Proposed marketing strategy to increase the revenue of a management consulting firms

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ABSTRACT

The lack of execution guidelines is not the only problem faced by the consulting firms. They have other challenges to consult towards broad range of different segment and target, which each and every segment have their own characteristic, challenges, and difficulties. In its 4 years of company establishment, NAS realized that as any other newly developed company, it probably did not have the strong base for sustainable business. In this study, the author uses the AFI framework (Analysis, Formulation, and Implementation) in determining the right strategy to increase the competitiveness of NAS in the market. Primary data earned from quantitative research by spreading questionnaire to respondents and qualitative research by conducting depth interview for respondents to gain deeper insight as well as interview with an internal organization of NAS. Secondary data earned from articles, journals, and company data. The result shows that although NAS revenue has continued to increase since the first of its establishment, after analyzing one of the revenue clusters, it turns out that the largest NAS revenue does not come from consulting activities which are the main service of NAS itself, while market research which is a supporting service from NAS occupies the first position by donating 37% average income in the period 2018-2021. An even more surprising figure is that 34% of the average NAS revenue comes from service provider activities that are not part of the NAS core services and only acts as a single, unsustainable service activity.

Keywords:
Management consulting firm; AFI framework; Marketing strategy; STP; Marketing mix

INTRODUCTION

National Long Term Development Plan (Rencana Pembangunan Jangka Panjang/RPJPNasional) 2005-2025 as stated in Indonesian constitution (Undang- Undang/UU) no 17/2007 pronounce about the direction map and national development framework towards an Advance, Independence, and Just Indonesia (Indonesia Maju, Mandiri dan Adil). This development plan is the continuation and improvement from the previous RPJP as stated in the preamble of Indonesian Basic Constitution 1945 (UUD 1945). It is mentioned there, that it is imperative for Indonesia to rearrange their foundation in several parameter such as national resources, human resources, and its organization to catch up and have at least an equal position and strong competitiveness in the association of the international community (Speringer & Schnelzer, 2019).

In terms of economy development, the direction of RPJP is to incarnate an economy that is advanced, independent, and capable of significantly improve people's welfare based on economic principles to uphold fair competition and justice, as well as playing an active role in the global and regional economy by relying on the potential and capabilities of the country (Barsalou, 2014). In 2012 Mc Kinsey Global Institute mentioned in its article “The Archipelago Economy: Unleashing Indonesia’s potential.” that in 2030 Indonesia will be the 7th largest economy in the world (compared to 16th in 2012) with 135 million members of the consuming class (tripled from 45 million in 2012) for US$ 1.8 trillion market opportunity in consumer services, agriculture and fisheries, resources, and education.

With such a massive potential, it is without doubt that it will require a reliable and competent human resource for national competitiveness in the era of global and regional economic competition. A requirement that Indonesia is still having a lot of homework to do, especially when discussing about the expertise level of its skilled workers and entrepreneurship. To overcome those challenges, the role of consulting firms who have an expertise in specific segments is surely required (Hwang et al., 2010).
In terms of consulting firms itself, Indonesian National Association of Consultant (Ikatan Nasional Konsultan Indonesia/INKINDO) as the organization who accommodate consulting firms in Indonesia divide its member focus into 2 (two) services: Construction Consulting Firms and Non-Construction Consulting Firms also known as Management Consulting Firms, which is as interesting as it gets, the government and market seems to be focusing only on the construction consulting firms. The regulation sets by the Indonesia government itself is mostly on the construction consulting firms, which regulate how should the construction consulting firms set their business implementation, while the management consulting firms roam freely without specific guidelines and regulation (Harrison et al., 2016).

The lack of execution guidelines is not the only problem faced by the consulting firms. They have other challenges to consult towards broad range of different segment and target, which each and every segment have their own characteristic, challenges, and difficulties. According to Indonesia Constitution (Undang Undang/UU) no 20/2008, there enterprise classification was distributed among 4 (four) segments by defining from their net worth and or their annual revenues. However, after the launching of the omnibus law, a new Government Regulation (Peraturan Pemerintah/PP) no 7/2021 regulate a different limitation of each segment though maintaining the type of enterprise.

According to Ministry of Cooperatives and MSMEs (Micro, Small, and Medium Enterprises) in 2019, there are 65,471,134 enterprises in Indonesia, where 98.67% of them were categorized as Micro Enterprise, followed by Small Enterprise of 1.22%, Medium Enterprise of 0.1% and Large Enterprise of 0.01%. Though the numbers of Micro and Small Enterprises is large in quantity, the enterprises contribution towards Indonesian Gross Domestic Product (GDP) at current price is inversely proportional. While both combined Micro and Small Enterprises contribute up to 7,422,216.8 BIDR, the Medium Enterprises itself could contribute up to 2,158,545.8 BIDR (13.70% of total GDP) while Large Enterprise could contribute up to 6,251,772.7 BIDR. (38.97% of total GDP).

In its 4 years of company establishment, NAS realized that as any other newly developed company, it probably didn’t have the strong base for sustainable business. The common Indonesian business strategy “just go with it” has been in many businesses’ owners mind for ages (Lestadi, Arief. Personal Interview by Author. Jakarta: 1 March 2022). If the company meets its revenue target, the customer able to pay their invoices on time, visible business prospect for another year or two, all those criteria is more than enough for a new company to be grateful for. This jargon is also shadowing NAS in terms of services they offered to customer. Instead of having a firm service, they serve their customer as it requested to them, which is good in terms of customer service personalization, but sometime become undirected towards certain development framework.

NAS desires to be known among other big player of management consulting firm market as well as having a stand-out services that can differentiate themselves in the customer and market is also important to be dig deeper. A firm marketing strategy and services offered will be crucial to proposed for their customer specially to penetrate businesses that reluctant to use consulting firms in their current business plan. It is important to build awareness to company that never use a consultation service before to be assured with NAS business framework and result they would receive from hiring a management consulting firm (Keegan & Green, 2017).

The problem that needs to be resolved in this research is how to propose marketing strategy to boost company revenue by upscaling the business in management consulting firms and defining what is the proper marketing strategy framework that NAS could offer to their customer by identifying customer preferences and company resources as a convincing tool for customer to use consulting firm from NAS (Wirtz & Lovelock, 2018).

The objectives of this research would consist of the following parameters are to understand the external and internal environment of management consulting firms. To develop marketing strategy in consulting firms to boost NAS revenue in 2022-2024. To develop implementation plan of the proposed marketing strategy.

RESEARCH METHODOLOGY

In this study, the author uses the AFI framework (Analysis, Formulation, and Implementation) in determining the right strategy to increase the competitiveness of NAS in the market. The AFI framework itself can be defined as a model that links three interdependent strategic management tasks - analyses, formulate, and implement - that, together, help managers plan and implement a strategy that
can improve performance and result in competitive advantage (F. T. Rothaermel, 2021). The three subjects cannot be separated from one another and are interrelated, especially in formulating and maintaining a Sustainable Competitive Advantage (SCA)

Figure 1 Conceptual Framework (Source: Author)

In fulfilling the rules of the AFI framework, the author deepens the analysis, especially external and internal analysis, using several types of concepts, both using primary and secondary data, to determine the advantages and disadvantages of NAS and to find out the opportunities and or challenges faced before formulating the best strategy. Primary data earned from quantitative research by spreading questionnaire to respondents and qualitative research by conducting depth interview for respondents to gain deeper insight as well as interview with an internal organization of NAS. Secondary data earned from articles, journals, and company data.

For the external analysis, author uses several frameworks such as PESTEL, Porter Five Forces, Competitor Analysis, and Customer Analysis; whilst for the internal analysis, framework such as understanding current STP, current Marketing Mix, analyzing the Operational Data through cluster analysis, Resource Based View (RBV), and VRIO framework are being applied. Once all the analysis being conducted, the next step is to formulate the business strategy with SWOT Analysis, SWOT Matrix, to define the root cause of the problem and formulating new Segmentation, Targeting, and Positioning (STP) as well as to define the new marketing mix, if necessary, along with its implementation plan.

RESULTS AND DISCUSSION
External Analysis

A firm’s external environment consists of all factors outside the firm that can affect its potential to gain and sustain a competitive advantage (F. T. Rothaermel, 2021). In conducting external analysis to recognize and understand the market situation as well as identifying what are the possible opportunities and threat, author would use 4 (four) type of analysis, which is PESTEL analysis, Porter Five Forces analysis, Competitor analysis, and Customer analysis.

PESTEL Analysis

Author is using PESTEL analysis framework to understand the macro situation of Indonesia where the business takes place from several related parameters. Rothaermel (2021) define PESTEL as a framework that categorizes and analyses an important set of external factors (political, economic, sociocultural, technological, ecological, and legal) that might impinge upon a firm (2021: 76). The mentioned parameters mentioned can create a further opportunity as well as impose a threat towards the business itself.

Figure 2 PESTEL Framework
Political Factor

Upon his first term of presidential era, Mr Joko Widodo (Jokowi) incept a vision of infrastructure development that was so massive it brought many positive changes towards the societies. With his slogan of “Work Work Work (Kerja Kerja Kerja)” the government manage to upgrade their infrastructure from highway, airports, harbor, power plant, and even the country border post among regionals.

This high volume of construction activity among many industries, beside of helping the infrastructure development is also being used as the prime mover of the economy, with many construction projects means many companies will win the project bid and execute the project, procure product and services from other manufacturer/supplier/vendor, and even hire a subcontractor as the arm-lengths of scope. Not only the white-collar workforce gains the benefit, but even the blue-collar one such as daily handyman are hired to conduct the activity. The project is also providing snowball effect to other related industry such as accommodation, logistic, as well as food and beverage up to the tiniest roadside stall.

Ending his 2019 terms, Jokowi brought another vision towards the country: “Setelah besar-besaran kita bangun infrastruktur di tanah air, tahapan besar kedua nanti adalah pembangunan SDM juga secara besar besaran. (After we build infrastructure massively in the country, the second major stage later is the development of human resources on a large scale). With this vision in mind, it surely visible that to support those vision, the role of consultant who have an expertise in specific segments is surely required to help improve human resources capability especially in terms of enterprises development.

Economic Factor

With the increasing population of Indonesia, the Indonesian economy also grows over time. With an estimated 272.7 million population at the end of 2021 with a population growth rate of 1.22% per year, it also contributes to a significant rate of economic growth. It was noted that before the Covid-19 pandemic struck, Indonesia was able to record an average economic growth rate of 5.0% since the administration of President Joko Widodo in 2014-2019. Although the pandemic had dropped economic growth by -2.1% in 2020, the main government was able to withstand the effects of the pandemic and maintain the economic pace of 3.7% in 2021 (Badan Pusat Statistik, 2022: 1-2).

Entering 2022, Bank Indonesia projects economic growth of 4.7-5.5%, driven by global economic growth and increased domestic demand from consumption and investment. Armed with 5 (five) policy instruments, namely monetary, macroprudential, payment systems, money market development, SME, and sharia economic policies; The five policies will continue to be synergized to accelerate post-pandemic economic recovery and maintain future economic stability (Bank Indonesia, 2021: 139).
Sociocultural Factor

There are 2 (two) famous idioms that always echoed in the Indonesian businessman/woman. “Just do it first (Mulai aja dulu)” and “The Power of Urge (The Power of Kepepet).” These idioms were giving us a two-sided blade of situation. While it motivates a lot of people to do an action instead of just dreaming or postpone about it, but it also in many ways prevent them to conduct a proper framework or solutions (Lestadi, Arief. Personal Interview by Author. Jakarta: 1 March 2022).

In theory, there is no difference between theory and practice, but in practice, there is. The quote was elaborating how most of Indonesian businessman/woman conduct their business. As many of them are self-learner, they tend to conduct everything by themselves, by trial and error, without felt of need of other qualified parties, simply because they think it’s easy, can be done by themselves, or even to save budget. Though its indeed correct for a company during its early stage, however this has proven to be an issue once the company started to scale up and supposedly need other expert parties for finance, taxes, market research, etc. Some company did manage to succeed without the help of other expert parties, but it will also be possible to drives the focus away from their vision and main business while doing other stuff.

Technological Factor

The development of digital technology throughout the year is not only massive but also fast. It took us 100 years to reach our second industrial revolution from the time human invent the steam machine in 1784, it took another 100 years more less to level up to third industrial revolution upon the development of computer and automation, but it only needs less than half of the centuries to develop ourselves into fourth industrial revolution with the internet creation and development.

Internet development also drive a changing on how companies doing their business. Companies can no longer avoid using the internet in their marketing activities. Omni marketing ideas started popping up here and there to capture not only amount of customer interest but also faster, thereby changing their approach to recognizing customer behavior in their daily life.
When human felt that the technology development is already going to the right way into futuristic era, apparently some unpleasant event that can rarely happen once in a lifetime, happened. The corona pandemic strikes our civilization. With the quarantine applied everywhere in the corner of the earth, our mobilization was not only limited, but reach to the point when society must pull our full emergency break. The world freezes.

Under the uncertainty however, the technology strikes back to help human being. Video conferencing services such as Microsoft Teams, Zoom, Google Meet, and many more rise to the surfaces and helps our economy moving although our physical body cannot. Another type of platform in terms of apps (application) emerged significantly, not only because the apps creator wants it, but because the market desperately needs it. Even when the pandemic started to slow down, our mobility is still limited, and those apps acts as intermediary middleman for us to maintain access to our needs such as food delivery, medical consultation, etc.

![Figure 6 Video Conference Services](source: Author)

**Ecological Factor**

Environment is always become an important aspect upon any stage of human development. Through many years, even though the human civilization progress sometime means more environmental damage that cannot be avoided, but human awareness towards building a sustainable environment has been also increasing. Companies do too, not only are they active in carrying out company social responsibility (CSR) in environment area to be considered as an environmentally friendly company, but they even use it as a promotional material for their company. It seems it’s impossible these days to conduct any activity without considering the environmental effect and or how it affects company image in the societies. This changes in ecological point of view provides a new market of sustainability management that can be adopt as a new management services of consulting firms to corporation that seeks to be a pioneer in environment sustainability, rather than just profit orientation.

**Legal Factor**

The first important legal regulation related to the consulting firms in Indonesia would be the launching of Indonesian Constitution (Undang Undang/UU) no 11/2020 regarding Work Creation (Cipta Kerja/Ciptaker). This new constitution that was basically an omnibus law has revised and changes many other laws which among them is UU 20/2008 regarding the classification of enterprises. The new constitution was further detailed in the Government Regulation (Peraturan Pemerintah/PP) no 7/2021 which significantly changes the parameter of enterprise net worth and annual revenues among the groups.

While for the consulting firms itself, unfortunately the regulation is not that clear as it expected, especially for the non-construction services. Even though the construction consulting firms itself has been regulated clearly by UU no 2/2017, but this is still becoming a luxury item that was not being felt by the non-construction consulting firms.

| Enterprise Type (Jenis Usaha) | Regulation (in million IDR) Criteria | UU 20/2008 | PP 7/2021 |
|-------------------------------|-------------------------------------|------------|-----------|
| Micro Enterprise (Usaha Mikro) | Net Worth | < 50 | < 1,000 |
|                               | Annual Revenue | < 300 | < 2,000 |
| Small Enterprise (Usaha Kecil) | Net Worth | 50-500 | 1,000 |
|                               | 5,000 | | |
Enterprise Type (Jenis Usaha)                  Regulation (in million IDR) Criteria       UU 20/2008     PP 7/2021
                                            Revenue                        
Medium Enterprise (Usaha Menengah)        Net Worth                        500 - 10,000  10,000
                                            Annual                          2,500         -
Large Enterprise (Usaha Besar)            Net Worth                        > 10,000      > 10,000
                                            Annual                          > 50,000      > 50,000

Source: UU 20/2008 and PP 7/2021

At first, the management consulting firms was regulated by Presidential Decree (Keputusan Presiden/Keppres) no 18/2000 which not only it differentiate regulation for construction and management consulting firms, but also specifically define that in order to conduct a management consulting firms, the company must obtain Business Entity Certificate for a Non-Construction Services (Sertifikat Badan Usaha Non Jasa Konstruksi/SBU Non JK) that would be accredited by Indonesian Chamber of Commerce (Kamar Dagang dan Industri Indonesia/KADIN) cq Indonesian Accreditation and Registration CoC body (Badan Akreditasi dan Registrasi KADIN Indonesia/BARKI).

Unfortunately, during the next regulation, Keppres 80/2003 and Perpres 54/2010 this requirement is no longer exist; thus, the previous certification was considered voluntary instead of mandatory up until today. Though some companies still require the certification, but without strong accentuation by the law, it will only create confusion and ambiguity especially regarding the accreditor certification body.

**Porter Five Forces Analysis**

Competition must be viewed more broadly to also encompass the other forces in an industry: buyers, suppliers, potential new entry of other firms, and the threat of substitutes (F. Rothaermel, 2021). With the same reason given above, author going to analyze the broader range of competition by using Porter Five Forces analysis to understand what are the forces that would possibly create a threat to the business.

![Figure 7 Porter Five Forces](source: Rothaermel, 2021)

**Threat of New Entrants**

Ikatan Nasional Konsultansi Indonesia (INKINDO) in 2018 records more than 5,000 companies as its member, divided as 253 large size company, 738 medium size company, 3,678 small size company, and several other as part of an affiliation (INKINDO, 2018: 10). The fact that there are so many non-construction consulting services in Indonesia is being caused by lack of regulation in the process of establishment (no entry-barrier). Without significant regulation by the government, everyone can simply build a company with minimum capital and zero knowledge, expertise, or experience in consulting industries, and even without the mandatory requirement of certification and accreditation. This fact concludes how HIGH the threat of new entrants in the market.
Bargaining Power of Suppliers

Even though consulting industry sometimes are using several framework licenses from origin companies, but almost all of them were basically do not required any suppliers to conduct their business. Thus, the needs of skilled worker can be considered as the only supply they need. Unfortunately, getting the perfect candidate with top skills is somehow difficult, especially with the high competition in each of the industry. Many talents are easily persuaded to change company and having less loyalty to the current company. These difficulties, however, can be overcome by the quantity of other candidates, either it’s an experience or the fresh graduates. With the broad range of candidates, the bargaining power of suppliers is LOW.

Bargaining Power of Buyers

In terms of bargaining power of the buyers, it is considered HIGH because most of the buyer believe that the services offered by the management consulting firms are standards, they can find the same service elsewhere, thus price sensitivity comes to play in the negotiation process. The buyer also has a low switching cost in terms of changing the consultant of their choices because the services is mostly on a separate project base, instead of long-term continuous projects. The other parameter is should the customer consider the services is too easy or the price is too high, buyer can choose to conduct the activity by themselves, instead of hiring a consultant.

Threat of Substitutes

The threat of substitutes in consulting business is MEDIUM because even though the other substitutes of consulting firms is not so much, but the potential substitutes from the customer company itself is high. Either because the customer does not allocate budget to hire a consulting firm, or the customer have their own resources to conduct services that was supposed to be consulting business services.

The other potential substitutes are the one that come from digital world as many of expert providing a general business template to overcome many issues faced in the real world. This template was easily learned from the media (website/social media) and theoretically can be used directly by the customer to solve any problem that they encountered.

Competitive Rivalry

The final factor is competitive rivalry which considered as the most important factor, because the higher competitive rivalry will severely affect the company profitability either by creating new product/service innovation, marketing promotion, and even heavy discounting. In the non-construction consulting firms, the competitive rivalry is HIGH due to the high number of competitors, as well as the big potential of the industry and consulting service growth. With a limited product differentiation to offered, and price orientation from the customer it will be difficult for the business to compete to each other. The analysis of the competition should also be addressed in a more detail competitive landscapes, that provide an overview of the competitor product and positioning in the market.

Summary of Porter Five Forces Analysis

As a conclusion, to summarize the analysis of the Porter Five Forces that have a major influence either direct or indirect towards on the consulting business in Indonesia, the biggest concerns that must be considered in designing a business strategy revolves around three parameters, namely:

1. Threat of New Entrants,
2. Bargaining Power of Buyers, and Competitive Rivalry.

CONCLUSION

Although NAS revenue has continued to increase since the first of its establishment, after analysing one of the revenue clusters, it turns out that the largest NAS revenue does not come from consulting activities which are the main service of NAS itself, while market research which is a supporting service from NAS occupies the first position by donating 37% average income in the period 2018-2021. An even more surprising figure is that 34% of the average NAS revenue comes from service provider activities that are not part of the NAS core services and only acts as a single, unsustainable service activity. Another thing that can be seen is how the training service provider contributes a
sizeable 15% where NAS does not yet have adequate internal resources and capabilities where to provide this service the NAS is still needed to collaborate with third parties, so it does not have its own agility in providing these services to customers. Regarding brand recall and market promotion reach, NAS is on the right track by utilizing many social media and even marketplaces to reach large customers and maintain its existence through existing business communities to introduce NAS brand as a provider of consulting and research services. However, many of the platforms owned have not been used and utilized optimally in the promotion of NAS activities, even the profile of experts who are the main resources capable of being a sustainable competitive advantage for NAS compared to other competitions are also not widely explored as an added value for NAS to compete in the market.

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