

Application of Blue Ocean Strategy for MSME Business Development: Literature Study

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ABSTRACT

This study examines the application of the Blue Ocean Strategy (BOS) in developing Micro, Small, and Medium Enterprises (MSME) businesses. Through a comprehensive literature review and qualitative analysis of recent scientific and business journals, this study found that BOS can be an effective strategy for MSMEs to create a new market free from competition. This research was conducted by collecting and analyzing various relevant literature sources. By implementing BOS, MSMEs can identify and eliminate unnecessary factors, enhance existing aspects, and create new unique values for consumers. This study also discusses the potential challenges faced by MSMEs in implementing BOS, such as consumer understanding, implementation difficulties, and competitor growth. The results of the study show that BOS can increase the competitiveness and development of MSME businesses if implemented appropriately and innovatively.

Keywords: Literature Study, Blue Ocean Strategy, MSMEs, Business Development

INTRODUCTION

In the era of globalization, business competition is becoming increasingly stringent, and this also applies to Micro, Small, and Medium Enterprises (MSMEs). Faced with challenges, this is also what keeps MSMEs innovating and improving their competitive power. MSMEs themselves have contributed to the Gross Domestic Product (GDP) and labor absorption. With the number of MSME businesses reaching 64 million, their contribution to the National GDP is 60.5%. MSMEs also contribute to total labor absorption reaching 97%. Although MSMEs contribute to GDP and employment, this contribution is not yet in line with the growth of the number of MSME actors in Indonesia. Overall, the magnitude of MSMEs' contribution has not yet been able to show optimal performance (Adetya, 2024).

According to Undang-undang Republik Indonesia Nomor 20 Tahun 2008 concerning Micro, Small, and Medium Enterprises (MSMEs), MSMEs are considered productive efforts undertaken by individuals or companies. The definition of MSMEs in the law is divided into three types based on asset and turnover criteria. First, micro-enterprises have a maximum asset of 50 million and a turnover of 300 million. Second, small enterprises have assets between 50-500 million and a turnover between 300 million and 2.5 billion. Third, medium enterprises have assets between 500 million and 10 billion and a turnover between 2.5 billion and 50 billion.

In their progress, MSME actors face various challenges that include several aspects such as Human Resources, Infrastructure, Networks, Social, and Behavior. This is confirmed by (Tambunan, 2022), who explains that the limitations of digital infrastructure in Indonesia, especially for MSMEs, are one of the main challenges affecting economic growth. In another study by (Suman & Kaluge, 2021), it is stated that MSMEs have limited product scales and are not diverse. Management and financial management are not effective enough for owners and managers. Additionally, the low skill level of human resources and unequal distribution in technical production matters are also main characteristics.

Business development is a process that aims to improve business performance and sustainability. This process

involves various aspects, such as product innovation, market expansion, operational efficiency improvement, and human resource development. For MSMEs, business development is crucial because it can help them survive and thrive in an increasingly competitive environment. Thus, the right business strategy, such as the Blue Ocean Strategy (BOS), can provide direction and guidance for MSMEs in developing their businesses effectively and sustainably. BOS can help MSMEs create new market space, increase customer value, and achieve sustainable competitive advantage. Business development through BOS involves creating uncontested market space, making competition irrelevant, and generating new demand. This approach not only enhances market expansion but also promotes innovative product development and operational efficiency. BOS helps MSMEs to identify and eliminate unnecessary factors, enhance existing aspects, and create new unique values for consumers, leading to sustainable growth and increased competitiveness.

According to Madsen & Slåtten (2019), Blue Ocean Strategy (BOS) is a management concept that suggests that organizations, rather than competing directly with competitors, try to create and exploit new market space, the so-called blue oceans. This concept was introduced by Kim and Renée Mauborgne through their book titled "Blue Ocean Strategy," first published in 2005. This concept is based on their research over more than a decade, spanning more than one hundred years and thirty industries. The definition of Blue Ocean is very different from Red Ocean. Red Ocean is more focused on creating superiority in competition in a busy market and monopolizing it.

The growth of MSMEs is considered a symbol of hope in efforts to accelerate the country's economic growth, and its influence is not limited to economics but also includes various social aspects. With the enhancement of MSME growth, society will experience improved well-being, such as increased income, reduced poverty levels, and improved involvement in the industry. Therefore, it is important for MSMEs to utilize business strategies like the Blue Ocean Strategy to achieve growth that is not only sustainable but also expands opportunities for all parties involved. While several studies have explored the general impact of the Blue Ocean Strategy (BOS) on business strategies, there is a notable lack of focused research specifically addressing its application within the MSME sector. This gap is critical given the unique challenges and opportunities faced by MSMEs, which differ significantly from larger enterprises. This study aims to fill this gap by providing a detailed analysis of how BOS can be tailored to meet the specific needs of MSMEs. Our research contributes to the existing literature by offering new insights into the effectiveness, advantages, and disadvantages of BOS in the context of MSMEs, as well as identifying the key factors that influence the success and challenges of its implementation. By doing so, we aim to provide actionable strategies for MSMEs to achieve sustainable growth and competitive advantage.

RESEARCH METHOD

This study uses a qualitative approach and literature review method to study the impact of the Blue Ocean Strategy on MSME business growth. Through this approach, researchers can analyze data from various relevant information sources, including scientific journals, books, the internet, and scientific articles.

The research process is carried out through several stages. In the first stage, researchers identify the problems that will be the focus of the study. Next, researchers collect and select appropriate scientific journals based on defined criteria and relevance to the research topic, with an emphasis on the latest literature. After gathering relevant literature, researchers will analyze, summarize, and determine key points related to the application of the Blue Ocean Strategy in MSME development from each selected literature. The final stage involves interpreting findings, grouping data based on necessary criteria, and conducting a comparative analysis between relevant scientific journals. Thus, this research not only gathers information but also provides an in-depth analysis of the application of the Blue Ocean Strategy in the MSME context, which can provide valuable insights for developing innovative business strategies.

RESULTS AND DISCUSSION

Based on the analysis already conducted on relevant journals with the theme of this study, the following discussion results are obtained:

Tab 1. Relevant Previous Studies

Title and Author	Review Results
<p>Title</p> <p>Blue Ocean Strategy untuk Pemasaran Produk Nasi Goreng Warung Al-Kiram di Blitar Menggunakan Pendekatan Bauran Pemasaran 4P</p> <p>Writer</p> <p>Ika Rachmawati, Adiguna Utama, H. Kurniawan (2023)</p>	<p>Journal Objectives:</p> <p>Explore what is <i>the Blue Ocean</i> strategy can applied in marketing fried rice products in the Blitar area that have been became the <i>Red Ocean</i> market</p> <p>Results:</p> <p>Study show that <i>Blue Ocean</i> strategy can applied with provide various fried rice menus are appropriate preference consumer. Preference consumers in Blitar is For varied, quality, and fried rice products willing pay more price tall from current market price This</p>
<p>Title</p> <p>Perancangan Strategi Pengembangan Bisnis Bakery dengan Pendekatan Blue Ocean Strategy (Studi Kasus Bread Love Bakery)</p> <p>Writer</p> <p>Nur Izzaty, Rr Seza Pramuditha, HY Sastra, and Didi Asmadi (2024)</p>	<p>Journal Objectives:</p> <p>Explore what is <i>the Blue Ocean</i> strategy can applied For develop business BL <i>bakery</i> in Langsa City, Aceh Province, which experienced decline intensive sales and competition.</p> <p>Results:</p> <p>The research results recommend new strategies with 10 adjusted factors based on the needs of three levels of non-consumers, including eliminating the factor of service when choosing bread or cake, eliminating strategic location; reducing product variation; increasing texture and variety of flavors, service friendliness, cleanliness and comfort, branding, and interesting bakery design; creating delivery services, product distribution, creating healthy bread or cake products for diets, and providing seating facilities and a coffee corner in the bakery.</p>
<p>Title</p> <p>Desain Strategi Pengembangan Ukm Dengan Kombinasi Metode Benchmarking Dan Blue Ocean Strategy</p> <p>Writer</p> <p>Word of the Bani Albar, Angga Wisudianto, Ghaida Fatcha Mubiena, and Agus Mansur (2014)</p>	<p>Journal Objectives:</p> <p>Journal This focused on developing UKM SKIA Mini <i>Caffe</i>, which operates in the field culinary, in particular burger business. Study This use method <i>Benchmarking</i> and <i>Blue Ocean Strategy</i> For develop viable strategies win competition and developing SMEs.</p> <p>Results:</p> <p>From the combination of the two methods, value innovation is obtained, which becomes the basis for designing strategies to win competition for developing SMEs. This value innovation covers offering special discounts for consumers, interesting promotions for consumers, a system between ordering or delivery, and hotspot facilities for consumer comfort.</p>
<p>Title</p> <p>Upaya Peningkatan Jumlah Penjualan pada UKM Tahu Mulyo dengan Blue Ocean Strategy Berdasarkan Voice Of Customer</p> <p>Writer</p> <p>Lenny Herawati, and Ririn</p>	<p>Journal Objectives:</p> <p>Journal This study enhancement Power competition for UKM Tofu "Mulyo" in Kediri City with use method Blue Ocean Strategy. Study This aim For provide advice in develop and improve Power SME competitiveness you know with identify factors that support sales strategies based on voice customer (Voice of Customer) .</p> <p>Results:</p> <p>Study show that with the Blue Ocean strategy, SMEs can know "Mulyo". show stock material standard with involve SME banking, possible they For hoard</p>

<p>Ningkeula (2023)</p>	<p>material standard . Other strategies include reduce price sell a little and change size know become A little more small For increase Power competitive. Apart from that,SMEs are willing accept help internal capital loans form KUR and follow training For increase Skills . For create mark Newly, SMEs are also marketing product tofu in the supermarket and label it on the packaging.</p>
<p>Title Strategi Pengembangan UMKM Peningkatan Penjualan (Studi Kasus: Sejalan Coffee) Writer Galuh Sindhu Ageng Rizki (2024)</p>	<p>Journal Objectives: Study This aim For do innovation in form target consumers To use avoid competition is intense and increasing sale. Results: Result of study This is proposal design from Blue Ocean Strategy which includes: - Addition variable with addition signature menu concept In line Gin Coffee . - Introduction to packaged coffee In line Ready To Go . - Installation box criticism and suggestions for get bait come back direct from consumer.</p>
<p>Title Pengembangan Usaha Sarang</p>	<p>Journal Objectives: Describe development business nest bird swallow with use Blue Ocean technology. Reduce little price more expensive than competitor. Add worker as <i>resellers</i> or outside retailers city For reach more markets wide</p>
<p>Title Penerapan Metode SWOT dan BOS dalam Menilai Peluang Usaha Sempol Ayam di Kota Mataram Writer Fikrihadi Kurnia, Maharsa Pradityatama . (2024)</p>	<p>Journal Objectives: Evaluate internal and external conditions business sempol chicken in Mataram City use SWOT (<i>Strength, Weakness, Opportunity, Threat</i>) and BOS (<i>Blue Ocean Strategy</i>) methods . Results: Research result show that important For evaluate quality products, flavor variants, and marketing strategies. Based on evaluation This is a strategy created by MSME owners variables that can updated in products sold.</p>
<p>Title Perancangan Strategi Pengembangan Usaha pada Coffee Shop menggunakan Pendekatan Blue Ocean Strategy. Writer Abdul Fatah Rasyidi, Rakhmat Ceha, and Asep Nana Rukmana (2024)</p>	<p>Journal Objectives: Designing development strategies business at <i>a coffee shop</i> with use approach <i>Blue Ocean Strategy</i> Results: Study show that recommended strategy covers procurement facility machine <i>printers</i> and <i>scanners</i>, innovation product form <i>live fresh coffee</i>, and marketing strategy distribution <i>cold brew</i>. Additionally, it is recommended For reduce attribute price product to be event competition and improve attribute like presentation product, location, access, <i>waiting time</i>, value cleanliness and comfort place.</p>
<p>Burung Walet dengan Pendekatan Blue Ocean Strategi dalam mendukung Sustainable</p>	<p>Strategy and for identify necessary internal and external factors noticed in development business the. Results:</p>

<p>Development</p> <p>Writer</p> <p>Priska Wulan Ndari, Yufita Islamiati, Yulanda Elis Meyana (2023)</p>	<p>Study show that development strategy applied efforts Already OK, however need delete perception many competitors and improve quality product. Innovation new like type voice caller bird swallows and new strategies required For create sustainable development without do competition.</p>
<p>Title</p> <p>Penerapan Blue Ocean Strategy dalam Menghadapi Persaingan Kedai Kopi di Kota Tegal (Studi Kasus: Kedai Kopi Tempat Peraduan)</p> <p>Writer</p> <p>Hudzaifa Musyaffa Iqbal SB, Heru Irianto, and Amalia Nadipta Ulfa (2023)</p>	<p>Journal Objectives:</p> <p>Identify factors What only those that were eliminated, reduced, improved, and created by the Place Coffee Shop Contest in application Blue Ocean Strategy.</p> <p>Results:</p> <p>Study show that Coffee Shop Place Contest No eliminate factor competition anything, however reduce factor promotion. They increase factor facilities, quality products, and prices, as well create factor service, store atmosphere, and Corporate Social Responsibility (CSR). Application Blue Ocean Strategy according to Place Coffee Shop Contest Already fulfil characteristics good implementation, ie focus, good motto, and divergence. However, according to consumer, implementation Blue Ocean Strategy Not yet fulfil characteristics good application, especially on characteristics divergence.</p>
<p>Title</p> <p>Implementasi Blue Ocean Strategy Pada UMKM Rehti's Batik Di Desa Tegalsari Kabupaten Jember</p> <p>Writer</p> <p>Arum Puspita Murti, Trias Setyowati , and Ira Puspitadewi Sam Suryaningrum .</p>	<p>Journal Objectives:</p> <p>Know the right strategy implemented by UMKM Rehti's Batik in the center level High competition in the batik industry.</p> <p>Results:</p> <p>Research result show that strategy is necessary applied by Rehti's Batik are: Increase quality products and services with do innovation in batik motifs. Increase promotion on social media with add workers who are experts in the field</p>

A. The Impact of Applying the Blue Ocean Strategy to MSME Business Development

From the previously analyzed journals, important findings regarding the impact of implementing the Blue Ocean Strategy are as follows:

- (Utama et al., 2023) In their research, it is mentioned that the implementation of BOS offers various high-quality and high-priced fried rice menus.
- (Izzaty et al., 2024) Explains that the implementation of BOS recommends strategies such as reducing product variations, improving quality, and enriching services. All of these are useful for increasing sales.
- (Albar et al., 2014) Conveys that the implementation of BOS and Benchmarking results in value innovation that becomes the basis for strategy design. This value innovation includes offering discounts, promotions, delivery, and hotspot facilities for consumer comfort.
- (Herawati & Ningkeula, 2023) Shows that with the Blue Ocean strategy, "Mulyo" SMEs can display standard material stock by involving SME banking, enabling them to stock standard materials. Other strategies include slightly reducing the selling price and changing the tofu size to be slightly smaller to increase competitiveness.
- (Rizki & Suranto, 2024) Explains that the implementation of BOS produces a design proposal from the Blue Ocean Strategy, which includes the signature menu Sejalan Gin Coffee and packaged coffee Sejalan Ready

To Go, as well as the installation of a criticism and suggestion box.

6. (Ndari et al., 2023) Shows that the BOS strategy in business development has been implemented well, but it is necessary to remove the perception of many competitors and improve product quality.
7. (S.B. et al., 2018) Shows that the implementation of BOS in coffee shops does not eliminate anything but reduces the promotion factor. They increase factors such as facilities, product quality, and prices, as well as create service factors, store atmosphere, and Corporate Social Responsibility (CSR).
8. (Murti et al., 2022) Shows that the implementation of BOS creates a necessary strategy implemented by Rehti's Batik, such as: Improving product and service quality by innovating in batik motifs, increasing promotion on social media by adding workers who are experts in technology, reducing the price slightly higher than competitors, and adding workers as resellers.
9. (Kurnia & Pradityatama, 2024) Explains that it is important to evaluate product quality, flavor variants, and marketing strategies. Based on this evaluation, the strategy created by MSME owners becomes a variable that can be updated in the products sold.
10. (Rasyidi et al., 2024) Explains that the implementation of BOS results in new strategies including the procurement of printer and scanner facilities, product innovation in the form of live fresh coffee, and a cold brew distribution marketing strategy. Additionally, it is recommended to reduce the price attribute of the product to avoid competition and improve attributes such as product presentation, location, access, waiting time, cleanliness value, and place comfort.

B. Success Factors and Challenges in Implementing the Blue Ocean Strategy

In the research conducted, there are several factors that influence the success and challenges in implementing the Blue Ocean Strategy. The following is an in-depth discussion of these factors:

Success Factors:

1. **Product and Service Innovation:** The implementation of the Blue Ocean Strategy involves unique and attractive product and service innovations for consumers. In the case of Tahu "Mulyo" SMEs in Kediri City, this strategy succeeded by providing standard raw material stock through SME banking and adding attributes such as product presentation, location, access, waiting time, cleanliness value, and place comfort (Herawati & Ningkeula, 2023).
2. **Market Penetration:** Effective marketing strategies, such as product distribution in supermarkets and providing labels on packaging, can increase sales and competitiveness.
3. **Customer Engagement:** Increasing customer engagement through seating facilities and coffee corners in bakeries, as well as providing delivery services, can enhance customer satisfaction and brand loyalty.
4. **Product Quality:** The research results (Murti et al., 2022) showed an improvement in product quality at Rehti's Batik SMEs in Tegalsari Village, Jember Regency, which can be a success factor. Enhancing product and service quality through innovations in batik motifs and increasing promotion on social media can increase the business's competitive power.
5. **Digital Marketing:** Utilizing social media and online platforms for promotion can expand market reach and increase brand awareness. This has proven effective in digital marketing strategies carried out by MSMEs in Indonesia.

Challenges:

1. **Consumer Understanding:** As in Utama et al.'s (2023) research, mentioning the Blue Ocean Strategy provides various fried rice menus according to consumer preferences in Blitar, indicating the importance of

a deep understanding of consumer needs and preferences to create added value.

2. **Implementation Difficulties:** Implementing the Blue Ocean Strategy requires significant innovation and collaboration between various parties. This can be a challenge for MSMEs with limited resources.
3. **Competitor Growth:** Although the Blue Ocean strategy can create new market spaces, the growth of strong competitors can hinder a business's competitive power.
4. **Market Research Difficulties:** Identifying the right consumer needs and creating products that suit their preferences can be challenging for MSMEs. In-depth market research and consumer data analysis are essential to overcome this challenge.
5. **Product Development Difficulties:** Significant product innovation requires sufficient resources and time, as well as unexpected risks. Therefore, strategic planning and risk management must be done well to overcome product development challenges.

From this research, it is evident that the application of the Blue Ocean Strategy has great potential to increase the competitive power of micro and small businesses. However, it is important to face challenges with appropriate and innovative strategies to ensure long-term success.

CONCLUSIONS

The application of the Blue Ocean Strategy (BOS) in developing MSME businesses has great potential to increase business competitiveness and sustainability. Based on the analysis of various literature studies, it was found that BOS helps MSMEs create new market spaces untouched by competitors. This is done through product and service innovation, quality improvement, and more effective marketing strategies.

From previous research on the application of the Blue Ocean Strategy, several key success factors in implementing BOS can be identified, such as: Product and Service Innovation, Product Quality Improvement, Digital Marketing Strategy, Customer Engagement, Operational Efficiency. However, despite the success factors of implementation, the Blue Ocean Strategy also has potential challenges that can affect business development, namely: Consumer Understanding, Implementation Difficulty, Competitor Growth, Market Research, Product Development. Overall, the implementation of the Blue Ocean Strategy has proven effective in increasing the competitive power and development of MSME businesses if executed with appropriate and innovative strategies.

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