

Business Strategy Recommendation for Bank Pulsa Indonesia (BPI)

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Abstract:

The fastest growth of business or industry in the world is technology; because the uses of technology makes people live become more effective and efficient. The technology based industry almost scope every sector of business include financial sector, One of the financial activities that effected by the development of the technology is the payment instruments. by the fast growth of technology and the use of Smartphone comes up the next generation of the payment instrument which is cardless (without physical card) and no more need ATM machine where people can do their financial transaction through their mobile phone and it is called Digital Money or it most popular in society with the name E-wallet; in a simple understanding it is mean digitalize the money.

The Digital Money is expected to replace cash because the use of this new instrument much more effective, efficient and save. In Indonesia Digital financial service or digital payment technology becomes one of the concentrations to be explored by many business institutions in the last years such as Banks and telecommunication providers in order to provide the easiest way to access or to use the daily financial needs of people trough their Smartphone, it could be website-based (internet banking) or mobile apps (mobile banking, Rekening poncel, T-Cash, etc). By the very huge and fresh market that can be explored from the digital financial services the players or the actors of this business sector is not only the big business institution but also the Startups. More over the government highly support to increase the use of digital money not only for medium and high level of society but also the lower class of society and SME's, the concrete support to trigger the development of digital money the government through Central Bank of Indonesia simplify the licensing for digital money provider, That is way there are many startups that focusing on developing and providing the digital money in Indonesia, one of them is Bank Pulsa Indonesia.

Bank Pulsa Indonesia (BPI) as a new comers choose Larangan Tangerang as their initial target market to launch the services, because the structure of demography and economy of Larangan Tangerang is suitable with strategy of BPI which is serving lower class of society and SME's. As new comers Bank Pulsa Indonesia (BPI) face some challenges, the services that BPI offer to the market are new things for them and BPI need to educate the market that the services of BPI is solution for their daily financial transaction. So that BPI should have strategy in order to be received in the market. Research in this Journal is set base on unclear business strategy of BPI. Shareholders is not pay attention about business strategy as a new player at the Financial Technology market. BPI needs to make new marketing strategy effectively by assessing the external and internal environmental situation, the current strategy, the current 7Ps of marketing mix, and considering for direct competition. The result would to achieve is the effective and focused recommendation business strategy at the end of

this Journal. This research analyze the external factor of digital financial industry and internal factor of Bank Pulsa Indonesia as a start up in digital financial industry using SWOT analysis. The objective of this research is to provide business strategy recommendation for Bank Pulsa Indonesia along with implementation plan for short term and long term period.

Keywords: *Business Strategy, Digital Money, Financial Technology, SWOT Analysis.*

Introduction

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As new comers Bank Pulsa Indonesia (BPI) face some challenges, the services that BPI offer to the market are new things for them and BPI need to educate the market that the services of BPI is solution for their daily financial transaction. So that BPI should have strategy in order to be received in the market.

Business Issue Exploration

External Environment Analysis

- **PESTLE Analysis**

- Political Factors

In 2014, Indonesia has new government for the next 5 years which is lead by President Joko Widodo. Indonesia facing the new era of economy, where the economy influenced by the development of technology, internet and smartphone, known as digital economy. The new

government launches the economic program called Economic democracy, known as *ekonomi kerakyatan*. To support the government program Bank Indonesia launch “Synergies Upstream Downstream Digital-Based Economic Democracy”. One of the programs of Synergies Upstream Downstream Digital-Based Economic Democracy is the digitalization of financial transaction, the government through Bank Indonesia supports the financial technology including payment or digital financial services in order to reduce the use of cash and make the financial transaction become easier, effective and efficient. In the target market of BPI Larangan Tangerang, The political condition is stable. Head of Tangerang is a mayor and vice mayor directly elected by the citizen of Tangerang in the elections every five years, Mayor and Deputy Mayor of Tangerang right now is Arief Rachadiono Wismansyah and Sachrudin coming from Democratic party after being elected by the people in 2013.

- Economic Factors

The technologies continuously grow, together with the development of internet access and spread of smart phone in society which is very fast. This is sparking the digital business, specifically in e-commerce. Indonesia now facing the new era of economy called digital economy, digital economy was define by *Krzysztof Zieliński* as “the virtual arena in which business actually is conducted, value is created and exchanged, transactions occur, and one-to-one relationship mature by using any internet initiative as medium of exchange” (Zieliński, -). One of the characteristic of digital economy is the significant growth of e-commerce in every sector include financial sector which is known as Fintech, stand for Financial technology. The financial technology such as digital payment, mobile payment, electronic money, e-banking etc, is needed to support the development of digital economy. Economic condition in Larangan Tangerang is diverse, largely dominated by SME’s such as shops, stalls, textile, traditional market, etc. in recent years because of urban expansion of Jakarta, many people work in Jakarta and Tangerang become the destination of urbanization to stay for workers or to set up business.

- Social Factors

Indonesian society today is more advanced, according to survey that conducted by Pusat Kajian Komunikasi (PUSKAKOM) UI and APJII the internet users of Indonesian reach 88,1 Million if it compared with Indonesia population 252,4Million, it shows that the penetration of Internet users in Indonesia reach 34.9%. 85% of internet users access the internet through their mobile phone, followed by laptop 32%, PC 14% and tablet 13% (responded able to choose more than 1 tool) (www.slideshare.net, 2015). According to the result of the survey, can be concluded that digital business include financial sector is promising and going to grow well in Indonesia. It is proven by the demand of electronic money (e-money) which is increase every year.

- Technological Factors

Technology of Financial services nowadays is very advance. The change of its technology is so fast. Every big Information Technology Company at the world is compete every day to support and provide a technology for Financial Services. However the technology is also quite expensive. It will be special challenge especially for small medium entrepreneur or start up company with limited capital and limited access of capital source.

- Legal Factors

Bank Indonesia (BI) have publish two code of conduct from PBI No. 16/8/PBI/2014 on amendments of PBI No. 11 /11/PBI/2009 regarding electronic money. The two code of conduct are Surat Edaran (SE) BI No. 16/11/DKSP regarding the provider of electronic money and Surat Edaran (SE) BI No. 16/12/DPAU regarding provider of digital financial service (LKD) in order to support financial inclusive through Individual LDK agent. Based on

the regulation of BI No. 11/12/PBI/2009 regarding electronic money, electronic money is payment instrument which is at least Issued on the basis of the money value which is paid in advance by the holder to the issuer. Base on the regulation, the providers of digital money could be bank institution or non-bank institution. Bank that will act as provider is required to obtain a license from Bank Indonesia, while for Non-bank institution who will act as provider is required to obtain a license from Bank Indonesia.

- Environmental Factors

Digital money or electronic money gives some benefits during transaction, this financial model is effective and efficient because people don't need bank account to make transaction, and even they don't need ATM machine. All the transaction only uses smartphone or basic phone. That is why the penetration of digital money is higher than previous financial instrument such as online banking or credit card. Remember the growth of this industry is high there are some startup that providing the digital money such as Doku, iPaymu, Veritrans, Mimopay, Coda payment etc.

• **Porter's Five Forces Analysis**

- The Intensity of Competitive Rivalry (HIGH)

In Indonesia there are some big players of digital money provider, the big players mostly come from Bank Institution such as Bank Mandiri with E-cash, BRI with T-Bank or even LKD from Bank Indonesia and the other big players mostly come from telecommunication industry such as T-cash from Telkomsel. The other players of digital money is startups such as Doku, iPaymu, Veritrans, Mimopay, Coda payment etc. With this condition the rivalry among existing provider is relatively high.

- The Bargaining Power of Buyers (HIGH)

The bargaining power of buyer is relatively high; basically the buyer could choose any instrument of payment or financial transaction that they want to use, and there is no such kind of bond with the customer. They can easily choose others instrument such as using ATM machine, go to outlet, bank etc.

- The Bargaining Power of Suppliers (HIGH)

In fact only few of the features of digital money needs supplier; the rest is no need supplier because it's financial service where the company manages the money which is deposited in advance. One of the features that needs supplier is top up of credit phone and in this case the supplier are the telecommunication provider, that most of them already has their own channel of distribution. That is why the bargaining power of supplier is high.

- The Threat of New Entrants (LOW to MID)

Threat of new entrants is relatively low to medium level. To establish the new digital money provider in Indonesia, a company needs to establish their system first which is consist of software and hardware, if a company want to buy both are available in the market and if a company want to establish by their own they can hire the expertise. The new comers do not need to get license from government before the float-fund reach the certain value (Rp 1.000.000.000).

- The Threat of Substitute Products (HIGH)

Digital money is actually the new way of doing financial transaction, the other way is many, and people are faced with many choices that they can use in daily financial transaction, it can be cash or non cash such as debit and credit card. With this condition threat of substitute is high

The diagram below shows a summary of the Porter's Five Forces model analysis for BPI:

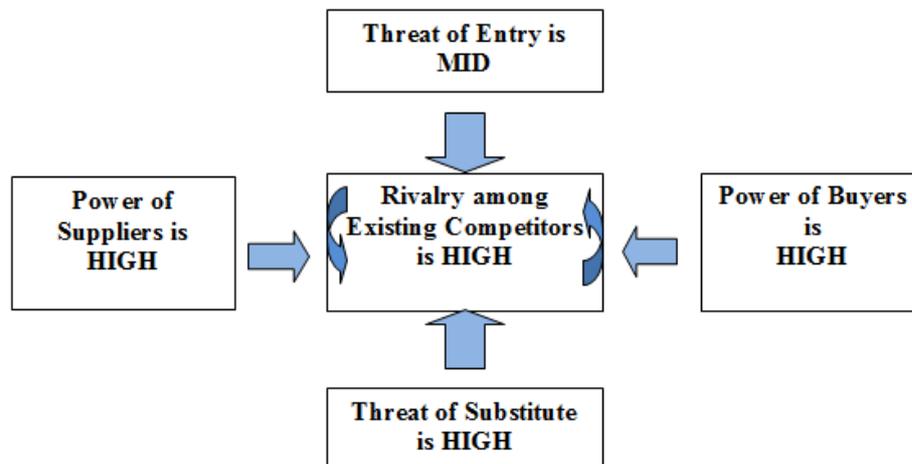


Figure 1:
Porter's Five Forces Analysis of BPI

Competitive Analysis

Generally, in Indonesia there are some competitors that serve the same service with BPI such as Doku, others are big players such as T-cash, rekening ponsel from CIMB Niaga bank, etc. However BPI choose lower class of society in Larangan Tangerang in their first entering market, most of this segment still using traditional way of doing transaction, only very few of people in the targeted market using digital money.

The Demographic structure of the market based on Central Bureau of Statistics Indonesia (BPS):

1. Number of Neighborhood Association (RT) : 399
2. Number of Citizen Association (RW) : 89
3. Number of Household: 43.780
4. Total Population: 176.229 (Male: 89.679 female: 86.679)
5. Number of productive age population: 128.390 (Male: 65.345 female: 63.045)
6. Number of trade facility: 3.113
7. Market with permanent building: 3
8. Store/shop: 2.946
9. Supermarket: 56
10. Restaurant: 102

However, we try to make comparison between BPI and one of our competitor which is iPaymu. The comparison could be seen as below:

Table 1:
Comparison between BPI and iPaymu

7P's	BPI	iPaymu
Product	Digital Money	Digital Money
Price	Low price	Normal price
Place	Larangan, Tangerang	Pancoran, DKI
Promotion	Smartphone android	Traffic website assistance
People	IT, customer care line, management	IT, customer care line, management
Process	Online and offline	Online
Physical evidence	Mobile apps	Website base

Internal Analysis

- Current Strategy Diamond Model of BPI

- Arenas

At the very beginning, BPI will active in the near area around Larangan Tangerang, the place is suitable with the strategy of BPI which is to serve the low class society and SME's.

- Vehicles

BPI needs cooperation with merchant in order to make the top up process of BPI balance is easy for user. Even though customer can top up their balance through ATM or mobile banking, BPI also needs Investment from capital venture for their marketing strategy such as promotion, discount etc.

- Differentiators

That makes BPI different is from the product and the way how they deliver it. BPI is different over their competitor because BPI use credit phone (PULSA) as tools to approach to the targeted market. Pulsa is the easiest way to make lower society aware of digital money because most of them need it. In the distribution channel and merchant BPI focus to approach SME's such as grocery store (toko kelontong). The Price of BPI also cheap because BPI over the distributor price to end customer.

- Staging

BPI going to expand their services city by city, start form Larangan Tangerang. In the long run, BPI aim to expand all over Indonesia in the level of lower society and SME's.

- Economic logic

BPI generates profit for every transaction that user made by using BPI application, the profit margin is very low but the frequent of transaction is high, so BPI generate the profit from the quantity of transaction.

- 7Ps Marketing Mix

- Product

Bank Pulsa Indonesia (BPI) product is digital financial services, the digital money that enable people to do their daily financial transaction through their mobile phone.

- Place

BPI application is available in the Google Play Store, everybody can easily access it, BPI focus to cooperate with SME's as their merchant. BPI office is in Larangan Tangerang.



Figure 2
Geography of Larangan Tangerang (BPI Target Market)

- Price

BPI is offering a Low price to their customer, because people directly buy from the distributor. So, BPI price is a distributor price, that makes people comfortable during their buying process with BPI.

- Promotion

BPI promotion program is not managed very well. There is not enough promotion program that offer by BPI. BPI additionally give android phone every month to the top transaction as their promotion program to the customer.

- Process

The process of delivering the services by BPI is by make sure that the transaction is save, stable and easy. BPI management with their limited try to make sure all the key factors is produce from internal good system.

- Physical Evidence

BPI business was categorized as service industry that the product is intangible. BPI is very concern with customer experience, so BPI management designed the interface of mobile apps is unqiue and friendly user. Below are the examples of interface that offering by BPI apps.

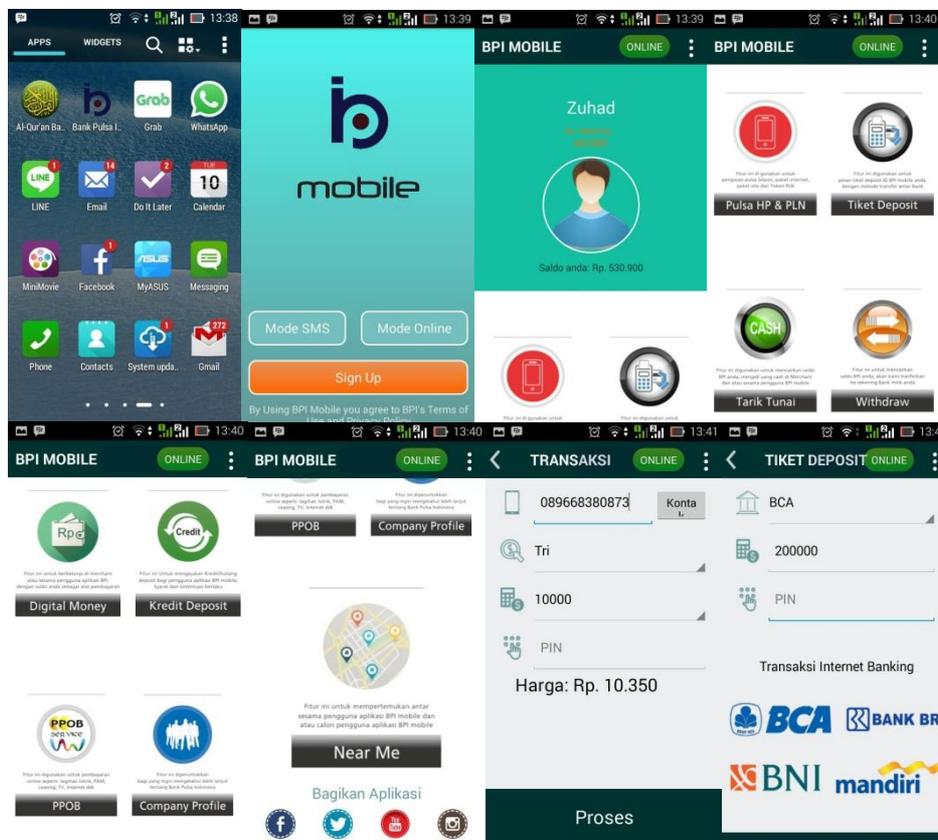


Figure 3
Interface of BPI mobile application

- People

BPI management and staff is so simple. Owner also act as staff since the size of business still small. BPI pay a lot of attention on maintenance the system, customer care line to serve the customer and merchant as distribution channel. Those part must be a concern to all people at BPI.

SWOT Analysis

Strengths

- BPI deliver fair price and tend to cheap compare with it competitor. However sometime this strength could not sustain for during the periode since the bargaining position with distributor still inferior.
- BPI has some features that makes them different over their competitors such as:
 - Customer can withdraw their balance anytime and anywhere from BPI to their bank account
 - BPI application enable users to make cash withdrawal between users
- BPI present at targeted market (Larangan Tangerang) previously, make BPI already has network which is Reseller that they can approach as their merchant in the beginning of market penetration stage.

Weaknesses

- BPI still lack of human resources in term of quantity and quality. If BPI want to expand and doing market penetration, for sure this thing would be a constrain for the management.
- BPI stocking management is still depend on few distributor that more and less have a impact on discount and promotion seasonal program. BPI is hard to maintain the program during the long periode.
- BPI has no enough budget for doing advertisement and marketing program. This make BPI is lacking on market education to the targeted marketed.
- BPI's brand is still not recognized and well known at the targeted market. This situation make BPI sales automatically will be impacted.
- BPI legal standing is still not incorporated. This situation make BPI have a barrier to grab fund sources or to grab institution for cooperation.

Opportunities

- Government assistances on Financial Technology business and start up company to compete at the market. The assistances could be eazy regulation for legal issue and also free training and development.
- Rapid growth on market that not every segment already fulfill by the entrepreneur. Market growth of internet of things also very attractive.
- Many national and international fund institution interest to invest in platform and e-commerce. However their interesting to fund a start company have a tight regulation that not everybody at the beginning could fulfill it.

Threats

- Thight regulation from Central Bank (Bank Indonesia) or Financial Service Authority (Otoritas Jasa Keuangan) about IT system/ paid up capital/ float fund, etc that until now is one of the biggest challenge for BPI.
- Threat also come from big players such ac provider/ international institution/ player that back up by huge private equity that also target on lower class society.
- Threats also come from technical issues such as network problem/ virus/ hacker, etc. This threat also very dangerous for the going concern of the BPI business.

Business Solution

Critical Problems

- **Human resources:** both on quality and quantity issues
- **Product:** still need many updating on features and benefit to be able accept by customers

- **Budgetting:** no definitive budget for advertisement and marketing program
- **Brand:** still need market education to make BPI's brand recognized by the market
- **Legal:** BPI must make formal legal such as Perseroan Terbatas
- **Technical:** BPI need think hard about how to overcome the issues such as: network trouble/ virus/ hacker/ etc.

Key Success Factors

Based on that situation and conditions, Bank Pulsa Indonesia (BPI) should reposition and revised itself against its competitors in its current and future markets to be able survive at the market. To achieve that, following are the key success factors of BPI:

- **Human resources:** BPI should fulfill their human resources needed as soon as possible to be empowering the team become more competitive.
- **Product:** BPI need to do more development on features that offering by its apps.
- **Budgetting:** BPI must make a budgeting every year that also allocated for marketing and advertisement program
- **Brand:** BPI start to educate the targeted market and introduce it brands more often
- **Technical:** BPI start to invest on capital expenditure for upgrade its features
- **Legal:** BPI must prove its legality and prefer increase it as Perseroan Terbatas (PT)

Company Generic Strategy Positioning

The right strategy for BPI to enter the targeted market is by using low cost leadership

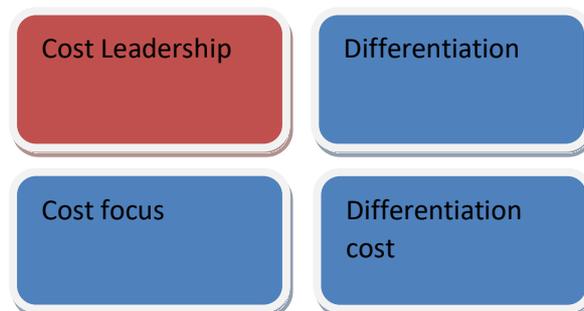


Figure 4:
BPI Generic Strategy

Using the Porter's three generic strategies that a firm can use to overcome the five forces and achieve competitive advantage, types of generic strategy that fit with BPI to win the competition is Cost Leadership. BPI can get the maximum margin if they can stock directly from authorized dealer of telecommunication provider.

New Business Strategy

From the strategic analysis that are described in previous chapter, the recommendation of new strategy for BPI using strategy diamond model is give in figure below:

Table 2
New Strategy Diamond Model of BPI

Arena	Other regional that have good structure of geography and demography More penetration in SME's and the type of SME's
Differentiator	Competitive price Broaden the features of payment High technology in lower class of society
Vehicles	Cooperation with other business such as leasing, credit company and public transportation Cooperation with minimarket Cooperation with e-commerce Sales person
Staging	Continuous improvement to increase quality Customer base expansion Licensing from Bank Indonesia
Economic Logic	Broaden features will increase the quantity of transaction that automatically increase the profit Cooperation with other business makes the spread of the mobile apps user growth fast

New 7Ps Mix Marketing for BPI

BPI need improvement on Promotion, People, Process, Physical Evidence. New 7P Mix Marketing for BPI are shown below:

Table 3:
7P Marketing Mix for BPI

Promotion	In order to build customer awareness BPI could implement promotion <ul style="list-style-type: none"> • Prize for the best merchant • Bonus balance for invite others using BPI • BPI Point for customer who doing transaction using BPI mobile apps, the point is collected and could be exchange by balance • BPI also need Advertisement to attract the awareness of customer such as: <ul style="list-style-type: none"> • Public transportation advertisement • Banner and sticker as identity for merchant and partners
People	BPI needs to increase their human resource for some sectors In the marketing sector BPI needs sales person for their first movement to get their merchant BPI needs to hire person for customer services and operator

Process	The core process of BPI is the top up by the user and stock process by the BPI, the line of the process are adjusted bellow: <ul style="list-style-type: none"> • Top up lines • Bank (ATM, sms banking, internet banking, teller) • Merchant • Minimarket (Partners) • BPI outlet/office • Stock line • Telecommunication providers
Physical Evidence	Beside the interface of the BPI Mobile Application, BPI needs their own office as headquarter for their operation.

Implementation Plan

Conclusion

After analyzing the external and internal environment of Bank Pulsa Indonesia, There are some conclusions that defined as the answer of research result. The critical problems at Bank Pulsa Indonesia are found in strategic diamond model, BPI need to develop the strategy for long term period. Some issues also find in 7Ps mix marketing in four aspects; promotion, people, process and physical evidence. In the business model canvas BPI need to adjust three aspects; customer relationship, channels and key resources. While in value chain there are two additional in the supporting activities; distribution channel and customer care line, and there are three aspects that need to be adjusted; sales and marketing, general administration, and human resources. That aspects are set as part of the key success factors for BPI as new comers in digital financial industry to enter and to be received in the targeted market. BPI also could implement cost leadership as their generic strategy in order to compete with existing competitors.

Recommendation

From the results of research in this research, the author recomends and suggest BPI to implementate following activities:

1. BPI should stock up from authorized dealer of telecommunication provider to get the lowest price
2. BPI should strengthen the human resources by recruiting right people into organization such as customer care line, operator, accountant and finance to strengthening their internal organization and business development to enriching their features in long term
3. BPI should hire sales and marketing person to educate the customer in Larangan Tangerang
4. BPI should focus to get distribution channel such as merchant and partners in order to make the system run
5. BPI should prepare long term strategy for expansion such as cooperation with other business and institution (credit company, licensing, bank, etc)
6. BPI should find investment to expand their services
7. BPI need to set an advertisement and promotion to increase customer awareness
8. BPI should have their own office and become corporation
9. BPI could implement cost leadership strategy to win the competition
10. BPI need to adjusted the process in the top up lines and stock lines

11. BPI should have customer program such as awards for best merchant, prize and community gathering to create customer bonding and sense of belonging
12. BPI should increase the channel of transaction, website based and basic transaction using basic phone
13. BPI need to expand their services start from neighborhood city, Jabotabek and finally expand nationally.

Implementation

Implementation plan consist of business strategic recommendation and timeline to achieve the marketing strategy that aligned to BPI business. Implementation plan divided into short term and long term programs.

- Short Term Program

There are several activities for this short term implementation process:

1. Revise stock process
2. Hire sales and marketing person
3. Start to gain merchant and partners in SME's such as grocery shop
4. Hire human resources for internal operation such as customer care line, operator, accountant, business development.
5. Finding investment from angle or venture capital
6. Set an office and become corporation
7. Make a various promotion such as awards for best merchant, bonus balance for invite others using BPI apps, point for customer.
8. Make an advertisement such as public transportation advertisement, banner and sticker for merchant

- Long Term Program

There are several activities for this long term implementation process:

1. Maintain cost leadership strategy
2. Increase channel of transaction; website base and basic transaction
3. Make a strategic cooperation with other business institution such as Bank, Credit Company, Leasing, etc.
4. Expand in Jabotabek
5. Expand nationally

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