

# Strategy Selection of Property Business in Transit Oriented Development Area (Case Study PT. XYZ)

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**Abstract**—The property business in 2018 did experience a downward trend because of the high backlog caused by oversupply. But the prospect of the property business in 2019 is quite promising and is believed to continue to prosper. The research base is a case study at PT XYZ, one of the subsidiaries of BUMN Construction Services which is engaged in the development of the property of the Transit Oriented Development (TOD) area of the Light Rail Transit (LRT) in Jakarta. This study aims to obtain a superior strategy in the competition of the property business in the TOD region which makes added value for PT XYZ so that it can compete with other developers. The company's strategy for PT XYZ was formulated using David's strategy formulation framework, which consisted of input stages, matching stages and decision stages. The Analytical Hierarchy Process (AHP) is used to determine the weight of internal and external strategic factors and Quantitative Strategic Planning Matrix (QSPM) to determine alternative chosen strategies. Based on the results of the QSPM assessment of PT XYZ, founded the construction and pre cast concrete division strategy gets a Total Attractive Score (TAS) of 5.60, higher than PT XYZ cooperates with top property marketing companies for 3 years strategy that gets a score of 4.12.

**Keywords**—Analytical Hierarchy Process, Strategic Management, Property, Transit Oriented Development.

## I. INTRODUCTION<sup>1</sup>

The policy of building one million houses per year by the government for the community, which includes houses for Low-Income Communities (MBR) and non-MBR homes, has also become a driving factor in the property business in recent years. and monetary, which increases people's purchasing power towards property. Based on the 2017 PWC study, the estimated property market is still a large train at 535.1T in 2016, and is expected to grow rapidly with a CAGR of 11% (2016-2019).

Jakarta is growing very rapidly, more than 18.6 million private vehicles in Jakarta while the users of public transport in the Capital City have only reached 24 percent and around 47.5 million people move in Jabodetabek. BPS DKI Jakarta in 2015 noted that every day there are around 1.4 million commuters from the area around the Capital City. The rapid and under-controlled trend of expansion in the Jakarta-Bodetabek area significantly increases transportation costs, reduces the level of mobility, and decreases the quality of life. Building the city of Jakarta extensively horizontally by relying solely on road networks and private vehicles will result in larger, inefficient, wasteful and uncontrolled developing cities. This issue prompted the government to develop the concept of transit oriented development (TOD) in several stations. TOD is an urban area designed to integrate the functions of transit with humans, activities, buildings, and public spaces that aim to optimize access to public transportation so that it can support passenger carrying capacity.

Appointment of PT. A becomes a Design and Build Light Rail Transit (LRT) contractor as an effort to improve transportation problems in Jakarta has created a business opportunity that can generate potential income. Provision of supporting facilities for LRT stations has now developed into integrated development areas, residential areas, offices and commercial areas. All of these are opportunities that can be developed to increase corporate value. This study reviews the competitive internal and external environmental factors of the property business competition in the TOD area that is integrated with LRT and MRT in Jakarta. From internal and external factors that have been given a rating and weight through AHP, it is used to formulate a competitive strategy with the framework of David's strategy formulation, which consists of input stages, matching stages and decision stages so that the best strategy is obtained for PT XYZ to excel in the property business competition in Jakarta.

## II. METHOD

### A. Transit Oriented Development Concept

According to Taolin (2008) Transit-based regional development movement is based on the deteriorating quality of city life which is characterized by congestion, sprawl, and non-integrated land use. TOD has the goal of

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creating goals that are comfortable, safe, enjoyable and sufficient for walkable environments. The TOD concept is intended as a solution for urban development through development oriented to the transit system so that it has the potential to reduce household transportation costs and improve quality of life. On the other hand, the development of mixed-use areas is expected to increase regional accessibility and reduce travel needs which ultimately reduce environmental impacts and provide alternative solutions to avoid traffic congestion. (Ditmarr and Ohland; 2004). Currently the TOD project in Jakarta is managed by state-owned companies. Such as Perum Perumnas which works on TOD Tanjung Tanjung Station, TOD Pondok China Station and TOD Bogor Station, or PT PP Properti (Persero) Tbk which works on Juanda TOD Station and Tanah Abang Station TOD and PT XYZ which works on a number of TOD projects titled LRT City in several stations and Private Developers (Table 1).

TABEL 1.  
DEVELOPER LIST OF JAKARTA TOD

COMPANY	PROJECT LOCATION	PRODUCT	TRANSPORT INTEGRATION
PT XYZ	St. Bekasi Timur St. Sentul St. Jati Cempaka St. Ciracas	Mall Apartment Commercial Office Hotel and Condotel	LRT
PT. PP Properti - PT. KAI	St. Juanda	Owned Flats Owned Simple Apartment	MRT
Perum Perumnas - PT. KAI	St. Tanjung Barat St. Pondok Cina	Owned Flats Owned Simple Apartment	MRT
PT. MRT	St. Lebak Bulus St. Dukuh Atas	Owned Flats Owned Simple Apartment Office and Commercial	MRT
PT. Wika Gedung	St. Pasar Senen	Owned Flats Owned Simple Apartment	MRT
Pikko Group	St. Cawang St. Cikoko	Apartment Retail & Mini Office Lifestyle Center	LRT
PT. Agung Podomoro Land	St. Cimanggis	Mall Apartment Commercial Office	LRT

**B. Management Strategic Concept**

Strategic Management can be defined as art and knowledge in formulating, implementing, and evaluating cross-functional decisions so that an organization is able to achieve its objectives [1]. Many existing strategic management models are developed for general industry, and most of them are limited to a conceptual model without formulation framework. Among them, David’s model is the only quantitative and application-oriented model that emphasizes formulation into a methodological procedural framework. David’s model integrates nine formulation methods into three stages: input stage, matching stage, and decision stage [1]. In the input stage, three matrices are applied, including the internal factor evaluation (IFE) matrix, the external factor (EFE), and the competitive profile matrix (CPM). At the matching stage, there are five formulation methods, or matrices, used, including the strength-weakness-opportunity-threat (SWOT) matrix, the internal external (IE) matrix, the Boston Consultative Group (BCG) matrix, the strategic position and action evaluation (SPACE) matrix and the grand strategy (GS)

matrix. Selected strategies from this stage are then evaluated at the decision stage, using the quantitative strategic planning (QSPM) matrix.

Alternative strategies can be categorized into 11 strategies [1]: forward integration, backward integration, horizontal integration, market penetration, market development, product development, related diversification, unrelated diversification, retrenchment, divestiture and liquidation as shown at Tabel 2.

TABEL 2.  
ALTERNATIVE STRATEGIES AND EXAMPLES OF THEIR APPLICATION [1].

Strategy	Definition	Example
Forward Integration	Gaining ownership or increased control over distributors or retailers	Amazon began rapid delivery services in some U.S. cities.
Backward Integration	Seeking ownership or increased control of a firm’s suppliers	Starbucks purchased a coffee farm.
Horizontal Integration	Seeking ownership or increased control over competitors	BB&T acquired Susquehanna Bancshares.
Market Penetration	Seeking increased market share for present products or services in present markets through greater marketing efforts	Under Armour signed tennis champion Andy Murray to a 4-year, \$23 million marketing deal.
Market Development	Introducing present products or services into new geographic area	Gap opened its first five stores in China.
Product Development	Seeking increased sales by improving present products or services or developing new ones	Amazon just began offering its own line of baby diapers and wipes.
Related Diversification	Adding new but related products or services	Facebook acquired the text-messaging firm WhatsApp for \$19 billion.
Unrelated Diversification	Adding new, unrelated products or services	Kroger and Whole Foods Market are cooking meals, becoming restaurants.
Retrenchment	Regrouping through cost and asset reduction to reverse declining sales and profit	Staples closed 250 stores and reduced by 50% the size of other stores.
Divestiture	Selling a division or part of an organization	Sears Holdings divested its Land’s End division to Sears’ shareholders.
Liquidation	Selling all of a company’s assets, in parts, for their tangible worth	The Trump Taj Mahal in Atlantic City, New Jersey, faces liquidation.

**III. RESEARCH METHODOLOGY**

As shown in Fig. 1, the framework of this research was initiated by David’s strategic framework. From literature review, Focus Group Discussion (FGD), and questionnaires to board of director and top management of PT XYZ, all relevant variables (internal and external factors) for sustainable competitive advantages were identified. The population of this study is top management of PT XYZ. Sampling in this study using purposive sampling because researchers have a goal to get subjects who have certain characteristics, or get comparable research groups so that they can be analyzed validly.

According to Zikmund in Kuncoro the use of a type of sample judgment is done to fulfill the purpose that the population has certain characteristics. Data processing is done by using Analytical Hierarchy Process (AHP) to determine the weight and internal and external strategic factor variables of the property business to then analyze the strategy formulation. The modified David Framework integrates seven formulation methods into three stages: input stage, matching stage, and decision stage [1], at the input stage, three matrices are applied, including internal factor evaluation matrix (IFE), external factor evaluation matrix (EFE), and competitive profile matrix (CPM)

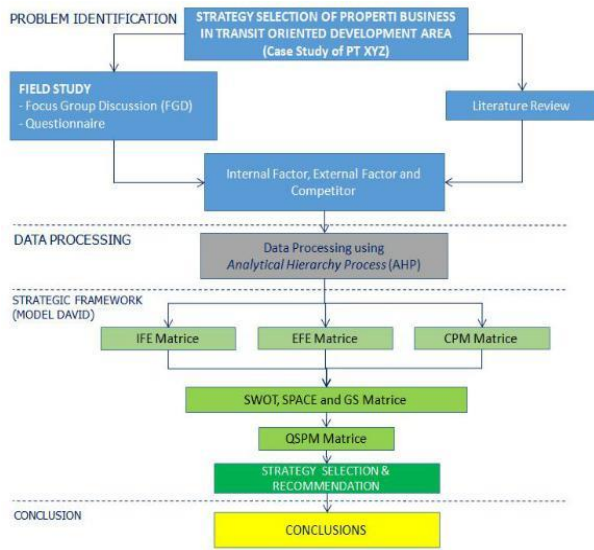


Figure 1. Research Framework

At the matching stage, there are three formulation methods, or matrices, that are used, including the strength-weakness-opportunity-threat (SWOT) matrix, strategic position and action evaluation (SPACE) matrix, and grand strategy matrix (GS). The strategies chosen from this stage are then evaluated at the decision stage, using the quantitative strategic planning matrix (QSPM).

IV. ANALYSIS AND RESULT

All factors and variables resulting from the analytical hierarchy process are used to develop the business environment model of property at Transit Oriented Development area. Since the total weighting of variables is equal to 1.00, the individual weighting is the given based on percentage of variance of the factors and the factor loading of the variables. Based on the results of strategy formulation assisted by three tools (SWOT Matrix, SPACE Matrix and Grand Strategy Matrix), an alternative strategy comparison can be used by PT XYZ according to Table 3.

From the results of the comparison of alternative strategies in Table 3, it can be seen that there are two alternative strategies that are most formulated by the three tools, the alternative strategies are: Backward integration strategy, this strategy applied with PT XYZ founded the construction and pre-cast concrete division with the intention to obtain ownership or increase control of

supplier companies and market penetration strategy applied with PT XYZ cooperates with top property marketing companies for 3 years to increase market share in the same market with more intensive marketing efforts. From the two most formulated alternative strategies above, it is necessary to determine which strategy is most suitable for the current state of the company.

TABLE 3. ALTERNATIVE STRATEGIES FOR PT XYZ

ALTERNATIVE STRATEGY	SWOT MATRICE	SPACE MATRICE	GRAND STRATEGY MATRICE	TOTAL
Forward Integration		v	v	2
Backward Integration	v	v	v	3
Horizontal Integration		v	v	2
Market Penetration	v	v	v	3
Market Development		v	v	2
Product Development		v	v	2
Related Diversification		v	v	2
Unrelated Diversification		v		1
Retrenchment				
Divestiture				
Liquidation				

Therefore, each of the two strategies above is assessed using the Quantitative Strategic Planning Matrix (QSPM) method. This method is a method for selecting which strategy is most suitable by choosing the highest Total Attractive Score (TAS). Table 4 is the result of the QSPM matrix assessment between the backward integration strategy and market penetration strategy, this assessment was carried out through discussions with one of the managers of PT XYZ.

Based on the results of the QSPM assessment in Table 4, it can be seen that the alternative strategy that is in accordance with the conditions of the company PT XYZ at present is backward integration with in founded the construction and pre cast concrete division strategy. This alternative PT XYZ founded the construction and pre cast concrete division strategy gets a Total Attractive Score (TAS) of 5.60, higher than PT XYZ cooperates with top property marketing companies for 3 years strategy that gets a score of 4.12

TABLE 4. QSPM MATRIX ASSESSMENT OF PT. XYZ

No	Strengths	Weight	Founded the construction and pre-cast concrete division		Cooperates with top property marketing companies for 3 years	
			AS	TAS	AS	TAS
1	Property Location	0.22	4	0.88	4	0.88
2	Property Price Level	0.19	3	0.57	4	0.76
3	Property Facilities	0.14	0	0	2	0.28
4	Design Engineering	0.05	2	0.1	3	0.16

5	Property Quality Insurance	0.04	4	0.17	1	0.04
6	Business Network	0.02	2	0.04	4	0.08
7	Top Management Competencies	0.02	1	0.02	3	0.06
8	Construction Company	0.02	2	0.03	0	0
<b>Weaknesses</b>		<b>Weight</b>	<b>AS</b>	<b>TAS</b>	<b>AS</b>	<b>TAS</b>
1	Delivery Time	0.09	3	0.26	2	0.17
2	Capital and Financial of Company	0.07	3	0.22	2	0.15
3	Business Development and Market Research	0.05	3	0.15	3	0.15
4	Contract and Legal Aspect	0.03	0	0	3	0.09
5	Special Resources	0.02	1	0.02	3	0.06
6	Structure Organization of Company	0.02	0	0	2	0.03
7	Industrial Relation	0.02	3	0.05	3	0.05
8	Employee Know-How	0.01	2	0.02	3	0.04
<b>Opportunities</b>		<b>Weight</b>	<b>AS</b>	<b>TAS</b>	<b>AS</b>	<b>TAS</b>
1	Material Quality	0.15	3	0.45	1	0.15
2	Brand Image	0.13	3	0.38	4	0.51
3	Bank Support	0.1	2	0.19	2	0.19
4	Domestic Market	0.07	1	0.07	3	0.2
5	Government Support	0.03	0	0	2	0.06
6	Contractor and Supplier Know-how	0.03	3	0.08	1	0.03
7	Availability of Main Contractor and Supplier	0.02	3	0.06	0	0
8	Employee Training Program	0.02	2	0.04	3	0.05
<b>Threats</b>		<b>Weight</b>	<b>AS</b>	<b>TAS</b>	<b>AS</b>	<b>TAS</b>
1	Purchasing Power of Buyer	0.11	2	0.23	3	0.34
2	Price of Material	0.09	3	0.28	2	0.19
3	Competition Climate of Property Developer	0.06	4	0.24	3	0.18
4	Wage Level of Construction Work/Company	0.06	3	0.17	2	0.12
5	Social and cultural conditions of the development area	0.04	2	0.09	2	0.09
6	Security and Political Stability	0.04	4	0.15	1	0.04
7	Local Barrier	0.03	1	0.03	1	0.03
8	Availability of Supporting Industries	0.03	3	0.08	0	0

## V. CONCLUSION

David's models for strategy formulation could be used to develop and to formulate the corporate strategy of PT XYZ. Based on the results of QSP matrix, the selected strategy founded the construction and pre cast concrete division (TAS 5.60) and cooperate with top property marketing companies strategy (TAS 4.12) as the second alternative strategies. The identification of strategic internal and external factors in the David's model could be enhanced further by applying other statistical method like Factor Analysis. For company, David's model of strategy

formulation could become one alternative in formulating corporate strategy in the property industry despite its limited application in the field while for academia, more research on the application of David's model in the property company should be promoted to see how effective the model works in the industry.

## REFERENCES

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