

**A STRATEGIC ANALYSIS OF A COMPANY IN
THE WEDDING INDUSTRY**

by

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Abstract

PrincessWedding4U is a new ecommerce company that targets the wedding industry within the Indonesian market. The purpose of this strategic analysis is to provide PrincessWedding4U with some analytical information and to present the company with a strategic option so that the company can maintain its sustainable growth.

PrincessWedding4U is competing in a fragmented market that has a low level of industry attractiveness. PrincessWedding4U needs to utilize its competitive advantage in brand building to position itself in this crowded market. The company has successfully built brand reputation and financial capital throughout its first year of operation. The analysis provides the firm with some strategic options to maintain its growth. Finally, the analysis concludes with a recommendation for the firm to expand to other geographical areas in Indonesia. This strategy would exploit the company's current strengths and leverage its reputation.

Keywords: Strategic Analysis; Wedding Industry; Fragmented Market; Retail

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1: Overview of the Strategic Analysis

1.1 Purpose of the Analysis

PrincessWedding4U is a new ecommerce company that targets the wedding industry within the Indonesian market. The company contributes to the Indonesian wedding market by providing a vast variety of wedding souvenirs and accessories. The company has been growing rapidly for the past one and a half years. However, PrincessWedding4U still needs to operate efficiently and strategically in this competitive market to sustain its company growth.

The purpose of this analysis report is to provide PrincessWedding4U with some analytical information and presents them with strategic options for evaluation. Through understanding its additional market and customer information, the company may be able to better recognize the industry and manage its own capabilities better. Consequently, PrincessWedding4U may tailor its long-term business strategies to maintain growth and develop a sustainable and valuable business venture.

1.2 Structure of Analysis and Document Overview

This assessment implements a standard strategic analysis framework. The framework consists of three components: (1) an analysis of the current situation faced by PrincessWedding4U, (2) an assessment of what the situation means to the company's future and (3) analysis of some strategic options that may follow from the two components. The study also utilizes common business analysis tools and techniques to

generate and evaluate strategic options. All financial numbers are in U.S dollars, based on the exchange rate of Indonesian Rupiah 9920 per US dollar, unless otherwise stated.

Chapter 1 is an introduction that describes the purpose and scope of the analysis. In addition, it establishes the firm and provides an overview of the document. In Chapter 2, the analysis provides more information about the company and its current focus in the marketplace. Chapter 3 describes the industry-level analysis by defining the Indonesian wedding industry, estimating current market size, and outlining other competitive forces in the industry. The competitive forces affecting the wedding industry are analyzed using Porter's five forces augmented framework which includes government as a sixth force (Porter M. E., 1979). In Chapter 4, we examine all internal factors that might affect the company's overall performance. This section also evaluates the company's resources, its value chain, and sources of its competitive advantage. Chapter 5 contains the analysis of PrincessWedding4U's current business strategy. Chapter 6 outlines the company's financial and overall performance. Chapter 7 assesses what our earlier analysis meant for the company as rationales for strategic recommendations. Chapter 8 provides thorough evaluation of all strategic options for the company. Lastly, Chapter 9 summarizes all viable recommendations for PrincessWedding4U's business owners to improve their current operations.

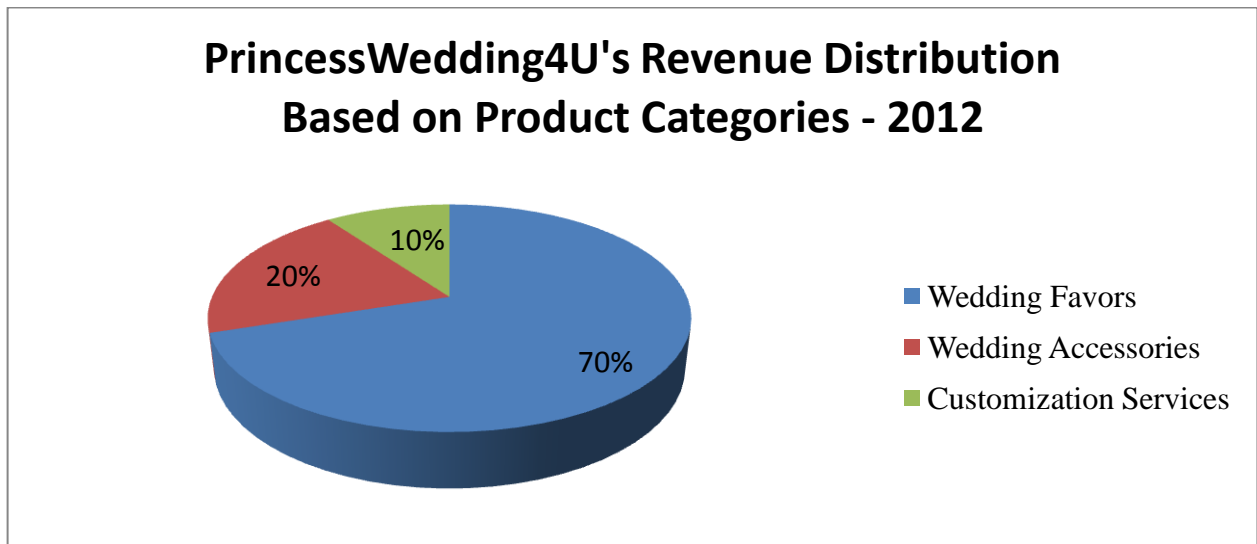
2: Overview of PrincessWedding4U

PrincessWedding4U is a privately-held, family owned company, managed by its founders: Mr. Budi Salim and Mrs. Diana Salim. The business owners noticed some gaps within the Indonesian wedding industry when they tried to plan their own wedding ceremony back in 2011. They realized that local wedding suppliers have limited selection of wedding products. The local suppliers only provided the Indonesian market with some simple wedding souvenirs such as key chains and pens. The owners realized that they could capture this missed opportunity by establishing PrincessWedding4U to provide various types of higher quality wedding favours to the Indonesian consumers: they did so in early 2012. Furthermore, the founders have another vision to expand PrincessWedding4U to be a central wedding portal where customers wishing to be married in Indonesia can find all required wedding products and services such as caterers, decorators, wedding souvenirs, and wedding accessories.

2.1 PrincessWedding4U's Products and Services

PrincessWedding4U provides a wide variety of wedding products that are mainly imported from several suppliers in China. Customers can browse through PrincessWedding4U Facebook page or PrincessWedding4U website to look for wedding products that are suitable for their wedding ceremonies. Some of the available products and services include wedding favours and accessories. Figure 1 below shows PrincessWedding4U's revenue distribution based on its products and services categories.

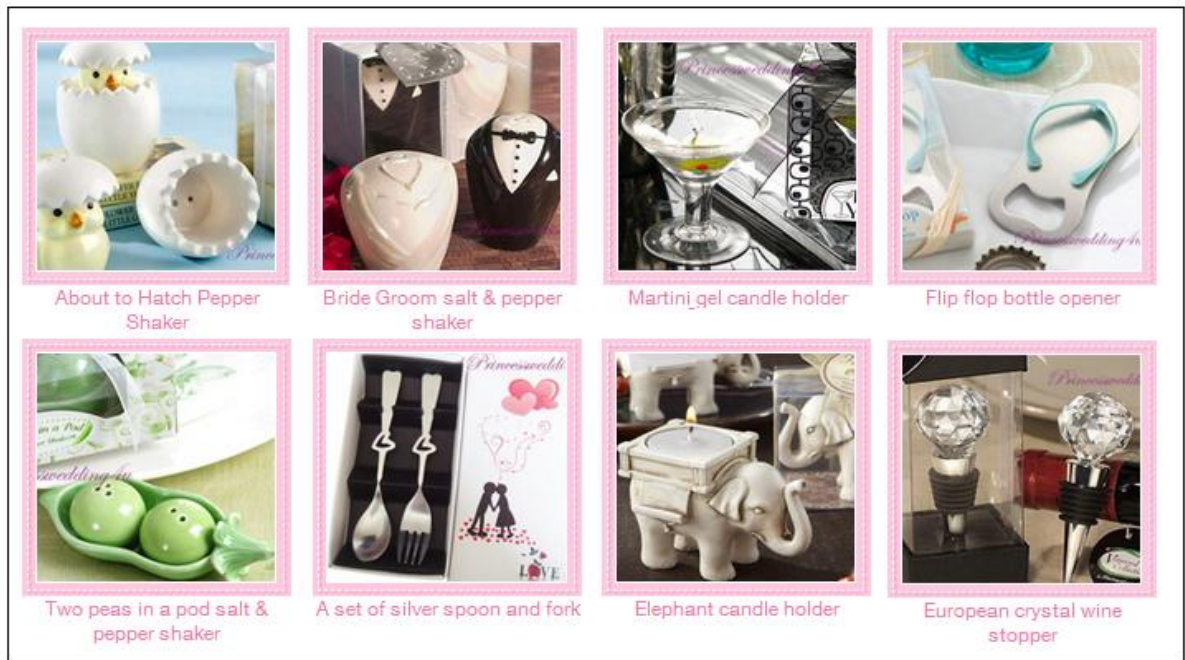
Figure 1: PrincessWedding4U's Revenue Distribution based on Product Categories



Developed by the author based on information provided by PrincessWedding4U

PrincessWedding4U offers around four hundred different types of wedding favours. These wedding favours consist of several categories based on their functions such as candles, bookmarks, coasters, kitchenware, and many other categories. Wedding souvenirs range in price from \$0.16 to \$4 per piece. Wedding favours contribute to almost 70% of PrincessWedding4U's overall total sales. Figure 2 below shows some of the wedding favours products that are available from PrincessWedding4U's product catalogs.

Figure 2: PrincessWedding4U's Wedding Souvenirs



Developed by the author based on PrincessWedding4U's product catalogs

PrincessWedding4U also offers its customers with some extra customization services. If customers are not satisfied with the default packaging, they can request PrincessWedding4U to package wedding favours with some custom wrapping styles so that their wedding favours match with the wedding themes. Brides and grooms can also have their names and wedding dates printed on the wrappers for some extra costs. The additional customization services contribute to 10% of PrincessWedding4U's overall sales.

Wedding favours are low profit margins products; however, the company normally sells these products in bulk. Wedding favours are available at a minimum order of one hundred items per transaction. Customers are encouraged to order in larger quantities to obtain lower prices. This minimum order requirement does not impact sales as it matches with Indonesian distinct culture characteristics to have a grand wedding

with large number of guests. In many parts of Indonesia, the ability to provide exquisite meals to many guests is a mark of resources, capabilities and statuses of a family (Advameg, 2009). It is customary to invite every relatives, colleagues, acquaintances, and business partners to wedding ceremonies. Hence, it is quite common to host thousands of guests within a wedding ceremony in Indonesia. PrincessWedding4U's owner claimed that the numbers of orders have ranged from 100 items to 4000 items, with an average of 800 items per transaction during PrincessWedding4U's first year of operation.

Finally, the company also offers miscellaneous wedding accessories to make wedding events become more memorable. Wedding accessories are complementary products to wedding favours; some of the examples of accessories products include wedding ring holders, stuffed animals, picture frames, and Chinese tea ceremony equipments. These various wedding accessories have price range from \$10 to \$80. There is no minimum order required to purchase wedding accessories. Sales from wedding accessories provide PrincessWedding4U with a higher profit margin than its other product categories. Accessories sales contribute to 20% of PrincessWedding4U's overall sales. Figure 3 below highlights some of the wedding accessories products that are available in PrincessWedding4U's product catalogs.

Figure 3: PrincessWedding4U's Wedding Accessories

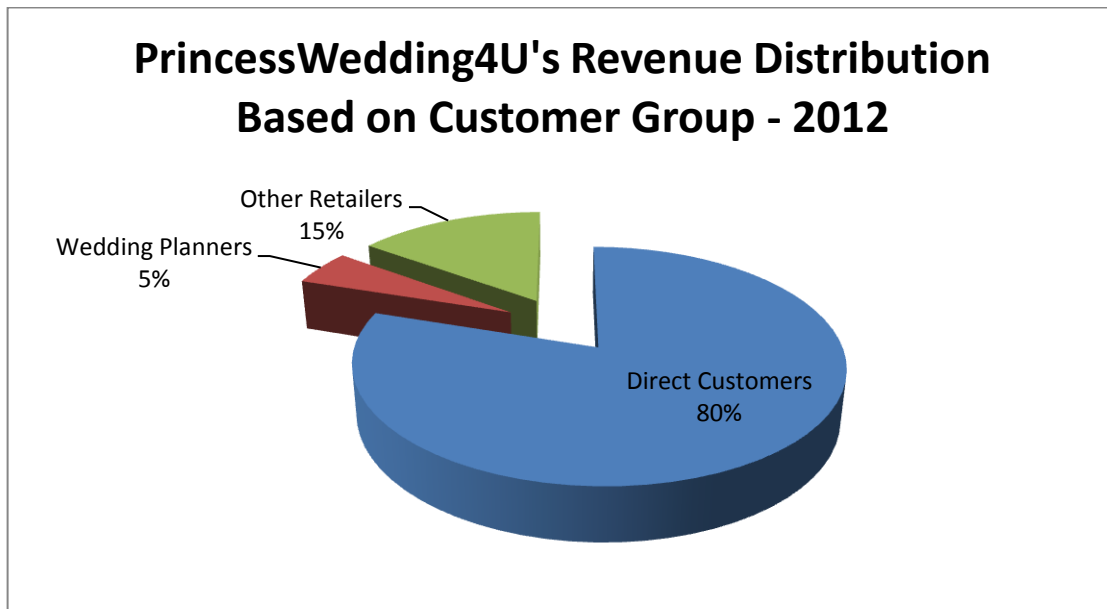


Developed by the author based on PrincessWedding4U's product catalogs

2.2 PrincessWedding4U's Customer Segments

PrincessWedding4U has three different customer segments: direct customers, wedding souvenirs resellers, and wedding planners. Direct customers are PrincessWedding4U's largest customer segments; sales from this segment account for 80% of PrincessWedding4U's total sales. Sales to other wedding resellers account for 15% of PrincessWedding4U's sales and sales to wedding planners contributes to the remaining 5% of PrincessWedding4U's overall sales. Figure 4 shown below highlights the graphical representation of PrincessWedding4U's revenue distribution based on customer categories. In addition, the company does not hold any inventory and only serves customers that place their purchase orders at least 3 months in advance. This strategy matches with Indonesian customers' purchasing behavior in which 95% of the customers seek out wedding souvenirs at least 6 months in advance.

Figure 4: PrincessWedding4U's Revenue Distribution based on Customer Groups



Developed by the author based on information provided by PrincessWedding4U

Direct customers usually consist of soon-to-be brides who plan their own wedding events. The members profile in this customer segments tend to be women in the age range of 20 to 35. Most of the direct customers are new customers who learn about the company via PrincessWedding4U's Facebook page or referrals. Moreover, this market segment usually consists of one-off clients because of the nature of wedding events that are usually once-in-a-lifetime events.

Wedding planners work closely with the bride and groom before the wedding event. These planners also help bachelors and bachelorettes to plan their wedding ceremonies. The brides and grooms often give the authority to the wedding planners to purchase wedding products on their behalf. Wedding planners are parts of PrincessWedding4U's recurring clients who make purchases based on the theme of various wedding events. Similar to direct customers, wedding planners normally make purchase orders a few months in advance before the actual wedding dates.

PrincessWedding4U also acts as a wedding souvenirs wholesaler. This market segment consists of local wedding souvenirs retailers with no access to suppliers in China. These recurring clients purchase wedding products from PrincessWedding4U and then resell them through their traditional wedding stores or online stores.

2.3 Product and Customer Relationship

PrincessWedding4U`s customers have different needs towards its products and services. In order to better understand the current relationships between its products and customers, our analysis uses the product-customer matrix to segment PrincessWedding4U`s customers. Table 1 below uses the horizontal axis to categorize the customers according to their purchase behaviour and products requirements; it then uses the vertical axis to list PrincessWedding4U`s products and services. The matrix also shows the revenue generated by each customer segment in 2012 towards a particular product and service category to highlight the importance of certain segments in contributing towards the company`s growth (Boardman & Vining, 1996).

Table 1: PrincessWedding4U’s Product and Customer Relationships

Products and Services	Customers			
	Direct End Users	Wedding Planners	Wedding Retailers	Total
Wedding Souvenir	\$39,200	\$2,450	\$7,350	\$49,000
Wedding Accessories	\$11,000	\$620	\$3,150	\$14,770
Customization Services	\$5,800	\$840		\$6,640
Total	\$56,000	\$3,910	\$10,500	\$70,410

Developed by the author based upon information provided by PrincessWedding4U

The product-customer matrix shows that most of PrincessWedding4U’s revenue in 2012 comes from the sales of wedding souvenirs. In addition, the matrix also outlines that direct end users are PrincessWedding4U’s biggest customer segment. Despite of the vast product varieties provided by PrincessWedding4U, the company is still facing intense competition from many other competitors in this mature industry. The next chapter outlines the competitive landscape of the wedding industry in Indonesia.

3: The External Environment of PrincessWedding4U

The external industry analysis provides an essential assessment of a firm's ability to compete on a sustainable basis. The external analysis may have a broad view, or may focus on a specific industry sector where the firm competes in. This chapter starts by defining the industry sector where PrincessWedding4U competes in and analyze it to outline the current state of that specific industry. This chapter utilizes Porter's 'Five Forces' augmented framework that includes government as the sixth force to evaluate an industry's attractiveness in the eyes of business owners and potential investors. A firm's ability to maximize rents relate closely to the attractiveness of an industry. Moreover, the attractiveness of an industry can be determined through the examination of three forces from 'horizontal' competition: the threat of new entrants, the rivalry among established competitors, and the threat of substitute products; and two forces from 'vertical' competition: the bargaining power of suppliers and the bargaining power of customers (Porter M. E., 1979). In addition to the original five forces included in Porter's model, the government's role can also act as a major force in any industry. Consequently, the analysis discusses government role as the sixth force below.

3.1 PrincessWedding4U's Market Lies inside the Indonesian Wedding Industry

The wedding industry in Indonesia is a multibillion-dollar and a multifaceted industry that covers many business areas. These businesses offer services that cater the needs of future brides and grooms to make their special days become memorable. Some of the existing wedding-related businesses include wedding retailers, wedding planners, caterers, decorators, photographers, venue rentals, and many others.

Within the billion dollars of the Indonesian wedding industry, PrincessWedding4U competes primarily in Indonesia's capital city - Jakarta. Jakarta is the largest city in term of its population size amongst the South East Asia region. The city's population has reached around 9 million people in 2011 (IndonesiaPoint). It is estimated that the overall market size for the wedding industry in Jakarta is worth approximately US\$600 million (Setyanti, 2013).

At this time, PrincessWedding4U only caters to some customers within a subset of the wedding industry: wedding favours and accessories. Wedding favour provides any bride with a chance to highlight her own personality and present gratitude towards guests during her wedding ceremony. The selection of these products usually varies depending on ethnical or cultural backgrounds, budgets, interests of the couples and the wedding themes. Wedding favours may consist of perishable and non-perishable products. The small gifts can range from simple inexpensive mementos such as thank-you cards to exclusive items such as vintage box of chocolates with personalized labels. The price of

wedding favours can range from a few cents to few dollars per piece depending on the qualities and materials of the products. (WeddingVendor, 2007).

Wedding accessories include products that are normally present during wedding ceremonies to make the events become more beautiful and memorable. One can categorize these wedding accessories into two different groups: decorative and functional products. Some of the decorative products include wedding ring pillows, stuffed animals and flower petals. The functional products are normally available for certain cultural wedding ceremonies; such as tea sets that are normally used during traditional Chinese wedding ceremonies.

Based on the wedding statistics in the United States, U.S. couples on average spend approximately 2% of their wedding budgets on wedding favours and accessories (The Wedding Report, 2013). Assuming that Indonesian couples will spend the same percentage of their budgets as US couples to order wedding favours and accessories, one can estimate the potential market size for these products in Jakarta by multiplying the 2% with the overall wedding industry size of US\$600 million. Therefore, one can approximate the market potential for wedding favour in Jakarta to be worth at least US\$12 million.

3.2 The Industry Landscape

One of the most important aspects to note in order to formulate an effective business strategy is to understand the type of industry that the particular firm is in. According to Porter in his book: “Competitive Strategy”, industries can be categorized based on “industry concentration”, “state of industry maturity” and “exposure to

International competition” into five different types of industry environments: (1) Fragmented markets where the industry is characterized by the high number of incumbents with no one dominating the markets. (2) Emerging industries are newly formed industries that exist because of one or many changes in technologies or customer needs. (3) Mature industries have declining growth rate and have limited growth in production capacity. (4) Declining industries are those that have experienced a decline in unit sales over a period. (5) Global industries are industries where firms’ overall global positions affect their performances (Porter M. E., 1980).

The wedding industry in Jakarta is fragmented with no dominant firms. The industry consists of at least hundreds of wedding products suppliers and retailers. These wedding suppliers and retailers utilize several sales channels such as physical retail stores and online stores to distribute their wedding products. In fact, an abundance of small wedding favour shops is available and scattered around several wholesaler markets in Jakarta. Potential customers can browse through among thousands of wedding favours in these conventional markets before making their ultimate decision. On the other hand, the rapid development of e-commerce business in Indonesia has enabled customers who prefer to search online for available wedding favour products to do so from the convenience of their homes.

The market for wedding favours and accessories comprises of a vast variety of wedding products differing from local handcrafted products to manufactured products. Local independent craftsmen contribute to the wedding favour market by producing and selling their handcrafted products such as wooden key chains, wooden figures in traditional clothing and many more. These domestic products reflect the Indonesian

traditional culture and characteristics as most of them are made of native materials such as bamboo and batik. Figure 5 below shows some of the handcrafted products produced locally in Indonesia.

Figure 5: Domestic Indonesian Handcrafted Wedding Favours Products



Developed by the author based upon information that is available on public domain

Manufactured products consist of items that are produced either domestically or internationally. These factory-made products are normally independent of any cultural characteristics and have consistent product qualities. Some samples of manufactured products include decorative candles, kitchenware, stationeries and many more. Customers can obtain wider selection of products with higher quality if they wish to purchase

imported products that are generally more expensive. Figure 6 below shows some samples of manufactured products that are available in Jakarta.

Figure 6: Manufactured Wedding Products in Jakarta



Developed by the author based upon information that is available on public domain

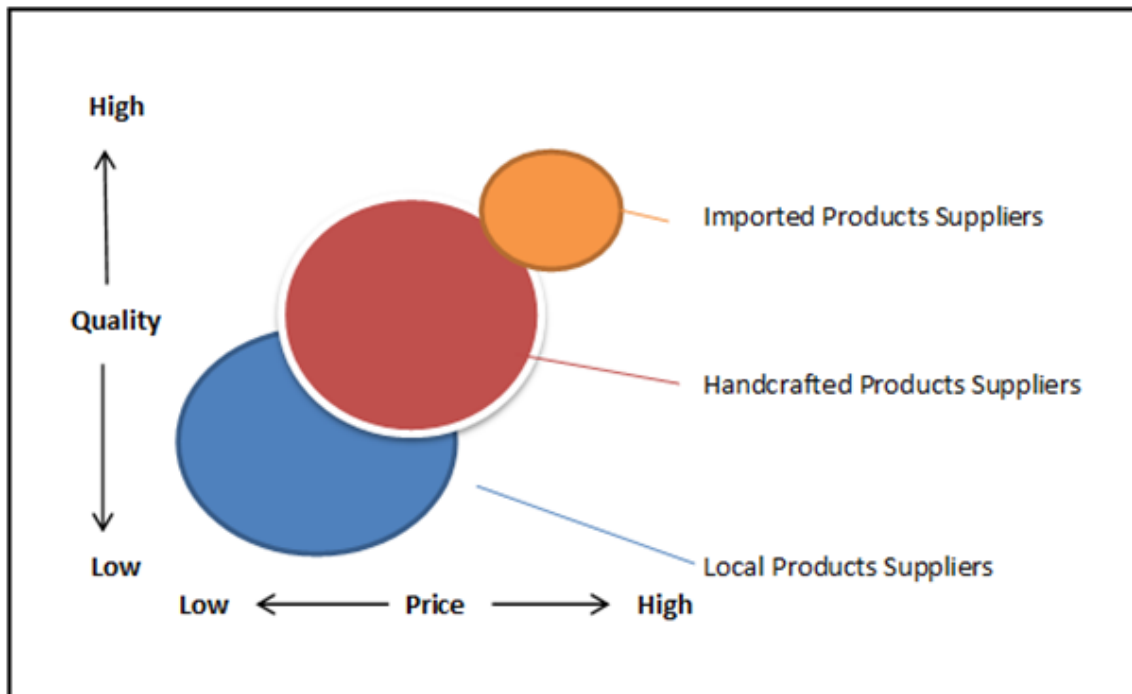
The analysis utilizes two different business tools: strategic group analysis and industry product-customer matrix, to provide a more detailed illustration on the relationship among wedding products suppliers, wedding products and customers.

3.2.1 Classification of Wedding Favour Suppliers in the Industry

One can categorize competing firms within an industry into several strategic groups. A Strategic group consists of one or more organizations that utilize similar strategic characteristics to compete within an industry. Firms within a strategic group compete more intensely as they have similar characteristics and strategies (Hunt, 1972). Strategic group analysis provides a company with information to identify its competitors and determine how these businesses compete among each other.

The wedding favour industry in Jakarta can be broken down into three different strategic groups based on how they source their products: (1) Imported product suppliers consist of all suppliers and resellers that offer internationally manufactured products. This group may also comprise resellers that stock inventories to serve customers who need to use wedding products in less than 3 months. (2) Domestic product suppliers include all suppliers and resellers of locally manufactured wedding products. (3) Handcrafted product suppliers comprise of local craftsmen and resellers of handmade wedding products. Figure 7 below shows the strategic group map of wedding favours products in Jakarta. The strategic group map utilizes product qualities on its vertical axis and prices on its horizontal axis to illustrate the number of firms operating in each strategic group.

Figure 7: Classification of Wedding Favour Suppliers in Jakarta



Developed by the author based upon information provided by PrincessWedding4U

The strategic group map shows that most wedding favour firms are concentrated in the lower-left corner of the map. These firms compete intensively in providing cheap-low-quality products to potential customers in the market. The map also reveals that the top-right corner area of expensive-high-quality products is underserved as there are only few suppliers contesting in this segment.

Caves and Porter proposed the concept of mobility barrier that exists within strategic groups. The mobility barriers are structural factors that affect firms' movements among strategic groups in an industry. The barriers are accountable for defending groups from intrusion by other firms outside of the groups. Porter argued that firms in strategic groups with high mobility barriers will have higher profit potential than those in strategic groups with lower mobility barriers (Caves & Porter, 1977).

The strategic groups within the wedding products industry in Jakarta have different level of mobility barriers. One can argue that domestic product retailers have the lowest level of mobility barriers as there are an abundance of manufacturers available in this segment. The handcrafted and imported product suppliers might have comparable level of barrier, but both have higher barrier when compared to the domestic product suppliers. The handcrafted product suppliers have high level of barriers as they need to possess unique craftman skillset in order to fabricate their own products. The imported product suppliers have high level of mobility barrier as well since firms within this strategic group need to build strong business relationships with International manufacturers. In addition, it is extremely essential for these firms operating under the last strategic group to understand special knowledge such as International business

knowledge and trade regulatory requirements to bring in imported products into Indonesia.

3.2.2 Market Segments in the Industry

The analysis utilizes the Industry product-customer matrix to construct more comprehensive product-customer segments. This specific tool expands the firm-specific segment matrix to include more products and customer segments that are served by all competing firms within the industry. The industry matrix provides more information on which product-customer segments that a specific firm competes. Furthermore, the matrix also offers information on who are the competitors in each segment. This analysis delivers crucial information for firms to decide specific long-term strategies that are related their specific segments (Boardman & Vining, 1996).

Table 2 shows industry product-customer matrix that is applicable for PrincessWedding4u. The matrix uses its vertical axis to show product categories and horizontal axis to show customer segments. The table shows PrincessWedding4u's product-customer segments in comparison to the three different strategic groups in the industry.

Table 2: Product and Customer Segments in Indonesian Wedding Industry

Products		Customers					
		Direct End Customers (Purchase Products at least 3 Months ahead)			Direct End Customers (Purchase Products less than 3 Months)	Wedding Planners	Wedding Retailers
		Low Budget	Medium Budget	High Budget			
Wedding Souvenir	Indonesian Cultural Souvenir	C,D	C,D	D	C,D	C,D	C,D
	Non-Cultural Souvenir Products	C,D	A,B,C,D	A,B, D	B,C,D	A,B,C,D	A,B,C,D
	Perishable Products such as food, plants	D	D	D	D	D	D
Wedding Accessories	Oriental Accesories	C,D	A,B,C,D	A,B	B,C,D	A,B,C,D	A,B,C,D
	Indonesian Cultural (non-oriental) Accesories	C,D	C,D	D	C,D	C,D	C,D
	Non-Cultural Accesories	C,D	C,D	A,B,D	A,B,C,D	A,B,C,D	A,B,C,D
Customization Services		A,B,C,D	A,B,C,D	A,B,C,D	A,B,C,D	A,B,C,D	A,B,C,D

Key: A = PrincessWedding4U; B = Imported Products Suppliers; C = Domestic Products Suppliers; D = Handcrafted Products Suppliers

Developed by the author based upon information provided by PrincessWedding4U

The matrix reveals that handcrafted products suppliers have a wide degree of product varieties. These products have various characteristics; some of the products may have cultural values in them and some may not. Because of their diversities, these handcrafted products can serve the needs of various customer segments from the low-to high-budgeted customer segments. The assortment of products offered by handcrafted product suppliers make this particular strategic group to be one of the main competitors for imported product suppliers who also target high-budgeted customers.

At present, there are not too many providers of perishable products such as food and plants. Based on the matrix, the only strategic group that supplies these item is the handcrafted product suppliers. Some of the perishable products that are offered by the local suppliers include beautifully wrapped cupcakes and brownies. The imported

products suppliers are reluctant to compete on this product category as there is normally a long logistic time for items to be shipped internationally; the delivery process for imported products can take up to 3 months before they arrive to Indonesia. Therefore, imported product suppliers are reluctant to compete on this category due to its impractical nature that might impact products' qualities.

Customization services are the common denominators among these strategic groups. All wedding suppliers need to provide basic customization services as most customers would demand them. The degree of customization services might vary across different customer segments. For instance, simple customization service such as printed tags to include the names of the bride and groom would be sufficient for customers with low-wedding budget. On the other hand, customers with higher budget would demand more sophisticated services such as engraving their names onto the products.

The personal customization services combined with large diversity of product varieties have led to further fragmentation in the industry. Porter in "Competitive Strategies" argued that one of the reasons that can contribute to market fragmentation is when there is "a highly diverse product line requiring personal customization to individual users". One important key towards the success of businesses competing in this type of industry relies on providing the highest quality level of personal services possible. Porter argued that the quality level of personalized service and customer's perception towards service responsiveness seem to decline when a firm has reached a certain threshold size. According to him, smaller firms are more efficient in maintaining their service qualities because they can closely monitor and control their relatively small operations. In consequence, this industry type favours smaller firms over the larger ones;

hence providing some sort of barriers for firms to capture significant amounts of the market share.

3.3 Indonesian Wedding Favours Industry Overview

No public reliable figure is available to show the market growth rate of wedding favour industry in Jakarta. The best estimates are available by correlating the growth of the wedding favour industry to the overall wedding industry in general. The population growth and the country economic condition have potentially affected market growth of wedding industry in Indonesia. Wedding industry in Jakarta has been growing for the past few years because of the increasing population growth and the strong economic growth in Indonesia.

MantenHouse group, a local wedding exhibition organizer, believes that the Indonesian wedding market will grow in the next few years, as a massive number of the younger population will reach their marriage ages. There were around 6000 wedding ceremonies held in Jakarta back in 2012. This number does not include wedding events that were held in satellite cities around Jakarta (Setyanti, 2013). Figure 8 below shows the projected population growth in Jakarta, which is steadily increasing. According to Statistics Indonesia, there will be approximately one million young adults that will reach the Indonesian average marrying age of 24 to 26 years old in Jakarta within the next five years (BPS, 2010). MantenHouse is optimistic that the number of wedding events will increase following the growth of the younger population in the city.

Figure 8: Jakarta Population Projection



Developed by the author based upon information from Indonesian Statistic Centre: BPS

A country's economic condition also plays a big role in affecting the performance of wedding industry (Beeck & Horn, 2010). Indonesia's economy has been growing rapidly for the past few years, which benefited the overall growth of wedding industry. The country has posted an annual growth of 6.5 percent since 2007, which in turn created a wave of new middle-class and affluent consumers (Vaishali Rastogi, 2013). Figure 9 below shows the growth of middle class population in Indonesia. Consequently, these new middle-class populations have ramped up their household spending as they have more disposable incomes. According to Statistic Indonesia, consumer spending has increased 5 percent annually since 2007 (Trading Economics, 2013). Thus, it is reasonable for one to expect that the wedding favour industry will follow a similar

growth rate as these middle-class young couples will be more willing to incur higher expenses to make their wedding dreams perfect.

Figure 9: Indonesia Middle Class Population Projection – 2012 to 2020



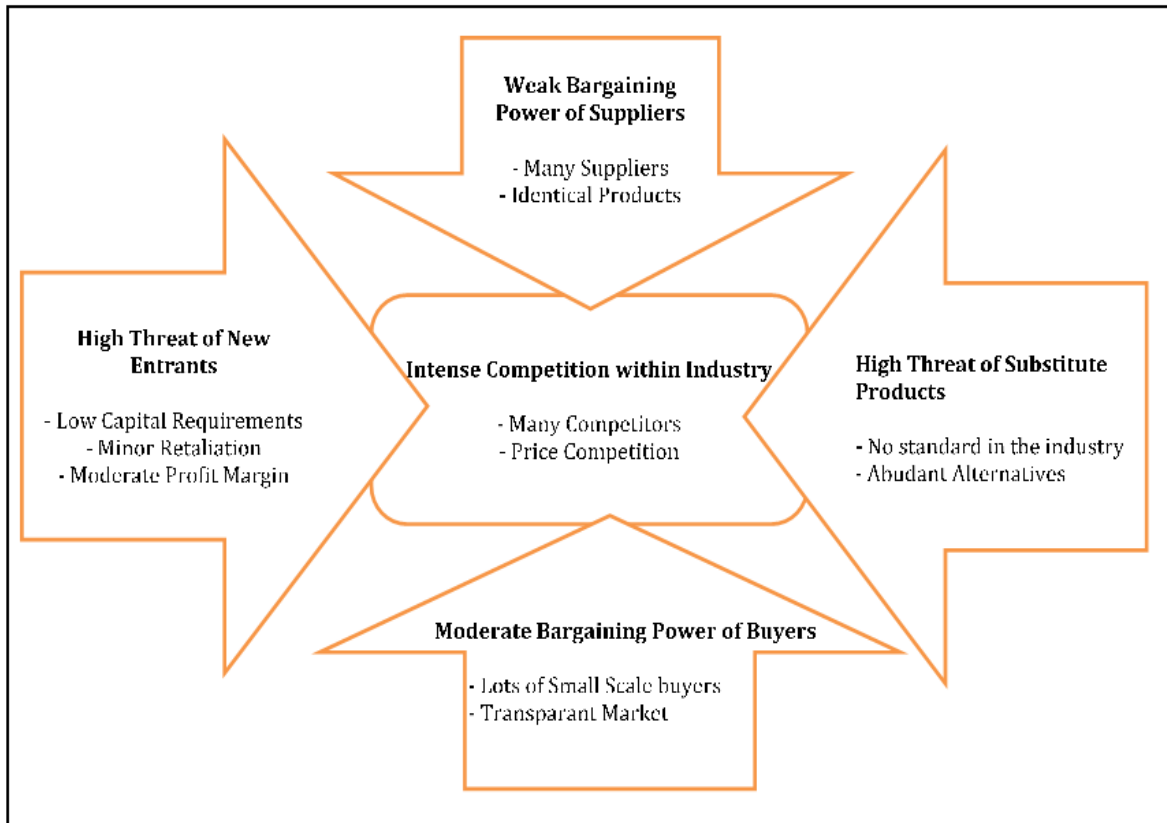
Source: Redwing, 2013

Similar to the overall wedding industry, wedding favours sales in Jakarta are subjected to seasonal cycles. Sales of wedding favours are seasonal and are busiest between September and December, with November being the highest sales month. During the wedding seasons, sellers can expect up to 30% increases in sales (Arnandadanu, 2012).

3.4 Competitive Forces in Wedding Favour Industry

This chapter outlines an analysis of the competitive forces in the wedding favour industry from a number of different perspectives. The analysis utilizes Porter's five forces framework to determine the profitability and competitiveness of an industry. The five forces include the threat of new entrants, the rivalry among established competitors, the threat of substitute products, the bargaining power of suppliers, and the bargaining power of customers. Awareness of these competitive forces can help a firm to better understand its industry structure and allow it to maintain a sustainable business (Porter M. E., 1979). In addition to the Porter's original five forces, the analysis also discusses government role as the sixth force because the impact of its actions may dominate other competitive forces (Vining, Shapiro, & Borges, 2005). Figure 10 shows Michael Porter's Five Competitive Forces model when applied to the Indonesian wedding favour industry.

Figure 10: Competitive Forces Affecting the Indonesian Wedding Favour Industry



Developed by the author based on Porter's frameworks, 1979.

3.4.1 Rivalry among Existing Competitors is Intense

The wedding favour market in Jakarta is extremely fragmented with lots of competitors, thus creating a highly competitive environment. There are many retailers of varying sizes with no dominant firms in the market. These firms provide similar products and compete heavily on price; though some firms employ other factors in order to differentiate themselves from the competitors. These factors may include product variations, consistent product qualities, customer supports, and additional services such as simple product customizations.

3.4.2 Threat of New Entry is High

The barriers to entry into the wedding favour market are low-to-moderate. The capital requirement to enter the wedding favour industry is low. Unlike other high capital wedding businesses such as wedding dress rentals, a new wedding favour retailer could enter the industry with zero or minimal financial investment. New firms can simply provide wedding favour catalogues and few sample products to customers without having the needs to stock-up high amount of inventories. This factor alone may attract new start-ups into the industry, particularly those interested in operating small-scale businesses.

The majority of entry barriers exist for firms that do not produce their own products. These wedding resellers need to establish relationships with other wedding favour suppliers. A new reseller must have a clear understanding of wedding favour products, researches its target markets, seeks out appropriate suppliers, and establish strong business relationships with those suppliers in terms of getting the best products at the lowest prices. Furthermore, wedding resellers that procure products from overseas must have deep knowledge of inbound and outbound logistics, trade regulatory requirements and costs. For resellers that are new to the industry, this type of knowledge can involve a significant amount of research requiring investments of both time and money. Based on the complexity of supply chains and required logistic knowledge, entering the wedding favour industry might be moderately difficult for some wedding resellers.

As previously mentioned, the Indonesian wedding favour industry is well saturated with no clear dominant firms. New entrants could benefit from the void of any established brand identities in the market. The market has an abundance of small

incumbents with limited resources capability. Thus, new competitors should expect little threat of retaliation from incumbents.

In terms of the return on investments, wedding favour market are often associated with low to moderate margins which may potentially attract new entrants that do not anticipate robust business operations. Firms with high capitals and resources capability may expect higher revenues from elsewhere and choose not to enter the market all together. Although having low-to-moderate profit margins are generally associated with an industry's attractiveness level, they can also be an actual barriers if initial investors do not foresee reasonable returns.

3.4.3 Threat of Substitute Products is High

Wedding favour industry has a very high threat of substitute products because of the nature of its products. Weddings favours are gifts from brides and grooms to their guests to represent their token of appreciation. No standard has been set for wedding favour within the wedding industry. Brides and grooms can select any product that they consider appropriate to be their wedding favours. They can even create and personalize their own wedding favour such as printing simple thank-you notes or giving out home-made cupcakes to their guests. Thus, firms who provide wedding favour must be aware that there is a significantly high threat of substitutes in addition to competition from other wedding favour vendors.

3.4.4 Bargaining Power of Suppliers is Low

The bargaining power of suppliers in the wedding favour industry is weak. The suppliers to the wedding favour industry may include manufacturers and logistic

companies. The suppliers to the wedding industry have low bargaining power, as there is a surplus of providers available.

The abundance of wedding favours manufacturers and logistic companies creates a free-market competition, with no suppliers dominating the market. Switching costs to different manufacturers or shipping companies are also low as there is no investment required for resellers to distribute the products or to use logistic services. Furthermore, various wedding favour manufactures and logistic companies provide similar products and services with little differentiation, hence eroding the manufacturers' bargaining power.

3.4.5 Bargaining Power of Buyers is Moderate

Buyers of wedding favour retailers have moderate bargaining power. Buyers in the wedding favours industry mainly consist of direct customers who plan their own weddings. This customer base has adequate bargaining power because they are typically non-repeat customers and have plenty of options since there are many stores that provide similar products.

The customers' nature in the wedding favour market in Jakarta erodes buyers' bargaining power because most of them would only purchase products for their specific wedding events, with limited probability of repeated business. Thus, this purchasing behavior has created a market that consists of many new one-time customers with no single buyer that holds significant amount of the market share.

On the other hand, the fragmented nature in the wedding favour industry increases buyers' bargaining power. The wedding favour market consists of plentiful wedding

favours retailers that can offer similar products. Furthermore, the development of online stores helps customers with price transparency. Customers can easily browse through different vendors online and look for the best available deals offered in the market.

In addition, customers in the wedding favour market face negligible switching costs between products. Customers are rarely committed to purchase a certain brand of wedding favour products. The lack of established lock-in for purchases permits customers to switch to the other retailers easily. Even though high-service quality can help to retain customer loyalty, switching costs are still low for customers in the wedding favour market.

3.4.6 Government – The Sixth Force

Many scholars have considered government as the sixth force in an Industry as its actions may affect the other five competitive forces in the industry. Government may affect the performance and profitability of any firms by imposing certain actions such as trade policies, taxation regulations, and industrial policies. Specific government actions may influence not only towards specific firms but also to all incumbent firms in the industry. Furthermore, government involvement may also influence the threat and competitiveness of substitute products (Vining, Shapiro, & Borges, 2005).

The Indonesian government has affected the Indonesian wedding favour market, especially for imported products suppliers. The Indonesian government has established a new restriction that limit the amount of imported finished goods in early 2013. The regulation is set to protect local investors in the manufacturing industry. Hence, that new

regulation has affected the availability of imported wedding favours as they are considered as finished goods (Yulisman, 2012).

This new regulation benefits the local wedding favours providers while at the same time reduces imported products providers' capability to compete in Jakarta's market. With the new regulation in place, imported products incur higher taxes and thus increasing the product prices. Imported product providers may need to either reduce their profit margins to compete in the market or pass the price increase to their customers hence reducing their demands. On the other hand, local suppliers can maintain its low production cost hence can maintain its low-cost product offerings to the market. Furthermore, the additional cost also increases the threat of substitute products, as customers will try to find another high quality product from other industries.

3.5 Summary – Low Level of Industry Attractiveness

An analysis of the forces influencing the market for wedding products in Jakarta reveals an industry with low degree of attractiveness. The industry is well fragmented because of the low entry barriers. In addition, the market conditions favour the smaller size firms as the industry has very vast product varieties that require personal customizations. Although the Industry is still growing, the threats from substitute products and new competitors outweigh the benefits of entering the market. While firms gain some advantages from the weak power of suppliers, these firms also need to anticipate for lower profitability because of the moderate bargaining power of buyers. Furthermore, the high numbers of existing firms that offer similar products increase the

intensity of rivalry among firms, which further reduces the level of attractiveness for potential investors towards the wedding product industry in Jakarta.

One also needs to note that even though there are many firms that exist in the industry, most of them compete intensely only on certain market segments. The strategic group analysis described earlier reveals that most firms are concentrated in providing low cost and low quality products. The number of firms that provide high-quality products is low hence creating an underserved market of high-quality products. In summary, the overall attractiveness of the wedding product industry is low but firms that position themselves properly have the potential to generate higher profitability. The next chapter analyzes PrincessWedding4U's internal capabilities when competing in this fragmented market.

4: Internal Characteristics of PrincessWedding4U

In the previous chapter, our analysis discusses characteristics of the industry where PrincessWedding4U competes in. This section focuses on PrincessWedding4U's characteristics based on its resources and capabilities used to support its overall business strategy. The purpose of this evaluation is to identify sources of PrincessWedding4U's competitive advantages. In addition, the chapter also outlines areas where PrincessWedding4U can improve on to sustain its business growth.

This chapter utilizes two complementary tools to frame the internal analysis discussion of PrincessWedding4U. The assessment starts with the resources inventory tool to seek for core competences of the firm. Subsequently, the analysis utilizes a value chain framework to identify the sources of value creation from activities that are performed by PrincessWedding4U. Finally, the analysis is concluded with a brief description of PrincessWedding4U's ability to create competitive advantages.

4.1 PrincessWedding4U's Resources Inventory

The long-term competitiveness of a firm relies on its resource utilization that can differentiate the firm from its competitors. Resource analysis provides a valuable insight into the firm's resources, which have contributed to the firm's strengths and capabilities when creating a sustainable business operation. This section outlines the strengths and weaknesses of PrincessWedding4U's tangible and intangible resources. The categories

considered include human resources, supplier relationships, sales and marketing channels, brand recognition and Information Technology (IT) capability.

4.1.1 Management Team with Relevance Experience

PrincessWedding4U's growth relies heavily on its people. Two of its founders: Mr. Budi Salim and Mrs. Diana Salim primarily manage PrincessWedding4U. Both founders have different skill sets and experience that contribute significantly to PrincessWedding4U's growth.

Mr. Salim manages the company part-time and is currently a full-time Project Manager at Foxconn, a Taiwanese multinational electronic manufacturing company in Shenzhen, China. One of Mr. Salim's responsibilities at Foxconn is to look for and evaluate electronic components suppliers for his projects. He also needs to maintain strong relationships with his suppliers to ensure the continuity shipment of electronic components that are required for his projects' successes. His experience in procurement combined with his current location in Southern China - an area well known of having many factories to produce various goods - provide crucial advantages for PrincessWedding4U to have better relationships with its suppliers.

Mrs. Salim manages PrincessWedding4U's day-to-day activities full-time. She graduated from Birmingham University in The United Kingdom and has an education background in marketing. Her experience includes having worked at her family business in garment industry where she obtained all the required knowledge to run a wholesale business. Thus, Mrs. Salim's education and experience in marketing and building

relationship with customers have played an important role towards the growth of PrincessWedding4U.

4.1.2 Healthy Relationships with Multiple Suppliers

One of the company's strengths lies in its procurement activities. The company has built healthy relationships with multiple suppliers hence providing PrincessWedding4U with some key resources and advantages. The company currently sources its various products from approximately ten different manufacturers in China.

By having multiple suppliers, the firm has access to many product varieties hence providing its customer base with many product options to choose from. Another advantage is having the ability to maintain constant product availability for its customers. PrincessWedding4U has the upper hand in selecting the best suppliers that are capable of fulfilling PrincessWedding4U's orders as these different suppliers may produce similar products. At this time, PrincessWedding4U has been successful when it comes to leverage connections with various suppliers in finding the best price to acquire wedding products.

4.1.3 Outstanding Customer Supports and Efficient Sales Channels

The company places a significant amount of importance on customer services and customers' needs. PrincessWedding4U's owners believe that superior customer service is one of the key differentiators between PrincessWedding4U and its competitors.

PrincessWedding4U always tries to understand its customers' needs and provide a great deal of advice in wedding products to ensure that they can meet customers' wedding themes and budgets. PrincessWedding4U's owners also claimed that its sales staffs are

required to respond to customers' enquiries in a friendly manner and efficiently, within 24 hours. Furthermore, customers have the opportunities to setup appointments if they want to see the actual physical products before making any purchases.

PrincessWedding4U has selected a few marketing and sales channels to market its products and services. PrincessWedding4U's owners started offering its products to their friends who were planning their own weddings. After experiencing some successes with their personal connections, the owners intended to expand its target market by promoting their products through wedding trade shows, Facebook and creating a company webpage.

4.1.3.1 Wedding Trade Shows

Wedding trade show is an event for future brides and grooms to find all their wedding needs in one central location. These three-day events normally attract hundreds of wedding vendors such as venue suppliers, decorators, caterers, photographers, make-up artists and more. These wedding vendors offer various products and services such as wedding packages, honeymoon packages, photo-shoot packages, wedding invitations, wedding souvenirs and other wedding related products. The trade shows normally attract thousands of attendees. In fact, the previous event organizer reported that there were approximately eleven thousand attendees in the Jakarta wedding expo in 2012.

Vendor participation in this event is not free; however, the return value in joining these events would arguably overcome the costs. Wedding vendors can participate in these three-day events by renting non-decorated empty spaces at the starting price of US\$2500. Although the cost to join this event might be quite high for small businesses, the vendors that participated in the event can benefit from reaching out to a large volume

of attendees. All vendors can showcase their products and increase their brand awareness to the Indonesian public. Furthermore, these events provide the opportunities for vendors to expand their customer base by capturing new customers during the events. According to the last event organizers' data, there was approximately US\$2 million worth of transactions were made during the wedding 2012 expo. The PrincessWedding4U's owners have also confirmed the benefits of joining this event as the firm had attended two tradeshow and generated more than enough gross profits to cover its participation costs in 2012.

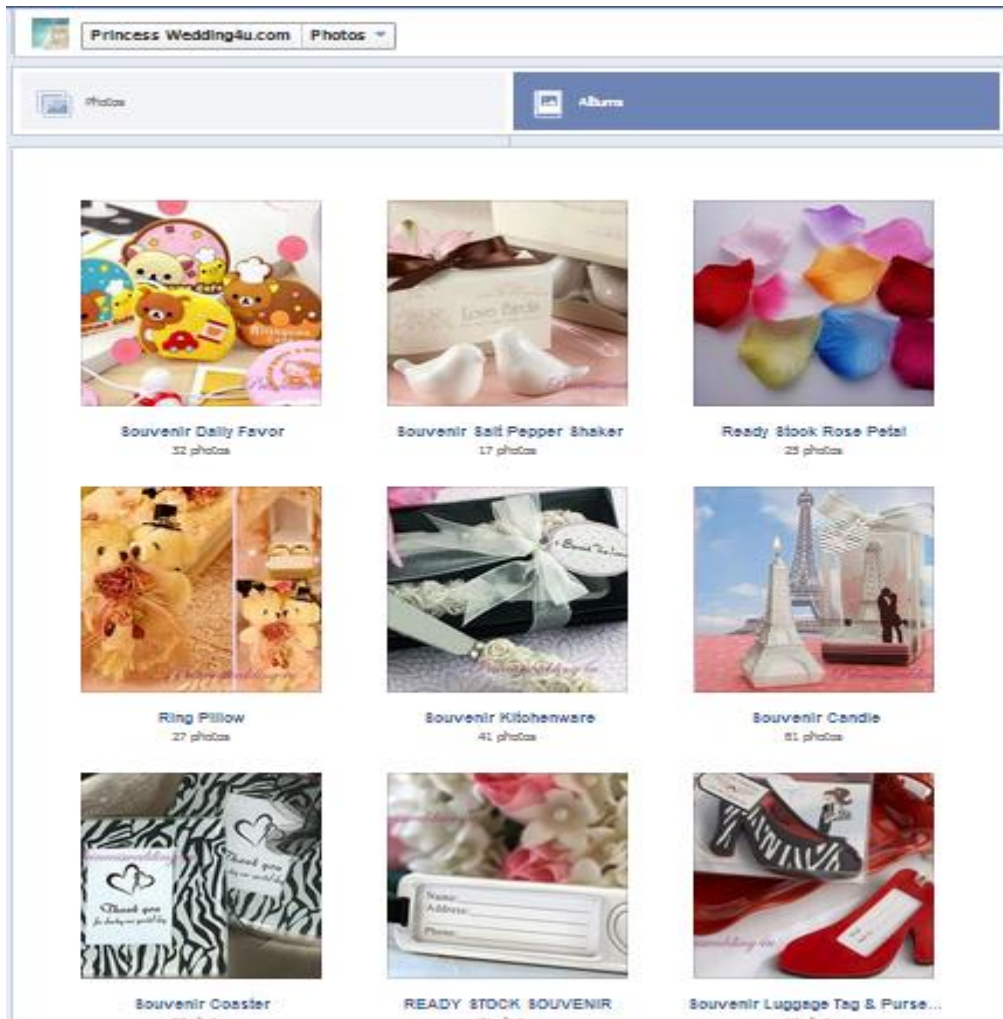
4.1.3.2 Facebook Page

Facebook is a very efficient channel to market PrincessWedding4U's product in Jakarta as the platform is free and there is a large Facebook user base in the city. Jakarta had around 17.5 million Facebook users and was the top global cities with the most Facebook users in 2011 (Russel, 2011). Furthermore, SocialBakers.com shows that around 50% of the Facebook users in Indonesia are in the age range of 18-24 years olds which are aligned with PrincessWedding4U's targeted customers demographic (Social Baker, 2013).

Facebook is PrincessWedding4U's primary marketing and sales channel. The company utilizes the free Facebook page to showcase its product offerings. PrincessWedding4U communicates products information to its customer base through the Facebook 'share' feature. The firm updates its Facebook page daily with status updates containing specific information about certain products and steps on how to order those products. Furthermore, Facebook also provides the company with an intuitive platform to manage hundreds of PrincessWedding4U image catalogues. PrincessWedding4U's

customers can enjoy speedy browsing experience as the Facebook platform supports the reliable latest technology in image gallery management. Figure 11 below shows PrincessWedding4U's image galleries to highlight its products offering on Facebook page.

Figure 11: PrincessWedding4U Facebook Gallery



Developed by the author based upon information provided by PrincessWedding4U

Facebook 'like' feature provides PrincessWedding4U with a method to advertise its products and services directly to its targeted customer base. PrincessWedding4U's customers can receive regular status updates about PrincessWedding4U's new products by liking PrincessWedding4U's Facebook page. It is unquestionable that PrincessWedding4U's efforts in promoting its products through Facebook have been successful in reaching its target audiences as new customers have opted to receive its advertisements from liking the page. Moreover, a notification about the like will appear on the customer's news feed whenever he/she likes PrincessWedding4U's Facebook page. This notification notice will then be visible to everyone else in the customer's network, hence further expanding PrincessWedding4U's brand awareness.

4.1.3.3 Ecommerce Website

The company has implemented a personalized website to showcase its products outside of Facebook domain back in August 2012. The website primarily contains image galleries to showcase PrincessWedding4U's product catalogs. Similar to PrincessWedding4U's Facebook page, "shopping cart" feature was not available to the site because the owners believe that every customers would have unique requests and require professional advice in helping them to find the best solutions for their wedding ceremonies. Potential customers can inquiry about products' prices and availabilities through phone calls, text messages or emails. Figure 12 below shows the homepage of PrincessWedding4U's website.

Figure 12: PrincessWedding4U's Homepage

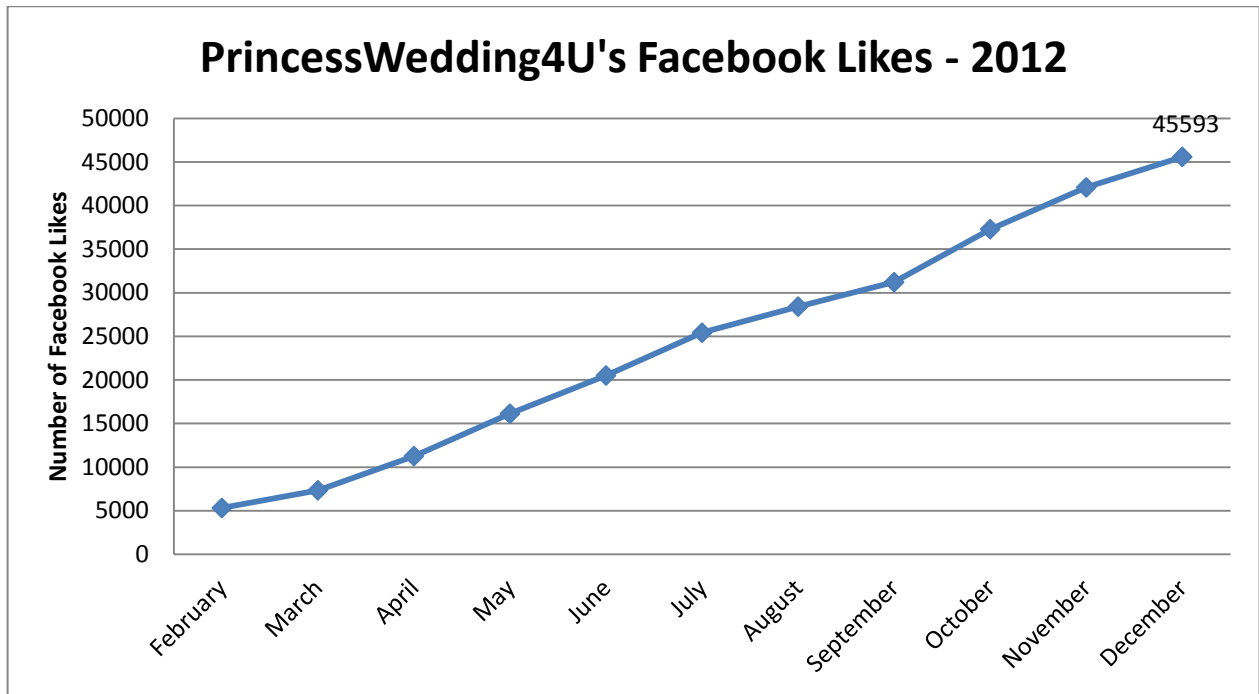


Source: www.princesswedding4u.com

4.1.4 Brand Recognition

PrincessWedding4U has been successful in building brand awareness within the wedding favour industry. The company has accumulated an adequate customer base since its inception in early 2012. Starting from the owners' first degree connections, the company has successfully grown the number of Facebook 'likes' incrementally. The number of people that have liked PrincessWedding4U's Facebook page has expanded to approximately 54 thousand people by June 2013. Figure 13 below shows the growing number of PrincessWedding4U's Facebook likes in the year of 2012.

Figure 13: The Number of PrincessWedding's Facebook Page Likes in 2012



Developed by the author based upon information provided by PrincessWedding4U

According to a study done by Syncapse, a Facebook ‘like’, or ‘friend’ in a brand’s page is worth approximately \$174. The study argues that people who like a brand’s page are satisfied with the brand and would be more likely to show support by spending more and advocating the brand (Smith, 2013). PrincessWedding4U’s Facebook customer base will certainly play an important role towards PrincessWedding4U’s future growth.

4.1.5 Lack of Information Technology (IT) Capability

PrincessWedding4U has minimal IT capability. The company does not have any dedicated human resources to handle technology aspects of the business. In the past, PrincessWedding4U had hired an external web designer to construct PrincessWedding4U’s website. However, PrincessWedding4Us’ owners primarily handle

the web maintenance after the website completion. The website has since then been experiencing poor performances, technical glitches and several downtimes because of the lack in technical supports.

PrincessWedding4U might have been performing well on its social media marketing aspect; however, the company does not achieve the same result with its online marketing. The website failed to generate much attention since a simple Google searches for “Indonesia wedding souvenirs” do not direct users to PrincessWedding4U’s website. As a result, the traffic to the website is considerably low as it only averages at around 100 traffics daily.

It is worth noting that the poor website performance, however, has minimal impact to the firm’s revenue as most of PrincessWedding4U’s leads are generated from other channels. Although, this is not a critical issue at present time, it is undeniable that the lack of online marketing might pose a serious risk towards PrincessWedding4U’s future growth potential.

4.1.6 Summary of Resources Inventory

Based on the resources inventory assessment, we can conclude that PrincessWedding4U’s core competences lie in its healthy relationship with suppliers and its efficient marketing and sales channels. The firm derives these strengths from PrincessWedding4U’s human resources. Since reaching out to broad audience plays an important role in maintaining a firm’s competitive advantage, PrincessWedding4U’s weaknesses in information technology and online marketing might pose a challenge for the company’s future growth.

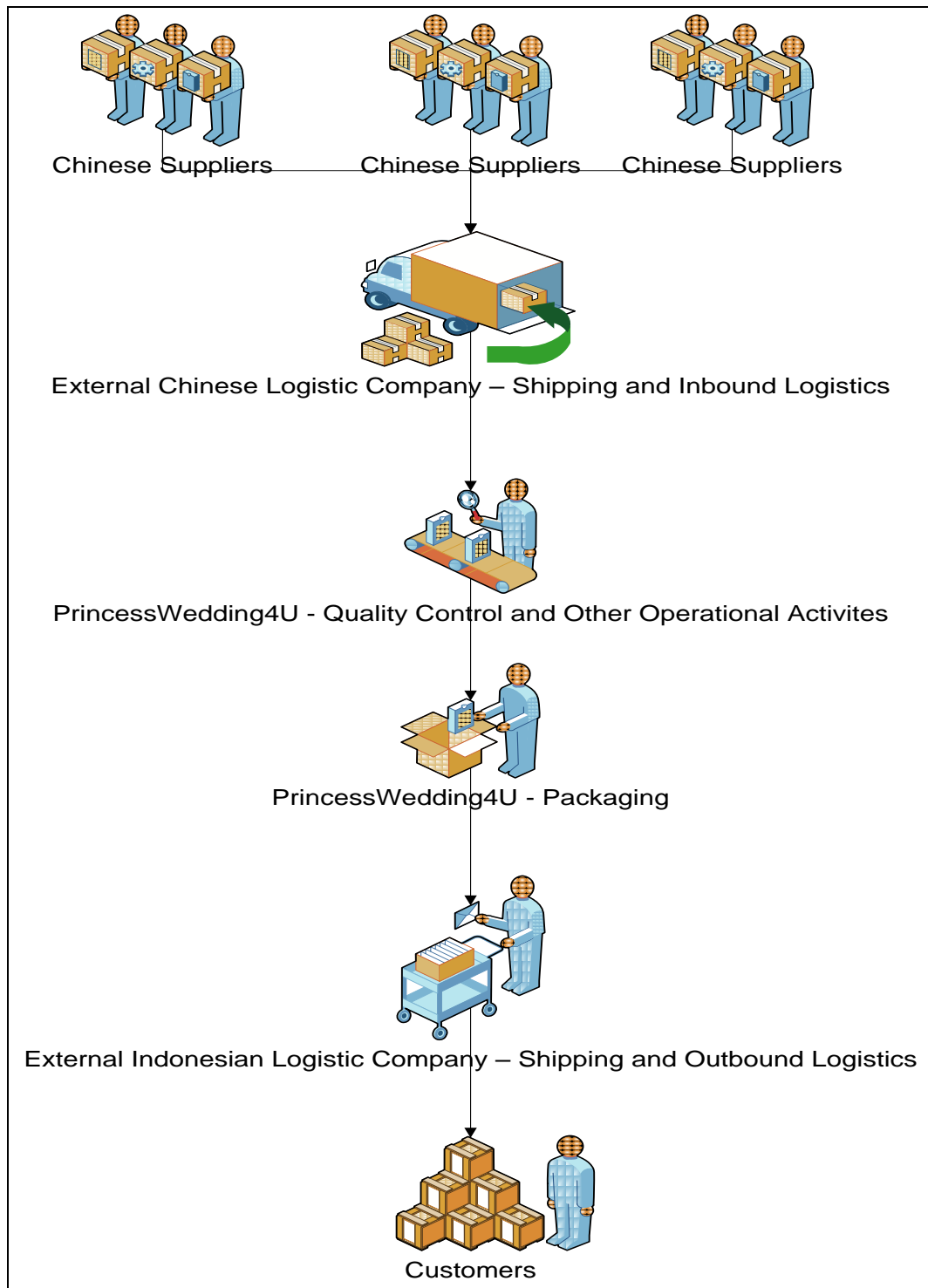
4.2 Analysis of PrincessWedding4U's Competitive Advantages

Competitive advantage allows a firm to generate greater rents compared to its rivals by acquiring or developing an attribute or a combination of attributes that are hard to be substituted or to be imitated by its rivals (Porter M. E., 1985). This chapter utilizes the value chain analysis to evaluate the efficiency of a system. This tool focuses on the flows of goods or materials within a firm, and identifies any cost or differentiation advantages. The tool analyses system efficiencies, identifies points of added-value, and determines how these values can be translated into competitive advantages. The value chain framework consists of four different steps to perform the analysis: identification of relevant primary activities within the internal flow of goods, description of the associated firm activities, identification of cost or differentiation value added by these activities, and an evaluation of the firm's performance when compared to its rivals (Boardman, Shapiro, & Vining, 2004).

4.2.1 Internal Flow of PrincessWedding4U's Products

The first step of the value chain analysis is to identify the relevant primary activities with an internal flow of goods diagram. In the case of PrincessWedding4U, this will apply to the physical flow of goods once they leave the manufacturers to when the customers receive the items that they ordered. Figure 14 below shows the product flow for PrincessWedding4U after these items have left the manufacturers in China.

Figure 14: PrincessWedding4U's Flow of Goods



Developed by the author based upon information provided by PrincessWedding4U

Once the products have left the manufacturing facilities, an external international logistic company will then transport the products from China to Indonesia. The products will then arrive at PrincessWedding4U's office in Jakarta for further inspection and final packaging. Once PrincessWedding4U's staffs deem the products meet company's standards of quality, a local logistic company will then ship the products to the customers' final addresses.

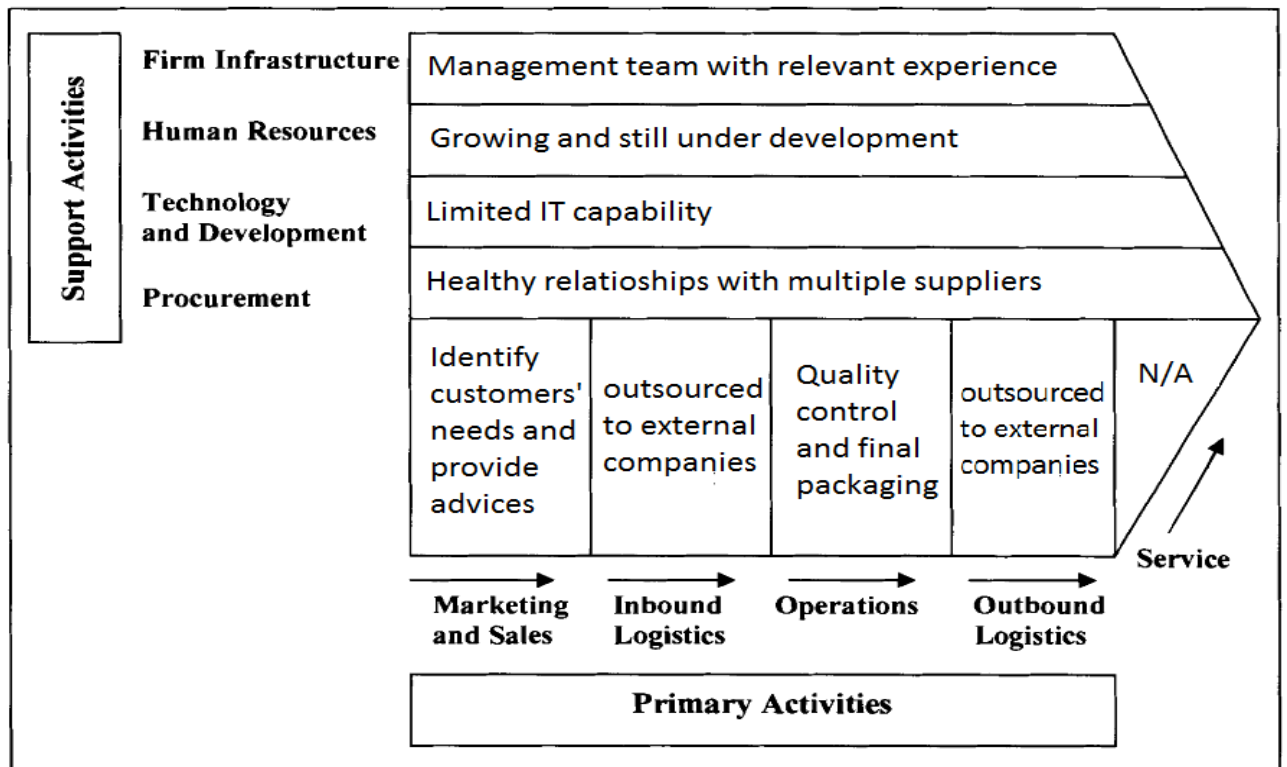
All of the wedding products that move through PrincessWedding4U's supply chain will follow the same basic path. PrincessWedding4U takes ownership of the products once they leave the manufacturing facilities up to their arrival at the customer-shipping destinations. The firm has no warehouse facilities and holds inventory only while the goods are in transit. Because of the firm's demand-driven supply network approach to the sales channels, a further analysis of the activities that occur during goods transportation process from the shipping points to the destination points is required.

4.2.2 PrincessWedding4U's Activities

Michael Porter in his book "Competitive Advantage: Creating and Sustaining Superior Performance" describes value chain as a string of activities that a firm carries out in order to deliver products or services to a market. The goal of these activities is to create additional value that surpasses the cost of providing these services or products, hence producing a profit margin for the firm. Porter also categorized these activities into two sub-groups: primary and secondary activities. Primary activities have direct relationships to the creation or delivery of a product, which consist of five main areas: inbound logistics, operations, outbound logistics, marketing and sales, and service. Each of the primary activities has connection to support activities that can help to increase their

overall efficiency or effectiveness. Support activities consist of four main areas: infrastructure, technology development, human resources, and procurement. One can utilize the value chain analysis to describe all activities within and around the firm, and relates them to specific activities that can create competitive advantages (Porter M. E., 1985). Figure 15 below shows graphical representation of PrincessWedding4U's value chain activities that are based on Porter's value chain analysis.

Figure 15: Value Creation Diagram for PrincessWedding4U



Developed by the author based upon information provided by PrincessWedding4U

PrincessWedding4U's primary activities in the value chain start with marketing and sales. This is different when compared to many other organizations, which typically market and sell their product after they have produced it. In this case, however, PrincessWedding4U only serves customers that have placed their purchase orders at least

3 months in advance. This business strategy matches with the customers' purchasing behaviors where majority of the customers seek out wedding souvenirs at least four to six months in advance to the actual ceremony.

PrincessWedding4U's marketing activities primarily involve social media marketing, specifically Facebook advertisements. The company has been publishing contents to reach and attract traffics to its own Facebook page. Its daily status updates include some simple romantic poems and short romantic informative messages such as "12 Signs you are falling in Love". The firm can measure the success of this effort by the number of audiences that each post is able to reach. Users may 'like' and re-'share' the post if they think its content is appealing. The sharing and liking of the post will attract more new audiences to PrincessWedding4U's Facebook page. According to the company's internal Facebook statistics, every PrincessWedding4U's status updates is normally seen by approximately 1500 to 2000 people.

The company also utilizes paid Facebook advertisement to reach even larger audiences. Facebook ads are visible on the right side of the users' homepages under the "Sponsored" header. Various users might see different advertisings as each advertisement can be set to target specific audiences based on their personal data such as locations, age ranges, sexes, relationship statuses, and interests. PrincessWedding4U currently sets its advertisements to target Jakarta residents in the age group of 20 to 35-years old with relationship status: "in-relationship" or "engaged".

The firm has been leveraging its customer base to market its products offerings by providing special offers and promotions. One of the examples includes a referral program

that has been launched in May 2013. The program awards anyone that can refer new customers to the company by providing an incentive of five percent from the total sales generated from the new customers. In addition, the new customers that get referred to PrincessWedding4U can also benefit from five percent discount towards the purchases. In consequence, this extra incentive has potentially created an army of low-cost sales people for the firm.

Sales activities include having the expertise in providing product knowledge to help potential customers in finding the best products for their wedding events. PrincessWedding4U has trained its sales team to spend time with the customers patiently to understand their needs. After customers have finalized their orders and completed the required initial payments, PrincessWedding4U will then submit their purchase orders to the appropriate Chinese suppliers.

The next set of activities enables the filling of orders and the physical transfer of the products from the Chinese suppliers to PrincessWedding4U's office. The firm's inbound logistic activities are outsourced to external international logistic companies. Once products are ready, the suppliers will then send the products to a predetermined Chinese logistic company that is appointed by PrincessWedding4U. The logistic company handles shipping and customs of the products and delivers the products to PrincessWedding4U's office in Jakarta.

The company's operational activities involve some basic customizations and quality controls. Depending on the customers' orders, PrincessWedding4U's administrative staffs may need to perform some basic customizations such as wrapping

replacement in order to meet the customer requirements. Subsequently, the administrative staffs perform additional quality controls to reduce the possibility of product defects prior to the final packaging.

Outbound logistic activities are PrincessWedding4U's last primary activity, as the firm does not support post-sale activities such as refund or exchange policy. Once the products are ready to be shipped, PrincessWedding4U will inform the customers and request for final payments. The products are then shipped to the customers' locations on the next business day through local logistic companies as soon as the final payments are received. PrincessWedding4U's completes its outbound logistic activities once the firm confirms that the products have arrived at the customer locations.

PrincessWedding4U's support activities facilitate the revenue-generating primary activities. Some of the support activities that have contributed to PrincessWedding4U's growth include access to many suppliers and competent human resources. Access to multiple suppliers provides PrincessWedding4U with an abundance of product varieties that cater to different customers' needs. Competent management team further helps the company in achieving its operational success.

4.2.3 How PrincessWedding4U Adds Value

The breakdown of the value chain into discrete activities provides an effective way to identify specific activities that add values and contribute to the source of competitive advantages. In this section, the activities that are described in the previous section are evaluated against two generic strategies that are known to add value to the

firm; i.e. a differentiation advantage and cost leadership (Duncan, Ginter, & Swayne, 1998).

PrincessWedding4U's procurement activities provide the firm with both cost and differentiation advantages. PrincessWedding4U has been able to leverage its access to multiple suppliers in order to obtain the best possible deals in sourcing its products. Furthermore, access to various suppliers have provided the firm with differentiation advantage as it can serve customers with more product varieties compared to its competitors. In addition, the firm can also maintain product availability through its access to multiple suppliers.

PrincessWedding4U's marketing and support activities provide the firm with differentiation advantages. PrincessWedding4U's marketing efforts have contributed to significant increase in PrincessWedding4U's brand awareness hence attracting new potential customers. Superior customer supports result in customer satisfactions and referrals to other potential new clients. Favourable testimonials from satisfied customers prove that excellent customer support is one of PrincessWedding4U's differentiation advantages in the wedding favour industry.

4.2.4 Evaluation of PrincessWedding4U's Activities

Since the marketing and product offering form the basis of PrincessWedding4U's differentiation strategy, the company's product varieties and customer bases are the best indicators of firm's value chain performance. Since their inception, sales have increased dramatically. The firm has put significant effort in having a mixture of marketing initiatives to promote vast high quality products to customers.

PrincessWedding4U's owners claim that PrincessWedding4U offers more product types when compared to its competitors. While PrincessWedding4U provides approximately 400 different items of wedding favours and accessories, two of PrincessWedding4U's closest direct competitors: "Red Ribbon" and "Fine Souvenir" that also import wedding products offer only 90 and 75 different product items respectively. The aspect of having broad product varieties could potentially attract new customers towards PrincessWedding4U better.

One possible indicator to measure PrincessWedding4U's marketing efforts is by observing its customer base. PrincessWedding4U and its direct competitors have utilized Facebook pages to market their products. The amount of public exposure towards these Facebook pages can be measured by the number of its fan base such as the number of 'likes' for each page. For instance, the number of PrincessWedding4U's Facebook-likes has reached around 54 thousand by June 2013. In comparison, "Red Ribbon" and "Fine Souvenir" have only accumulated three thousands and sixteen thousands of Facebook likes respectively by June 2013, despite having started their business one year earlier. These numbers show that PrincessWedding4U have performed a better marketing campaign in building brand awareness.

4.3 PrincessWedding4U's Competitive Advantage

Analysis of PrincessWedding4U's internal resources and value chain highlights the evidence of PrincessWedding4U's strengths in creating valuable brand recognition. The company has successfully built brand value in the wedding favour industry by combining unique product offerings, customer satisfactions, and efficient marketing

efforts. Its customers value PrincessWedding4U for its ability to provide a vast amount of product varieties. In addition, PrincessWedding4U might have potentially reduced the threat of substitute products by providing easy access for the customers to find high quality wedding favour products. PrincessWedding4U's superior customer supports further increase switching cost for current customers to search for products from PrincessWedding4U's rivals. Brand recognition creates a competitive advantage for PrincessWedding4U that allows the company to stand out and separate itself from other rivals. However, our assessment also indicates that there is a lack of information technology capabilities in the firm's operations. Addressing this weakness might improve the firm's future position in the industry. The next section outlines the business strategies that are currently implemented by the firm to compete in the industry.

5: PrincessWedding4U's Current Strategy

Thus far, we have discussed the business of PrincessWedding4U, examined the wedding industry, and analyzed the firm's internal characteristics. This chapter outlines the strategies implied in the earlier discussion at three levels: positioning, competitive stance, and functional strategy (Boardman, Shapiro, & Vining, 2004).

5.1 PrincessWedding4U's Niche-oriented Strategy

Michael Porter argued that industry fragmentation is the results of underlying industry economics that may be difficult to overcome. This type of industry may provide firms with marginal profitability, as there are many competitors in the industry. He also outlined the importance of strategic positioning to compete in such environment. Through a successful strategic positioning, a firm may become one of the most successful firms in the industry, even though able to acquire only a modest market share (Porter M. E., 1980). There are three different generic positioning strategies: product-oriented is when a firm sells few products to various customer segments, customer-oriented is when a firm serves few customer segments with many product types, and niche-oriented where a firm sells few product types to limited customer segments (Boardman, Shapiro, & Vining, 2004).

PrincessWedding4U employs a niche-oriented positioning strategy selling a few product categories to a few customer segments (Boardman, Shapiro, & Vining, 2004). The products offerings are, by definition, unique because the company only provides

high-quality imported products. Moreover, the firm only provides non-perishable products that have no cultural values. The company's customer segment is narrow as PrincessWedding4U targets middle to high-class populations with higher wedding budgets. The company is looking for ways to expand its market share in this high-end customer segments.

5.2 PrincessWedding4U's Competitive Focus Strategy

Michael Porter outlines three different business strategies as approaches for a firm to outperform its rivals in an industry. The three generic strategies include cost leadership, differentiation and focus strategy. Implementing one or more of these strategies will lead to different results depending on the overall industry structure; in some industries, a success implementation of a strategy might provide a high return value, whereas in other, a success implementation is merely a requirement just to have an acceptable return (Porter M. E., 1980).

A firm that implements the cost leadership strategy needs to improve its operation efficiency to reduce the cost of its overall activities. The ability to provide similar services with lower costs relative to the competitors provides the firm with above-average returns in the industry despite of the intense competition from other firms. The differentiation strategy focuses on the firm's effort to differentiate its products or services; hence, providing a unique offering to the industry. The successful implementation of the differentiation strategy may create brand loyalty from its customers and potentially reduces the price sensitivity of the products; thus, providing the firm with higher margins and above-average returns. The last generic strategy, the focus

strategy, focuses the firm's activities to cater a specific market segment in the industry. A firm with focus strategy aims to serve its target market segments more efficiently or effectively compared to other firms that are competing more broadly. Consequently, the firm obtains either lower cost in serving this segment, or differentiation from better meeting the needs of this target segment, or both (Porter M. E., 1980).

PrincessWedding4U is pursuing the focus strategy through achieving cost leadership and differentiation in serving its niche market. The firm's strategy in pushing down the cost is demonstrated by its procurement activities to increase the cost efficiency in its supply chain. The company is constantly searching for new suppliers that can provide lower cost in an effort to reduce the firm's cost. Furthermore, the firm also employs the differentiation strategy to compete in the market by understanding the value of the products for the targeted market segments and by providing high level of service to its customers. Figure 16 below shows a graphical representation of PrincessWedding4U's current strategy in the context of Porter's generic strategies.

Figure 16: PrincessWedding4U's Focus Strategy

<i>Target Scope</i>	<i>Advantage</i>	
	Low Cost	Product Uniqueness
Broad (Industry Wide)	Cost Leadership Strategy	Differentiation Strategy
Narrow (Market Segment)	Focus Strategy *(PrincessWedding4U)	

Developed by the author based upon Porter, 1979

5.3 PrincessWedding4U's Functional Strategy

Functional strategy is the process of choosing operational guidelines that will be applied in different function areas within a firm to achieve corporate strategies and objectives. The strategy is aimed at improving the efficiency of the personnel and increase revenue for the firm. The firm might achieve its revenue goal by performing some operational activities in-house or contracting out these activities to external parties.

The value chain analysis suggests that the core competences from which PrincessWedding4U creates value are those related to sales and marketing. These are activities that are highly dependent on the attributes and skills of the individuals performing them. Hence, these business activities require constant attention to develop human resources who can perform them effectively.

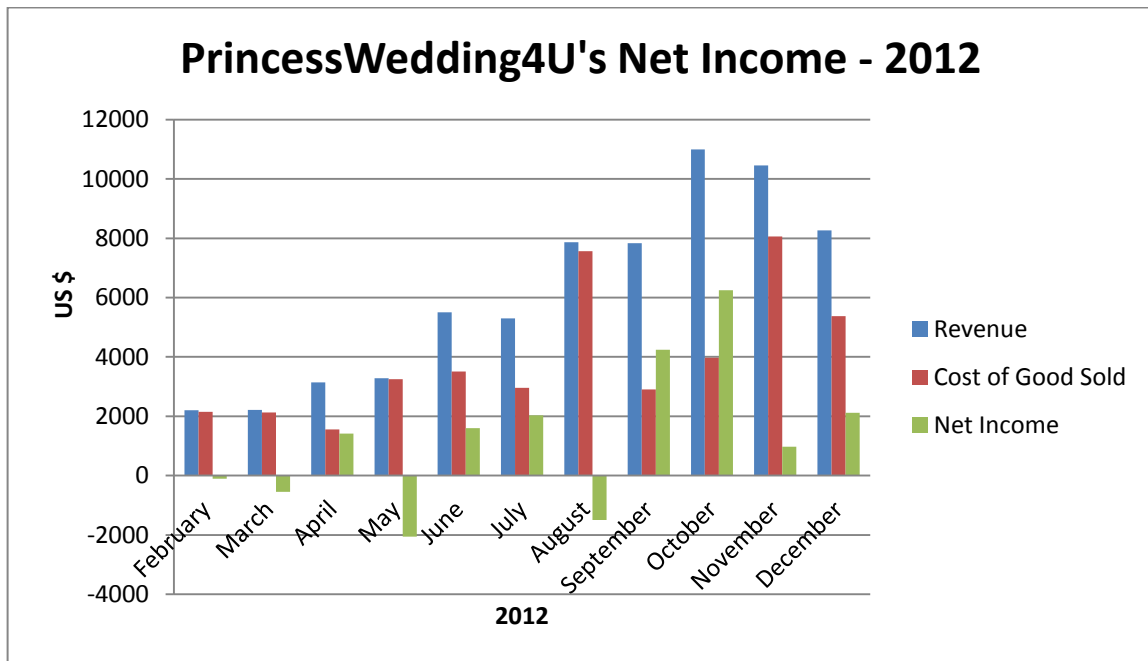
The firm has been expanding its workforce to include a Marketing Assistant to assist with marketing and sales activities. Furthermore, the firm has contracted out the primary activities, such as inbound and outbound logistics, as the company does have neither skill nor knowledge in performing these activities. Outsourcing these activities allows the firm to better allocate its resources to carry out other activities that provide higher return values to the firm.

6: PrincessWedding4U's Financial Performance

The company's activities fit well with its strategies to compete in this niche market. The company has successfully increased its market share and the demand for its products through its marketing efforts. Furthermore, the customer testimonials indicate a high level of satisfaction with both the products and the level of services provided by PrincessWedding4U's personnel. In consequence, the company has had moderate success in capturing economic rents and growing the company financial capitals.

PrincessWedding4U's financial performance in 2012 was acceptable as it went beyond what the owners expected when they started the business. The company generated revenue of US\$70,000 with approximately 25% profit margin during its first year of operation. The company has generated a financial capital of US\$18,000 from zero dollar financial investment in early 2012. The company has also expanded its workforce by hiring two Office Administrators and one Marketing Assistant to help with day-to-day operations. Figure 17 below shows the monthly net incomes generated by PrincessWedding4U in 2012.

Figure 17: PrincessWedding4U's Net Income in 2012



Developed by the author based upon information provided by PrincessWedding4U

This chapter concludes the first component of the strategic analysis: the analysis of current situation facing PrincessWedding4u. The next component assesses how the situation affects the company's future.

7: Review of PrincessWedding4U`s Strategic Position in the Industry

This chapter assess the current situation at PrincessWedding4U within the wedding industry in Jakarta. The chapter evaluates whether the current strategy is suitable to maintain sustainable future growth and facilitates in developing strategic directions. This chapter is broken down into three different sections: (1) summary of the firm`s current position, (2) firm`s projected future performance, (3) summary of the firm`s strategic directions.

7.1 PrincessWedding4U`s Current Position in the Industry

As discussed earlier, the wedding industry in which PrincessWedding4U competes in, offers a low level of attractiveness. The industry is fragmented with many of competitors offering similar product types. Many of these firms compete intensely on price to capture new clients hence reducing the industry profit margins. Despite of the facts, the industry analysis also described that many of these firms compete against each other in the same market segment; many of these firms compete in providing low quality products.

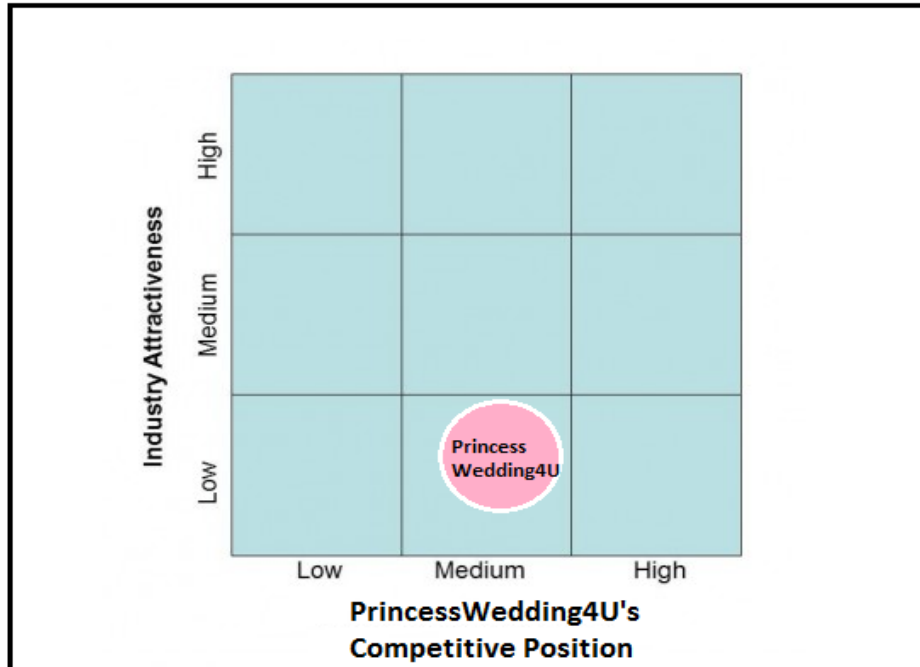
The growth of Indonesian economic has created more affluent customers with extra disposable incomes. These new affluent customers are no longer satisfied with the low-quality products and demand for more elegant products. Hence,

PrincessWedding4U's strategy fits nicely into the market expectations by positioning itself as a high-quality products supplier. The company activities in providing vast product options and superior customer supports have contributed to the success of the organization.

The current performance of a firm in an industry can be summarized by using the General Electric or McKinsey industry and business strength matrix. The framework utilizes one axis to show industry attractiveness and the other as business strength or competitive position. The model then breaks down each axis into three different categories of high, medium and low; creating a nine-cell matrix. The industry attractiveness is measured by the degree to which that industry is attractive to a particular firm and depends on several factors such as market growth rate, market size, industry rivalry and global opportunity. Competitive position refers to a firm's abilities to prosper relative to its competitors and depends on several factors such as market share, brand equity, customer loyalty and distribution channel access (Boardman, Shapiro, & Vining, 2004).

Figure 18 below shows graphical representation of PrincessWedding4U's current performance in the wedding product industry in Jakarta. The company is located at the bottom row of the table as it competes in the low level of attractiveness industry. The firm is placed in the middle as it is still new and is still building brand recognition in the market.

Figure 18: PrincessWedding4U`s Current Position



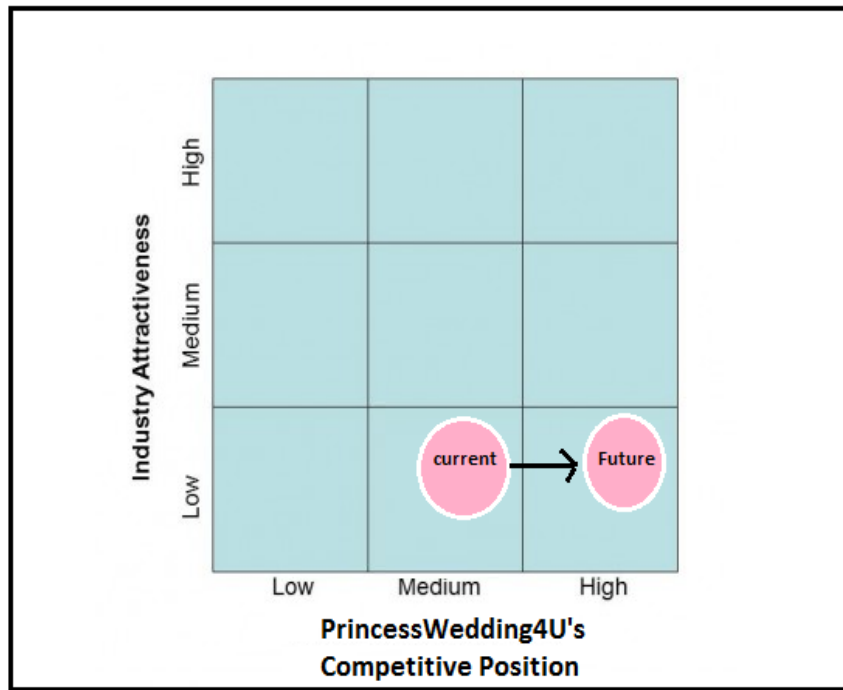
Developed by the author based upon Boardman, Shapiro, & Vining (2004)

7.2 PrincessWedding4U`s Future Position in the Industry

PrincessWedding4U`s expected performance using the current strategy would likely provide the firm with some improvements in the competitive position. As the company maintain its effective utilization of its core competencies in marketing, the firm would undoubtedly increase its brand awareness within the wedding market. As discussed earlier, vast product varieties combined with superior customer supports have created a loyal customer base towards the firm. Consequently, strong satisfied customer base can strengthen the firm`s position as these customer base can potentially turn into company`s advocates and promote the company`s product offerings to their personal connections.

The industry attractiveness level would potentially stay the same in the near future. As the industry grows, new firms would be attracted with the moderate profit margins and enter the market as the entry barriers into the industry is low. These new firms would amplify the intensity of the existing rivalry, hence not increasing the industry attractiveness level. Figure 19 below shows the projected performance of PrincessWedding4U in the future while it maintains the current strategy.

Figure 19: PrincessWedding4U`s Projected Position



Developed by the author based upon Boardman, Shapiro, & Vining (2004)

7.3 PrincessWedding4U`s Strategic Directions

PrincessWedding4U has been doing well with its current strategic direction. The firm has successfully positioned itself in the crowded wedding industry in Jakarta, hence producing substantial economic rent to maintain its business operations. The firm needs

to continue its efforts to increase its market share in order to maintain its growth. The firm may leverage its resources and competitive advantage to look for new opportunities in its niche market. Furthermore, as PrincessWedding4U's competitive advantage is derived from its human capital, the firm needs plans that address the development of staff with appropriate skill sets to maintain its current position and growth rate. The next chapter outlines the strategic options that are suitable for PrincessWedding4U.

8: Strategic Options for PrincessWedding4U

This chapter outlines the final recommendation on which strategic direction PrincessWedding4U should pursue. The suggestion is based upon information presented in all previous chapters of the analysis. Therefore, this specific recommendation is only applicable to PrincessWedding4U.

A standard evaluation framework is used to derive at the final recommendation. This framework contains three different steps to form a logical progression towards the recommendation: (1) outlines of all the appropriate strategic options, (2) sets up evaluation criteria and (3) evaluates the options (Boardman, Shapiro, & Vining, 2004).

8.1 PrincessWedding4U's Strategic Options

This section introduces four mutually exclusive strategy options that are available for the company. The options are based on the firm's competitive strategy to maximize revenue and become a successful company in the Jakarta's wedding industry.

8.1.1 Option 1: Status Quo

One of the available options is for the company to continue business-as-usual, without making any significant change to its current operation. The company will serve the same customer segments with the same product categories within the Jakarta area. The status quo option includes working on some tactical activities to strengthen PrincessWedding4U's weak points in information technology. These tasks include having to update the company's website to make it more efficient, stable and user-friendly for

users. In addition, the company also needs to invest on more online marketing to promote its website.

8.1.2 Option 2: Expansion to New Customer Segments

Another option that PrincessWedding4U's owner can consider is to start serving a new customer segment. The owners are contemplating on stocking up inventories to provide services for customers that need wedding products in less than 3 months. The firm could potentially stock up inventories for popular or high-in-demand products, which can easily be determined from statistical data of the sales history.

8.1.3 Option 3: Expansion by Providing New Product Categories

The firm has other options to leverage its competitive advantage in marketing by promoting other product categories. As discussed in the internal analysis section, most of the firm's revenue is generated from selling wedding favour products. The firm might wish to start improving its collection of wedding accessories products to make them more appealing to customers. Furthermore, the firm can also take initiatives in building relationships with some domestic suppliers to provide the market with high-quality cultural products.

8.1.4 Option 4: Expansion to New Geographic Areas

Ecommerce has successfully removed geographical barriers and helped vendors to come into contact with broad range of customers without much hassle. The technology has also helped small businesses to eliminate the need of having many physical offices to cater specific geographical locations. Thus, ecommerce allows firms to reach their target

audiences easily with limited time and resources. These firms can further expand their target market with the aid of effective internet marketing techniques.

8.2 Evaluation Criteria

The analysis evaluates all strategic options identified in the previous section against some criteria derived from PrincessWedding4U’s primary objectives. The analysis utilizes the following goals: short-term profitability, growth in long-term profit and market share. The short-term profitability is an important factor for the company to maintain its operational activities. In addition, having short-term profitability means that the company’s revenue is exceeding costs over the next fiscal year. The long-term profits include witnessing an improvement in the firm’s cash flow and brand image development. The latter can be measured by an increase in brand recognition and credibility in the industry. The long-term profits are defined as value added in a 2 – 5 year period. The market share objective is to have an increase in the proportion of the market that is attainable by the firm. The analysis assumed the three goals to have similar weight at PrincessWedding4U. Table 3 below shows the relative weights for each goal according to the current business owners.

Table 3: Evaluation Goals and Relative Weights

Goal	Relative Weight
Short-term Profits	0.35
Growth and Long-term Profits	0.30
Market Share	0.35

Developed by the author based upon information provided by PrincessWedding4U

8.3 Evaluation of the Options

This section discusses all four viable strategic options introduced in section 1.1. The analysis evaluates every option by assigning a numeric value from 1 to 5 to each goal. The assessment uses the following representations: value 1 refers to low, value 2 refers to low-medium, value 3 refers to medium, value 4 refers to medium-high and value 5 refers to high. The weighted rating is measured by the multiplication of each given rating value with the relative weight previously described in table 3. Table 4 below shows the weighted ratings of each strategic option.

Table 4: Assessment of Strategic Options

Goal	Weight	Option 1 Status Quo		Option 2 New Customer Segments		Option 3 New Product Categories		Option 4 New Geographic Areas	
		Rating	Weighted Rating	Rating	Weighted Rating	Rating	Weighted Rating	Rating	Weighted Rating
Short-term Profits	0.35	3	1.05	2	0.7	4	1.4	4	1.4
Growth and Long-term Profits	0.30	3	0.9	4	1.2	5	1.5	4	1.2
Market Share	0.35	2	0.7	3	1.05	4	1.4	5	1.75
Total	1.00		2.65		2.95		4.3		4.35

Developed by the author based upon Boardman, Shapiro, & Vining (2004)

8.3.1 Option 1: Status Quo

As discussed in the previous industry analysis in the section 3.1, the market size of wedding products in Jakarta is approximately to be worth around \$12 million.

PrincessWedding4U has generated \$70 thousand during its first year of operation and captured only 0.5% of the total market share. Furthermore, the previous section has also

described that it is plausible for the firm to strengthen its position in the wedding industry with the company's current strategy. Therefore, the status-quo option can potentially increase PrincessWedding4U's market share in the wedding product industry in Jakarta. The status-quo rating is available for the analysis to provide benchmarks for the other alternatives.

8.3.2 Option 2: New Customer Segments

The PrincessWedding4U's owners believe that their company can increase its market share by stocking up inventories levels. The owners claim that they have rejected some customers in the past because of short planning time. In addition, further investigation indicates that 5% of the customer product inquiries are for in-stock products. These extra demands are reflected in the increase of market share instead of the 'status quo' option.

Although the number of additional demands is not high, this strategy might contribute higher values to the company in several other ways. For instance, it can potentially increase the cost efficiency of the supply chain; the firm might benefit from the economies of scale by purchasing their products in bigger scale at lower costs. In addition, the firm might also benefit from incurring lower shipping cost as less product shipment is required hence reducing the overheads. However, these advantages would not be realized in the short-term profitability as the firm will need to incur all costs before realizing the profits in the long run.

8.3.3 Option 3: New Product Categories

The third strategy offers the firm with some possibilities to increase its market share by offering more product categories. Currently, the firm only offers a limited number of accessories products such as ring pillow, picture frames, and Chinese tea set. The firm can provide additional wedding accessories products such as room decorations and other accessories products that are normally required for wedding related events such as bridal showers and engagement parties. These products will not cannibalize existing sales, as they would complement the sales of other wedding products. This move will be beneficial to the firm as wedding accessories provide higher profit margins. Consequently, PrincessWedding4U can increase its short-term profitability by providing more wedding accessories products.

The firm can also start building relationships with domestic suppliers. Local handcrafted product suppliers are normally limited in their sizes and most of them do not have the capabilities to market their high-quality products. Thus, PrincessWedding4U can leverage its core competencies in marketing and build mutual business relationships with these small independent craftsmen to provide high-quality cultural products in the market.

In order to success with this strategy, the firm needs to develop a robust evaluation system to assess the quality of the products. As discussed in the previous chapter of the industry analysis, local handcrafted products consist of wide variety products that range in quality. The firm needs to be consistent with its niche strategy where it only provides high-quality products. In consequence, PrincessWedding4U needs

to carefully select suppliers that can provide and maintain high quality products to maintain its brand image.

The company might gain useful advantages in the long run if it can successfully execute this strategy by selecting and building relationships with appropriate domestic suppliers. First, the firm is able to mitigate the risk of government policies that limit the firm's capability to import products from manufacturers in China. Subsequently, the firm could benefit from cheaper inbound logistic activities as these local products do not have to incur international shipping fees or import taxes. Finally, the firm can serve the needs of customers with traditional wedding themes by providing cultural wedding products, hence achieving its goal in expanding its market share.

8.3.4 Option 4: New Geographical Areas in Indonesia

PrincessWedding4U can definitely benefits from the high population in Indonesia. PrincessWedding4U initial success in Jakarta might present a convincing proof that there are similar opportunities from other areas in Indonesia. Correspondingly, the firm needs to target other metropolitan areas first because the majority of the Internet users remain concentrated in Indonesia's largest cities (emarketer, 2013). Jakarta is the most populated city in Indonesia; however, there are many other metropolitan cities to be considered. Table 5 below shows the top 10 largest city in Indonesia and their respective population sizes in 2010.

Table 5: List of the largest cities in Indonesia in 2010

City	Population (2010)
Jakarta	9,588,198
Surabaya	2,765,487
Bandung	2,394,873
Bekasi	2,334,871
Medan	2,097,610
Tangerang	1,798,601
Depok	1,738,570
Semarang	1,555,984
Palembang	1,455,284
Makassar	1,338,663

Source: List of Largest Cities in Indonesia, 2011

Thus, the firm can expand its market share by providing the existing product categories to these other metropolitan areas. The firm might incur higher cost to maintain similar level of customer services for new customers in these areas. As discussed in the value chain activities, the firm does not provide post-sales services such as refund or exchange policy. This limitation does not really affect customers' experience in Jakarta as the customers may setup appointments to inspect the physical products in great details before placing the orders, hence reducing the number of unsatisfied customers.

On the contrary, if the firm starts providing services to other areas outside of Jakarta, the firm needs to re-evaluate its policy to ensure customers' satisfaction. Refund and exchange policy may not work well in this business model as a customer would normally order a substantial amount of items with some level of personal customizations

that are specific for this particular customer. In consequence, the firm might need to employ other alternative to ensure customer satisfaction. One of the alternatives is for the firm to send out free sample products to potential customers that are outside of Jakarta to ensure that the products meet their requirements.

The extra costs that are required to acquire new customers in these other regions are insignificant compared to the potential benefits. With minimal extra cost to its marketing effort, the firm is able to expand its brand awareness to other cities; hence giving it the opportunity to earn more sales and profits. Furthermore, the firm can further benefit from the economies of scale after expansion as it has better bargaining power when purchasing products in bulk quantities.

9: Recommendation for PrincessWedding4U

The analysis concludes that option #4, “new geographic areas”, is slightly more favourable than option #3, “new product categories”. Table 4 summarizes the evaluation of the four strategic options and clearly shows that options 4 and 3 are far better aligned with company objectives than options 1 and 2. However, the weighted rating is subjective and a slight change in priorities will affect the outcomes. For instance, the “new product categories” strategy would be as attractive as the “new geographic areas” strategy if having short-term profits was valued less than long-term profits. Currently, PrincessWedding4U is considerably a young company; hence, short-term profitability is still the most important factor to maintain the daily operations and ensure its survival. In the longer term, option 3 could also be attractive.

In enacting option 4, the company can start promoting its new services to the other cities such as Bandung or Bekasi through its social media portal. The firm should leverage its existing customer base to promote its products and services further; special promotions such as referral bonus for introducing new customers from these new areas can be utilized. In addition, the firm should also join some local trade shows, which are held in these new areas to boost the company awareness.

The management team needs to ensure that its brand value is not destroyed when the firm executes this new strategy. The firm also needs to expand its market segment gradually in order to ensure that the firm’s existing resources will be adequate to serve the additional demands. The firm should only enter the new area(s) once it can ensure

that there are enough resources and capabilities to provide similar level of customer supports. Furthermore, the management team also needs to continuously assess and expand its human resources as most of the firm's competitive advantages rely on its employees. Proper planning and training can translate into significant cost savings, which play a crucial factor towards the success of the chosen business strategy.

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