APPLICATION OF STRATEGIC INNOVATION ON A WATER TANK COMPANY

[1]Surya Putro Purnomo, [2]Tina Melinda

Ciputra University Surabaya
INDONESIA
Email: [1]quadraaria@gmail.com, [2]tina.melinda@ciputra.ac.id

ABSTRACT

This research aims to identify the application of strategic innovation for CV. Profil 88.
This research use the qualitative research method, explanatory type with purposive sampling technique. Interview, Observation and Documentation are the preferred data accumulating technique used.
Analysis tools used are Business Model Canvas (BMC) and Ten Types of Innovation.
According to the ten types of innovation analysis, the reccomended strategical innovation for the company is towards Business Model Shift where CV. Profil 88 have the bigger chance to won competitions by changing their production line and how they deliver products to customers, rather than making changes to products.

Keywords: Strategic Innovation, Business Model Canvas, Ten Types of Innovation.

INTRODUCTION

According to data by the Minister of Indonesia's Ministry of Home Affairs Tjahjo Kumolo, the amount of residence of Indonesia as of 30 june 2016 are 257.912.349 people. While the growth rate of Indonesia is around 1.49%, which means that in a year the populace of Indonesia grow by around 4 million people.

Housings are one of the main basic needs of humans, and with this clean water. The need of water resources keep on increasing as the amount of people grows, especially clean water. Efendi and Makhfudli (2009: 81) said that a healthy family is a family which making sure of the availability of clean water, toilets, house sizes which suited amount of people in the family, and flooring not made of ground.

The source of this waters can be taken from a well, local water company (PDAM) or other sources. In general, this water is stored in a water tank which then distributed to extraction points by using pumps of gravity systems. By volumes, the water tanks vary, depends on the water debit that will fill those water tanks (Denis, 2010)

The usage of this these water tanks are adjusted with the needs of clean water that vary and tied to the number of populace in a region. As is told by Ditjen Cipta Karya DPU in this Table:

Table 1. Indonesians Average needs of water

No.	City Category	No. of Populace	Standard needs of water/Person/Day
1	Metropolitans	1.000.000	120 Liters
2	Big City	500.000 – 1.000.000	100 Liters
3	Medium City	100.000 – 500.000	90 Liters
4	Small City	20.000 – 100.000	60 Liters
5	Urban City	3000 – 20.000	45 Liters

Water tanks are one of the most common ways to secure the needs of water in a household, and accordingly almost every housing hold at least one of their own water tanks and this is where CV. Profil 88 takes the initiative.

CV. Profil 88 is a company that moves in the water tanks making industry that first found on 2007 as a fiber-glass company, now made and sells water tanks made of plastic and stainless steel in the metropolitans' city of Surabaya.

In the height of business rivalries and advancement of technology there would be a point where a product is indistinguishable one from the other. And therefore to win competition with other companies, it's not only product quality and quantities that are required but also strategies that employed by the company. In this case, Market Orientation (Narver and Slater, 1995: 134) and Product Innovation (Han et at, 1998:35)

LITERATURE REVIEW

1. Role of Innovation: Development of Product Quality and Business Performance.

Sri Hartini (2012) write an article about "Role of Innovation: Development of Product Quality and Business Performance". The main citation of this article is to explain the result of innovation to product quality and business performance at East Java. By using proportional area random sampling and path analysis to show that there is innovation at works against product quality and in that business performance.

2. Innovating Product Appearances in Products Brand.

In a research by Martin Ondra (2017), there's an exploration of similarity between designed concepts and previous models of brand that count the rate of similarity of features. The aim of this research is to learn the exercise of a brand by using tools available nowadays to find and discuss the relationship between appearances innovation and keeping main design feature.

3. Using Agile Approach for Product Breakthrough Innovation.

Mitch Beaumont (2017), explain that breakthrough innovation – innovation that aim to create a new market rooms or step of changes in product, process or business model performance. An Agile approach for product development, a self-managed team to make a quick innovation by involving consumers at each step that have been widely used by software's industries.

RESEARCH METHODS

This research is a qualitative research; it is a research method which its data is not received through statistical procedure or any other calculation (Strauss & Juliet, 2003). Qualitative research is a research which resulted in data in the form of words or pictures, as opposed to numbers and diagrams in a quantitative research.

Research method used are explanatory research, which used purposive sampling technique. Purposive procedure is one of the most common method to determine informant in a

qualitative research in accordance to the criteria of the research (Bungin, 2012: 107). It is determined by this that the informant would be the owner and some of the department heads of CV. Profil 88.

Data collection in this research is primary and secondary data. Primary data is information gathering from the subject of research directly by using measuring apparatus or direct approach (Interview) (Azwar, 2007: 91). Secondary data is obtained by indirect approaches such as documents or literature study.

Data collecting procedures in this research are Observations (where researchers come to research objects in order to observe without interfering), Interview (where a field research is conducted by directly doing question and answers with the informants), and Documentations (documenting of research such us profile of the informants or documentation photograph).

Data analysis of this research is through the use of Business Model Canvas (BMC) to determine current business model of the company and Ten Types of Innovation to determine the most suitable innovation to conduct.

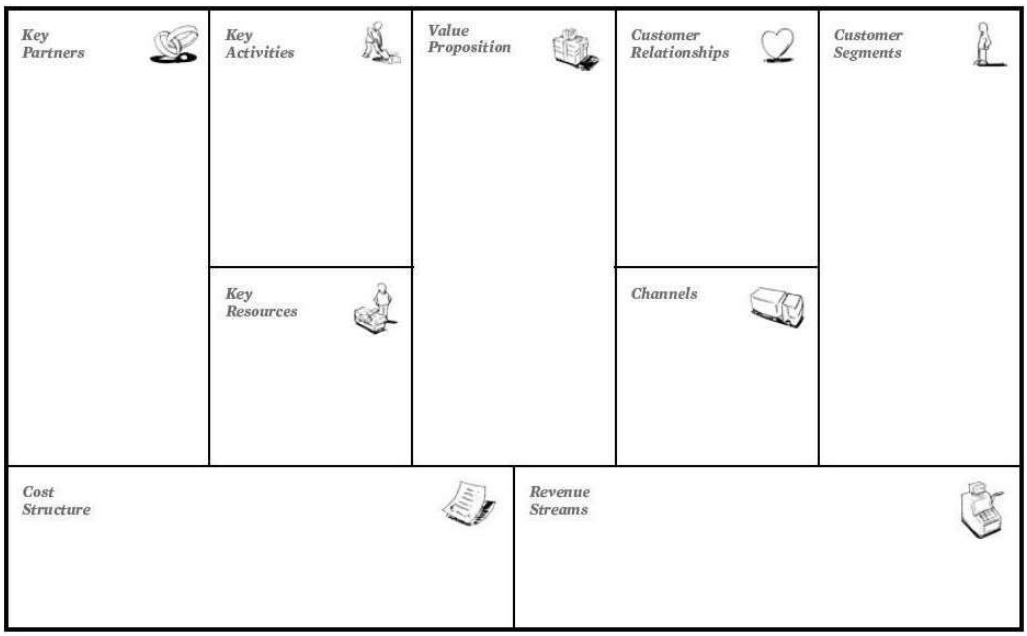

Figure 1. BMC templates by Osterwalder and Pigneur (2010)

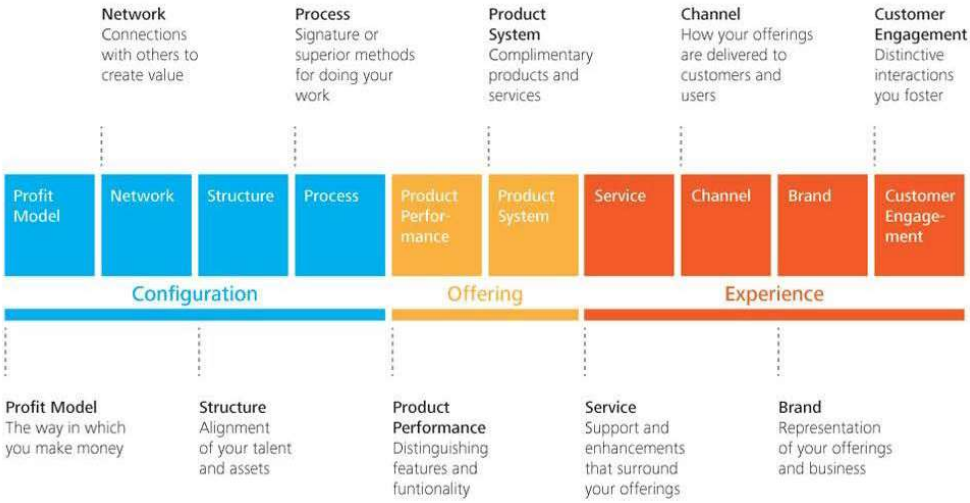

Figure 2. Ten Types of Innovation, Keeley et al., 2013: 16-17

RESULT AND DISCUSSION

This section will analyze qualitatively the results of data collected through interviews and documents previously by using BMC as shown in Figures 2 and Ten Types of Innovation as shown in Figure 3.

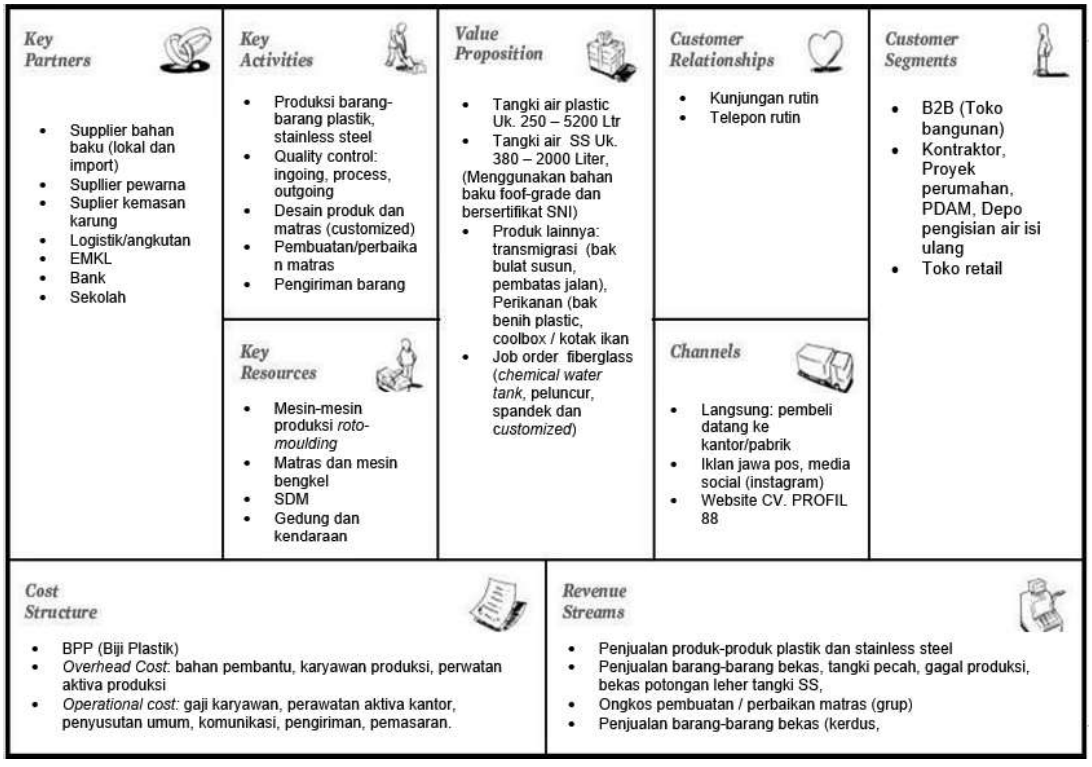

Figure 3. CV. Profil 88 BMC Analysis

Based on Figure 3, the current business models of the company can be identified and that most possible innovation could be translated to 10 Types of Innovations 'Process', 'Service', and 'Channel'.

Figure 4. CV. Profil 88 10 (Ten) Types of Innovation Analysis

As mentioned before and further explained in Figure 4, it is determined that most viable innovations are within the Process, Service and Channel as in accordance of Ten Types of Innovation.

Process innovation refers to a drastic changes that could allow company to adapt rapidly in accordance to market value. Process is the activity of producing the product or services of the company. In accordance to this, technological advancement from the current roto moulding to the new blow moulding is deemed necessary.

Service innovation refers to the improvement of utility, performance and the company's product values or services. This innovation is intended to make the intended product to become easier to try, use, and enjoy. In this case the company is needed to improve their after sales services in order to secure a better relationship with customers.

Channel innovation refers to all practices that connects the company and their customers (Keeley et al., 2013: 46). This innovation is intended to ensure that customers can get their products whatever, whenever, and however they wanted while ensuring minimum costs and maximum satisfaction. In this case the company improve their sales process, payment systems, buying orders, and more on-ground salesman.

Table 2. Simplified Before and After Research Table

	Before	After
Process	Roto Moulding Technology	Blow Moulding Technology
Service	After Sales Services : 5 years warranty, allowing feedbacks on product quality	5-10 years warranty, ensuring of maximum customer satisfaction by responding to feedback and complains until there is none.
Channel	Consumer comes directly to the factory, salesman comes to construction sites, building materials stores, factories.	Order can be made through LINE/whatsapp, payment can be made through COD,payment, paypal, more online methods. More salesman on the ground.

In accordance to Table 2, the company is expected to do a business model shift strategy. In this case to change how company deliver products to consumer rather than making changes to the products itself.

CONCLUSION

1. Based on BMC analysis, the 9 factor of CV.Profil 88 business model are: (1) Customer Segment: B2B (building materials store, local water company, drinking water refueling depot, retail shops), (2) Value Propositions: Plastic Water Tank 250-5200 lt., Stainless Steel water tank 380-2000 lt., (3) Channels: Direct Marketing, newspaper ads, social media, (4) Customer Relationships: feedback and complaint management, (5) Revenue Streams : sales of plastic and stainless steel water tank, (6) Key Resources: roto moulding production machines, human resources, building and vehicles, (7) Key Activities: plastic and stainless steel production, QC, custom product design, product delivery, (8) Key Partnership: raw materials supplier, dye supplier, logistic, Bank and, (9) Cost Structure: plastic pellets, overhead cost and operational cost.

2. Based on Ten Types of Innovation analysis, the most suitable strategic innovation for company is Business Model Shift. Where CV. Profil 88 focused on Process, Service and Channel. So that company have bigger chances to win competitions by changing way of production and product delivery to consumer, rather then creating changes to the product itself.

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