

A Strategy Design for Logistics Company: J&T Express Case Analysis Using Blue Ocean Strategy

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Abstract

Logistics has become part of human lifestyle with providing important services to all sectors of human life and business, especially with current situation that affected by Covid-19 pandemic. Demand of logistic services grows at large number. The purpose of the following research is to understand how J&T Express as a new logistic company to survive. The study is analyzed utilizing the Blue Ocean Analysis approach specifically using ERRC Chart to understand J&T Express condition to expand its business to reach Blue Ocean market. The geographical condition in Indonesia is the biggest challenge faced by J&T Express, with current infrastructure J&T Express still needed to develop its infrastructure and improve its technology to improve service given to its customer and to add value to their services.

Keywords

Strategy, Logistics, Blue Ocean, Covid-19, ERRC Grid

1. Introduction

Logistics now provides important services to all sectors of human life and business. A good logistics firm is required in order for a firm to create a successful supply chain. Furthermore, businesses need trustworthy logistics services to increase their value and keep a positive impression on their customers. Based on worldwide economic data from 2008 to 2013, the logistic business continues to develop at a pace of 5-4 percent, with a potential market growth of up to 20%. Thus, global logistic capacity stood at \$4 trillion in 2004 and increased to \$7 trillion in 2013 (Akdoğan & Durak, 2016).

Furthermore, the recent Covid-19 pandemic has caused people all across the world to adapt to the new scenario, particularly in terms of online shopping habits. Consumers' attitudes about e-commerce and digital solutions have shifted as a result of the Covid-19 epidemic (*COVID-19 Has Changed Online Shopping Forever, Survey Shows* | UNCTAD, 2020). As an example of how large the increase in online shopping growth is, the global online shopping industry is estimated to reach \$4 trillion in 2020, and the market in the United States alone is estimated to reach 300 million online shoppers in 2023, accounting for 91 percent of the whole US population (Ouellette, 2021).

As the demand for logistics grew, logistics companies had to compete with one another to provide the demand. Due to the rise of competing logistics companies, it is critical to become a market leader. As a result, with the competition rise applying regular fast strategy might not result the demanded outcome. Hence, Blue Ocean strategy is introduced as a new way of strategic thinking to develop new market by create its own demand rather than

compete for the demand itself. This method offers way to create new market space to avoid competition. For J&T Express

1.1 Objectives

Objective of this research is to analyze and develop business strategy of J&T Express by applying Blue Ocean Strategy to develop competitive advantages for J&T Express

2. Literature Review

2.1 J&T Express Company Profile

J&T was founded five years ago on August 20, 2015, with Jet Lee as the CEO and Robin L. as the general manager, to serve in the logistics business. J&T Express is a market leader in the Indonesian logistics business. J&T receives the Top Brand Award as the finest courier service in Indonesia in 2020 and belongs to PT. Global Jet Express. [4].

In its first five years of existence, this newly founded firm has developed at a remarkable pace. J&T now has 100 gateways, 4000 operating points, and 30.000 skilled personnel. This amount excludes other drop locations in Southeast Asian nations such as Singapore, Malaysia, Vietnam, the Philippines, and Thailand, where J&T has roughly 7000 drop sites spread across the region. Since J&T Express exclusively provides package delivery services, dubbed EZ service, as their sole service, the J&T Transport operation procedure is outlined below.

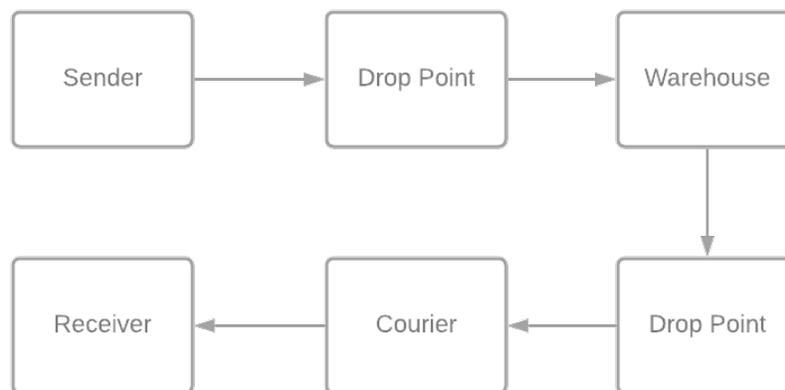


Figure 1. J&T Express Operating Flow

From the Figure 1 above shows the operating flow of J&T Express started when a box or parcel is dropped at a drop point, the flow of the package begins, and the package is dispatched to the nearest delivery site warehouse. After the package arrives in the target region, it is quickly routed through gateways and shorted according to the address point. The next step is to drop the parcel off at the designated drop-off location, after which it will be delivered to the receiver's address via courier.

Series of innovation in the product and services has been introduced by J&T Express to become the market leader in the logistic sector in Indonesia. Currently J&T Express offers 3 different services starting with EZ which is a regular package delivery services cover all Indonesia region with estimated arrival time of 1 – 3 days. Second is J&T Eco, which is the low cost service to ship package outside the java's island with estimated time of arrival ranging from 5 – 14 days. Third is the J&T Super, basically this is same day services covering Jakarta, Bogor, Depok, Tangerang and Bekasi (*Apa Perbedaan J&T Express, J&T Jemari, Dan J&T Economy?*, n.d.; *Services-J&T Express Indonesia*, n.d.).

2.1 Blue Ocean Strategy

Blue Ocean is a marketing theory approach utilized by businesses to create a new brand market by contemplating establishing a completely new demand in an uncontested marketplace and focusing on promoting new creative ideas because there are no competitors to fight with. Red Ocean Strategy, on the other hand, is described as a strategy in which businesses compete in current markets with a large number of rivals. The goal of being in the 'Blue Ocean' is to avoid playing in the 'Red Ocean.' As a result, companies must be able to think outside the box and begin a new value curve. According to the idea, there are four activities that a company should take to be in the Blue Ocean zones: Reduce the development and production costs and price, Eliminate unnecessary aspects that does not have impacts on customers, Create new offers that is new in the market and could get new attentions from the customers, Raise the aspects that have significant impacts on customers demand.

The theory of Renée Mauborgne and W. Chan Kim is described as follow in Table 1.

Table 1. Red VS Blue Ocean Strategy

Red Ocean Strategy Focus on Current Customers	Blue Ocean Strategy Focus on Noncustomers
Compete in existing market	Create uncontested markets to serve
Beat the competition	Make the competition irrelevant
Exploit existing demand	Create and capture new demand
Make the value-cost trade-off	Break the value-cost trade-off
Align the whole system of a firm's activities with its strategic choice of differentiation or low cost	Align the whole system of a firm's activities in pursuit of differentiation and low cost

3. Methods

The research started by examines and diagnose the occurred problem. Thus, qualitative literature review is conducted to serve as the research base and the backbone. Based on the collected findings, variables collected later discussed for developing further strategy and lastly conclusion is made based on analysis and answering the objective of the research,

4. Data Collection

This study employs a qualitative literature method based on diverse sources such as an annual report, news pieces, and web-based studies. Following that, the researcher finds a concern with the information system. Thus, the researcher utilizing Four Actions Framework from the Blue Ocean Strategy Canvas to do further analysis.

5. Results and Discussion

J&T Express which is a newborn logistic company in Indonesia remarkably can compete with the other competitor in the market. J&T position is in the middle of Red Ocean and Blue Ocean. This statement is supported with the fact that J&T is the first logistic company in Indonesia offer services for tracking their parcel in the delivery process. But nowadays, those kinds of services become a standard for other logistic company. J&T Express always set new objectives for itself to become market leader. This can be shown with how determine J&T to improve their services by constructing two new automatic sorting facilities and these facilities has abilities to sort out 30.000 parcels per hours (Febriani, 2019).

The initial method in the Blue Ocean plan is to develop an entirely new market. The second method is to establish a niche market inside an established sector. In this case the second option will be chosen to develop the strategy [8]. Four Action Framework or known as ERRC chart which consist of "Eliminate", "Reduce", "Raise", "Create" is developed to determine aspect needed to improve or developed by J&T Express company.

Table 2. ERRC Chart

Eliminate	<ul style="list-style-type: none"> - Error in sorting activities - Delays of delivery
Reduce	<ul style="list-style-type: none"> - Cost - Time
Rise	<ul style="list-style-type: none"> - Type of services - Speed of delivery - Range of area - Automated handling
Create	<ul style="list-style-type: none"> - New customer - Customer satisfaction & loyalty

Based on Table 2, In order for J&T Express expand its service on niche market, developing its sorting facility to improve the capability to increase sorting capabilities. Hence, improve other infrastructure to support the delivery process is also needed. Since J&T Express operating on Indonesia which is the largest archipelago in the world, Indonesia had more than 17000 islands. Sending parcel delivery to the other part of Indonesia can be tricky and expensive.

According to Robin Lo as the CEO of J&T Express, J&T planned to expand to other outside of Java Island. This is an act to reduce the cost of delivery to outside Java’s island that is expensive and take longer time to deliver goods. In order to make the sorting facilities more effective, J&T express can implement RFID-based technology to eliminate error inside their facility. The advantage that can be achieve from implement RFID-based technology are reduce competitor at the existing low cost delivery competition, implementation of RFID is capable to shortening the sorting process yet give value to the customer due to the advance service where the demand of this service is haven’t been capture yet and bottleneck in the sorting facilities can be minimized which mean improve the facilities capability to sort parcel and with this action there is a value and cost trade off where in the Blue Ocean strategy takes a fresh look at this things where the Blue Ocean plan aims to reroute human errors (Kim et al., 2008).

In addition, to improve the satisfaction from customer outside the Java’s Island, J&T Express already cooperating with Garuda Indonesia and Citilink as airline company to deliver cargo to outside Java’s Island. This action is taken because of the current situation J&T Express operation is centered at Java’s Island and with having a corporation with Airline Company J&T Express can lower its service charge and minimize time needed to deliver goods for the customer located outside the Java’s Island.

With the current condition J&T Express competing in red ocean market. J&T Express keep develop its service and business to create gaps and aiming to be the market leader to create niche market to reach un-captured with reaching the island outside Java’s Island faster and cheaper. These acts also help small enterprises to grow especially in the online business market where the current condition which affected with the Covid-19 pandemic where people mobility and activity is limited. People get their needs through mobile apps shopping application or from other online store. If this increasing flow of parcel due to the pandemic can be delivered faster can help with the current economic condition in Indonesia where flow of money can circulating continuously. In addition J&T Express can play important roles in the e-commerce market.

6. Conclusion

To sum up, the act of delivering goods becoming important part of human lifestyle and with increasing number in demand and type of logistic services also becoming a market needed to be captured by other logistic service provider. J&T Express as one of the largest yet young logistic company, taking advantage of the market's potential. In attempt to improve the service, J&T Express currently develop two sorting facilities in Java’s Island and plotting to construct sorting facilities outside Java’s Island to improve its services. Other than develop its facilities, suggested that J&T Express implement RFID-based technology to improve its sorting facilities capabilities and minimize waste from the operation.

Customer satisfaction and increased profits are the primary aims of J&T Express as a logistics firm. Therefore, reaching market where competitions are limited or no competition at all becoming one of their opportunities to expand its business. Other than expanding to outside the Java's Island, J&T Express is currently expanding its reach points across Southeast Asia in order to expand the company's growth.

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Biography

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