

Competitive Strategies of Indonesian Skincare Clinics: Study on Rafa Health and Beauty Lifestyle, Bandung, Indonesia

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ABSTRACT

This study aims to identify the competitive strategies of Rafa Health and Beauty Lifestyle Clinic in Bandung, Indonesia. Qualitative methods use internal factor analysis summary (IFAS) and external factor analysis summary (EFAS). Study results based on IFAS and EFAS show that Rafa Health and Beauty Lifestyle Clinic has the following total scores: strength factor of 2,005, weakness factor of 0.75, opportunity factor of 2,445 and threat factor of 0.495. These calculation results are described in the SWOT analysis. SWOT analysis results show that the clinic is positioned in Quadrant II. The appropriate strategy to be implemented in the Quadrant II position is turn-around or retrenchment with a strategy designed by strengthening unique basic corporate competencies. Based on the study results, the proposed strategy is turn-around which is designed by renewing the direction of the company's strategic development.

Keywords: Competitive Strategies, IFAS, EFAS, SWOT analysis, Quadrant.

1. INTRODUCTION

The beauty business is a rapidly growing small and medium enterprise. The development of beauty clinics in Indonesia grew rapidly from 1990 to 2017. A beauty clinic offers services in the fields of health and beauty care for the skin, hair and nails. Some beauty clinics frequently found in large cities are beauty clinics that combine facial and body beauty services and skin health consultations.

Indonesia has a large market for beauty products. Based on 2017 Central Bureau of Statistics data, the population of women aged 15–64 years in 2016 was 33.23% of the total population of Indonesia. These data reflect the great potential for the beauty industry services in Indonesia (Ministry of Industry, 2016).

Research on this competitive strategy has selected Rafa Health and Beauty Lifestyle Clinic because this clinic has been established extensively and has been offering products for skin

beauty and solutions for various skin problems. Despite its tenure, its development is not prominent, and it only has a few branches. These conditions are caused by tight competition with similar companies in Bandung. The competition is characterised by numerous actions of various competition strategies in the form of price cuts, use of sophisticated tools that support care and interesting special programmes implemented by similar companies to win the hearts of consumers .

2. LITERATURE REVIEW

Considering competitive strategies is part of strategic management. Penrose (1959) pioneers strategy thinking with the theory of the resource-based view published in *The Theory of Growth of the Firm*. Afterwards, other researchers, such as (Porter, 1979; 1980; 1985), (Wernerfelt, 1984), (Stalk, 1988), (Ansoff 2007), (Covin & Slevin, 1989), (Freeman, 2010), (Rumelt, Schendel & Teece, 1991) and (Teece, Pisano & Shuen, 1997), have proposed similar theories. Strategic management thinking evolves consistently with external changes that result in internal variations, deviations in ways in which people conduct their businesses and future changes in trends (Baumgartner & Ebner, 2010; Chaiprasit & Swierczek, 2011; Eshima & Anderson, 2017). Wheelen and Hunger (2012) believe that strategic management is a series of managerial decisions and actions that determine a company's performance in the long term. Strategic management includes environmental observation, strategy formulation (strategic or long-term planning), strategy implementation and evaluation and control.

Pearce and Robinson (2011) refer to strategic management as a collection of decisions and actions that result in the formulation (formulation) and implementation (implementation) of plans designed to achieve company goals. According to Robins (2012), strategic management is important because it can affect the performance of an organisation and relates to the changing situation faced by organisations of all types and sizes.

Pitelis (2011) states that 'competitiveness' is elusive and controversial. Porter (1990) states that 'competition is the essence of success'. To win every competition, every company must have a competitive strategy. 'Strategy is about competitive position, about differentiating yourself in the eyes of the customer, about adding value through different activities from those used by competitors.' Raharja and Arifianti (2018) states that A strategy is a key word for all companies to be able to compete with similar companies based on internal performance or external company

The ultimate goal of competing strategies, as stated by Kim, Nam and Stimpert (2004), is to overcome environmental forces in the interests of a company. The rules or competitive environment that exists in industry consist of five competing forces, namely, entry of new competitors, threats from substitute products (substitution), bidding power (bargaining) of buyers, power of supplier offerings and competition among existing competitors.

P. Carrera and R. Vivien. (2012, in Kanittinsuttitong, 2015) proposed the hierarchy of health care needs by using the theory of Maslow's hierarchy of need, that people have the different level of health care need. Kanittinsuttitong, (2015) furthermore described hierarchy of healthcare can be summarized and comprised of 4 levels as follows. (1) Basic Healthcare, such as health checkups, dental care, immunization and preventive screening. (2) Medically-Necessary Treatment such as treatment, surgery, and treatment of various diseases. (3) Health enhancement that is additional medical service to remove, to fill, to modify or to surgery some of the body such as Lasik, cosmetic surgery, lose weight, and sex reassignment surgery. (4) Optimum Health that is the medical such fine health condition, but there is a need to maintain good health or to be in a better health condition. According to Kanittinsuttitong, health services provided by Skincare Clinics Rafa Health and Beauty Lifestyle in the third level or health enhancement

3. METHOD

In this study, the data obtained were collected through structured and semi-structured observations and interviews, as well as document studies and visual sources (Creswell, 2014). The research design was built on the basis of assumptions and concepts developed from relevant existing theories. The theories

obtained from the theory of vocabulary were used only as comparators or instruments to help clarify the characteristics of the data. The analysis used in this study consisted of (1) internal factor analysis strategy (IFAS) and external factor analysis strategy (EFAS) to determine the condition of the company and (2) analysis of the industrial environment of five competing forces to determine the conditions of the association of companies with similar companies. The results of identifying internal and external environmental analyses were then obtained to analyse the condition of the company through the SWOT analysis. The vision and mission of the company identified previously was referred to in preparing goals and objectives. The determination of the company's strategy steps uses the SWOT matrix (David, 2011).

4. RESEARCH RESULTS AND DISCUSSION

According to David (2011), the process of formulating a company's strategy includes three stages, namely, input, matching and decision. The input stage contains basic input information required to formulate a strategy. The matching stage focuses on creating relevant alternative strategies given internal and external factors. The decision stage objectively evaluates alternative strategies identified at the matching stage and provides an objective foundation for selecting alternative strategies. Strategy analysis uses IFAS and EFAS. According to Porter's analysis of five forces, internal environmental factors come in the form of strengths and weaknesses, whereas external environmental factors come in the form of opportunities and threats. The results of IFAS and EFAS analyses serve as references for formulating the SWOT matrix, thereby resulting in a business position quadrant as a reference in creating alternative strategies.

The first analysis uses Porter's five forces, namely, suppliers, customers, competitors, new arrivals and substitute products. Table 1 groups external environmental conditions according to the framework of Porter's five forces. The 'Impact on Industry' column briefly explains the influence of external conditions on a company and classifies them as either opportunity or threat. The results of determining the condition are included in the 'Opportunity/Threat' column.

Table 1. External Environmental Description of a Company

No	Porter's five forces	Field facts	Effect on the industry	Opportunity/Threat
1	Supplier	Supply of raw materials	Has one source of raw materials, a threat to high product costs	Threat
		Good relationships with stakeholders	Relationships that are well-established with stakeholders are required for continuity of business activities.	Opportunity
2	Customers	Customers Customer loyalty	Customer loyalty is a significant opportunity to contend with competitors.	Opportunity
3	Competitor	Tight competition	Threats to development	Threat
		Business location environment	Business location environment influences consumer access to repeated orders, a significant opportunity for the sustainability of opportunities	Opportunity
		Country's economy	Threats of falling customers	Threat
4	New entrants	Good market growth	The rapid growth of the beauty industry market has become an opportunity for	Opportunity

			business people in the field of beauty clinics.	
		Product licensing policy	The absence of product licensing raises doubts for consumers.	Threat
5	Product substitution	Issues in the content of hazardous substances	Issues in the content of hazardous substances reduce customer interest.	Threat
		Technological sophistication	Great opportunity to compete with large competitors.	Opportunity

Source: Research results

Table 2 Description of a Company's Internal Environment

No	Field Facts	Strength/Weakness
1	Very strategic business location	Strength
2	Competitive prices	Strength
3	Has special and quality human resources	Strength
4	Has work culture with a family power system	Strength
5	Has several branches	Strength
1	Limitations of marketing	Weaknesses
2	Limitations of raw materials	Weaknesses
3	Facilities and infrastructure	Weaknesses
4	Does not yet have an optimal workforce	Weaknesses
5	Beauty specialists are few	Weaknesses

Source: Research results

After identifying the results of the internal and external environmental analyses, the next step is to perform an analysis using the IFAS and EFAS matrices, as listed in Table 2.

Table 3. IFAS–EFAS Analysis Matrix

No.	Strengths	Weight	Weaknesses	Weight
1	Very strategic business location	0.6	Marketing limitations	0.1
2	Competitive prices	0.75	Limitations of raw materials	0.195
3	Has special and quality human resources	0.195	Facilities and infrastructure	0.18
4	Has work culture with a family system	0.1	Not yet having an optimal workforce	0.165
5	Has several branches	0.36	Beauty specialists are few	0.11
	Total Strengths	2.01	Total Weaknesses	0.75
	Opportunities		Threats	
1	Good market growth	1.32	Competition is tight	0.11
2	Customer loyalty	0.44	Raw material supply	0.18
3	Technological sophistication	0.36	Country's economy	0.05
4	Business location environment	0.22	Issue of hazardous substances	0.015
5	Good relationships with stakeholders	0.105	Product licensing policies	0.14
	Total Opportunities	2.45	Total Threats	0.495
	Total Strengths and Opportunities	4.45	Total Weaknesses and Threats	1.245

Source: Research results

Based on the IFAS–EFAS matrix, the following result is observed: Strengths + Opportunities (4.45) > Weaknesses + Threats (1.245).

Strengths are strong internal factors, and opportunities are environmental factors that support the creation of excellence. Strengths and opportunities are positive for the company. Thus, their total Strengths and Opportunities (S–O) values are positive. Weaknesses are unfavourable internal factors, and threats are environmental factors that do not support the company, thereby even becoming a threat that drops. Thus, their total Weaknesses and Threats (W–T) values are negative. The final value indicated by the SWOT matrix is presented as follows: S–O is 4.45, whereas W–T is –1.245; these values are plotted to determine the position of the clinic on the SWOT quadrant.

The results of the internal and external factor analyses using the IFAS and EFAS matrices are reflected in the SWOT quadrant diagram. The SWOT results show that the strategic position is located in quadrant II, that is, the position of W–O has an X-axis value of –1.245 and Y-axis value of 4.45. The position of W–O in Quadrant II is a strategy produced through efforts to exploit opportunities by overcoming existing weaknesses. The quadrant is illustrated in Figure 1.

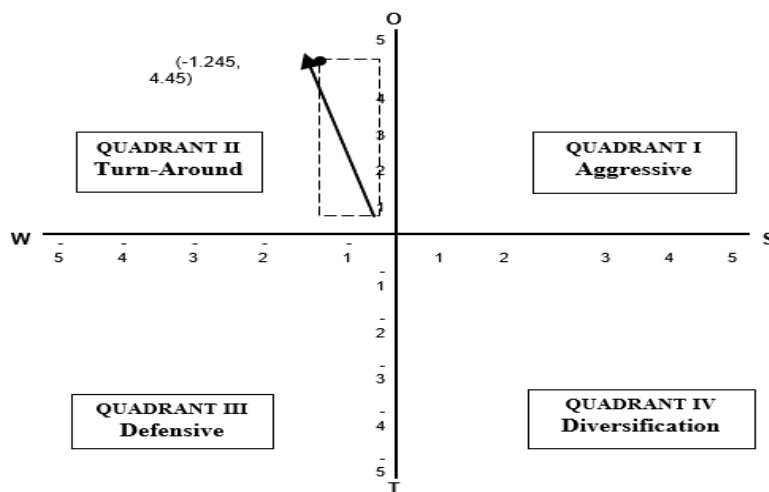


Figure. 1 SWOT Analysis Diagram

Figure 1 demonstrates that turn-around strategies must be applied to develop a business strategy. Despite a huge market opportunity, this clinic faces several internal obstacles or problems. The strategy focus is to minimise internal problems to win improved market opportunities.

This clinic is located in industries with rapidly growing markets. Intensive or aggressive strategies are typically the first choices considered. However, if the clinic does not have unique competencies or competitive advantages, then balancing its internal capabilities with existing market opportunities becomes difficult.

To overcome this problem, the clinic must use several alternative strategies based on the results of the SWOT quadrant analysis which provides a turn-around strategy. The strategy is to solve internal problems and create a superior development strategy.

According to Robins (2012), selecting a strategy rests on realising favourable services to consumers by distinguishing the company from its competitors and establishing cost leadership.

According to the opinion of Banister (2006), the appropriate strategy that must be implemented is a turn-around strategy to strengthen a company's unique basic competencies. Banister (2006) states that companies in Quadrant II must seriously evaluate their current approach to the market. Although their company is growing, they cannot afford to compete effectively. They must determine the reason for a company's ineffective approach and the optimal method that a company can adopt to improve its competitiveness. Given the rapid growth of companies in Quadrant II industries, possible strategies include market development, market penetration, product development and horizontal diversification.

The results of the SWOT matrix analysis produce several alternative strategies for the clinic. Firstly, promotion activities in market development and penetration efforts must be increased, and product quality must be improved to develop loyal customers and repeat orders. Secondly, suppliers that offer great benefits for both parties must be selected. Thirdly, services and facilities must be created or added for horizontal diversification efforts. Fourthly, new employees must be trained, and standards for employee expertise must be set to compete based on HR aspects. Fifthly, professional beauty specialists must be recruited. Sixthly, a network of raw material suppliers must be added, and products must be developed by utilising technology to satisfy market demands.

The alternative strategy is designed to facilitate the clinic's growth. If the clinic applies a strategy based on these suggestions, then it can create a competitive advantage and a long-term strategy to sustain it.

5. CONCLUSION

Based on the results of the research and discussion, the following conclusions are drawn. Firstly, the clinic can harness its strengths in the following areas: very strategic business location, competitive prices, specialised and quality human resources, work culture with family systems and many branches. Secondly, it must address its weaknesses in the following aspects: marketing limitations, raw materials, facilities and infrastructure, optimal workforce and expert beauty specialists who have not provided much support.

Thirdly, the clinic can explore numerous opportunities, including good market growth, customer loyalty, technological sophistication, business location environment and satisfactory relationships with stakeholders. Fourthly, the threats include increasingly fierce competition, supply of raw materials, country's economic situation, issue of the content of hazardous substances and product licensing policies.

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