehouse area, adding cost of online promotion, and cost of increasing number of cylinders.

D. *Blue Ocean Strategy*

1) *Canvas Strategy*

Canvas strategy is a framework used to diagnose and develop a blue ocean strategy. In creating a blue ocean canvas strategy is very necessary, because it's an analytical framework as well as for value innovation. Function of canvas strategy it self is summarize the situation that exists in the market and find out what factors are used in competing in providing a product, service, and others. Canvas strategy of Arief LPG in the Figure 3.



Figure 4. Comparison Initial Canvas Strategy and New Canvas Strategy.

2) *Four-Step Framework*

The four-step framework is a framework used to create a new value curve that exists in the blue ocean strategy. Four steps in this research are:

a. *Eliminate*

In this LPG business there are no factors to be eliminated, the factors that exist in Arief LPG are quite helpful in developing its business, what needs to be done is to improve it so that it can compete with existing competitors.

b. *Reduce*

In this LPG business, the factor that can be reduced is the accuracy in shipping. The reason for this factor must be reduced because in a delivery there can definitely be a delay, both from the SPPBE to the agent, and from the agent to the customer. Disturbances that cause this delay are such as the number of orders, the need for periodic repairs to the sending vehicle both the SPPBE and agents.

c. *Raise*

To compete the company must increase the investment used in the competitive factor that can provide benefits. Factors that can be improved are distribution and service.

d. *Create*

Companies need to create new factors that have never before existed in company. With creation of new factors company can provide benefits for consumers. Factors that need to created adding types of products.

3) *Four-Step Framework Scheme*

In Table 3 show Four-Step Framework Scheme.

4) *Rison Initial Canvas Strategy And New Canvas Strategy*

After making the schema erase, reduce, enhance, create next make a new strategy canvas. New strategy canvas is used to prepare future businesses. New strategy canvas can be seen in Figure 4.

IV. CONCLUSION AND SUGGESTIONS

A. *Conclusion*

Conclusion that can be given there: (1) Conclusion of Business Model Canvas is to add LPG types sold such as Bright Gas, LPG 12 Kg in addition to promotions that can

Table 2.
Eksternal Factor

No	Internal Factor	Weight	Rating	Value = Weight * Rating
Opportunities				
1	Large market potential	0,12	4	0,48
2	High consumer demand	0,1	4	0,4
3	Strategic location	0,1	3	0,3
4	Adequate facilities	0,1	3	0,3
5	Name "Arief" is know in surrounding area	0,08	3	0,24
	Amount	0,5		1,72
Threat				
1	There are competitor at lower prices	0,1	4	0,4
2	Price inceases	0,1	3	0,3
3	Change in government regulation	0,1	2	0,2
4	Recovation of Permission because it violates rules	0,1	3	0,3
5	Effect of weather	0,1	2	0,2
	Amount	0,5		1,4
	Total	1		3,12

Table 3.
Four-Step Framework Scheme

Hapuskan (Eliminate)	Kurangi (Reduce)
-	Delivery accuracy
Tingkatkan (Raise)	Ciptakan (Create)
LPG distribution	Add product types
Customer Service	Make training

be done using online media such as creating a personal Blog or the Web, and other social media. (2) Results of the Blue Ocean Strategy factors that need to be reduced are the accuracy of delivery, the factors that need to be improved are increasing the amount of 3 kg LPG distribution, and

creating factors that have never been sold, namely Bright Gas, 12 kg LPG, and making a training on gas handling.

B. Suggestions

Suggestions that can be given there Arief LPG based on research that has been done are: (1) Arief LPG can do marketing with more modern media, especially in the current 4.0 era which relies on online media. (2) Arief LPG can also provide education such as training public regarding work safety in handling LPG, this can also be used as a promotional media.

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