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COMPETITIVE STRATEGY DEVELOPMENT OF AUDIA HOUSE OF BEAUTY

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ABSTRACT

This research aimed to: identify industry attractiveness of salon and spa in Bekasi to know in what position the company can compete with other competitors, analyze the competition capability of Audia House of Beauty with other competitors, and formulate appropriate business strategy plan for Audia House of Beauty in enhancing competition in Bekasi. To answer the research questions of this research, a descriptive study using case study, survey, and observation method were conducted. In conclusion, the policy of Audia House of Beauty business strategy had good competition strategy and high competitiveness as it could be seen that Audia House of Beauty could be competitive to other salons in its area. At the same time, since it was in the medium market development and competition, selective infestation was needed. The steps to do were to develop its business, to increase market as well as business activities, to formulate product specialization, and to consider customers' needs.

KEY WORDS

Management, strategy, industry attractiveness, beauty industry.

Currently, beauty industry in Indonesia rapidly develops as it is shown by the increasing number of salon and spa beauty industry. The needs to be beautiful and attractive make women willing to spend amount of money only to do treatment for their body. Besides, high mobility and crowded activities among a group of business women in metropolitan city influence the increase of awareness and needs to always perform beautifully. As a result, many women always visit beauty salon and spa service. Even though there are a lot of new entrants in this business, the market share is still widely open and in demand by people from all classes from upper to middle-lower class.

However, the challenge of this business is on the uniqueness of salon and spa in order to attract consumers as the continuous of excellent competition. Regarding to data compiled from Global Beauty Industry, in the world, this industry achieves 7% each year (cited from The Economist). The data also shows the whole value of world trade for each type of beauty business, such as USD 24 billion for face treatment, USD 18 billion for make-up, USD 38 billion for hair treatment, and USD 18 billion for perfume and fragrances. According to Azzuro (2015), high customer satisfaction is on the uniqueness and excellent of company which are determined by customers.

Audia House of Beauty is one of the examples of salon and spa business in Bekasi which can be potentially developed. This business depends on the availability of expert human resources. The quality of its therapists and products has been recognized by customers. Another challenge for the company is producing expert and loyal human resources toward the company. In beauty industry, Audia House of Beauty might be a new comer included in small scale business, but it has skill and knowledge to produce beauty service products which have loyal customers. It is offered by Audia House of Beauty to maintain loyal customers because the business competition is getting tighter that demands salon to have its own excellence from other salons and spas.

The competition among companies with the same business commonly relates to obtaining and maintaining customers. However, currently, it is more difficult to satisfy customers because they are getting smarter in choosing products and other needs. Once they are not satisfied with a service offered by a salon and spa, they will not come back and

tend to say negative comment about the service to other customers. Therefore, it is crucial to attract customers to remain loyal.

However, to be successful, combination of some variable decisions contributing to the success of beauty service industry is needed, such as service, comfort, product, and time. Knowing the effects of those variables, the success and the development of salon and spa service can be achieved. Therefore, from the strategic factors, formulating a strategy for the development of salon and spa service in Bekasi is also needed. Regarding to the literature review, this research was aimed to: 1)Identify industry attractiveness of salon and spa in Bekasi to know in what position the company can compete with others; 2)Analyze the competitive ability of Audia House of Beauty with others; 3)Formulate appropriate business strategy plan for Audia House of Beauty in enhancing competitiveness in Bekasi.

METHODS OF RESEARCH

This research was conducted on February-November 2017 in Audia House of Beauty in Bekasi. This research was conducted using descriptive research with case study, survey, and observation as the research methods. Moreover, the scope of descriptive study focuses on information of external and internal organization. Case study method is a research method demanding detailed, deep, and holistic information about a particular object in a particular time, including environment and situation in the past which factors can be related to each other (Umar, 2005).

The main focus of this research was a case study with salon and spa business as the object that develops its concept into new business in offering service for facial, body, hair, and nails. In addition, survey and observation method are used to support the results of case study analysis. Survey was conducted in the external of the company, such as salon and spa customers and employees to identify and analyze the condition of a business company. The result of business analysis supported the formulation and choice of alternative strategy in planning strategy to run the new reformation concept of the company. The scopes of the research were identifying and analyzing competition, preference of consumer needs, quantity and quality of suppliers, and competence of organization and how to utilize it in facing the business competition. For the observation conducted to some popular salons and spas, the aim of using the method was to sharpen researcher's analysis in understanding the competition condition and needs between suppliers and consumers.

RESULTS AND DISCUSSION

Industry attractiveness is an opportunity offering potential profit for a business. Based on the result of analysis using a theory by GE-McKinsey, salon and spa beauty industry in Bekasi was an industry with high existence. The industry attractiveness included: 1) service quality for customers; 2) market share; 3) company image; 4) production capacity; 5) production location; 6) potential consumer spending.

Table 1 – Salon and Spa Industry Attractiveness

Strategic Factor	Average	Quality	Rating	BnR
Market growth rate	4.35	.163	3	.49
Market share	4.16	.156	4	.62
Intensity of rivalry	4.44	.166	2	.33
Production location	4.70	.176	1	.18
Production capacity	4.63	.174	2	.35
Potential consumer spending	4.39	.165	3	.49
Total	26.67	1.00		2.8

Source: processed data (2017).

In common, business in this industry focuses on market share. Although market share and competition of salon and spa beauty industry is wide and a lot, the opportunity to do the

business is getting wider too. The existence of many new competitors in salon industry also becomes a challenge for Audia House of Beauty. However, by giving service and making customers loyal, customers will not go to another salon.

Moreover, the increase number of business women with high mobility is likely to increase the needs of being beautiful every time. One of the ways to make them beautiful is by pampering themselves with salon and spa service. Regarding to this reason, salon will be located in some accessible places for students and employees. In other words, the increase of women's purchasing power becomes one of supporting factors to open salon and spa service.

In this case, Audia House of Beauty is quite successful in gaining profit by looking at the opportunity in this industry. The capability of Audia House of Beauty in taking the opportunity of salon and spa industry attractiveness is quite good by seeing some factors having high quality and rating which is called market share. It means that Audia House of Beauty is capable for competing with others. One of the factors utilized by Audia House of Beauty is the inexistence of dominating salons around it. As a result, Audia can take the opportunity to be the most complete and up to date salon dominating the area. Moreover, offering variations of beauty service (i.e. treatment cream bath, facial, spa and sauna) for wide range of age customers from children to adults, Audia House of Beauty can increase the number of its loyal customers.

Company will also have good competition ability if the quality of work is considered good by customers. When the company competes in public market segment, the company is able to produce regular customers who are loyal to company products although the opportunity of market share achieved is limited. Then, the competition structure of a company is important in order to determine what strategy used to defend and win the competition. Although there are many salon and spa businesses in Bekasi, the development of market is increasing as it is shown that the customers of Audia House of Beauty are not only from Bekasi, but also from Bogor.

Analysis of Company Business Strength Factor. Company business strength is identified based on internal strategic factor of company. Batubara (2004), Siagaan (2008), and Azzuhro (2015) state that the identified business strength is on the company itself, such as: 1) quality of service; 2) productivity in technology utilization; 3) company image; 4) controlled market share; 5) competitiveness; 6) competitive position; 7) consumer behavior and preferences; 8) technological excellence; 9) business capability of owner's company; 10) the ability of company to provide customers' various demand; 11) price.

Based on the internal analysis, there are strengths owned by Audia House of Beauty, i.e. giving the best service and always being up to date for devices and products used and beauty trend knowledge. Moreover, natural ingredients for beauty products makes customers believe Audia House of Beauty. As a result, the advantages offered to customers can maintain their satisfaction and loyalty. In other words, if customers are satisfied, they tend to be loyal to the salon. Then, having loyal customers will maintain the salon in salon and spa industry.

Shows the power of company is on how capable the business owner is in responding various demand and how to create good image for the company in consumers' point of view because the concerns of salon and spa service performance can be seen from its reputation that determine the success of salon and spa service. Recently, although the market share opportunity of salon and spa service is limited, Audia House of Beauty is able to maintain customers because of the hospitality service given by therapists. It can be concluded that dexterity of therapists in giving service to customers is essential so that its image in customers' point of view remains good. In addition, the capability of doing business becomes the attention of internal parties in which the skill of human resources in treating customers can be seen. Although Audia House of Beauty is considered as new entrant, it has hired six people because the customers visiting it every day is not that many. Therefore, it should give the best service utilizing up to date technology to fulfill customers' satisfaction in order to compete with other new competitors in salon and spa industry.

In this case, the company is on the competitive environment position where other salons and spas are near it. However, Audia House of Beauty utilizes technology and *reiki* power which are different from others. Besides, Audia House of Beauty has good, creative, innovative, and high motivation internal environment in trading the products.

It is shown that the price influences customer attractiveness. For instance, if the price is expensive, customers tend to choose salon and spa offering lower price. In other words, price determines how customers take parts in customer decision in choosing salon and spa.

Evaluation of Industry Attractiveness Analysis. Analysis of salon and spa industry attractiveness in Bekasi is analyzed using GE-McKinsey. Furthermore, this device is used to analyze competitiveness and the position of product of a business. The result of analysis in Figure 1 shows that the company is on cell 2 and column 2 showing that salon and spa industry has fairly high attractiveness and the company has power to compete.

Therefore, it is important to implement differentiation strategy. However, each industry has different differentiation strategy, such as doing marketing strategy approach and hiring more skilled employees or therapists. When a company can achieve and maintain its differentiation, it will be a company with high performance in its industry. For Audia House of Beauty, the marketing and customer approach strategy are used to create intimate situation so that it will not create gap between customers and Audia House of Beauty. Moreover, femininity and unique design with affordable price for all classes makes Audia House of Beauty different from other salons in its area.

The Findings of Porter's Five Forces Analysis. The competition of similar company in salon and spa industry is high with average 67% (the recapitulation of calculation is attached on the appendix) because the competition in salon and spa industry recently develops rapidly in Indonesia causing many companies interested to get into this industry. In this condition, Audia House of Beauty has good prospect in the future although it is included in new entrant in this industry. Currently, Audia House of Beauty has been well-known salon among people, especially people in Bekasi. As a result, the total of sale increases every month because Audia House of Beauty can develop its market share. If market share continuously increases, those who try to develop similar business will find its challenge. Therefore, salon and spa companies require good and appropriate communication strategy that can follow rapid changes of era in order to create positive image among people.

In fact, threat of new entrant is high with 67% of average value (the recapitulation of calculation is attached in appendix) because to be involved in salon and spa industry, high modal is needed to fulfill consumers' needs. The new comer threat in this industry is influenced by some factors. The first factor is wide market share requiring salon to give the best available service and products so that customers remain loyal. The second is support from government in giving product license. The products offered to customers have to get license from National Agency of Drug and Food Control (NADFC) in order to ensure the customers to use the product. The third factor is the success of company of salon and spa industry in developing business and willingness to widen its market share in all cities in Indonesia.

The bargaining power of supplier is considered low with 20% of total average (the recapitulation of calculation is attached in appendix) occurs because Audia House of Beauty does not depend too much on to the main supplier, but Audia House of Beauty has its own products offered to customers. However, the supplier of Audia House of Beauty becomes the main factor for the success of it although it does not have high dependence. Because salon and spa products of the suppliers currently have been sold in market, it will not be difficult to get suppliers in salon and spa service.

The product threat is considered low with 33% of average value (the recapitulation of calculation is attached in appendix). Substitution products are used when the stock of main product is none. However, in fact, substitution product threat is free-sold products in market with lower price. Thus, the excellent products of salon can be drifted with the free-sold products. To handle that challenge, Audia House of Beauty has some strategies. First, it increases services to keep the consumer loyalty. Second, the products used are different

from those sold in market and cannot be copied by other products. Third, the additional quality should be increased to create differentiated products.

Consumer bargaining power is high with 67% of average value (the recapitulation of calculation is attached in appendix) because the needs of customers which are getting more and various should be provided and fulfilled by salon. To face the consumer bargaining power, Audia House of Beauty provides the best service in a form of free treatment or discount for the customers. It is done to create consumer loyalty so that they come back to Audia House of Beauty.

Stakeholder Engagement Analysis. Business process mapping describes the business process occurred in Audia House of Beauty. Stakeholders involved in Audia House of Beauty business process have their own role. Therefore, deeper analysis toward each stakeholder to know the role of each stakeholder in the business process is needed. Then, the analysis method used in this research is stakeholder management.

Stakeholder Analysis. Stakeholder analysis is a systematic process to analyze information obtained from some stakeholders to determine whose concerns that should be considered in developing and implementing a program.

From the supplier stakeholder questionnaire, it is found that there are five attributes used, i.e. contribution, legitimacy, availability to be involved, influence, and the importance of involvement attribute. The contribution attribute describes how far stakeholders know information, suggestion, and expertise about issues related to the goal of the company. As it is discussed previously, the goal of the company is to increase the company competitiveness with other salons and to increase sale. Legitimacy attribute describes how legal the cooperation occurred. It is shown by the written agreement between Audia House of Beauty and stakeholder.

The availability to be involved attribute is how far the stakeholder wills to get involved, whether the stakeholders need Audia House of Beauty as their partner. Influence attribute shows how far the influence or role of the stakeholders on the business unit of Audia House of Beauty. The influence can also refer to the cost, social effect, and the holistic influence. The importance of involvement attribute is an opportunity of how influence stakeholders can inhibit the continuity of Audia House of Beauty business unit if they are not involved in the business process.

L'oreal as the hair treatment suppliers has the highest contribution among other suppliers. It shows that L'oreal knows what products to offer to Audia House of Beauty. By the cooperation, Audia get an easy way to sell L'oreal products to customers. Based on the result of questionnaire of the five attributes, the scale is 5 meaning that the communication and cooperation between L'oreal and Audia House of Beauty is very high. Because of good cooperation, L'oreal commonly gives high discount to Audia House of Beauty.

Pevonia as the facial treatment supplier has high value on legitimacy and availability to involve attribute are high as it can be seen in Table 7. It is also shown that the cooperation with Pevonia has been stated in MoU or legal agreement. Thus, when Audia House of Beauty wants to order some products, the service given by Pevonia is through clear and complete invoice. In this case, the cooperation between Audia House and Beauty and Pevonia is not only limited to trading, but also the help to sell products from Audia House of Beauty to consumers.

Beauty Cottage is the supplier for facial mask products. Availability of involvement which is high shows that Beauty Cottage wants to do cooperation for long term period. The communication from each stakeholder is very good because Audia House of Beauty does not stop the communication with other stakeholders. However, the value of legitimacy attribute is 3 meaning that it is involved in the category of medium because at the beginning of cooperation, the cooperation does not involve MoU. Instead, it is because other stakeholders know the supplier.

Griya Warna is the supplier of body products. The availability of involvement shows that it will have long term cooperation. Because the supplier is from Bali, good communication is necessary to prevent from miss communication during the transaction. However, the value of influence and importance of involvement attribute is 3 because Griya

Warna will not influence the income of Audia House of Beauty if the salon does not use the products from it. In other words, products from Griya Warna are only additional products.

Dr. Hervita is the supplier of face and hand and feet products which has high value of legitimacy, availability to involve, and influence attribute. It is shown that there is legal agreement at the beginning of agreement because Dr. Hervita has her own certain standard of product that should be followed by Audia House of Beauty. However, the value of contribution attribute is 2 because of limited communication and products that will be ordered.

Cuccio is the supplier of hand and feet products which have low value in contribution attribute because not all employees from Cuccio know what to offer to Audia House of Beauty. However, based on the result of questionnaire, the value of legitimacy and availability to be involved is 4 showing that it will influence the income of Audia House of Beauty if it does not purchase products from Cuccio.

Beauty Word is the supplier of beauty devices in salon. In this case, the devices are the primary needs of Audia House of Beauty. Based on the result of questionnaire from 30 consumers as the stakeholders, it is found that the value range of attributes is from very low to very high. Furthermore, the five attributes (contribution, legitimacy, availability to involve, influence, and the importance of involvement attribute) are reclassified into three attributes, i.e. willingness, expertise, and value. Expertise comes from the average value of contribution and legitimacy attribute. Value is the combination of the value of influence and availability to involve attribute. Willingness is the value of involvement availability.

The next step is to make scatter diagram of the three attributes (willingness, expertise, and value) using XLStat software. The software can visualize data on Microsoft Excel software. On scatter diagram, willingness attribute becomes the horizontal axis, whereas expertise attribute becomes the horizontal axis. The value attribute describes the size of stakeholder circle. The following figure is the map of SM (Stakeholder Mapping) for supplier stakeholder.

Figure 1 – Supplier Stakeholder Mapping

Figure 1 shows supplier stakeholder mapping consisting of quadrants I, II, III, and IV. Based on the figure, it can be seen that the values of willingness and expertise attribute in quadrant I, II, and III is low. On the other hand, the value of willingness and expertise attribute in quadrant IV is high.

Based on scatter diagram in Figure 4, Pevonia, Beauty Cottage, Griya Warna, dr. Hervita, Cuccio, and Beauty World are categorized into quadrant I, II, III, and IV. The value of willingness and expertise attribute of dr. Hervita in quadrant I is 3.5 showing that the value is low. It occurs because the communication does not run smoothly between Audia House of Beauty and the supplier. The supplier has not known the goal of the salon that makes them

lack of understanding the vision and mission of Audia House of Beauty. The low willingness value is also shown by stakeholders from dr. Hervita who know little about what products to offer to Audia House of Beauty.

Figure 4 shows that stakeholder Beauty Cottage is on quadrant II with value of value attribute is 1. In quadrant II, the expertise value is low, meaning that the supplier knows little about the details of Audia House of Beauty. In other words, the supplier of Beauty Cottage know little about vision and mission of Audia House of Beauty because they only want to do long term cooperation.

Stakeholder Cuccio is in quadrant III in which both willingness and expertise value attribute are 2.5 categorized into low. It means that Cuccio supplier has little good communication during the cooperation with Audia House of Beauty. On the other hand, quadrant IV shows good quadrant because both willingness and expertise attributes are high. In this case, Griya Warna supplier, Beauty World supplier, and Pevonia supplier are on quadrant IV with different values of attribute. Among those suppliers, Pevonia is the highest which value of attribute is 4.5 because Pevonia products are the excellent products in the salon. Customers do not only enjoy the treatment, but they also purchase the products. As a result, the loyalty of the supplier to customers of the salon is good. Besides, the knowledge of the supplier about products offered to Audia House of Beauty and the willingness to do cooperation with the salon is high.

Figure 2 – Consumer Stakeholders Mapping

Figure 2 is the consumer stakeholder mapping. The consumers who take part as the respondents are 30 people. From the 30 respondents, 28 respondents are in quadrant IV while 2 respondents are in quadrant I. It can be concluded that the customers' will to come back to Audia House of Beauty is very high. It also indicates that the loyalty of customers not to move to another salon is very high.

Engagement Strategy. Based on the result of stakeholder engagement mapping, there are 31 stakeholders who are categorized into *engage*. From those stakeholders, 3 people are supplier stakeholders and 28 people are consumers. The supplier stakeholders categorized into *engage* are Griya Warna, Beauty World, and Pevonia. The 28 consumer stakeholders are respondents who already know the types and price of products offered by Audia House of Beauty. The respondent knowledge about types and price of products is obtained from consumers' frequency of visiting the salon. In other words, consumers categorized into *engage* are those who frequently come or who are loyal customers of Audia House of Beauty. Prahalad (2008) states engagement refers to any ways or activities done by a party to create interaction between both parties. The interaction is reciprocal relationship

in which both parties actively begin communicating and exchanging information. It is expected that Audia House Beauty can do cooperation with its main stakeholders.

The stakeholders categorized into *communicate* consist of 4 stakeholders: 2 supplier stakeholders from dr. Hervita and Cuccio and 2 consumer stakeholders. In this category, both values of expertise and willingness are low. On *inform* category, there is 1 supplier stakeholder which is from Beauty Cottage. The classification of stakeholders aims to ease Audia House of Beauty in planning the competitiveness strategy. Later on, the strategy is expected to increase the competition among salons in the same area which is considered as a new salon in Bekasi.

Managerial Implications. Result of the analysis from this research studies some ways in formulating new strategy. Factors of strategy in a form of opportunity and program can be the basic of recommendation strategy making for the company to develop the business of Audia House of Beauty.

Recently, service offered by salons and spas are various, such as haircut, hair treatment, rebounding and hair extension, face and body treatment, whitening program, and nail treatment. The various services are influenced by the development of trend or life style influencing the demand of people who already aware of the importance of treating their body. As a result, the development of beauty salon business influences the competition among business people in its field of business. The tighter the competition is the more services that marketing manager should offer to be able to compete with others. The competition can be in a form of price and service offered to customers. Therefore, they should not only provide sufficient facilities, but also implement appropriate strategies following the change and development of market.

It is important to have management which is capable to see and be responsive to any changes occur in market, especially in salon and beauty service. Besides being responsive, the management should be brave to take any risks made. Moreover, marketing management should believe that taking high risks will be also followed by high profit.

The change of trend and life style is the factors that should be concerned. If salon and spa cannot provide service based on customer needs which always change in this modern era, it will lose its loyal customers. Therefore, short term and long term working plan are needed. The plans should be implemented by making a working procedure which is arranged as one of parts of regulations during the work. By having arranged working procedure, all elements, both manager and employees, will be able to understand and do the procedure effectively.

In addition, because Audia House of Beauty provides various beauty products with different excellent, it should implement the strategy of differentiation products indicating by the attractive design can attract customers to buy them. Besides, lower the price can be a solution to compete with other competitors having the same composition of products.

CONCLUSION

Regarding to the findings of this research, it could be concluded that the policy of Audia House of Beauty business strategy had good competition strategy and high competitiveness. It was found that Audia House of Beauty was able to compete with other salons close to it. The medium development sometimes referred to identification of growing segment. At the same time, due to the development of market and competitiveness are medium, selective infestation was essentially needed. In this case, they strategy to do was to develop the salon and increase market as well as business activities, and then to make product specialization and consider customers. Then, based on industry attractiveness analysis, it was found that Audia House of Beauty strategic position had medium attractiveness.

Because of the development of beauty salon and spa service currently was significantly increasing, the opportunity to open the same business was widely open for other business units. New comer threat in salon and spa industry was influenced by some factors; one of them was the easiness of finding salon and spa. Therefore, it was necessary to make differentiation product that differentiates a product from others. However, the threat did not

only come from other competitors, but also from suppliers or customers. Then, the involvement of suppliers and consumers in developing salon and spa business was required so that the attractiveness needed by market currently could be identified. In addition, high competition of similar company becomes threat for companies in order to be able to increase the performance and quality of service in attracting consumers who have not visited Audia House of Beauty.

SUGGESTIONS

The findings of this research in obtaining the company business strategy was still general; therefore, some suggestions are needed to discover deeper business strategies, such as:

- Focusing more on competitor characteristics in order to be precise and appropriate;
- Analyzing customer engagement in the future research can answer management path to develop a kind of business.

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