

BUSINESS STRATEGY ANALYSIS OF PT BPT AS INFORMATION TECHNOLOGY VALUE ADDED DISTRIBUTOR

Deddy Sudja and Anh Dung Do
School of Business and Management
Institut Teknologi Bandung, Indonesia
deddy.sudja@sbm-itb.ac.id

Abstract— PT. BPT is the information technology value added distributor company for full range IBM Hardware and Software products. PT. BPT as part of CTI Group which is established in 2003. Today BPT faces some business issue which how BPT has to anticipate competitive situation and condition while IT market in Indonesia keep growing with high growth rate. Objective of this paper is to do analysis based on literature for recent business issue and research to confirm those analysis. After that, writer propose business strategy including proposed business model as growth strategy and in order to win the competition by increasing BPT's competitiveness. Analysis and research are conducted for external environment, industry environment, competitor and internal environment. Internal environment analysis conducted based on business model canvas analysis (Ostrowalder and Pigneur, 2010). Research conducted by interviewed key peoples in internal BPT and CTI Group and also external such as IBM as principal, business partners and end users as stakeholders. Conclusion of those analysis and research are IT demand in Indonesia will remain grow high. It triggers foreign IT Distributors expand in Indonesia. One of them : Avnet become strong competitor for BPT in term of capital, relation with IBM regional & worldwide and also market coverage in Small Medium Business (SMB) / Mid market and Geo market. Proposed business strategy for BPT as part of growth strategy are leverage technical support as one of value proposition in BPT business model, more focus in Mid market and geo market, acquire or create another / own product and go regional. It takes revision of some components in business model and organization structure.

Key words : *business strategy, business model, growth strategy*

1. Introduction

A. Background

Nowadays, technology becomes more important for business. Based on the study to more than 1,700 CEOs in 64 countries conducted by IBM Corporation, technology becomes first (1st) rank for external factors that could impact their organizations over the next three to five years. CEOs now see technology change as most critical. Especially for information technology (IT). IT can determine company win or lose in competitive business situation as also happened in Indonesia recently. IT can improve efficiency and productivity in the company and bring innovation that makes company become more competitive in market. Indonesia economy growth estimated 6-7% in 2013 and will keep growing in years ahead. Indonesia also officially become member of G20 since 2008. And also IT market in Indonesia grow 8.9% in 2013 based IBM Indonesia projection. Indonesia become one of most growing market in the world in addition to China and India, especially in South East Asia. In the other side, Europe & US as mature market for IT Industry still striving to go out from economy crisis when started in 2008. It triggers many IT companies for US and Europe more intensively to expand to growth market like Indonesia and makes IT business environment become more competitive.

B. Company Profile

Computrade Technology International (CTI) was established in January 2003. CTI is IT Infrastructure Distributor company which's position itself as IT Infrastructure Solution Partner. CTI as part of TITAN

group which running business in IT, Mining, Outsourcing, etc. In doing business, CTI sell all products from Principal to Corporate End User through Business Partner (BP). Business Partners can be System Integrator (SI), Independent Software Vendor (ISV) or box mover. The IT Infrastructure products which sold by CTI are the IT enterprise product with global brand such as IBM, Oracle, Fortinet, Riverbed, F5, etc. And most of transactions are project based transaction which needed added value from CTI as distributor such as Technical skill for presales, Demo unit, Technical support, etc.

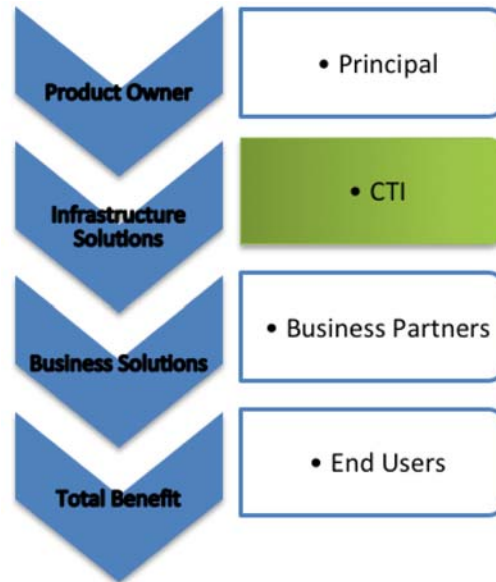


Figure 1. CTI Business Model

Starting 2011, CTI become CTI group which consist of 6 companies as member of CTI Group :

1. PT. Blue Power Technology (BPT) as Value Added IBM Hardware & Software Distributor
2. PT. Central Data Technology (CDT) as Value Added Oracle & Sun Microsystems Distributor
3. PT. Virtus Technology Indonesia (VTI) as Value Added EMC & Network product Distributor
4. PT. Niaga Prima Paramitra (NPP) as IT Services Company
5. PT. Xsis Mitra Utama (XMU) as IT Expert Outsourcing Company
6. PT. XDC Indonesia (XDCI) as volume /runrate IBM Intel Server Distributor

CTI itself become Holding company which consist of 3 functions :

1. Corporate Services
 - a. Finance & Accounting
 - b. Purchasing
 - c. Warehouse & Delivery
 - d. General Affair
2. Competency Development
 - a. Human Resources / People Development
 - b. System Development
3. Marketing Communication & Business Partner Development

Blue Power Technology (BPT)

BPT is a Value Added IBM Hardware & Software distributor that sell full range of IBM Server & Storage and full range of IBM Software products. As distributor. BPT sell through Business Partner / Channel to corporate End User.

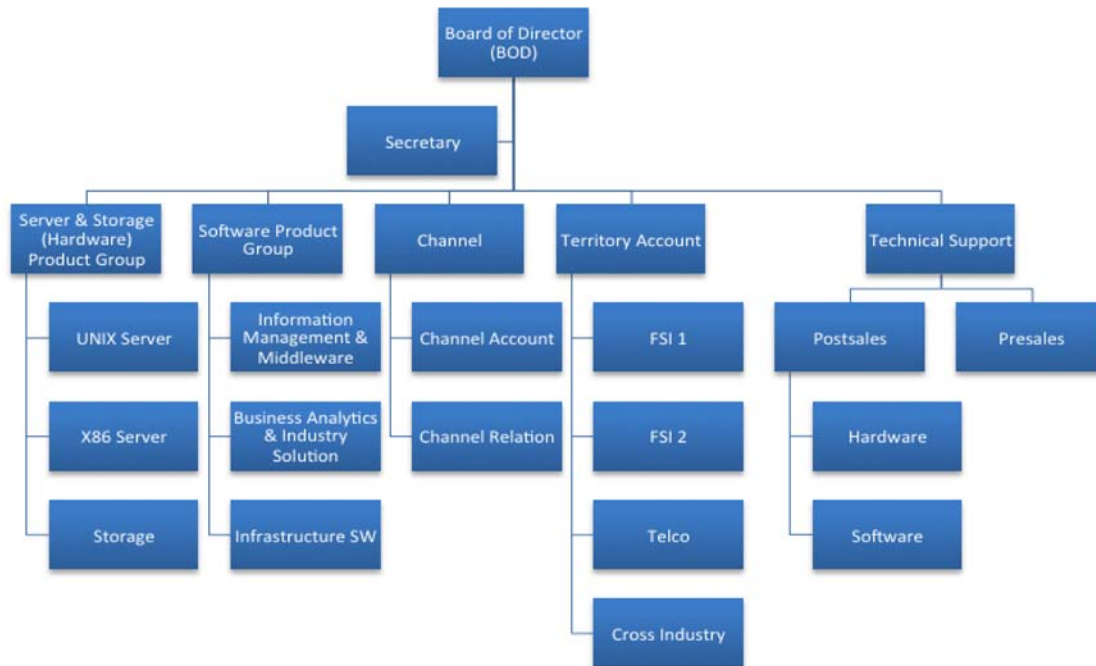


Figure 2. BPT Organization Structure

C. Business Issue

Business issue faced by Blue Power Technology (BPT) is how BPT has to anticipate competitive situation and condition while IT market in Indonesia keep growing with high growth rate. Situation and condition faced can be described as followed :

1. IT market in Indonesia grow significantly
2. More fierce competition caused a lot of foreign company expand in Indonesia
3. Since BPT (previously CTI) is the biggest IBM distributor in Indonesia, especially for Value Added Distributor. And already held majority market share for IBM products especially IBM Hardware (Server and Storage). Room to grow is less compare to other competitor who become challenger as IBM Distributor.
4. BPT reduce number of transactions in public sector or government and become more selective due to corruption issue. Eventhough the transactions in public sector or government are usually consider as very big and high revenue transactions.
5. IBM as principal recently approach direct to reseller more intensively such as incentive program, enablement and recruitment.

2. Business Issue Exploration

D. Conceptual Framework

Methodology for this paper can be described as follows

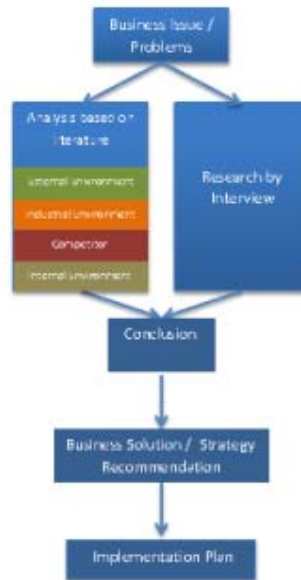


Figure 3. Methodology

External Environment

Ireland, Hoskisson and Hitt (2011) figure general / external environment is composed of dimensions in the broader society which influence an industry and the company within it. There are seven external environmental segments that we can see the figure below. This conceptual framework will lead to external environment analysis, industry environment analysis and competitor environment analysis.



Figure 4. External Environment

Internal Environment

For Internal Environment, writer use business model as a basis to analyze internal organization. Ostrowalder and Pigneur (2010) define business model that a business model describes the rationale of how an organization creates, delivers, and captures value. They mapped business model into 9 building blocks: Customer Segments, Value Propositions, Channels, Customer Relationships, Key Activities, Key Partners, Key Resources, Revenue Streams and Cost Structure. Those building blocks can be described in illustration below.

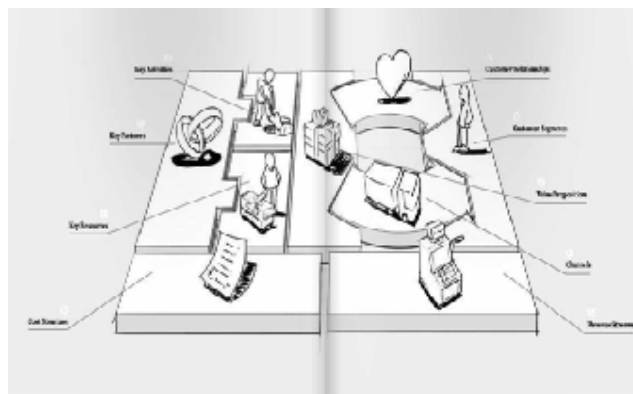


Figure 5. Nine (9) Building Blocks

The nine business model building blocks form the basis for tool, called Business Model Canvas.

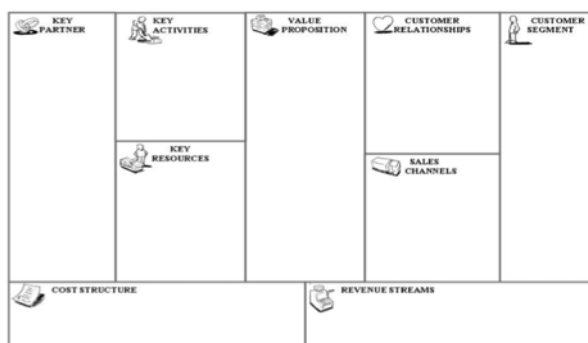


Figure 6. Business Model Canvas

E. Analysis of business situation

External Environment Analysis

Analysis of Global & Economic Segment

Northern America and Western Europe considered as mature market of Information Technology (IT). Since 2008, financial crisis happened to countries in North America and West Europe, categorized as Advanced Economies. Until today those countries still struggling to be out of crisis and make significant economic growth. Based on IMF report of World Economy Outlook update 2013 (<http://www.imf.org/external/pubs/ft/weo/2013/update/01/>), 2013 growth projections for United States is 2.0 % and Euro Area is -0.2%. On the contrary, developing Asia countries including China, India and ASEAN projected grow 7.1% in 2013. ASEAN itself projected grow 5.5% in 2013. Based on Worldbank, Indonesia economy / GDP growth projected 6.2% in 2013. Same with full year 2012 growth (<http://www.worldbank.org/en/news/feature/2013/03/19/indonesia-economic-quarterly-pressures-mounting>).

Global IT market / spending projected grow 4.1% in 2013 based on report from Gartner (<http://www.gartner.com/technology/research/it-spending-forecast/>). While Indonesia IT market projected grow 8.9% in 2013 based on report from IBM Indonesia (IBM STG Marketing Plan, 2012). It is more than double growth rate for Indonesia compare to worldwide or global growth. It's a very big opportunity for BPT to grow the business in Indonesia. A lot of IT companies such as principals (product owner), distributor and also solution provider expand to growth market especially Indonesia. Various international entry mode those companies chosen to expand to Indonesia. Starting with hiring one person as representative and open a representative office in Indonesia, joint venture with local company, acquired local company that already has running and open new wholly owned subsidiary. It become a threat for BPT as local value added distributor in Indonesia.

Analysis of Political Segment

Indonesia considered has a stable political situation for more than last one decade. Democracy in Indonesia become open since 1998 after Soeharto falling down as Indonesia president. This political situation is very conducive for doing business in Indonesia and attract foreign company to expand in Indonesia. The biggest issue in political recently is corruption and bribery. Indonesia Corruption Commision aggressively to catch and imprison the corrupt government officer. Nevertheless, the corruption rate in Indonesia still high, reflected by Indonesia's rank 118 out of 176 countries over the world with score 32 out of 100 based on Corruption Perceptions Index, research conducted by Transparency International (<http://www.transparency.org/cpi2012/results>). Globally, 70% of worldwide countries score less than 50 out 100 and average score worldwide is 43. Those situation makes BPT become more selective to IT transactions in government or public sector area, eventhough usually as big deal / revenue. It becomes barrier to growth.

Analysis of Technological Segment

New IT trend adoption in Indonesia can be said relatively slow and left behind compare to another ASEAN countries such as Singapore and Malaysia since limitation of infrastructure like network link across the nation wide.

Cloud computing technology become more trend and popular nowadays especially in US & Europe, such as Amazon.com and Google selling on line storage space and on demand server usage. In Indonesia, some of large enterprise and Telco provider company starting to provide cloud computing services, such as Telkom Indonesia through its subsidiary Telkom Sigma, Indosat, XL, Biznet and Astra Graphia. IBM also sell cloud services which's using IBM data center in IBM Singapore. Network infrastructure still become barrier to make success for cloud computing services provider. Perhaps in next three (3) years, this cloud computing services still will not growing significantly due to slow network infrastructure development, uncertain related regulation and security concern from corporate customers. But BPT has to anticipate this technology changes which can also change corporate customers' behavior to purchase technology to support their business. This big changes will lead to business model changes IT distributor company like BPT to keep survive and grow. Cloud computing trends also create more needs for end user customers to prepare cloud ready infrastructure which's virtualization. Virtualization will give better efficiency and utilization of IT infrastructure like server and storage, at once offer integrated and simplicity management. Another IT trend globally are business analytics, bigdata, and mobile. Business analytics & bigdata is about how company or institution can use provided data, even structured data like database and non structured data like social media data, email , etc, for predictive analysis and forecasting. Mobile trend caused explosion of number of mobile devices like smartphone and tablet and Bring Your Own Device (BYOD) trend which employee use their own device to work.

Analysis of Demographic & Sociocultural Segment

Population in Indonesia projected become 248 million people in 2013 by IMF (<http://www.imf.org/external/pubs/ft/weo/2012/>) and number of middleclass increased to 48% of population based on Nielsen report in December 2012 (<http://www.nielsen.com/us/en/newswire/2012/reaching-indonesias-middle-class.html>). It is also reported increase 9 million middle class people each year (<http://projectingindonesia.com/companies/indonesias-middle-class-number-is-skyrocketing/>). Those middleclass people boost domestic consumption which projected USD 666 billion US Dollar in 2013 by Pusdatin BKPM. Such huge domestic consumption encourage many new small and medium companies emerged and the numbers grow significantly. Small and medium businesses also create more demand for IT spending. IBM called SMB market as Mid Market and reported IT market size for mid market Indonesia is 603 Million US Dollar, most growing market segment with 11.9% growth rate in 2013 (IBM Indonesia Marketing Plan, 2013). Decentralized government policy also boost local economy outside Jabodetabek and Java island area. It creates more IT market also outside of Metro

area / Jabodetabek area where most of Large Enterprise located. Number of companies, institution (government or private) using IT increase so much in Geo area.

IT market in SMB / Mid market and Geo area across Indonesia which getting bigger and grow significantly is opportunity to grow for BPT. Since established in 2003, BPT has expertise in IT Infrastructure and mostly implement for large enterprise customers in Jabodetabek area. BPT has major partners mostly are big System Integrators who serve mostly large enterprise company. BPT should recruit and build more business partners who serve Mid market. Although, BPT has key partners in every area such as Surabaya, Semarang, Medan, Yogyakarta , etc. BPT need to be more focus to working on Geo Market.

Analysis of Physical Segment

Related to physical and environment issue, IT hardware vendor campaign “go green” product that reduce utilization of electrical power energy, less power with more computing capability or storage space. This issue also emerged in Indonesia, eventhough it does not become main concern for most companies and institution in Indonesia.

Industry Environment Analysis

We can analyze industry environment using Five Forces of Competition Model as described in figure below.



Figure 7. Five Forces of Competition Model

Threat of New Entrants

BPT already became IBM Value Added Distributor for IBM Server and Storage since established in 2003 and as single distributor for UNIX Server. As a value added distributor, BPT focusing on project based transactions, not as volume based distributor. Big IT distributors in Indonesia are usually volume based distributors such as Metrodata and Datamation. Competitor as other value added distributors are Bina Data Mandiri (BDM) for IBM Storage product. Since 2010, a lot of foreign distributor companies expand to Indonesia. Ingram Micro, US based company open wholly owned subsidiary in Indonesia. Avnet, US based company acquired Datamation in 2010 and become Avnet Datamation Solutions. ECS, Singapore based company acquired HARRISMA Indo Jaya.

One of Barrier to Entry to become IT Distributor is big amount of financial capital required. But those foreign companies are able to overcome this issue since they have abundant capital as global companies. Another entry barrier is access to Principal / product owner to get appointed as distributor in Indonesia. As global companies, they have benefit on this because they already have access and relation with Principal in global level. Strong entry barrier for those foreign companies is access to local distribution channel and build competent local team. They attempt to overcome access to local distribution channel by acquired existing local companies who already have distribution channel in Indonesia. For building competent local team, they need some time to recruit and develop. Since 2011, Avnet Datamation appointed by IBM Indonesia as Value Added Distributor for IBM Server Storage and Software product included UNIX Server. Avnet Datamation become the biggest competitor for BPT.

Bargaining Power of Suppliers

IBM as the only principal / supplier for BPT. Today, BPT is the biggest distributor for IBM with full range of IBM Hardware product and IBM Software. BPT has market coverage and access to major System Integrator and Software Vendor in Indonesia as channel distribution. And BPT also has access to some key corporate End Users. BPT has Technology Center facility and expert Technical Support team who can support IBM, business partners and end users in doing pre sales, sales and post sales transaction. Those factor become value proposition of BPT. Nevertheless, IBM bargaining position still stronger over BPT, since IBM is the only principal / supplier for BPT. Recently IBM approach directly to business partners, for recruitment, enablement and incentive program. It makes BPT position as distributor become weaker for business partners.

Bargaining Power of Buyers and Rivalry among Competitors

Writer combines Bargaining Power of Buyers and Rivalry among Competitors analysis, because both factors inter related. Buyers for BPT, It could be business partners and also end users.

For IBM hardware products, there are 5 distributors in Indonesia :

Distributor	Line of Product	Value Added / Volume
Blue Power Technology (BPT)	Full range	Value Added
Avnet Datamation	Full range	Value Added & Volume
Bina Data Mandiri (BDM)	Storage only	Value Added
XDC Indonesia (XDCI)	X86 Server	Volume
Ingram Micro	X86 Server	Volume

For IBM Software products, there are 4 distributors in Indonesia :

Distributor	Line of Product	Value Added / Volume
Blue Power Technology (BPT)	Full range	Value Added
Avnet Datamation	Full range	Value Added
Sinergi Wahana Gemilang	Full range	Value Added
Reka Piranti Prakarsa	Full range	Value Added

In order to have more in depth analysis, writer define competition area where distributors compete. It can be described below :

Competition Area	Analysis
Market Coverage	BPT has advantage for market coverage since has 3 function of frontliners : product team for principal coverage, channel team for business partners coverage, territory team for end users coverage. Number of BPT frontliners are many more compare to other distributors, especially for business partners who need access and coverage to principal and end users. It will beneficial for business partner to get project opportunity and support from principal. Triangle market coverage is BPT Value Proposition
Technical Support	BPT supported by CTI Technology Center facility and training center which IBM, business partners and end users can utilize to do demo, testing, etc. Those facility across technology brand, not only IBM product, promote BPT technical support team to be skillful and has complete integrated skill across IBM hardware, software and other brands. Until now, only BPT has Technology Center facility and most complete and skilful technical support team. Business partners and end users who need technical support will prefer BPT over other distributors, especially to integrate all products. But for business partners who already have their own technical support for certain products, usually they are not concern about distributor technical support, only compare the price and Term of payment flexibility among distributors.

Finance	Foreign based distributors (Avnet, Ingram Micro) have advantage for finance, since they have global agreement with IBM for credit limit and Term of payment. Thus they usually can give more flexible Term of Payment to business partners. They also have strong capital, backed up by regional or global headquarter.
Marketing	BPT supported by complete CTI marketing team for doing event, telemarketing, telesales, creating promo, public relation including press and social media. BPT has the most complete and integrated marketing services and compare to other distributors. For IBM and business partners, marketing become important to create demand generation and opportunity leads. It becomes BPT value proposition to IBM and business partners. Another distributor usually use outsource event organizer for doing event. For promo, Ingram Micro launched very aggressive promo in term of prize value.
People	Competition in People area is very tight. BPT together with CTI HR team run program Professional Development Program (PDP) and Leadership Development Program (LDP) systematically to Attract, Retain, Develop and Motivate people. IBM, business partners and end users certainly prefer to deal with competent person of distributor. Today, BPT has the most number of people who has competency in term of product knowledge, sales skills, marketing skills and technical skills.

Threat of Substitutes Product

Other brand like Hewlett Packard (HP), Oracle, Cisco are substitute product of IBM products. Every category of products have its own superiority. Another substitutes product for IT Infrastructure spending is Cloud Computing technology. Instead of purchase IT Infrastructure and IT Systems, End Users can buy cloud computing services with Service Level Agreement and pay per month or per year for every hardware and software they use. In Indonesia, adoption of cloud computing technology go slowly due to limitation of network infrastructure, regulation who rules that data should be put in Indonesia for finance institution, and security issue. Mostly corporate end users using cloud services still for non critical application, such as email, file server, web server, etc.

Competitor Analysis

Writer focusing competitor analysis only to Avnet Datamation as the biggest competitor of BPT. Avnet Datamation's future objectives are become strong IBM value added in Indonesia. Datamation before acquired by Avnet in 2010 was a very big volume HP distributor with minimal technical support and have strong channel network for IT volume products across Indonesia, but weak in channel network for IT Enterprise products. Avnet headquarter in US and Avnet regional in Singapore have a very strong relationship with IBM as IBM value added distributor.

Avnet Datamation's current strategy are

1. Build dedicated sales and product team for IBM hardware and software products and hire experienced sales person who has end users and business partners relation.
2. Build local technical support team
3. Focusing on SMB or Mid Market and Geo market, where Avnet already has channel network for those market which previously are HP business partners. The challenge for Avnet is how they combine and convert those channel for IBM and HP products which IBM and HP are compete each other.
4. Flexible Term of Payment for business partners

Avnet's Strengths :

1. Strong capital backed up by Avnet regional and world wide
2. Strong relationship with IBM regional and worldwide
3. Already has channel network for Mid market and Geo market

Avnet's Weakness :

1. Less dedicated sales person for IBM products
2. Less capable technical support for doing presales and post sales
3. Less channel network for enterprise market

Internal Environment Analysis

Internal Environment Analysis conducted using Nine Blocks of Business Model. It can be described as follows :

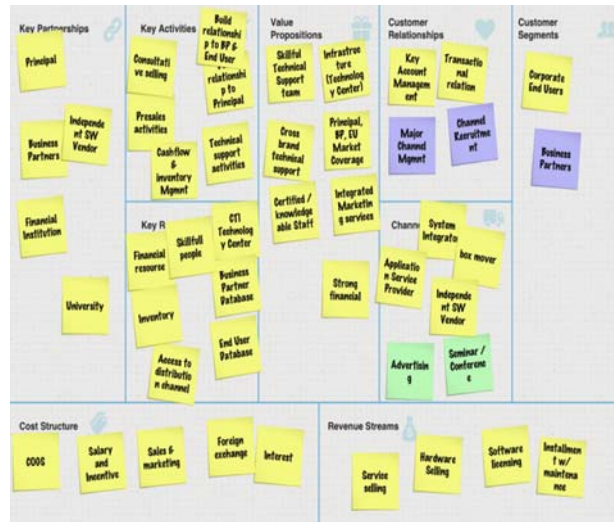


Figure 8. BPT Business Model

Customer Segments

BPT sells IBM products directly to Business Partners (BPs) and indirectly to corporate end user / companies. Business Partners can consist of several types of company :

1. System Integrator
2. Box Mover
3. Application Service Provider
4. Independent Software Vendor

Revenue Streams

BPT also sells professional services aside from IBM hardware and software license. BPT also can provide installment basis scheme with maintenance services to end users

Channels

BPT distribution channels included 4 types of Business Partner as stated above to end users. And BPT communicate to Business Partners and End User through Seminars/ Conferences and media such as, press release and advertising.

Customer Relationships

There two types customer relation to Corporate End User:

1. Key account management /or BPT called Territory account management. We put dedicated Account Manager to selected key End Users based on potential and relationship of those End Users.
2. Transactional relation for the rest End User

For Business Partners, BPT using Channel management which can describe as follow :

1. Dedicated Channel Representative for selected Major Partner
2. One on one tactics to between BPT Channel Representative and Key person in Business partners

Channel Recruitment was done by Channel Development department at CTI Holding who assigned channel development managers to call and visit all business partners database in CTI except major business partners.

Value Propositions

1. Principal, Business Partner & End User market coverage. One on one mapping between BPT and CTI staffs to key person in principal, business partners and end users.

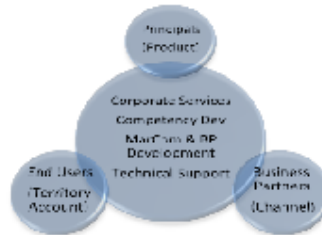


Figure 9. BPT Market Coverage

2. Infrastructure consists of BPT / CTI Technology Center and Training Center
3. Cross brand technical support
4. Expert & certified technical support team
5. Certified & knowledgeable staff
6. Strong financial capital
7. Integrated marketing communication services.

Key Activities

1. Consultative Selling together with principal and business partners to end users.
2. Presales activities support such as product & technical presentation, technical proposal, demo, etc
3. Build relationship to principal, business partners and end users. With dedicated team for hardware product, software product, channel, and territory account.
4. Cashflow & inventory management by Account Receivable monitoring and collection activities, Inventory monitoring activities and casflow monitoring activities.
5. Technical Support activities.

Key Resources

1. Financial Resources such as credit line from bank and other financial institution.
2. Inventory
3. Skillful people / staff
4. Access to distribution channel
5. Business Partner Database
6. End User Database
7. CTI Technology Center

Key partnerships

1. Principal
2. Business Partners
3. Independent Software Vendors
4. Financial Institution, such as bank
5. University, as pool of human resources

Cost Structure

1. Cost of goods sold (COGS) from principal
2. Salary and Incentive / Bonus, people related expense
3. Sales & marketing expense
4. Interest cost from bank loan
5. Foreign Exchange loss, since BPT still doing transaction in US Dollar

F. Conclusion of Analysis based on Literature

Based on External environment, Industry environment, Competitor and Internal Environment Analysis, writer summarize some root of problem :

1. Indonesia economy and Indonesia IT market growing significantly in years ahead. In the other hand, US & Europe still striving for financial crisis and IT market there is slowing down. Many foreign IT distributor companies come to Indonesia to expand. Indonesia IT market growth is big opportunity for BPT to grow significantly. But there's a threat from foreign IT distributor companies who expand to Indonesia as new entrants.
2. BPT become more selective to IT transactions in government or public sector area, usually considered as big revenue. It becomes barrier for growth.
3. Cloud Computing Technology will become a threat for BPT and change customer behaviour to purchase IT Infrastructure and own as their asset become pay per use to IT or Telco vendor. Eventhough adoption this technology in Indonesia is very slow.
4. IBM as single principal for BPT is very high risk for BPT. IBM's bargaining power as suppliers much stronger than BPT. Recently IBM approach directly to business partners for promo, event, incentive program eventhough those partners are recruited by BPT.
5. Foreign IT Distributors who expand to Indonesia as new entrants can overcome entry barriers as distributors such as
 - a. High capital required. They backed up by headquarter who has strong capital as Fortune 500 company.
 - b. Access to principal. They have strong relationship with worldwide and regional management
 - c. Access to local distribution channel. They overcome by acquired existing local company who already set up their distribution channel. For example, Avnet acquired Datamation who established as the biggest IT distributor in Indonesia.
 - d. Build competent local team. It takes some time to build competent local team. They try to overcome by hiring experienced professional.
6. Avnet Datamation considered as the biggest competitor for BPT. From competitor analysis, Avnet Datamation has strength as follow :
 - a. Strong capital. Since Avnet Datamation backed up by his regional and headquarter, Avnet Datamation get better term of payment from IBM Indonesia. Avnet Datamation aggressively give flexible Term of payment to business partners, especially to BPT business partners.
 - b. Since Datamation is very strong as volume distributor and operated by less number of people compare to value added distributor like BPT. For example : Only 1 product representative , maximum 2 persons per product. Compare 5-6 persons product representative in BPT included presales, but excluded technical support. At this point of view, Avnet Datamation can be more efficient and can bear lower margin compare to BPT, but can not give technical support. For some big system integrators who has own technical support for IBM products, they prefer to lower price without considering technical support.
 - c. Avnet Datamation as previously as volume distributor, have good channel distribution for SMB / Mid market and Geo outside of Jabodetabek area.
7. BPT is very strong in Enterprise market, who need highly skill technical resources for presales, and post sales activities. And strong relationship in sales activities for business partners and end users. Enterprise market is the biggest market for IT in term of revenue. But the competition is very tight, since all brand of technology pursue in this market. In this competitive situation, margin also become very tight.

G. Research

Objective of this research is to confirm analysis based on literature above. In this research, data collected by interviewing and having discussion with :

1. Internal, represented by CTI Group & BPT
2. External : Principal, Business Partners & End Users

Profile of respondents

Respondents are senior management level who can represent each party of stakeholders, internal by CTI Group & BPT and external who consist of Principal / IBM, Major Business Partners, and End Users. Person name and company name will use initial for confidential reason, except explicitly written.

CTI Group & BPT

1. HS, President Director CTI Group and Chairman of BPT
2. SZ, General Manager Corporate Marketing & Channel Development, CTI Group
3. LS, Director, BPT

IBM

1. GS, Country Manager, System & Technology Group, IBM Indonesia
2. ML, Country Manager, Business Partner Organization, IBM Indonesia
3. RL, Country Manager, Midmarket, IBM Indonesia
4. SC, Director Midmarket, IBM ASEAN

Business Partner

1. JS, President Director, AGIT
2. EH, President Director, EG
3. IS, Director, MII

End User

1. GS, VP IT Operation, Services & Delivery, BTPN
2. YS, IT Deputy General Manager Operation & Services, BAF

List Of Questions

Question for interview to CTI Group

1. Do you think Cloud Computing Services will be a threat for BPT as IT Distributor ?
2. Do you think IBM as a single principal for BPT has much stronger bargaining power over BPT ? why ?
3. What is the strength and weakness of BPT ?
4. What is the strength and weakness of Avnet ?

Question for interview to IBM

1. Do you think Cloud Computing Services will be a threat for BPT as IT Distributor ?
2. What kind of value which you expect from BPT ?
3. What is value added which BPT deliver to you ?
4. What is the strength and weakness of BPT ?
5. Do you think CTI / BPT Technology Center is useful for you ?
6. What is the strength and weakness of Avnet ?

Question for interview to Business Partners

1. Do you think Cloud Computing Services will be a threat for BPT as IT Distributor ?
2. What kind of value which you expect from BPT ?
3. What is value added which BPT deliver to you ?
4. What is the strength and weakness of BPT ?
5. Do you think CTI / BPT Technology Center is useful for you ?
6. What is the strength and weakness of Avnet ?

Question for interview to End Users

1. Do you have plan to use Cloud Computing Services ? Why ?
2. What kind of value which you expect from BPT ?
3. What is value added which BPT deliver to you ?
4. What is the strength and weakness of BPT ?
5. Do you think CTI / BPT Technology Center is useful for you ?
6. What is the strength and weakness of Avnet ?

Data Analysis & Additional Conclusion

Detail interview result data can found at Appendix A. From the interview and discussion, some analysis made as follow :

Cloud Computing Services

Most of respondents said that Cloud Computing Services is not a threat for BPT as IT Distributor. Cloud computing services creates another opportunities for BPT to provide IT infrastructure to Data Center Provider and Managed Service Provider. IBM also propose BPT to re sell IBM Cloud Solution. Though sample of key customers said, they do not use Cloud Computing Services due to regulation, security and confidentiality reason. Although one of them already places their IT Infrastructure in Data Center Provider.

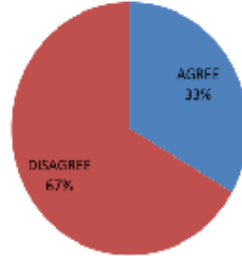


Figure 10. Cloud Computing Questionnaire

IBM as single principal

All respondents admit that as single principal for BPT, IBM has much stronger bargaining position. BPT need to extend the business to another solution, services or products in order to grow better and manage better portfolio. One of business partner suggest BPT to have own product. Furthermore BPT can utilize CTI Group to strengthen bargaining position and synergize with another company in CTI Group. BPT also expected to collaborate with another regional player or go regional.

Value expected from BPT

Principals expect BPT to expand the market by recruiting and developing business partners especially in mid market and geo market. And also assign account / sales team to develop some midmarket account.

Principals, business partners and end users required technical support from BPT in term of skillful engineer for presales and post sales activities. And also demo hardware become crucial and important for doing pre sales. CTI / BPT Technology Center can help those needs as facility to do testing, proof of concept, and demo. Technical support services also required to develop mid market who business partners have less capability to do implementation. Some business partners also expect fast response from BPT especially for small deal transactions and also educate their sales and presales team for geo market. Business Partners also expect lead opportunities which they can follow up.

Table 1. Value Expected Questionnaire

Questionnaire : Value Expected from BPT	IBM				Business Partners			End Users	
	GS	ML	RL	SC	JS	EH	IS	GS	YS
Technical Support	✓	✓	✓	✓	✓	✓	✓	✓	✓
Grow BPs in MidMarket	✓	✓	✓	✓			✓		
Grow BPs in Geo Market	✓	✓					✓		
Small deals engine	✓	✓	✓	✓					
Fast response						✓	✓		
Demo Hardware	✓	✓	✓	✓	✓	✓	✓	✓	✓

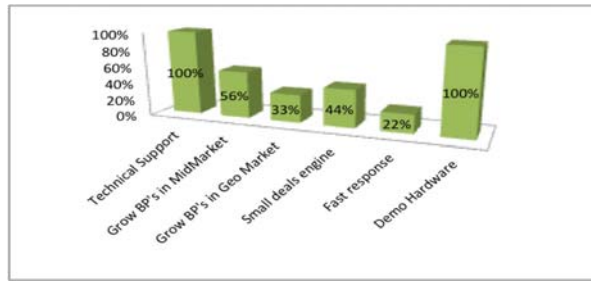


Figure 11. Value Expected Questionnaire

Value added delivered by BPT

Most of value expected from BPT already fulfilled even though there is a lot room of improvement needed. Principals need improvement in market coverage especially in mid market and geo market. Business partners need improvement in faster response, numbers of demo machine and more lead opportunities. End Users expect more technical support resources and more flexibility.

Strength and Weakness of BPT

Most of respondents said BPT's strengths are strong technical support team which can help principals, business partners for doing pre sales and post sales. Capability to understand whole IT Infrastructure of end users and bring complete IT Infrastructure solution. With CTI / BPT Technology Center facility which help End users to do demo, proof of concept and testing before implemented in real production environment. And also backed up by strong financial group. Good market coverage for enterprise market and major business partners there.

Table 2. Strength & Weakness BPT Questionnaire

Questionnaire : Strength & Weakness BPT	CTI Group & BPT				IBM				Business Partners			End Users		
	HS	SZ	LS	GS	ML	RL	SC	JS	EH	IS	GS	YS		
Strength BPT														
Technical Support:	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
CTI / BPT Technology Center	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Market Coverage / Triangle model	✓	✓	✓								✓			
Backed up by CTI Group : Finance, Marketing & HR	✓		✓											
Aggressive channel team											✓			
Weakness BPT														
Coverage in MidMarket & Geo	✓	✓	✓	✓	✓	✓	✓							
Single principal : IBM		✓	✓						✓					
No regional partnership		✓												
Faster response												✓		

BPT's weakness are lack market coverage in mid market and geo market. For principal, BPT has not consistent small deals engine. BPT only has single principal. Still not utilize synergy with other companies in CTI group. According to business partners, the response from BPT not quick enough especially for small deals.

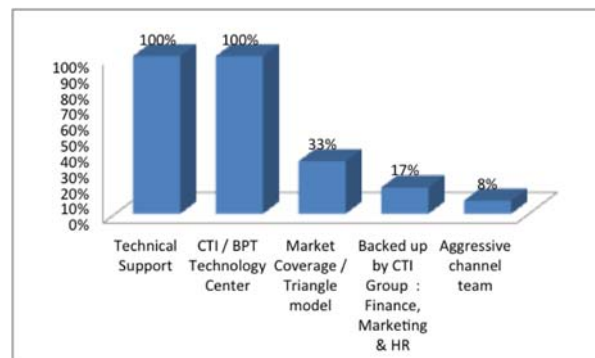


Figure 12. Strength BPT Questionnaire

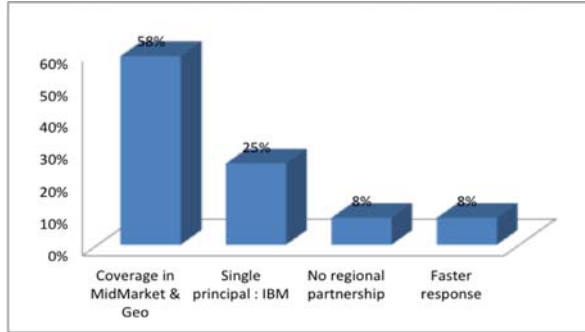


Figure 13. Weakness BPT Questionnaire

Strength and Weakness of Avnet Datamation

According to respondents, strength of Avnet are Avnet has strong market coverage in mid market and geo market. Has leaner organization. As multinational company, Avnet has strong relation in regional and worldwide with principals. Avnet’s weakness : Avnet does not have technical support team and technology center to support sales transaction. Avnet lack of market coverage in enterprise market.

Table 3. Strength & Weakness Avnet Questionnaire

Questionnaire : Strength & Weakness Avnet	CTI Group & BPT				IBM				Business Partners			End Users		
	HS	SZ	LS	GS	ML	RL	SC	JS	EH	IS	GS	YS		
Strength Avnet														
Coverage in Mid Market & Geo	✓	✓	✓	✓	✓	✓	✓							
Relation with IBM regional & Worldwide	✓	✓	✓											
Strong Financial for Better Term of Payment	✓	✓	✓	✓	✓				✓					
Leaner Organization		✓												
Multiple principal			✓											
Good Promo									✓					
Aggressive										✓				
Fast response											✓			
Weakness Avnet														
Technical Support	✓	✓	✓	✓	✓				✓	✓	✓	✓		
Coverage in Enterprise Market	✓		✓											
Facilities to support BPs		✓			✓				✓	✓				
Does not recognize Avnet													✓	

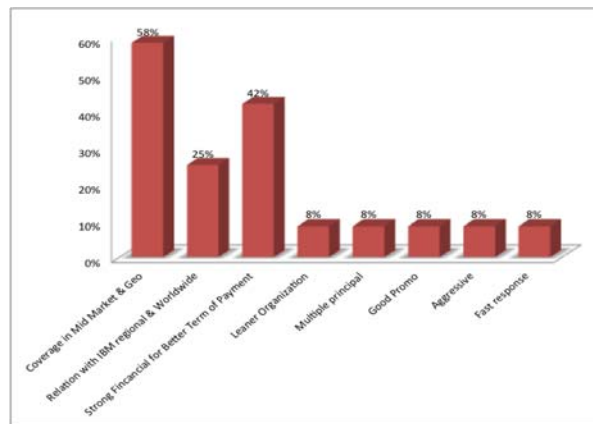


Figure 14. Strength Avnet Questionnaire

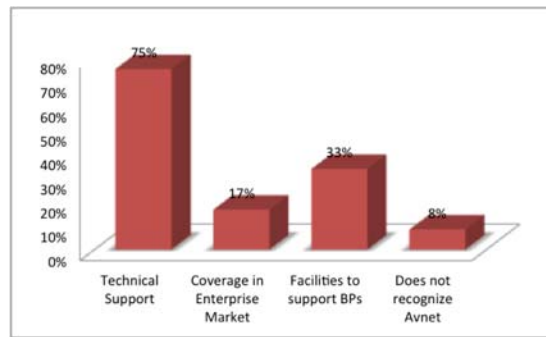


Figure 15. Weakness Avnet Questionnaire

H. Conclusion

From literature analysis and additional conclusion based on research data analysis, final conclusion can be taken as follow:

1. IT growth market in Indonesia attract foreign IT distributor companies to expand in Indonesia aggressively. Avnet acquired local company named Datamation in order to overcome some barrier entries, especially for access to local distribution channel. Datamation previously well known as volume or retail distributor who has large re seller in Small Medium Business / Mid Market across Indonesia including outside of Jabodetabek area, called Geo market. Avnet Datamation considered as biggest competitor for BPT and become a threat for BPT.
2. BPT become more selective to IT transactions in government or public sector area due to political issue. IT transactions/ projects in government usually considered as big projects which can contribute significant revenue. It becomes barrier to grow for BPT.
3. Most of Cloud Computing technology users will be Mid market end users. In the other hand, most of Enterprise end users still do not have plan to use cloud services due to regulation, security & confidentiality issue and limitation of network infrastructure in Indonesia. It will considered as a barrier for BPT to expand the market to mid market. But BPT can get benefit from cloud computing technology if BPT can provide IT Infrastructure to Data Center provider or Managed Service Provider. Since the business model can be different from existing, such as revenue sharing or capacity on demand. Also there are a threat from principals itself like IBM who approach Data Center Provider / Managed Service Provider directly.
4. IBM as single principal for BPT and has much stronger bargaining position to BPT. This is a threat for BPT. BPT should expand to another product, solution or create own product.
5. Principal / IBM expect BPT to have better market coverage in mid market and geo market, by recruiting and enable business partners. Leverage BPT's strength in technical support for expanding to mid market and geo market. Avnet Datamation has already stay ahead in those market with more sales representatives in Surabaya, Bandung, Pekanbaru, Balikpapan, Semarang and Makasar. For Small deals transaction, BPT need to give faster response for business partners and end users.
6. BPT should leverage Technical Support strength which needed by principals, business partners and also end users. Technical Support become BPT unique value proposition which BPT can elaborate more and bring more growth for BPT. BPT should manage Technical Support Services as one BPT product.
7. Principal, Business Partners and End Users need hardware demo for testing, demo and also doing Proof of Concept. It's important for End Users to test the new technology or application in Testing environment before implemented in production environment which required no failure. Otherwise, the risk of business availability is very high and can caused huge loss in term of money, customer and reputation. That's why BPT/ CTI Technology Center can be a great solution for principals, business partners and end users. And also as BPT value proposition.
8. Avnet Datamation as the biggest competitor for BPT considered as multinational company who backed up by Avnet Incorporation with strong capital and financial. Also Avnet has cheaper

source of fund and global agreement with IBM, so that Avnet can bring more flexible term of payment to business partners. Avnet Datamation also strong relationship with IBM worldwide and regional. Avnet has stronger bargaining position to IBM over BPT to IBM. Avnet can get benefit to do market penetration in regional including Indonesia. In order to strengthen bargaining position, BPT should collaborate with other companies in CTI group and also other regional partner in ASEAN. For that, BPT or CTI should go regional also.

3. Business Solution

I. Proposed Solution

Based on the conclusion, some recommendation can be made for BPT management in order to overcome those problems and keep BPT business growing.

Henry (2011) explained in order to grow, there are four strategies that companies might follow : market penetration, product development, market development and diversification. Those options can be summarized below and shown in figure 16 :

- o Market Penetration: increase market share in existing markets using existing products
- o Market development: entering new markets with your existing products
- o Product development: developing new products to sell in your existing markets
- o Diversification: developing new products to serve new markets

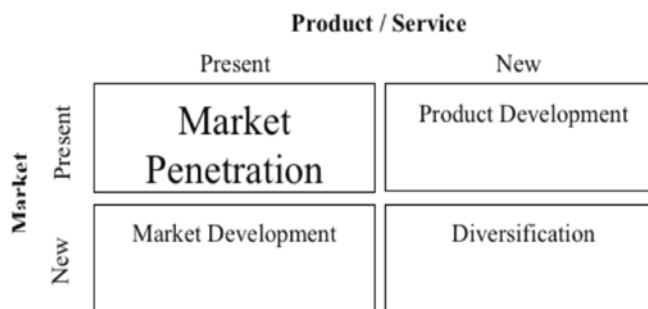


Figure 16. Growth Strategies Matrix

Considering conclusion in previous and growth strategies based on literature above, some recommendation given as follow :

Leverage BPT Technical Support capabilities as one of value proposition by providing Maintenance Services for hardware and software :

- o IBM product preventive & corrective maintenance, using old hardware product stocks. It's benefit that BPT as distributor. Old hardware product can become revenue generator, not as dead inventory.
- o Non IBM product preventive & corrective maintenance such as another brand of x86 Server as most popular technology with Linux & Windows Operating System and Virtualization software such as Vmware, RLEV, HyperV. For software product, BPT can start with another backup software such as HP Data Protector and Symantec, then SQL and Microsoft Middleware.

Implementation Services for non IBM product as integrated infrastructure solution services for business partner and end users. Leverage CTI Technology Center where BPT Engineer can learn and test integration of all brand of infrastructure product.

Give free 2 tickets maintenance services for every hardware purchased . It gives more added value to end users and business partners to choose buy from BPT and also enhance switching cost.

This action is a part of Market Penetration strategy which BPT can be taken, since Enterprise market who most need the services. But the services can sell to Small Medium Business Market / Mid Market with simpler kind of services and lower price. The action or implementation plan needed is

- a. Recruit Sales Services person who responsible to market and product development of services

- b. Recruit more junior engineers for doing maintenance and simple implementation
- c. Collaborate with Business Partners to get additional technical resources / engineers

BPT do Market Development strategy by being more focus to Small Medium Business / Midmarket and Geo market.

a. Focus to Midmarket

In order to grab SMB / Mid market, BPT need to define and recruit major business partners in midmarket. The action plan for that is BPT assign channel team who specialize only for midmarket and handle those major midmarket business partners. And also assign one Midmarket Manager who manage those midmarket channel team and focusing how to increase sales and market share in midmarket by start recruiting major midmarket business partners, demand generation and promo and hand in hand co-working with principal to work on midmarket. It will change the existing BPT organization structure. And also BPT need to setting KPI and incentive system which suitable and support this strategy.

b. Focus to Geo market

For Geo market, BPT has to define which market outside Jabodetabek are the most potential market. Based on survey conducted by IBM Indonesia (IBM STG Marketing Plan 2013), the most potential market with the order of the cities are Surabaya, Bandung, Semarang and Medan. For Surabaya, BPT recommended to open branch office there with starting with one person sales. For Bandung, it can be covered by midmarket manager in Jakarta head office and visit to major partners and principal in Bandung once in two weeks. For Semarang, it can be covered by sales person in Surabaya. For Medan, it recommends that BPT hire one dedicated sales person to cover for all Sumatra area. In order to get economics of scale of revenue generated.

In order to speed up response to business partners and end users in mid market and geo which is most of transactions are small deal transactions and need quick response, BPT should provide a dedicated technical sales person to handle those small deals and support channel team. This dedicated technical sales person will become Small Deals Specialist and only has KPI for small deal transactions.

Market development to Managed Service Provider (MSP) / Data Center Provider. BPT can collaborate with MSP / Data Center Provider by providing IT Infrastructure and also implementation and maintenance services. BPT also can provide managed service for all IT Infrastructure with several scheme such as true sale, revenue sharing or capacity on demand.

For product development strategy

- a. BPT recommended to acquire another product from new principal and utilize BPT value proposition such as market coverage, technical support team, CTI technology center, skilled staff, financial strength and integrated marketing services. It will become new grow engine for BPT. This is for strengthen BPT bargaining position in front of IBM as single principal for BPT right now. In order to minimize friction with principal. BPT recommended to acquire complementary / less competition product, however the product should be big and potential enough.
- b. BPT also can create its own product and leverage technical support expertise. The product can be developed by freeware or opensource product or OEM hardware product become appliance. The implementation can be started by doing research to interview key end users to find out the need which can not fulfilled by existing technology and product and what kind of product & services can fulfill.

Go regional, South East Asia market. This recommendation is for strengthen BPT & CTI group bargaining position in front of principal and competitors which are regional or global distributors, in addition to enlarge the market to South East Asia market as part of market development strategy. Beside that, by become regional player, BPT / CTI group can collaborate with regional players such as business partners, ISV/ Independent Software Vendor, Managed Service Providers, and especially regional bank or financial institution to get cheaper source of fund. More details observation,

research and analysis needed to impelement international strategy. It is in line with CTI Group vision : to be the most preferred IT Solution partner in South East Asia.

In order to overcome the competition, some recommendation for BPT are :

1. Provide better payment term for most prominent business partners. BPT through CTI Finance team regularly monitor and review payment commitment from all business partners. BPT can provide better payment term for business partners who have very good payment commitment. It can be a added value for business partners. BPT can collaborate with banks who finance BPT to also finance selected business partners.
2. Integrated marketing activities. CTI & BPT marketing team provide full services start from telemarketing, event organizer, design, web design, social media, public / press relation and telesales for validating the opportunities from marketing activities. In order to leverage added value to principal & business partners, marketing activities has to be integrated which differentiate to competitors.
3. People development program as Key Activities. Skillful staff as Key resources in BPT. That's why People Development activities has to seriously implemented to drive business growth, starting from Recruiting. BPT and CTI put University as Key partners which BPT need to maintain the mutual relationship. The program can consist of attract / recruit, retain & develop activities and can be divided to :
 - a. Recruitment activities from top university across Indonesia. And also develop scholarship program
 - b. Professional Development Program (PDP), can divided into 2 program based on working period.
 - o PDP 1 for 0-12 months working period. PDP 1 consist of New Employee Orientation Program and basic skill training program such as communication skill, problem solving, sales skill for frontliner, product knowledge, etc
 - o PDP 2 for 12-24 months working period. PDP 2 consist of more advance skill training such as 7 Habit, negotiation skill, public speaking, Sales Industry knowledge, etc
 - c. Leadership Development Program (LDP) is program to prepare candidates of team leader which consist of leadership skill training, including how to motivate and manage people, situational ledaership, etc. All candidates also mentored by BOD or Managers to develop leadership skills.

In addition those program, will improve efficiency and create bigger sustainability since people is key resources for IT company like BPT.

Proposed BPT Business Model



Figure 17. Proposed BPT Business Model

At proposed business model, some changes made :

- Business partners divided become enterprise and mid market business partners
- People Development Program become Key Activities
- BPT Own Product added as Key Resources
- Managed Services Provider / Data Center Provider become Key Partnership
- Revenue Sharing added as Revenue Streams and also Maintenance Service
- Press & media relation added as Channel, part of integrated marketing communication

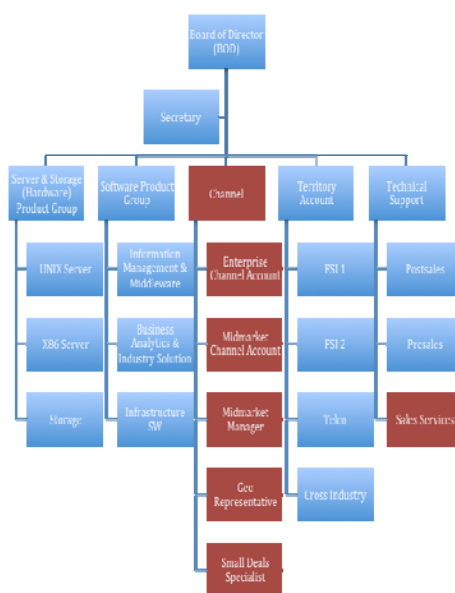


Figure 18. Proposed BPT Organization Structure

4. Implementation Plan

Based on recommendation in Chapter 3, detail implementation plan was made starting in July 2013. Those detail implementation plan will be reviewed and evaluated on quarterly basis and give feed back to BPT top management and re adjust the future activities plan as necessary. Time Table Implementation Plan is showed in Appendix A.

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