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Study Title: The Analysis Of Coopetition Strategy Of Joint Venture Zocha In Garut Indonesia Using Value Net

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ABSTRACT

This study aims to map the value net of Zocha and provides the coopetition strategy design using PARTS so that it can create a new value co-creation. The type of the research is qualitative method involving SMEs in Garut city in the time period of September to December 2014. The used data collection techniques are interviews to five player (sample) who has criteria as informants about Zocha business processes which using purposive sampling as sampling technique. From the analysis, it was found that in implementing a new value co-creation, the elements which experience a change in PARTS are Player, Added Value, Tactics and Scope while Rules remains the same with the existing condition of value co-creation. This research gives implications in improving Zocha’s role as the value co-creator in Garut city as well as a reference in combining the potential SMEs in order to create a greater business value in the form of collaboration, both for Garut city and other cities.

Keywords: Coopetition, KUB Zocha, SMEs, PARTS, Value Co-creation, Value Net

1. Introduction

Creative industry in Indonesia has a significant progress so that it becomes one of the biggest foreign suppliers for national economy. In Indonesia, this industry is quite desirable for many economic actors to start their prospect, of course, with a quite promising market either in domestic or abroad. The creative industry consists of 14 sub-sectors: advertising, architecture, arts and antiques market, craft, design, fashion, video, film and photography, interactive games, music, theatre, publishing and printing, computer and software services, television and radio, as well as research and development. Nowadays, the craft product is one of featured products which can be also said as an excellent product in the creative industry for SMEs in many regions [1].

One of SMEs which produce various handicrafts made of vetiver located in Garut city is Zocha Graha Kriya Joint Business Group (JBG) [2]. Franz Limiart as a founder of Zocha JBG has a future goal to introduce Garut city to national and international sphere. It is proved by his commitment not to open the store branches in other cities with an expectation that people will come to Garut city so it can raise the potency of the craft, culinary and tourism in Garut. This goal can be realised by conducting a systematic
effort, one of them is by optimizing the value co-creation which means to create a value of the business product jointly between two or more companies.

According to Alamanda (2011) in her scientific publication “Value Craft: A Co-creation as a factor of success in Zochas Vetiver Root Industry”, Zocha JBG today has implemented a value co-creation but it only involves its plasmas [3]. Meanwhile, the value co-creation has a greater business opportunity by making other SMEs like Batik Garutan, Chocodot, Leather Jacket, and the local potential SME to participate by which Zocha JBG as the initiator. SMEs that had been moving on their own can work together with Zocha as Value Co-Creator / container creation of cooperation that produce products that create business value that emphasizes collaboration between the parties, including consumer involvement [4]. With the value co-creation, the involvement of Zocha JBG including its plasmas and other SMEs will be greater so that it is necessary to have a strategy to analyse the existing business environment. There is a strategy which can be used to analyse it such as Business Model Canvas, THE DART model, etc. However, to optimise the value co-creation, the mapping of needed business environment does not only emphasize on the competition, but also on the cooperation. One of dynamic strategies which combine both competition and cooperation is a coopetiation strategy.

The coopetition strategy is a part of game theory where this theory is an approach which illustrates the business environment game involving two or more companies. This game theory helps to model, to analyse, and to understand the behaviour of the involved actors in the business [5]. The application of the game theory is capable in changing the business strategy field, one of them is the coopetition strategy, by which the company is demanded to be able to compete and cooperate in creating and obtaining the value [6].

In an international business, the concept of coopetition has been inevitably implemented in many cases of company. The examples are the case study of aspartame for Coke and Pepsi by NutraSweet and Hollan Sweetener company in 1980s, the case study of Harnsrfeger Industries and Krance for portal crane machines in 1987, the case study of McCaw and LIN Broadcasting Corporation for mobile phone business license in 1988, and the case study of coal distribution in Florida between CSX and Norfolk Southern in the early 1990s. It shows that the concept of coopetition can be implemented to analyse the competition and the game of industry business.

In Indonesia, one example of the coopetition concept application is in a banking industry. As an illustration, the customers of Bank Mandiri exactly understand that they can do a transaction through Automated Teller Machine (ATM) owned by Bank Mandiri, as well as ATMs owned by BRI, BNI, and other banks. Likewise, the customers of other banks who can use Bank Mandiri, BNI, BRI, and other banks ATM facility which are associated in a partnership cooperation [7]. The application of coopetition strategy in Indonesia is still low whereas there are still many industry sectors which have potency to be developed.

By seeing the future goal of Zocha owner who wants to introduce Garut city through the value co-creation effort, the involvement of Zocha JBG with some parties will be greater later and the application of coopetition concept in Indonesia is still minimum. Zocha JBG wants an analysis about the coopetition among similar industries which engage in the creative handicraft field.

The coopetition is a part of business game described through an instrument called value net which is developed by Adam M. Brandenburger and Barru J Nalebuff. The
value net is an instrument used to map the influential main group in the business environment so that the company can find out who are the customer, supplier, complement, and competitor. To evaluate the mapping result through value net, the writer uses PARTS analysis as the evaluation tool to detect the player who is involved in the coopetition environment, the added value which is owned by the player, rules which is applicable in the game, tactics which is used to run the game and scope of business game.

2. Literary Review
2.1.1 Game Theory

Game theory is one of important instruments to understand modern business in the world. The first game theory is launched by John Von Neumann and the economics expert Oskar Morgenstern through his book titled Theory of Games and Economic Behaviour in 1944 (Brandernburger and nalebuff, 1997:20).

The game theory is a technique used to analyse a situation where two or more individuals (or institutions) as in result of an action where one of them does not only depend on the certain actions taken by him/herself but also on the actions taken by other people. In this situation, the plan or strategy of related individual will depend on the expectation of what people do [8].

The game theory raises the strategical decision making by giving the valuable understanding about the interaction between some agents of personal interest. Hence, the game theory is inevitably used in the business and economy (Erhun dan Keskinocak, 2003:5). The game theory has advantages based on its characteristics (Brandenburger dan Nalebuff, 1997:21);

1. The game theory focuses directly on the most urgent problem: finding the right strategy and making the right decision.
2. The game theory is very effective if there are many factors which are dependent and there is no decision separately made from many decisions.
3. The game theory is an important instrument to be introduced to people in the organization.
4. The game theory is a definition which can be developed and utilised.

Muggy and Stamm (2013) defined the game theory as a powerful instrument for modelling the independent interaction of decision-making, including the stakeholders in a chain system of humanitarian supply. A branch of old mathematics is used in the economics and politics for human interaction model, the game theory has been also implemented in a commercial supply chain to maximize the value (Ketchen and hult, 2007), to optimise the cooperation (Cahcon and Zipkin, 1999), and for the form of marketing strategy (Huang and Li, 2001). The model game theory of decentralised decision-making as a player in the game, each player makes decision based on the structure of the game and the goal [9]

The development of game theory is explained by Fang, Hipel, and Kilgour (1993). Furthermore, Bradenburger and Nalebuff (1997) introduces the game theory which leads
to the model of cooperative game theory by popularising the term coopetition and developing a new mindset in the form of game theory as the instrument to combine the competition and cooperation, which refers to the meaning of coopetition. The coopetition has been developed in some case studies of Siregar (2006), Rusko (2008), Alamanda et al. (2011, 2012), Lacoste (2013).

2.1.2 Coopetition

Coopetition means cooperation and competition. Coopetition is a strategy of modern company which combines the competition and cooperation where two or more organization competes and cooperate to create the value as well as to compete in obtaining greater value (Brandeburger dan Nalebuff, 1997:18). Padula and Dagnino (2007) in Rusko (2008) introduce the idea of coopetition as a synthesis of two paradigms: “Disruption of Competition in the Cooperation Game Structure” which claims that the coopetition gives more realistic view of the unfolding relationship of cooperation [10].

Coopetition is a business strategy based on the combination of cooperation and competition, which comes from the understanding that business competitors can gain advantages and create values when they cooperate. The coopetition business model is based on the game theory, which refers to a scientific approach (developed during the World War II) to understand some strategies and results through the game which is specially arranged [11].

Lado, Boyd and Hanlon (1997) in Yami et al (2010:44) explained that coopetition as a relationship between two companies based on the cooperation to develop a new product and create a value and then also based on the competition to get the part of the market and redistribute the value that has been created [12].

Bradenburger dan Nalebuff (1997) described the coopetition as a part of business game related to the creation and empowerment of the value. Schematically, the entire scenario of business game is described in an instrument called value net.

2.1.3 Value Net

Value Net is a development of value chain model (Porter, 1985). The fact is that the value chain as the model of value creation is too rigid and random, and it cannot respond the change that encourages the creation of flexible value net. Value net is a dynamic and flexible net where the actors (players) create a value through collaboration. The value net is developed to facilitate the analysis, description, and study about the system of value creation, and it takes activities of company as the key element from strategical analysis (Parolini, 1999). A company is considered as a complex node in a complex web of independent values where the success comes from the collaboration and creation of business environment where each actor (player) can be successful [13].

Value net is a schematic map which is designed to represent all players in an interrelated game. The interaction or relationship happens vertically and horizontally. The relationship between the customer – company – suppliers happens along the vertical dimension. Meanwhile, the horizontal dimension involves the competitor – company – complement (Brandenburger and Nalebuff, 1997:34).
In business, focusing only one side of the business and forgetting the rest often happens. Thus, the value net is designed to handle this tendency. There is a basic framework of value net (Brandenburger and Nalebuff, 1997) as illustrated in the diagram below:

![Value Net Diagram]

**Picture 2.1**

**Value Net**

Source: Brandenburger & Nalebuff (1997:35)

In the framework of value net, there are some perspectives which are necessary to be concerned. However, in its process, the spread of value net often only sees from one perspective: putting the self in the middle and then seeing around the customer, supplier, competitor, and complement. Whereas, in fact, there are still customers from customers, suppliers from suppliers, competitors from competitors, and complements from complements. The players in this case indirectly play many roles which make the game much more complicated. Occasionally, someone only plays one role and he is not aware of other roles which are probably played. The value net can be used to overcome that complexity (Brandenburger & Nalebuff, 1997).

There are steps in using value net as following:
1. Value net describes some roles of the players. There is a possibility where the same players position more than one role simultaneously. The mapping of value net is the first step towards the change of the game.
2. Identifying all elements of the game (PARTS model): Player, Added Value, Rules, Tactics, and Scope. [14]

### 2.1.4 PARTS

According to Brandenburger and Nalebuff (1997:100) PARTS are the elements which can be used to change the business game. The elements of the game:
1. Player
   The players or parties who are involved in the business game consist of customer, supplier, competitor, and complement.
2. Added Value
   Added value owned by the player in the game of added value determines who has the
   strength in a game and who will get the greater value.

3. Rules
   The applicable rules in the game determine the structure of how the game is played. In
   business, there are no set of universal rules. The rules can be derived from the habit,
   contract or constitution.

4. Tactics
   The instrument which is used to influence or change the perception of the player in a
   game is strongly influenced by different ways of thinking from people.

5. Scope
   Scope of business is the limitation which is implicitly made by the player over the
   game when the player defines the game. Based on the limitation of other parties, the
   company can take benefits to increase the competitive advantage and change the
   game.

   To change a game, it is necessary to change one or some elements where those five
   elements can give a new way to change the game into a totally new game.

3. Research Methodology

   This research uses qualitative research method with a case study intensively conducted
   in details against a case. This case can be a phenomenon, environment, and certain
   situation which enable to discover and understand something [15]. This research uses
   value net to map the business environment of Zocha which is evaluated by using PARTS
   in order to generate the coopetition strategy recommendation in creating the new value
   co-creation. In the data validation process, this research uses the technique of data
   triangulation.

4. Results and Discussion

   The research result is the value net mapping of business environment of Zocha which
   is outlined in the existing value net and new value net. The last part of this research will
   give some recommendations of coopetition strategy which is the change of new value net
   evaluated and analysed by using PARTS which aims to create a new value co-creation.
4.1 Zocha Existing Value Net

Based on the picture of Zocha strategy today which is explained in the Existing value Net above, it is known that the customers of Zocha are the middle-upper class who consist of the governmental institution and private sector. The governmental institutions are soldier, police, and attorney who use Zocha product as merchandises when they held office events or they give to their business partner. The private sectors are hotel, restaurant, and salon which use Zocha product as fixtures for interior design of spa room such as the soap dishes and room decoration made of vetiver, price list book and service with vetiver decoration, as well as the tourists who use Zocha product as souvenirs when they visit Garut city.

The products produced by Zocha are from the business group which consists of eight groups: the vetiver farmer group, the weaving group, the sewing group, the embroidery group, the shell craftsmen group, the bamboo craftsmen group, the butterfly ornament made of duck leather craftsmen group, and the box craftsmen group. These business groups which are in the value net act as the supplier producing the semi-finished goods and submitting them to Zocha.
Further, the semi-finished goods which are produced by the supplier are refined by using the complementary goods from the yarn mill and imitated steel as the complement with various creativities to add the value of the product before they were offered to the customers.

Whereas, for competitors, in the beginning, Zocha itself admitted that there is no business competitor which focuses on the development of vetiver craftsmen in Garut city so far. However, based on the writer’s analysis, Zocha has some competitors such as Chocodot, Batik Garutan, Leather Jacket, and the Wangi pulus SME since they are the icon of Garut city which can become the souvenirs or merchandise for the customers, especially for the tourists who visit Garut.

4.2 The Difference between Zocha Existing Value Co-Creation and Zocha New Value Co-Creation

<table>
<thead>
<tr>
<th>PARTS</th>
<th>New Value Co-creation</th>
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<tbody>
<tr>
<td>Player</td>
<td>To implement the new value co-creation, the change of player can be seen in picture 4.3 which is new value net. In this picture, it can be seen that that the implementation of value co-creation requires the collaboration and synergy among the players in the future by which the players in the value net have one, two, or more different roles.</td>
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<tr>
<td>Added Value</td>
<td>To implement the new value co-creation, through the collaboration and synergy of SME, the added value of Zocha can be greater and higher in the eyes of the customers. It is because Zocha can create products with the collaboration of various raw materials or complementary materials such as the touch of Batik Garutan and leather so that the choice of innovation which is offered to the customers can vary. It is the matter of how Zocha can utilise the creativity as the basic added value which is owned to give the satisfaction for the customers.</td>
</tr>
<tr>
<td>Rules</td>
<td>Rules are one of elements which also have an important role to control the business process. However, to implement the new value co-creation by Zocha, there are no new rules which should be made or issued. It is the matter of how Zocha maintain the rules which have been made along with the suppliers in order to run the business well. This thing is important to be concerned since if it is principally seen from the value net, the customers and suppliers have a simetric relationship which means that both of them have the same role. Cooperating with the suppliers is as important as listening to the desire of the customers. Therefore, it is important to have a good relationship with the suppliers through the creation of rules which give the mutual benefit as well as to the customers.</td>
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<tr>
<td>Tactics</td>
<td>To implement the new value co-creation, Zocha should still run the tactics which are used in the existing value co-creation and add the media to expand the access, for example, to maximize the internet in expanding the range of the market. Besides, it can be interactive media which connects Zocha to the customers in order to be flexible in communicating each other.</td>
</tr>
<tr>
<td>Scope</td>
<td>To implement the new value co-creation, the scope of Zocha business will be greater later. It is because the collaboration between Zocha, Batik Garutan, Leather Jacket, and Chocodot do not only rely on the vetiver material which</td>
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is created in such a way but also it enables the creation of a new product which possibly uses Batik Garutan, Leather Jacket, and Chocodot as the materials and the vetiver as the complement, or vice versa.

5. Conclusion and Suggestion

5.1 Conclusion

1. The value net of Zocha JBG which is now called as the existing value net is mapped into four main parts: 1) Zocha customers who are in the middle-upper class consisting of the governmental institution, private sector, and tourists, 2) Zocha complement which consists of the yarn mill and the imitated steel, 3) Zocha suppliers which consist of eight business partner groups, 4) Zocha competitors which consist of Batik Garutan, Leather Jacket, Chocodot, and Pulus Wangi SME.

2. The new value net is mapped into four main parts: 1) Zocha customers who are in the middle-upper class consisting of the governmental institution, private sector, tourists, Batik Garutan and souvenir shops. 2) Zocha complement which consists of Batik Garutan, Leather Jacket, Chocodot, and others, 3) Zocha suppliers which consist of plasma assisted by Zocha, Batik Garutan, Leather Jacket, Chocodot, Pulus Wangi SME and others, 4) Zocha competitors which consist of vetiver crafts SME outside Garut city either in domestic or abroad.

The PARTS elements which change are Player, Added Value, Tactics, and Scope. Player, in this case, experiences the change with the collaboration that had only one role in the value net and it can play two or more different roles now. Added Value, in this case, becomes greater since Zocha can create products with the collaboration of the source and more various innovations with the potential SME of Garut. Tactics, in this case, experiences the change by adding the media to expand the access, and Scope, in this case, also experiences the change by becoming greater since the products are not only derived from the vetiver but also from various sources of materials which are created in such a way to create an innovative product.

5.2 Suggestion

It is expected that Garut people become the product endoser brand, produce new collaborative products among the potential SMEs, probe to SMEs to expand the scope of the business, prepare the minimum human resource by creating a training to the boarding school or to the people who have strong will, utilise the information technology like internet especially social media and sites as well as Instagram to expand the access to the customers and also to other partners, maintain and increase the element rules with the suppliers so that cannot hamper the production process.
Bibliography


