Proposed Business Strategy for Publishing Company (Case Study: CV Gema Usaha in Solo)

Nadhira Khairunnisa, and Harimukti Wandebori

Abstract — CV Gema Usaha is a company running in book publishing industry, provides school books for junior high school, high school, and vocational school in Indonesia. For the past 3 years (2016-2018) the company has been suffering from some problems that affect the business sustainability. Looking from the internal perspectives, the company has high inventory, lacking in human resources, and high receivables which affect the business at CV Gema Usaha. This condition causes a value-reducing for the company. To be able to survive in the publishing industry, improvements need to be made to their business strategy. Business strategy improvement is proposed based on internal and external analysis. An evaluation of the business model currently applied is also carried out by analyzing the current business model canvas. This study uses qualitative methods using primary data and secondary data. The results of internal and external analysis produce SWOT analysis which is then used to propose strategic solutions in the form of TOWS matrix and new business model. The strategy proposed for the company is to adapt the integrated cost leadership and differentiation business strategy, and shift the publishing business model from a conventional publishing to a base on a sides platform; publishing company is equipped with a multi-sided platform. This strategy is expected to solve the main problem of the company namely high inventories, low in cash, and limited human resources.

Index Terms — based on demand production; long tail business model; multi-sided platform; publishing company

I. INTRODUCTION

Based on a Journal (2019) written by Dewi, titled Book Development in The Publishing Book Publishing Industry and Growth of Interest In Writing Books, the majority of publishers are able to sell books a maximum of 50% of their newly published book stock in one year, meanwhile the rest are 27% of publishers where book sales are in the range of 50%-60% a year of its existing stock, approximately 14% of publishers are in the range of 60% -70% and only about 5% of publishers are able to sell books in the range of 70%-80% of stock [1]. Publishers who sell school textbooks are categorized as part of those 5% where they able to get product sales of 60%-80% of its stock. Publishers that sell non-textbooks only contribute sales of under 50% in one year. These data indicate that textbooks publishers have potential to sell book better than non-textbook publishers. Unfortunately, based on Indonesia Publisher Association, there are more than 1,655 publishers in Indonesia [2]. The data shows a huge number of players in publishing business, indicating the high intensity of competition in book publishing industry in Indonesia. Companies will compete to win the customers and the competition will be tough, causing a tight intensity of competition. Moreover, the switching cost of customer in publishing industry is low, customers can change their preference in buying book easily, which make the competition even tighter. Each company will try to innovate to become the market leader. Strategies are conducted by each company through offering competitive prices, and good book quality to win the customers heart. CV Gema Usaha is one of players in book publishing industry, provides school books for junior high school, high school, and vocational school in Indonesia. For the past 3 years (2016-2018) the company has been suffering from some problems that affect the business sustainability. Therefore, analysis on the current business strategy need to be done in order to improve its performance and business strategy to be able to survive and compete in publishing industry in Indonesia.

II. METHODOLOGY

This study uses qualitative methods using primary data and secondary data. The primary data in this study were obtained through interviews with company’s representative, meanwhile the secondary data were obtained through literature study. The literature of the study in this research was obtained from websites, journals, and online articles. The conceptual framework used for this study is shown on the following Fig. 1.

Fig. 1. Conceptual framework
III. FINDINGS AND ARGUMENT

A. Internal Factor Analysis

Internal analysis conducted with aim to determine the company’s weaknesses and strengths. It includes value chain analysis and resource analysis as the basis of capability and competency in creating competitive advantage [4]. Resource analysis consists of tangible resources and intangible resources analysis. Tangible resource consists of financial, organization, technology, and physical facility, meanwhile intangible resource is a resource that is grown within company’s history that is not physical, and is ideally difficult to be imitated by competitors [4]. Value chain analysis consists of primary activities and support activities.

Resource analysis covers both tangible and intangible resource. For tangible resource, the company experienced financial problems. The company is inconsistent in managing their operating expense seen from the declining operating profit by 40% from 22% in 2016 to only 13% in the 2nd semester of 2018. Its net profit margin plummeted by 50% from 14% in 2016 to only 7% in 2018 due to high operational expense and production cost, and has only 1% Return on Assets (ROA), indicating company’s failure in managing their assets to generate income. In terms of technological resource, the company has difficulty in keeping up with the latest technology to support its activities which caused the production of book script requires longer time. The company has no decent technology to track inventories or selling activities done by their selling agents compared to its competitor which provides more adequate facilities and services for its customers.

Intangible resource is a non-physical resource, consists of human resource, innovation resource, and reputation resource. The company experienced high employee turnover rate, where the number of employees keeps on decreasing especially for scriptwriter, from 12 people – each responsible for different book subjects – to only 6 people available. Low brand reputation worsens the condition where the company unable or has difficulty in hiring competent writers. From 98 cities listed in Indonesia, CV Gema Usaha only able to reach its distribution area to only 20 cities, limited to Kalimantan, Java, and Sumatera Island. In term of innovation resource, the innovation in book content doesn’t affect the company’s performance in achieving higher profit. Compared to its competitor, Gema Usaha only focused on school books meanwhile competitor reach wider audience by selling various book ranging from school book to novels instead of limiting their product line.

Value chain analysis consists of primary and support activities. Primary activities related with a product’s physical creation, sale and distribution, and service after sale. Meanwhile support activities provide the assistance necessary for the primary activities to take place [4]. In primary activities, book production process took longer time than its normal condition, from 23 working days to 30 working days due to lacking of human resources. in marketing and sales activity, the company never conduct market research to understand market demand in Indonesia. To add, the company haven’t utilized technology aspect to push its marketing activities, no online platforms and advertisement is made to promote their product, resulting in minimum product exposure to the potential market. CV Gema Usaha fully depends on selling agents to sell book to schools instead of selling it through famous bookstores. In support activities, the technology development isn’t well organized where company relies on old offset printing technology. Compared to the latest digital printing technology, their current printing technology requires high maintenance and bulk printing to reduce per unit production cost, which affecting the number of inventories. In its human resource management, no training and development are conducted to improve employees’ quality. Furthermore, low salary rate leads to high turnover rate and become one of the factors on why hiring employee is difficult for them.

B. External Factor Analysis

External analysis conducted to determine the opportunities and threats that occur in the business. It is divided into 3 parts: General Environment, Industry Analysis, and Competitor. In general environment analysis, tool used by author includes seven segments to be analyzed: political/legal factor, economical factor, social-cultural factor, technological factors, global factor, and physical factor, and demography [3]. In political/legal factor, bookkeeping system In Indonesia, book listing, tax regulation, and law regarding prohibition on selling book affect the publishing company in Indonesia. In terms of tax, according to Government Regulation of the Republic of Indonesia (PP No. 46/2013), tax to be paid by small and medium enterprise with a total revenue less than Rp 4.8 billion/year is 0.5% of revenue which is detrimental for publishing company because the tax calculation is based on revenue instead of net income. Another regulation affecting the publishing industry is based on Government Regulation (PP No. 17 of 2010 concerning Management and Implementation of Education) educators and education personnel, both individuals and collectives, are prohibited from selling textbooks, teaching materials, teaching equipment supplies, school uniforms, or uniform clothing materials in education unites., schools are not allowed to buy books from publishers. The current business implemented by CV Gema Usaha is against the government law as they rely on selling agent to sell books directly to schools. For economic factor, Indonesia’s economic growth slowed down to only 5.05% [8] these might affect the buying ability of individuals in Indonesia. In technological aspect, the rapid growth of industry 4.0 allows the intervention of AI technology and automated system in the industry. The existence of internet also pushes the digital marketing activity. The availability of printing technology options gives freedom for publishing company in printing books. In global factor, the existence of this international leading publishers will not be a threat for Gema Usaha because most of schools in Indonesia still rely on local publishers’ books, especially secondary school, junior high school, high school, and vocational schools. Even though so, some private schools are using international publishers’ books as their reference books considering the quality offered by the international publishers. In physical factor, weather, humidity and climate condition greatly affect the physical book quality in warehouse.

In Industry environment, analysis is carried out to find out the attractive level of the related industry, in this case the
book publishing industry. The method used is Porter’s 5 Forces. The 5 factors consist of threat of new entrants, bargaining power of suppliers, bargaining power of buyers, threat of substitutes products, and rivalry among existing firms [5]. The summary of 5 factors is shown on the following Table I.

### Table I: Porter’s Five Forces of Book Publishing Industry in Indonesia

| No. | Forces                        | Condition                        | Implication                  |
|-----|-------------------------------|----------------------------------|------------------------------|
| 1.  | Threat of New Entrants         | Economies of scale; High barrier to entry; Low product differentiation | Medium Threat of New Entrants; Medium Attractiveness |
| 2.  | Bargaining Power of Suppliers  | Large amount of pulp and paper company; Low switching cost | Low Bargaining Power of Suppliers |
| 3.  | Bargaining Power of Buyers     | Low to medium switching cost     | High Bargaining Power of Buyers |
| 4.  | Threat of Substitutes          | Low substitute product           | Low Threat of Substitutes     |
| 5.  | Rivalry Among Competing Firms  | Many leading market competitor   | High Rivalry Among Competing Firms |

The last external analysis is competitor analysis which consists of 4 components, namely objectives, assumptions, strategies, and capabilities. The biggest leading publishers in Indonesia are Erlangga Publisher, Andi Offset, Yudhijitara, and Intan Pariwara. All competitors widen their market segment by not only selling student book but also general book, distributing books to famous book store and selling through e-commerce. The competitors have high brand awareness and good reputation, has been known for serving publishing industry in Indonesia for 48 years average, and have wide distribution to all cities in Indonesia.

### IV. RESULTS AND SOLUTION

#### A. Porter’s Generic Level Strategy

CV Gema Usaha implemented the focused cost leadership. Company strives for the lower cost for the customer value and targeted narrow market segments. Companies that implement this business strategy have limited resources so only focus on narrow markets as their target. The mistakes made by CV Gema Usaha is they target narrow market segments but didn’t realize that big competitors have already become players in the industry. The solution offered for the company is to shift their business strategy from focused cost leadership to Integrated Cost Leadership and differentiation. The company needs to innovate their products by finding another niche market that hasn’t been touched by larger competitors but still has demand in market.

#### B. Current Business Model Canvas

Business model is a picture of the company’s efforts in creating, delivering, and capturing value. Business model have nine dimensions known as ‘Business Model Canvas’ [6]. Business model canvas consists of nine building blocks: customer segment, value proposition, channel, customer relationship, revenue stream, key resource, key activity, key partnership, and cost structure. Based on analysis, the current business model canvas of CV Gema Usaha is shown on the following Table II.

### Table II: Company’s Current Business Model Canvas

| No. | Building Blocks                  | Explanation                                           |
|-----|----------------------------------|-------------------------------------------------------|
| 1.  | Value Proposition                | Affordable Student Learning Media                     |
| 2.  | Key Resource                     | Human Resource, Physical, Financial                   |
| 3.  | Key Activities                   | Finding Talent, Production                            |
| 4.  | Key Partner                      | Printing Company, Logistic Company, Selling Agent     |
| 5.  | Customer Segment                 | School Student                                        |
| 6.  | Channel                          | Partner-Indirect (Selling Agent)                      |
| 7.  | Customer Relationship            | Indirect Communication                                |
| 8.  | Revenue Stream                   | Revenue from Product Sales                            |
| 9.  | Cost Structure                   | Cost driven (Production and Maintenance Cost, Operational Cost, Tax and Interest) |

#### C. Tows matrix

TOWS matrix is a tool to help analyze and generate business strategies to achieve company goals. It illustrates how external opportunities and threats facing a particular corporation can be matched with a company’s internal strengths and weaknesses to result in four sets of possible strategic alternatives [7]. Based on analysis, TOWS matrix for CV Gema Usaha can be seen on the following Fig. 2.

![Fig. 2. CV Gema Usaha TOWS Matrix.](image-url)

#### D. Long Tail Business Model

The long tail is a strategy that allows a company to gain significant profits by selling low volumes of various niche items to many customers [9]. The key is shifting strategy from selling a small variety of best seller items in large volumes into selling a large number of niche items, each in relatively small quantity. The proposed solution for improving the business is by adapting long-tail business model. The reason for author proposing long-tail business model is because it requires low to zero inventory cost. In implementing the long tail business model, there are 3 driving forces that support this business model: Tools of production become more widely available, costs of distribution are cut appreciably, and established connection between supply and demand [9].

DOI: http://dx.doi.org/10.24018/ejbmbr.2020.5.4.411

Vol 5 | Issue 4 | July 2020
The first force is tools of production become more widely available. Shifting to digital printing is a solution for Gema Usaha to reduce cost and risks because of its advantages it offers. As the company is not owning the printing machine, it will be cheaper for them to change the production technology. The company doesn’t need any capital to buy printing machine but instead they can start to find third party which provides digital printing technology service and establish collaboration.

The second driving force is cost of distribution. The current distribution system in CV Gema Usaha is selling a large volume of product to selling agent (B2B). The disadvantage of the current system is that the price of the product that reach the customers will be higher since the company using intermediaries (selling agent) to sell their product. Selling agent will mark up the price for their profit. Furthermore, the distribution channel is only focus on indirect channel. It is suggested for the company to consider cutting their distribution cost by changing the distribution channel. Creating website and listing company’s product into online marketplace helps the company to reach the consumer directly in efficient ways.

The third driving force is established connection between supply and demand. Creating a platform for selling purpose and provide search engines within the website help company to understand the item or product that is needed or wanted by the customers since company can analyze the visitors’ key word search pattern. Understanding the uncommon demand can be considered as an input for the company to increase the product differentiation of Gema Usaha, which is one of the company weakness: Low product differentiation. Capturing opportunity by providing various niche products can increase the company profit cumulatively.

Nine Building Blocks of the Proposed New Business Model

1. Value Proposition
   The previous value proposition of CV Gema Usaha was affordable student learning media. The improvement of the value proposition would be Wide varieties of books and user-generated books in one marketplace, and self-publishing service. Customers who are also categorized as product providers can take advantage of the company's services for book printing and take advantage of the company's platform in the form of a website to sell their products. The book genre is also not limited to only school books but any kind of books. It allows the company to provide wide varieties of product while utilizing customer as their authors.

2. Key Resources
   The key resources required to implement the long tail business model in publishing industry are: Platforms or website, Print-on-demand infrastructure, and Human resource. Platform connects between customer and company as service providers. Human resource in this context is employee which has information technology background to support the platform management activity.

3. Key Activities
   The key activities required to implement the long tail business model in publishing industry are platform management and development, platform promotion (to attract customer segments), and production. Managing the platform well means the company must consider the needs of customers, providing a clear information for customer who visit the platform and providing a friendly user-interface platform. The company also should consider to develop and update the platform regularly as form of improvement in order to increase customer satisfaction. For platform promotion, in the beginning of the implementation, the established website must get as much exposure as they can to attract authors. Through promotion via ads and social media, it can help boost the public awareness of this new platform. Social media activity will boost the interaction between the company and customers. Company will be able to directly reach customers, social media can provide information about the current products offered by company, promotion, and can help to communicate with customers. In term of production activities, print on demand infrastructure is the key resource which supported by the production activity. By shifting the printing technology from offset printing to digital printing, constraints such as bulk production and high cost can be avoided. To add, implementing print on demand is the new strategy of the company to overcome their problem—high inventory. High inventory will no longer be relevant if the company execute the print on demand process because the company will only produce books which is based on the customers demand.

4. Key Partners
   The key partners in implementing the long tail business model are niche authors or writers and printing company. To accommodate the key resource of print-on-demand infrastructure, it is crucial for the company to establish a partnership with a printing company that meets the company requirement, since the company has limitation in funding and decided to rely on third parties to handle the book printing process. Customers as niche authors/writer act as key partner in the business. Company will utilize authors who need company service to publish book as their human resource because the book published will be under CV Gema Usaha publishing with customers as the author. This way both parties are mutually benefited.

5. Customer Segment
   The proposed customer segment is Niche customers, multi sided platforms. As the website or platform is established, it allows two different customers to interact within the platform. Niche authors or external writers who use the company service to publish their book scripts are considered as customer. Meanwhile people who visit the platform or website and buy the authors product listed in the website is also categorized the customer. The concept of multi-sided platforms is creating value by giving a facility for two different groups to interact. If it attracts more user, the value created will become bigger, which then called as network effect.

6. Channel
   The proposed channel is direct channel through developing website or multi-sided platforms. This platform serves as intermediaries which connect two or more different but interdependent groups of customers. In this publishing industry, the platform that will be made by the company will connect authors and readers, which both are company’s customer. The key of multi sided platform is value will be created if only all groups of customers is attracted to use the platforms. In the beginning of the development of the
7. Customer Relationship

The proposed customer relationship in implementing the long tail business model is Co-creation through the internet. The proposed business model is to implement the long tail business model, which niche markets of untouched or abandoned products is essential. By building a co-creation relationship with customer, company will be able to help niche authors in marketing their own made books and in return the company get exposure and also revenue from the service that the authors pay for. Furthermore, it eases the work of the company since the company doesn’t have to worry about making book script, but rather to only focus on editing and laying out the scripts made by the customers as the author.

8. Revenue Stream

The proposed revenues stream of the long tail business model are sales commissions and publishing service fee. The sales commissions apply to the product listed on the website platform, meanwhile the publishing service fee applied to the authors which is also the company’s customer. To conclude, the company will have two different revenue streams from two customer segments.

9. Cost Structure

The main cost structure appears by implementing the long tail business model are come from promotion activities and platform maintenance and development.

Based on overall analysis above, implementing the long tail business model can lead the company to enter the blue ocean strategy as mentioned in the TOWS Matrix. It consists of eliminate, raise, reduce, and create factor. The four actions framework in this study is shown on the following Table.

E. Four Actions Framework

Implementing the long tail business model can lead the company to enter the blue ocean strategy as mentioned in the TOWS Matrix. Four actions framework helps company to identify activities to support the blue ocean strategy. It consists of eliminate, raise, reduce, and create factors that can be seen on the following Table III.

| TABLE III. FOUR ACTIONS FRAMEWORK | Eliminate | Raise |
|-----------------------------------|----------|-------|
| - Inventory                       | - Platform Awareness |
| - Unnecessary human resource      | - Promotion |
| - Distribution channel (selling agent/ wholesaler) | - Platform development |
| Reduce                            | Create |
| - Receivables                     | - Multi-sided platform |
| - Operational cost                | - Self-publishing service |
|                                   | - Co-creation with customers |

F. Shifting to Long Tail Business Model

In its implementation, there will be a process of transition from current conditions to the new business model, called the transition phase. There are several factors that need to be considered so that the company can shift their business strategies well during the transition phase, namely human resource, activity, and product or service. In term of product or service, no product is sold by the company because the company is focusing on preparing the platform during the transition phase. In term of human resource, during the transition phase the company will need human resources who have competence in IT or computer fields. therefore, in the transition period, companies need to recruit employees who have a computer education background. In this phase, editor division will be off temporarily since no production activity occur. Therefore, the human resources to be utilized in the transition phase are finance division, IT division (new), and marketing division.

In the transition phase, the activity that will be conducted by the company is distinctive with current activity. The company will focus on establishing website or platform to support the long-tail business model and prepare the human resources needed. Hence, activity occurred during transition phase will be:

- Establish IT division to the organizational structure, to support the long-tail business model, the company will utilize multi-sided platform which requires IT staff.
- Platform development, the main activity in the transition phase is to establish company’s platform. It is suggested to use third party that provides platform creation service. This aim is to speed up the process of platform creation because recruitment process of IT staff might take longer time. Furthermore, they also understand better regarding platform creation (expertise in their fields) so that error can be avoided. The company will fully monitor the process of platform creation by the third party.
- Promotion, namely introducing to the public website that is being designed, with the aim to increase public awareness of the company's platform by opening social media accounts that are widely used by the public, including Instagram, Twitter, Facebook, etc.
- Reducing Fix Asset, the application of long tail business model has an impact on the absence of inventory in the company because the book production process has also shifted from large-scale production to based-on demand production. This little to zero inventory condition gives benefits to the company where the warehouse can be eliminated
- Establish Collaboration, collaboration carried out with web designers as third party to establish the company's platform. The company will also actively look for collaboration with printing companies to become partners for the needs of future book production.
- Designing the service offering, the company will serve two types of customers, namely readers or buyers and authors or writers. The company needs to design in detail the service to be offered by the company to these customers who will use the company's publishing services
- After the longtail business model is implemented, the company will shift their product from physical product to physical product and service. The company will provide

DOI: http://dx.doi.org/10.24018/ejbmr.2020.5.4.411
niche writers a set of service to help them editing, lay outing, printing their script into a book form. Proposed solution of product to be offered by company are as follows.

- Book Category, with the new business model, the book genre allowed for customer to publish is not limited to educational book, but shifting to all genres. Book category proposed are novels, Novels, Educational books, Children books, Poetry, Hobby, etc.

- Product type, customers might want a wide variety of option to choose in creating their own book. When to customer is about to use the company service to print and publish their book, the company facilitates printing options and price estimation on the platform or website. Product type to be offered by company are book (novels, textbook, etc.), photo book, comic book, yearbook.

- Customization options, on the platform, for all type of books, the company should put customization options for the customer to choose, including book size, number of pages, binding options, color options, paper color and type, and cover options

- Revenue split, on the revenue stream building blocks, the revenue the company come will come from sales commissions and publishing service fee. The commission means the revenue split, which is the percentage of profit the company get from customers whose books is sold on the platform or website. Meanwhile the publishing service fee is the fee charged to the customer for using the company service (editing, lay outing, printing, and listing on the website).

The proposed solution to overcome the company problems which are high inventory, lacking in human resources, and high receivables is to adapt the integrated cost leadership and differentiation business strategy and implementing the long tail business model that equipped with multi-sided platform. The proposed long-tail business model will allow anyone to publish their book (to overcome the limited human resource) and company to have low to zero inventories (to overcome high inventories and receivables, because production is based on demand). The idea is to help any niche and amateur authors to bring their work into the market with platform or website as the distribution channel. The more authors putting their work on the company, the more it succeeds, because the authors in the long tail business model is also the customers. The concept is to combine long-tail business model and multi-sided platforms together.

REFERENCES

[1] Nurliati, D. (July, 2019). Book Development in The Publishing Book Publishing Industry and Growth of Interest in Writing Books. Available: https://journals.upi-ya.ac.id/index.php/IKRAITH-EKONOMIKA/article/view/399/281
[2] RISET. (2015). Available: ikapi.org/riset
[3] Wandebori, H. (2019). Manajemen Strategi Dalam Perspektif Indonesia. Bandung: ITB Press.
[4] Hitt, M. A., Ireland, R. D., & Hoskisson, R. E., (2007). Strategic Management: Competitiveness and Globalization (7th ed). Mason, OH: Thomson South-Western.
[5] Porter, M.E. (1985). Competitive Advantage: Creating and Sustaining Superior Performance. New York: N.Y. Free Press.
[6] Osterwalder, A., & Pigneur, Y. (2010). Business model generation: a handbook for visionaries, game changers, and challengers. John Wiley & Sons.

[7] Wheelen, T. L., & Hunger, J. D. (2012). Strategic Management and Business Policy (13th ed). New Jersey: Pearson Prentice Hall.
[8] Melambat, Pertumbuhan Ekonomi Kuartal III-2019 Hanya 5.02%. (2019, November 5). Retrieved 2020, from https://databoks.katadata.co.id/datapublish/2019/11/05/kuartal-iii-2019-ekonomi-indonesia-melambat-502
[9] Anderson, C., & Anderson, M. P. (2004). Long tail.

Nadhira Kharirumisa is a graduate student who was born in Surakarta, Central Java on July 25, 1990. She received her bachelor degree in 2017 from Bandung Institute of Technology, majoring in environmental infrastructure engineering. She currently pursuing her master degree at Bandung Institute of Technology majoring in Master of Business Administration study program. Her working experience includes: worked at consulting company (PT. Bemaco Rekaprima) focusing in environmental engineering as a junior consultant, and had an internship program at PT. Telkom Indonesia in Digital Service Division (Telkom DDS).

Harimukti Wandebori earned his undergraduate degree (Majoring in Electrical Engineering) from Bandung Institute of Technology, Indonesia in 1990. He continued his study at Maastricht School of Management, Netherlands in 2001 to get MBA degree and get his doctorate degree from University of Twente, Netherlands in 2016. Harimukti Wandebori is currently a lecturer at the School of Business and Management Institute of Technology Bandung (SBM ITB) and faculty member at Business Strategy and Marketing Research interest group. He was the one of the best Civil Servant Candidates when he entered as a lecturer at SBM ITB. He made many national and international articles with strategy management, strategic alliances, and marketing management theme.