

PROPOSED BUSINESS STRATEGY FOR PT. PILAR KENCANA TAMA TO WIN THE INCREASING COMPETITION

Ariobimo Singgih Wicaksono
Institut Teknologi Bandung
Ariobimo_wicaksono@sbm-itb.ac.id

Abstract

PT. Pilar Kencana Tama has several limited capabilities that weaken the company's competitiveness and external factors that often hinder its business operations in the construction services business industry. Meanwhile, market demand for business products from contracting companies is increasing along with the increasing population growth in Indonesia. A new business strategy is required that can support Pilar to develop in the long term and take advantage of the momentum of high market demand for civil construction so that Pilar can have a high market share in its business industry. The approach to solving strategic problems owned by Pilar is with an analysis framework of the internal and external business environment to design a new business strategy. The external environmental analysis is used by the PESTEL framework which includes Political, Economic, Social, Technological, Environmental and Legal aspects. The internal environment analysis is used by the stakeholder mapping framework, VRIO, the BCG (Boston Consulting Group) growth share matrix, and the business model canvas. Other analytical data were obtained through qualitative interviews with Pilar's director, external parties regarding new business model proposals, quantitative surveys with prospective customers and several literature reviews to support the data analysis. Both types of analysis are summarized in the form of SWOT analysis to serve as basic parameters for strategy formulation using the Diamond Strategy and a new business model canvas as well as additional strategy formulation using Strategy Moves to determine how Pilar attacks on competitor companies if necessary. The results of the study show the company's advantages such as the big amount of its heavy equipment resources and the company's orientation that emphasizes quality over quantity. However, Pilar also has weaknesses from its operational capacity such as unproductive and uncreative human resources, lack of business line expansion, and only has one channel to market its business products, so that Pilar cannot easily jump right to try new business models outside of the business model which has already been done. With the analysis results related to other construction model business opportunities, Pilar needs to implement a new business model proposal by implementing several predetermined strategies. The proposed strategy to support Pilar's success in running the new business model is by overhauling the company's internal resources, implementing the Diamond Strategy that has been determined, and implementing several aspects that have been calculated related to the determination of the level of importance of criteria from customers in buying products related to the proposed new business model. Pilar also needs to use the Differentiated Circle concept in target market segments to attack larger competitor companies that have long been in the area where Pilar will carry out the proposed new business model.

Keywords: construction services; population growth; competitiveness; diamond strategy; strategy formulation.

Pendahuluan

There are so many civil contractor companies that are established especially in Indonesia. Civil contractors usually only work based on the request from the project owner, it could be the structural aspects, specifications for each material, operational method, and/or even the expected time of the projects done. However, the civil contractor business industry does not always work as well as it is supposed to.

There are some factors that could affect the civil contractor business model which would give impacts to their cash flows, human resources, development, or even their capability. Probably the factors still could be prevented or solved if the companies have strong ideas and resources although some factors are very difficult or even looks impossible to prevent or solve.

Unanticipated Political Factors

The latest Pilar's project done was in February 2020 when the pandemic of Covid-19 also started to come to Indonesia. Since then, Pilar has been struggling to fetch any projects either in a civil engineering scope or not. The total number of Pilar's projects done since its establishment in 2016 is only thirteen projects, this number is clearly the unideal number for civil engineering contractors to achieve its growth.



Figure 1 Completed Projects 2001 - Nov 2022.

The down trend of Pilar's conducted projects are shown in figure 1 In March 2020, Pilar started to execute their plan to seek any civil projects on Kementerian Pekerjaan Umum dan Perumahan Rakyat (Government Ministry of Public Works and Public House). However, their attempts to win some tenders are obstructed by some political factor. There are some people from the institution asking for "Slices of Cake" if Pilar wants to win the tender. Which means, this factor would threaten the company's financial, reputation, and stability. Implicitly, there are some people who indicated doing some "collusion" for their own political reason.

Lack of Competitiveness

During the operational period when Pilar was established, most of the projects Pilar conducted were projects in the field of General Civil Construction, such as the construction of substations, the construction of high-voltage transmission tower foundations, the construction of warehouses for factories, and the construction of simple buildings. The process for obtaining these projects is mostly obtained from winning project tenders held by institutions or companies providing the projects such as PLN, Indocement, GI Star, etc. However, along with the many projects that Pilar has conducted, Pilar has never worked on a housing or real-estate development project where in fact the development project is a very common job in the field of civil construction.

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Data Penduduk Indonesia 2015 - 2022

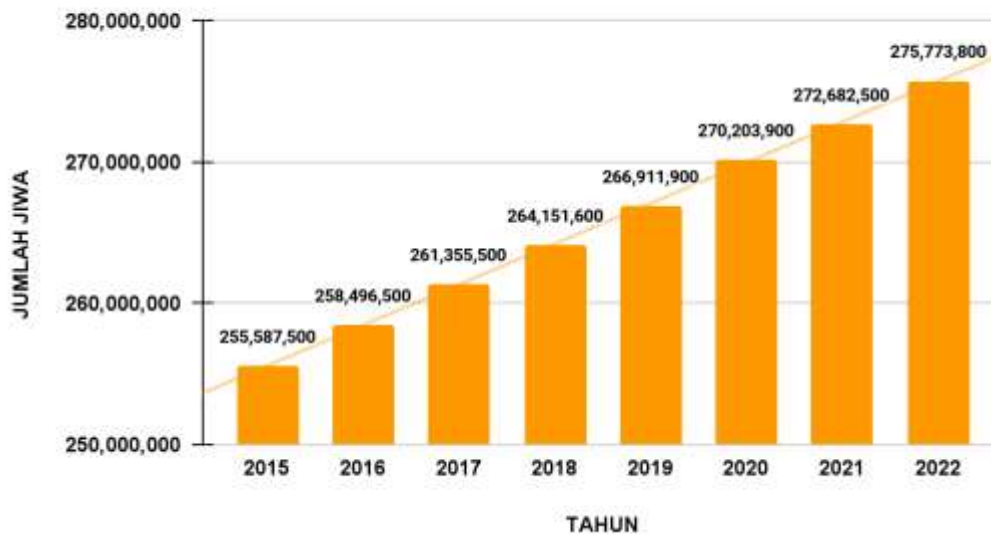


Figure 2 Indonesia Population 2015-2022 (Annur, 2022)

In figure 2 it can be seen that there has been significant population growth in Indonesia in the last 7 years. In 2015 Indonesia's population reached 255 million people and in 7 years it increased by 20 million people to 275 million people. This makes residential construction opportunities also increase due to the fact that if the number of population increases, the need for housing also increases. Under these conditions, Pilar has to try to work on a residential construction project due to some of Pilar's internal limitations, such as the lack of experience working on residential construction and the lack of resources to support the work. Thus, Pilar also lacked their competitiveness while other civil or ME (Mechanical Engineering) construction companies were also conducting any related real-estate projects that are actually aligned with the increasing population growth and the needs of own living houses.

Research objectives that correlated with the research questions are: 1. To improve Pilar's business development in a new business environment. 2. To give Pilar a suitable strategy to overcome the challenges in the new business environment.

Metode

This final project will use qualitative and quantitative methods to conduct the research. The method would be used to analyze deeper the current issues that are affecting the company the most and to propose the most possible strategy to implement. The qualitative method will initially be conducted by interviewing the CEO or Founder of the company to identify their weakest capabilities until their strongest, their external factors issues, and their internal factors issues, then conducting external interview with several related. The quantitative method will be used by spreading a questionnaire according to the proposed new business model to related people.

There are two data collection types to be analyzed internally and externally which the result of the analysis will be formulated into diamond strategy and strategic positioning. Two data collection types are called primary data and secondary data. The primary data is the data collection obtained internally and externally from the qualitative research of the conducted unstructured interview with Mr. Pandu as the CEO of PT. Pilar Kencana Tama, interviews with several people who have experience in buying houses or even developing real-estate projects to obtain any criterias for the new business model, and the AHP questionnaire of people's preference when buying a house based on certain criterias. The secondary data is the data

collection obtained from textbooks, journals, or articles that the theory is relevant to the primary data and the topic of this final project.

The internal interviews data is gathered to formulate the strategies based on the company's most affecting issues i.e. internal and external factors, capabilities or skills, etc. which are using the qualitative research methods. The result of qualitative research will be analyzed using several frameworks to find any points related to the proposed strategy.

In this research, the author uses the Analytical Hierarchy Process (AHP) method in calculating the results of the questionnaire to determine the largest weight of the criteria determined based on people's preferences in buying a house. This AHP method can determine "Weighted Average Score", "Priority Vector", "Consistency Rate", and other values based on the results of the importance level values determined by the questionnaire consisting of numbers -9 to +9 for each comparison of the two variables from the criteria.

Hasil dan Pembahasan

Solution and Proposed Implementation Plan

This chapter will explain the proposed strategy that will be explained and how to implement it based on the analysis that has been done in the previous chapter and subchapter.

Porter's Generic Strategy

The SWOT generic strategy matrix will be determined based on the previous SWOT analysis which will be assigned as a score 1 if the Strengths and Opportunities aspects required to be determined in between the three generic strategies and score -1 if the Weakness and Threats aspects required to be determined in between the three generic strategies i.e. Cost Leadership, Differentiation, and focus. The following is the SWOT generic strategy matrix determination.

Table 1 Pilar SWOT - Generic Strategy Matrix

SWOT Factors	Cost Leadership	Differentiation	Differentiation Focus	Cost Focus
Strengths (S)				
1. Zero account payable	1			
2. Strong financial management	1			1
3. Rare, rentable, and large amount of tangible assets (heavy equipment)		1	1	
4. Owned a useful Drone for planning, monitor, and summarize the physical project progress		1		
5. Good reputation with projects provider, suppliers, and partners		1		
6. Preserves the material and technical results quality		1		
7. Oftenly finished the projects earlier than the period time		1		
8. Always give a retention time		1		

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and payment retention through a guarantee service of free maintenance and surveillance.				
9. Always conduct a quantity and quality check of material procurement and working result periodically		1	1	
Weakness (W)				
1. Relatively low capital ability	-1			-1
2. Organizational capacity is small		-1	-1	
3. Lack of civil engineering experts		-1	-1	
4. Conventional reporting method		-1		
5. Heavy equipment warehouse is not in a strategic location	-1			-1
6. Lack of permanent, competent, and reliable human resources	-1			-1
7. Lack of brand awareness capability		-1	-1	
8. Low innovation capability		-1	-1	
9. Narrow target of project focus within civil construction industry	-1	-1	-1	-1
Opportunities (O)				
1. High number of governmental projects available due to Indonesia's focuses on infrastructure development.		1		
2. The increasing of own-living houses backlogs due to the population growth		1	1	
3. People's shifting behavior on smartphone. Business promotion could be easily delivered to people	1			1
4. Advancement in technological implementation	1	1	1	1
5. Encouragement of construction sector to develop worldwide		1		
6. Low bargaining power of suppliers due to so many existing	1			

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suppliers' vendors				
7. An equal bargaining power of buyers as long as a construction company could preserves the quality		1	1	
8. Low threat of new substitutes due to the construction demand is still high and only carried out by a construction company		1		
9. Low barrier to entry of threat new entrants in terms of government policy that narrowing new entrants project focus		1	1	
10. Existing competitors are more focus on government infrastructure development, Pilar could narrow its target to private companies' projects		1	1	
Threats (T)				
1. So many collusions required to win a government project tender	-1			
2. Strict government regulation for construction sector industry		-1		
3. Inflation and exchange rate increasing steadily	-1			
4. Extreme weather could affect workers' productivity	-1	-1	-1	-1
5. High intense rivalry among competitors within the industry	-1	-1	-1	-1
6. Low barrier to entry of threat new entrants in terms of product differentiation		-1	-1	
7. Low barrier to entry of threat new entrants in terms of zero capital requirement	-1			
8. Existing competitors have high capital ability and so many subsidiaries, they can broaden its target to any project focus easily	-1			
TOTAL	-5	5	-1	-3

As can be seen in table 4.12 that the differentiation strategy has the highest value based on the determination of the SWOT analysis regarding its requirement to the three generic

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strategies. It concludes that Pilar should use differentiation strategy to develop their business further concerning their SWOT either.

Industrial Organizational Model

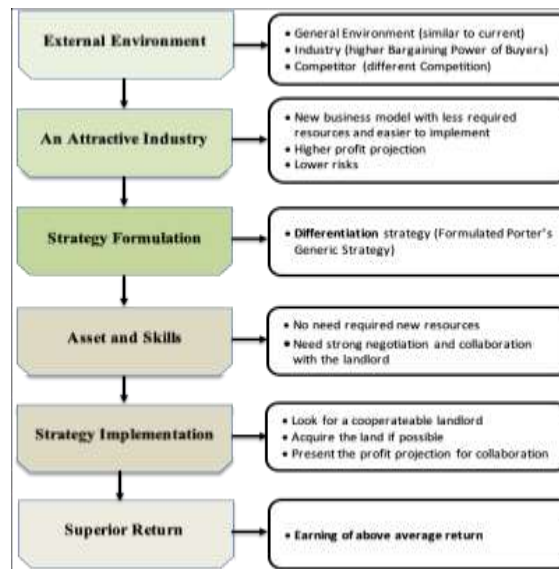


Figure 3 Proposed Industrial Organizational Model.

The figure above represents the overall strategy formulation with respect to any factors that might require to accommodate the new proposed business model. The several aspects in the industrial organization model have its own analysis in the previous sub chapters that covers the external environment, attractiveness of the new business model, asset and skills, and etc.

Diamond Model

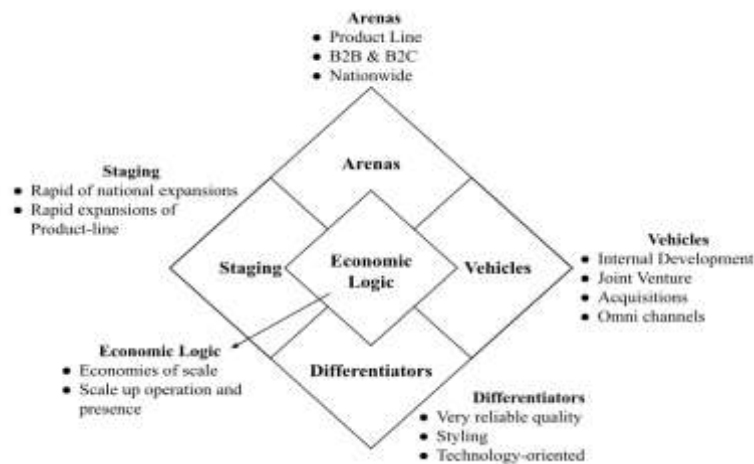


Figure 4 Adopted Diamond Strategy (Hambrick & Fredrickson, 2005).

The business strategy is analyzed using Diamond Model within five elements in order to identify from Arenas, Vehicles, Differentiators, Staging, and Economic Logic. Arenas is determined to analyze where Pilar needs to compete against the industry. Vehicles is determined to analyze how Pilar needs to compete and achieve their differentiation. Differentiators is determined to analyze specifically how Pilar would win the competition based on the Arenas and Vehicles elements. Staging determines the speed of expansions and sequence of initiatives

to broaden Pilar's product line and brand power. The Economic Logic determines specifically how Pilar will generate profits with this strategy.

Arenas

Currently, the business that Pilar is working on has a narrow segmented market where based on the project portfolio that has been undertaken by Pilar, the projects undertaken are projects provided by customers from a private company or BUMN. With this narrow segmented market, Pilar should add a B2C (Business to Customer) market segment to improve its development to make it more effective and faster. With this B2C concept, Pilar can add to its product lines and can focus more on emphasizing the results of satisfaction from end-user customers.

Pilar is also experiencing problems with the Geographic Scope aspect where Pilar only wants to work on the island of Java according to the area where Pilar's office is located. This of course makes the scope of business that Pilar can work on very small. With Pilar's small Geographic Scope, Pilar's opportunities to add income, maintain company stability, and develop the company are very ineffective. Pilar should broaden their Geographic Scope in order to increase opportunities to grow the company more effectively. By enlarging the Geographic Scope, Pilar can develop its line of business aligned with the growth in population and the need for housing in Indonesia for a long period of time.

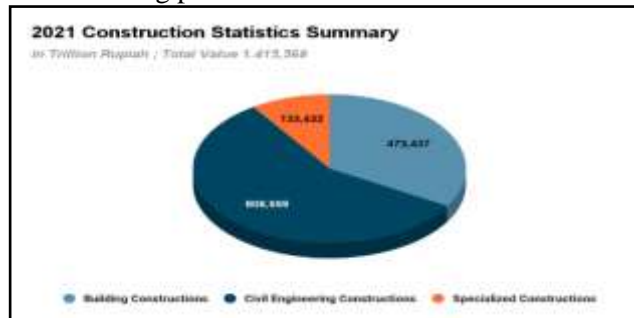


Figure 5 2021 Construction Statistics (Handayani, F., & Yuniastuti, W. (2022, n.d.).

Figure 4.13 is the latest report of the 2021 construction statistics summary in Indonesia which consists of Building Construction, Civil Engineering Constructions, and Specialized Constructions sectors. Since its establishment, Pilar operates in civil engineering and specialized constructions in which these two sectors are valued more than **900 Trillion** Rupiah. This market demand is actually a promising number for every construction company to dive down into the business industry if they could adapt and develop more effectively.

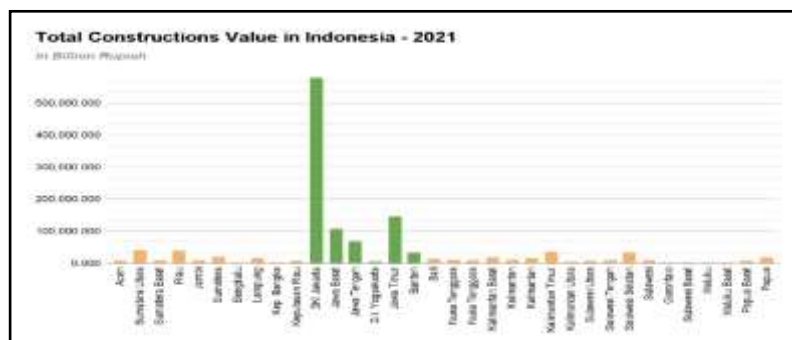


Figure 6 2021 Constructions Value in Indonesia (Handayani, F., & Yuniastuti, W. (2022, n.d.).

In 2021, the total construction value in Indonesia reached 1.415,568 Trillion Rupiah. However, with the current motivation of Pilar's business orientation that is also shown by the green columns in the figure 4.14, the exact accumulated construction value in Java Island is only 353,312 Trillion Rupiah and it was 24,95% of the overall construction value in Indonesia.

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Thus, Pilar could actually give their best performance to develop their business while considering outside of Java Island to fetch more potential projects.



Figure 7 The own living housing backlogs news (Purnamasari, D. M. (2021, n.d.).

According to Vice President Ma'ruf Amin, the country now needs to build **11.4 million** residences based on ownership. According to Ma'ruf, the amount of housing backlogs or needs in the country is relatively significant when compared to housing availability. Even as the world's population grows, so does the need for homes (Purnamasari, D. M. (2021, n.d.). "As the population continues to rise, so does the need for housing. The current requirement for housing based on ownership is expected to be 11.4 million units. The government intends to decrease Indonesia's home backlog or deficit to 5 million by 2024." Said Ma'ruf Amin. In conclusion, the target of Indonesia's housing backlog needs to be reduced by 6 million houses in three years.

Table 2 Arenas Suggestion Summary.

Aspect	Current Approach	Suggestion	Objective
Market Segments	B2B (Business to Business)	B2B and B2C; end-user customer	Wider market segments.
Geographic Scope	Java Island	Whole province in Indonesia	Wider geographic scope.
Product Line	Civil engineering and specialized construction sectors	Expand to public housing or real-estate sectors.	Wider product-line breadth.

Vehicles

The Vehicles element determines how Pilar competes to accommodate business strategies based on the arenas elements that have been analyzed in the previous subchapter. Pilar needs to overhaul its company's internal development methods by overhauling its human resources. This method can be done by conducting training regarding the new business environment that will be carried out for existing employees and recruiting several human resources who have work experience in real-estate development companies by selecting prospective human resources according to their interests, creativity, relationships, and intelligence related to the business environment according to the Arenas elements that have been analyzed.

According to the results of an external interview that the author has interviewed Mr. Suseno as a representative of a company that works in the real-estate sector, the implementation of this new business model can be carried out in several stages that need to be considered, such as:

1. Look for a land that proper to be developed, the land needs to be at least 3000 m² wide.
2. Calculate the ROI of the chosen land.

3. For a newcomer company, the business needs to create a **joint venture** between Pilar and the landlord. This could ease the financial flows from the initial development until the actual house purchase from potential customers.
4. Define the capital investment method. Whether from own capital investment or need to be supported by banks.
5. Define the concept and target segments.

This joint venture with the landlords can be implemented by providing housing development planning proposals and providing an illustration of the comparison that if the landlord sells very large vacant land, it will be very difficult to sell– compared to if the land is built housing which can be sold more quickly and profitably. However, in practice, the legality of real-estate development must be carried out by a company that has ownership rights to the land due to several conditions that need to be met so that the land can have a building permit and plot fragments in accordance with the plan. This can be overcome by making an agreement between the developer company and the landlord that the ownership of the land needs to be transferred to

the developer company and the landlord gets the agreed amount of profit.

The way to compete in this new business model can also be implemented by acquiring a real-estate developer company that requires financial support or other forms. However, to acquire the fund-need company, Pilar needs to calculate ROE and its previous financial projections first. This acquisition can provide several benefits if implemented to the right company:

1. Less capital investment requirement.
2. Could get a very strategic location with a very low land price.
3. The overall work would be less struggling due to its prior operation and partnership.

Another aspect that needs to be implemented to support the elements of the Vehicles strategy is the channel. Pilar needs to use the Omni Channel to deliver their product lines to end-user customers or to companies. Omnichannel is a platform that combines various channels in a system with the aim of increasing shopping satisfaction and optimizing customer experience. Omnichannel is the next stage of the multi-channel strategy. Omnichannel focuses on customer satisfaction for having a seamless shopping experience. Each channel is designed to support and relate to each other. Because of the efficiency offered, customers will prefer to buy products through an omnichannel platform rather than a single channel (Andi. (2022, n.d.).

Currently, Pilar does not have a marketing channel to distribute and promote its product business. Since its establishment, Pilar has needed to pursue the projects it wants to get on its own. This of course makes Pilar need more effort to get projects to develop the company. With Omnichannel, Pilar can promote its business products through websites, social media, marketplaces, or reseller platforms so that Pilar's business products can be distributed to a wider market segment so that the company can develop more effectively and can communicate via chat with customers. One of the online platforms in Indonesia that can help Pilar to distribute and promote its product line is Sejasa.com. Sejasa is a web-based marketplace platform that provides various services from third parties registered with Sejasa. The marketplace platform, which is also available on the smartphone application, provides various services ranging from hair care services, carpentry services, architectural services, to photography services. The Vehicles element implementation plan is explained in more detail in the table 4.14.

Table 3 Vehicles Suggestion Summary.

Aspects	Suggestion Tasks	Objective
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Internal Development	<ul style="list-style-type: none"> • Create a training program for the existing employees about the new business environment. • Hire related and experienced employees. • Create a special employees division to look for other projects. 	Improve internal quality
Joint Venture or Acquisition	Create a joint venture or joint operation with a landlord or fund-need companies.	Increase productivity, effectiveness, and efficiency
Omni Channels	<ul style="list-style-type: none"> • Create an own website. • Register to marketplaces i.e. Sejasa.com, tukang.com, etc. • Promote to social media i.e. TikTok, Instagram, Facebook, etc. 	<ul style="list-style-type: none"> • Effectively delivered the product-line. • Gain customer relationships and acquisition.

Differentiators

To win the competition in the new business model, Pilar needs to have several important aspects that can differentiate Pilar's products from competitors in terms of excellence to support its success. Pilar's differentiation can be in the form of implementing aspects based on customer interest in the goods they will buy. In this new business environment, Pilar can implement it by applying aspects such as reliable quality products and the application of integrated technology systems to each housing unit.

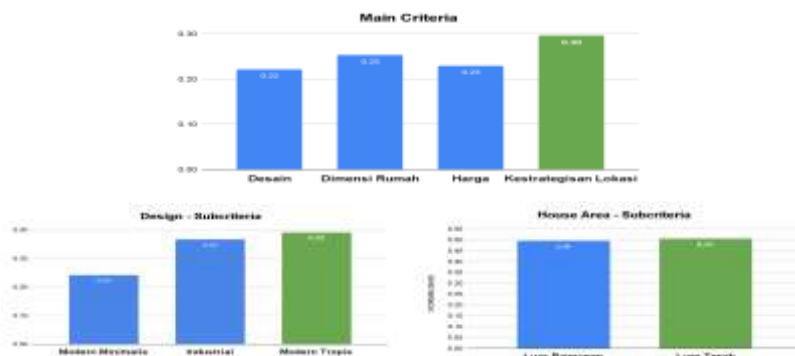


Figure 8 Criteria priority vector AHP result.

As can be seen in the figure 4.16 above, the three green colored criteria are the highest value between each other's group of criteria. The "Strategic Location", "Tropical Modern Design", and "Lot Area" could be Pilar's differentiators to run this new business model in order to win the competition. These three criteria could also be the styling parameters for Pilar to plan the concept and market segments of the real-estate. These styling parameters are related to the current trend of people's tastes whenever buying houses that could ease Pilar to plan the new business environment to win this new business environment competition.

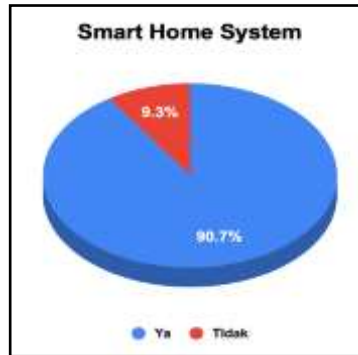


Figure 9 Smart Home system preferability result.

Technology-oriented aspects also need to be applied to support Pilar's success in this real-estate business model competition. Based on the results of a survey conducted with 54 respondents, 90% or 49 people prefer to apply technologies to the homes they buy. The concept of applying this technology can be implemented by providing a Smart Home system to housing units built in real-estate.



Figure 10 Smart Home System (Erintafifah. (2021, n.d.).

Examples of Smart Home systems that can be implemented are CCTV, lights, Smart Door Locks, or other devices that can be controlled and monitored through a device installed in one corner of the house or a personal smartphone. The application of this technological concept will become an attraction and can further support its own success if the Smart Home in a housing unit can be integrated with a security system in a real-estate or housing complex to be built. The overall suggestion about this element of diamond strategy is explained in detail in the table below.

At first, a company should focus strongly on a few business products instead of having so many low focus business products – Pilar should focus on this new business model to accentuate the differentiation between competitors (Fartaria, 2010). It is also important for Pilar to determine its competitor's business segment i.e. how they advertise their products, how they play psychology tactics to their most potential customers, and how they treat their old markets.

Table 4 Differentiators Suggestion Summary.

Aspects	Suggestion Tasks	Objective
Reliable quality	<ul style="list-style-type: none"> Accentuates the quality over quantity. Quality should be worth the prices. Select the experienced workers, subcontractors, and partners. 	<ul style="list-style-type: none"> Increasing brand credibility. Sustain the brand power.
Styling	<ul style="list-style-type: none"> Implement the styling 	<ul style="list-style-type: none"> Ease the planning to

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	parameters based on the criteria priority vector AHP result. <ul style="list-style-type: none"> Follow the current styling trends. 	execute. <ul style="list-style-type: none"> Gain attractiveness to the products. Hit the target segments accurately.
Technology-oriented	<ul style="list-style-type: none"> Apply the technological system to the housing. Integrate the technological system with the security center of the cluster or complex. 	<ul style="list-style-type: none"> Gain attractiveness to young generation market segments. Value creation applied.

Staging

Currently PT. Pilar Kencana Tama has a geographic scope capability that only covers the island of Java, where the island of Java only covers six of the 34 provinces in Indonesia, such as DKI Jakarta, East Java, West Java, Central Java, D.I. Yogyakarta, and Banten. This of course will greatly disrupt the development of Pilar's business model which is not in line with the growth in demand related to projects that Pilar can work on. In this staging element, the author provides several strategies in the form of staging for Pilar to develop the company in terms of geographic scope and workable product lines.

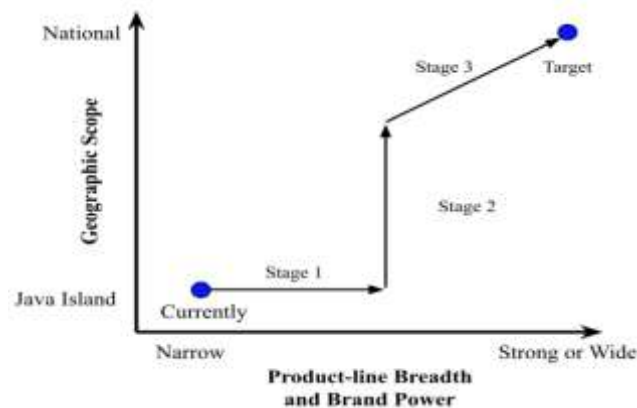


Figure 11 Strategic Staging of PT. Pilar Kencana Tama

Figure 11 represents the strategic staging that the Pilar needs to implement to develop the company in its entire business. The target in this figure also defines Pilar's motives to achieve a national geographic scope and have a wide range of product lines in accordance with the magnitude of market demand and population growth in Indonesia, which always increases every year. This strategic staging is also based on analysis that has been done previously in the elements of Arenas, Vehicles, and Differentiators.

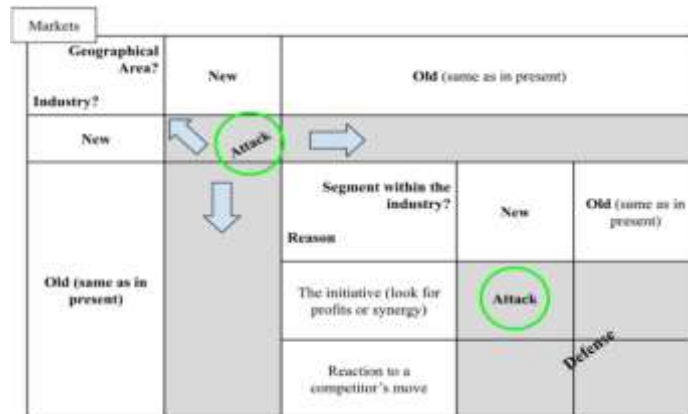


Figure 12 The Adopted Concept of Attack (Fartaria, 2010).

Based on the analysis in the figure 12, Pilar fulfilled the two criteria of when Pilar should attack their competitors and has been determined as a green colored circle in the figure. Pilar should first concentrate on the industry leader in their neighborhood due to the fact that the existing competitor must have had financial resources to block Pilar's entry (by cutting prices, increasing advertising, etc.) (Fartaria, 2010). The summary explanation of strategic staging will be explained in the table below.

Table 5 Strategic Staging Suggestion.

Stage	Task
Stage 1: join into a new business model (real-estate)	<ul style="list-style-type: none"> • Hire related and experienced employees. • Create a joint venture with the landlord. • Formulate the concept based on previous analysis. • Execute the business and start to attack the related competitors.
Stage 2: Expand to wider geographic scope	<ul style="list-style-type: none"> • Start new projects outside of Java Island. • Hire related and experienced employees and marketing agencies.
Stage 3: Expand to another related business sector and targeted geographic scope	<ul style="list-style-type: none"> • If the real-estate business had settled, the firm should try another business sectors e.g. building construction, FnB business, etc.

Economic Logic

The economic logic element defines how a company cannot be sufficient if it only relies on income that is greater than its expenses because customers and competitors will also not rely on that alone (Hambrick & Fredrickson, 2005). To determine the success of a competition in a business industry that has strong competition, it is necessary to apply strategic methods in microeconomics to support success in competition. Economies of scale is a concept that can be implemented by Pilar in order to win the competition among its competitors in this new business model. Economies of scale is a concept that describes a decrease in production costs

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per unit of product in a company when it increases production volume (Muttaqien, F. (2022, n.d.). An example of the results of applying the concept of economies of scale is explained in more detail in the table below.

Table 6 Example of Economies of Scale Implementation.

Items (monthly)	Current Ability	Economies of Scale
Production Unit	10	20
Building Cost per unit	Rp. 108.000.000	Rp. 108.000.000
Fix Operating Cost	Rp. 50.000.000	Rp. 50.000.000
Total Cost Per unit	Rp. 113.000.000	Rp. 110.500.000
Cost Saving	Rp. 2.500.000	

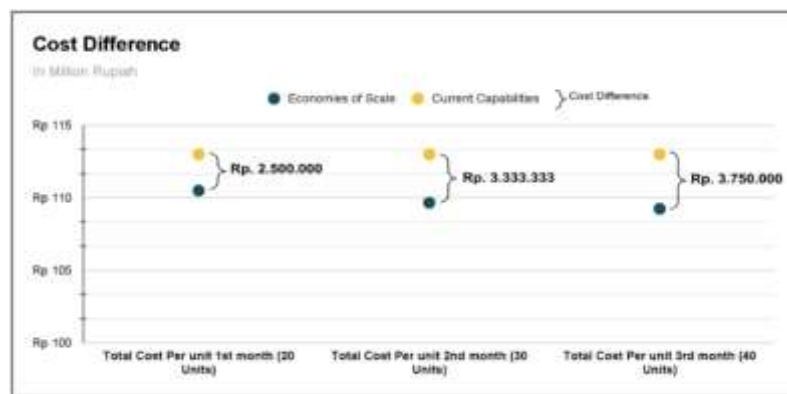


Figure 13 Cost Difference of Economies of Scale Implementation.

By implementing Economies of Scale in the Economic Logic element, Pilar needs to increase its production capacity or capability in building the number of housing units per month. Table 4.17 and figure 13 are examples of comparison that if Pilar applies Economies of Scale, then the cost per housing unit will be lower and clearly can provide a higher net profit per month. The overall goal in implementing Economies of Scale are (Vaidya, n.d.):

1. Reduced per unit Cost.
2. Increased profits.
3. Growth of business.
4. Business credibility increases.
5. Improvement in existing processes.

Another aspect to support this Economic Logic element is the need for scale up operations and presence in multiple market segments to achieve a large cost advantage in spending fixed costs which are difficult for competitors to do (Hambrick & Fredrickson, 2005). Scale up operations and presence may not always be implemented but this concept can increase a company's ability to survive and provide strong profits every year. Another objective of this scale up operation and presence is to provide strong brand strength with a wider target market.

Table 7 Economic Logic Suggestion Summary.

Aspects	Suggestion Tasks	Objective
Economies of Scale	<ul style="list-style-type: none"> ● Increase building capability. ● Choose the right partnership with 	<ul style="list-style-type: none"> ● Reduce per unit costs. ● Gain larger profits.

	vendors, suppliers, and subcontractors.	<ul style="list-style-type: none"> ● Improvement in existing processes.
Scale up operation and presence	<ul style="list-style-type: none"> ● Execute more than two projects in a few cities at one time. ● Execute more than two projects with different market segments. ● Get funding support from certain banks. 	<ul style="list-style-type: none"> ● Cost advantages against competitors. ● Increase brand recognition. ● Gain special credibility from banks. ● Gain wider market segments.

New Business Model Canvas

This new business model canvas is defined by the author based on certain internal and external analysis which has been analyzed in the previous chapters. The new business model canvas is proposed to summarize any aspect in the overall business situation that Pilar should conduct and partner with. The new business model canvas is also represent overall diamond strategy that has five elements in which includes Arenas of where business environment the company should conduct and compete with, Vehicles of how the company should compete in the determined Arenas, Differentiators of what things is the company should apply to win the competition, Staging of when the company should apply the overall strategy to expand their business objectives, and Economic Logic of why the company should not only vaguely count on having revenues that above costs.

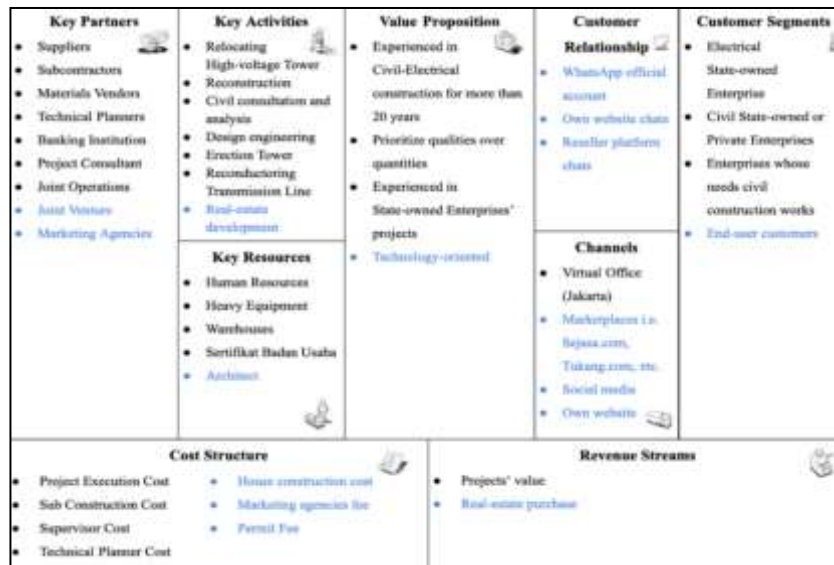


Figure 14 New Business Model Canvas.

Figure 14 is a new business model canvas that has added several key factors from the proposed strategy using the Diamond Strategy based on interviews and external analysis which has been explained in the previous chapter and subchapter including the results of an interview with Mr. Pandu as CEO of PT. Pilar Kencana Tama and several external parties related to the proposed new business model. In figure 4.22, the key factors of the proposed strategy are colored in blue to show the difference between the existing business situation and the proposed business situation. In the nine aspects of the business model canvas, there is at least one additional point for each aspect based on the proposed strategy which is sufficient to represent the new business situation if the implementation of this new business model is carried out.

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Strategy Moves

From the previous analyzes that have been identified from certain aspects, Pilar should also determine how they would attack their opponent once they started to join the new business environment.

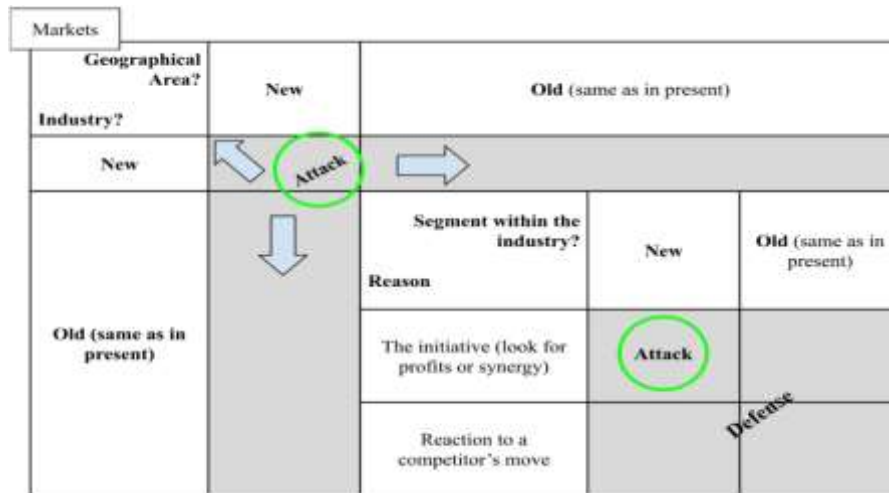


Figure 14 The Adopted Concept of Attack (Fartaria, 2010).

As can be seen in the figure 14 which also can be seen in the Staging subchapter that Pilar fulfills the two criteria of the attacking requirements which the new proposed business environment is also requiring to extend the new segment within the new geographical scope.

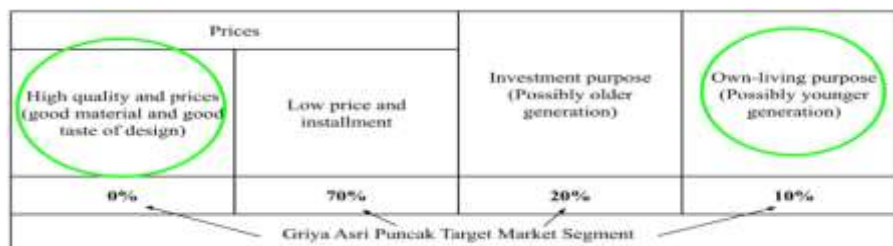


Figure 15 Proposed attacking target market segment.

According to their marketing campaign on their own-website, It can be concluded that if Pilar wants to join this new business environment, author suggests Pilar to use the **Differentiated Circle** way of attacking which their movements will going into two different market segments i.e. “High quality and prices” and “Own-living purposes” target market. The proposed target market segments are very possible to implement regarding that current competitor’s target market segments are very weak.

Justification of Implementation Plan

This subchapter describes an example of an implementation plan if Pilar will be involved in this proposed new business model so that Pilar can run and adapt more quickly in this new business model. The following is an example of implementing the business model.

Table 16 Cost of implementation

Available Land Area	50.000 m2
Houses to build	60% x 50.000 m2 = 30.000 m2 → Maximum area for houses of the entire land

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Infrastructure to build (public and social facilities, roads, etc.)	$40\% \times 50.000 \text{ m}^2 = 20.000 \text{ m}^2 \rightarrow$ Maximum area for the infrastructure
<p>Note: Suppose Pilar wants to build three different lot areas with three different building areas (ex: 45/84 m², 72/112 m², and 105/144 m²). Therefore, the total possible houses to build are: 271 Houses</p> <ul style="list-style-type: none"> - Type 45/84 = 103 lot - Type 72/112 = 93 lot - Type 105/144 = 75 lot 	
<p>Initial and Marketing Cost</p> <p>Note: Suppose Pilar wants to build a mid-high specification of building material with an assumption of 4 million rupiah per m². Therefore, the initial and marketing cost will be:</p> <ul style="list-style-type: none"> - Show unit houses for 3 different lots (45, 72, 105). - Furnishing show units houses 50 million rupiah per house. - Building infrastructure 750 thousand rupiah per m². - Marketing campaign (social media, marketing agencies, etc.) - 3D Design (houses and entire complex) 	
Furnished show unit houses cost	
Type 45/84	$\text{Rp. } 4.000.000 \times 45 \text{ m}^2 = \text{Rp. } 180.000.000$
Type 72/112	$\text{Rp. } 4.000.000 \times 72 \text{ m}^2 = \text{Rp. } 288.000.000$
Type 105/144	$\text{Rp. } 4.000.000 \times 105 \text{ m}^2 = \text{Rp. } 180.000.000$
Furnishing show units houses	$50 \text{ mill} \times 3 \text{ houses} = \text{Rp. } 150.000.000$
10% Infrastructure built	$10\% \times 20.000 \text{ m}^2 \times \text{Rp. } 750.000 = \text{Rp. } 1.500.000.000$
Marketing Campaign	$\text{Rp. } 50.000.000$
3D Design	$\text{Rp. } 50.000.000$
Total Cost	$\text{Rp. } 2.248.000.000$

Table 16 is the example of the overall cost calculation whenever Pilar wants to conduct the proposed new business model which in fact is really possible to be implemented due to increasing population growth and the backlog of housing. To start implementing this new business model, Pilar suggested looking for a cooperatable landlord in order to work on this new business model aligned with the purchases of the houses. The 3D design and marketing campaign are also required to reach the market without building the houses first so the prospective buyers could be easily interested and make a down-payment to buy the houses. The 4 million rupiah per m² construction cost is relatively a mid-high specification for the brand and material quality of each construction segment. Pilar could determine themselves for choosing any subcontractor with lower construction cost yet the specification could be promising

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Kesimpulan

According to the results of the analysis that has been carried out through questionnaire calculations using the Analytical Hierarchy Process method, there are several priority criteria that the Pilar can make as parameters to carry out this proposed new business model such as Strategic Location, Modern Tropical Design, and Lot Area by applying several strategic frameworks and attacking methods as explained in the previous chapter. The following is a summary of the conclusions: 1. It is recommended that Pilar implement a **differentiation** as a generic strategy to support this business model so that this business model can outperform larger competitor companies that have been in the location area where Pilar will run this new business model for a long time. The differentiator that has been determined based on external analysis is also in the form of implementing good quality control, implementing trend-following housing designs, and implementing technology systems that are integrated with the entire housing in order to gain attractiveness and superior competitiveness among competing companies. 2. In its implementation, Pilar needs to use the Differentiated Circle strategy to attack competitor companies which based on the results of research conducted, the competitor companies have several weak market segments or even not covered at all. Pilar can target market segments that have own-living purposes and market segments that want house building materials with medium-high specs. 3. Pilar needs to concern the Strategic Location aspects which covers downtown areas, schools, police stations, and several aspects of primary human needs to support the attractiveness of business products in this business model if Pilar has an own-living target market segment. If Pilar has a target market investment segment, Pilar only needs to concern the Strategic Location aspect which covers recreational sites, non-crowded environments, and several other areas that don't really support primary human needs. 4. Pilar also needs to use tropical modern design references to build plans in the real-estate business by carefully selecting the services of architects who have good design taste and experience building houses with tropical modern designs. This needs to be done so that Pilar can more precisely reach the desired target market in accordance with the increasing need for housing for the people of Indonesia. 5. Calculations related to product distribution in the real-estate business are also needed in order to concern the importance of lot areas compared to house areas based on the results of AHP calculations where from all respondents, they prefer to have larger lot areas than larger buildings. In the implementation, Pilar also needs to concern the following aspects that can provide effectiveness and efficiency when running this business model, such as: Hire related and experienced employees; Create a joint venture with the landlord in order to sustain the cash flows aligned with the demand; Implement the Economies of Scales related to the execution of the house constructions.

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