Proposed Business Strategy for Sangun Laundry

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Abstract

With underutilized operational capacity. Sangun Laundry competed in the underserved laundry service market of Delatinos Residential Area, South Tangerang. This study aimed to analyze the business environment and formulate a new business strategy that enables Sangun Laundry to transcend in the laundry service market with current capacity. The external environment was studied using PESTEL framework and Porter's Five Forces from relevant literature. Qualitative interview of five customers resulted to eight buying criteria, which were compared pairwise by 105 respondents. The responses were analyzed quantitatively and classified using AHP, hierarchical clustering, and k-means algorithm. Competitors were examined using insights from qualitative interview with the owner, who also provided data for internal analysis with Value Chain Analysis, Business Model Canvas, VRIO Analysis, and performance analysis. The two environments were harmonized in SWOT analysis as the basis of strategy formulation, which utilized Generic Strategy, Diamond Strategy, and a new business model. The result showed Sangun Laundry's operational excellence and its need for improving communication. Although Sangun Laundry excelled in cost-efficiency and quality, underutilized operational capacity and lack of branding hindered progress. Rising purchasing power and Jakarta suburbanization hinted higher future demand, but threats came from tight rivalry and laundry appliance innovations. Sangun Laundry should apply differentiation strategy where pick-up delivery and helpful communication become the value propositions, and serve the customer segment dominated by workers aged 36-55. A customer service staff, who would operate a CRM software, was a required vehicle for improving communication, which would boost brand perception and customer's sharing intention.

Keywords: *Laundry service; customer segment; diamond strategy; customer service*

INTRODUCTION

Sangun Laundry is a laundry service provider (LSP) founded in January 2020 by Abdul Haris (Pak Haris) and located in Delatinos Residential Area, South Tangerang. Catering to the people's basic needs for clean clothes, demand for laundry service persists even during a crisis and hence becomes a financially sustainable business (Justitia *et al.*, 2021). However, surviving through a crisis requires entrepeneurial knowledge and strategic agility of small-to-medium enterprise owners to bear innovations (Irawan, 2020). Sangun Laundry proved this by thriving during the COVID-19 pandemic due its drastic changes in its operational and promotional measures.

As of January 2022, Sangun Laundry served about 40 different customers in Delatinos Residential Area. With two washing machines and two employees at the ironing station, the operation was able to wash and iron up to 120 kg of combined laundry per day. Since August 2021, the trend of monthly orders stayed at an average of 38 kg of laundry per day. The total addressable market of Delatinos Residential Area was still large with approximately 1800 total families with only three other nearby competing LSPs. However, Sangun Laundry has not yet maximized its operational capacity to serve such potential market pool. The current customer base has not grown due to lack of customer acquisition efforts. Despite having strong customers' trust, Sangun Laundry acquired only few new customers, especially from recommendation. It has not brushed up on its service sufficiently to induce customers' recommendation as competing current customers' orders was

highly prioritized. Sangun Laundry would like to discover how to thrive in the competition and expand its market share in the laundry service market in Delatinos Residential Area.

One study examined the business strategy of shoe laundry business by using SWOT matrix and Quantitative Strategic Planning Matrix (QSPM)(Wicaksono, Baga and Novianti, 2021). Another one also studied the business strategy of laundry service business using SWOT while utilizing business model canvas in the strategy formulation (Sutrisno, 2017). No study has comprehensively analyzed the business environment, especially the customer, prior to formulating a business strategy. This study would like to the business environment of Sangun Laundry that includes the internal and external environment was analyzed using relevant frameworks that will also include the customers. Then, a new business-level stategy, which covered about how Sangun Laundry competes in the Delatinos Residential Area, was formulated. Therefore, the following questions were raised and explored:

1. How is the internal and external environment of laundry service business?
2. What are the new business strategy and the suitable business model for Sangun Laundry to thrive in the laundry service business of Delatinos Residential Area?

LITERATURE REVIEW

The external environment of Sangun Laundry comprises factors that influence the potential to achieve sustained competitive advantage and consist of the general environment, industry, and strategic group (Rothaermel, 2021). These factors will be analyzed using PESTEL (Political-Economic-Sociocultural-Technological-Ecological-Legal) Analysis, Porter's Five Forces, and competitor analysis. Government bodies can impact an entire industry at once by applying both political pressure and legal sanctions, resulting from a political will. Macroeconomic factors, changes and variation in societal factors, adoption of new technology, ecological issues may have some implications for firms' strategies.

Porter's Five Forces highlights profit potential of the industry and a broad view of the competition landscape (Porter, 2008). The model acknowledges that existing competition, buyers, suppliers, substitutes, and new entrants define the firm performance. The profit potential is the function of the five forces shaping the competition: the bargaining power of suppliers, the bargaining power of buyers, the threat of substitutes, the threat of new entrants, and rivalry.

The internal environment of Sangun Laundry is analyzed using value chain analysis while the competitive advantage of the LSP will be explored using resource-based view analysis and valuable-rare-inimitable-organized (VRIO) Analysis, before discussing their current business model. The value chain displays the total value, that is the amount the buyer pays for what the firm creates through value activities (Porter, 1985). Each activity employs purchased inputs, human resources, and technology to perform while also consuming and creating information. There are two types of value activities: primary activities and support activities. The former involves the physical creation of products while the latter helps provide the necessary resources. The difference between the cost of activities and the customers' paid value results in the margin for the firm.

While the value chain displays the values that a firm provides to its customer, a business model canvas demonstrates the firms' way to create, deliver and capture value (Osterwalder *et al.*, 2010). It encompasses four areas of business: customer, offer, infrastructure, and financial viability. They are further divided into nine building blocks, comprising key partners, key activities, key resources, value proposition, customer relationships, channel, customer segment, cost structure, and revenue stream.

The resource-based view model identifies that the core competencies of a firm and resources involved in value activities contribute to the firm's sustained competitive advantages (Barney, 1991). The model makes two assumptions. Firstly, resource heterogeneity assumes that resources across different firms are bundled and different from each other. Secondly, resource immobility describes that resources do not move easily among firms. If a resource or capability exhibits valuability, rarity, inimitability, and organization (VRIO), then it enables the firm to sustain a competitive advantage. A valuable resource or capability increases the firm's value creation or the customers' perceived value of its product or service. If only one or few firms possess a particular resource, the resource can be considered rare. Path dependence, social complexity, or causal ambiguity indicates inimitability. Finally, an effective organization and coordination system enable a firm to capture the value and bear a sustainable competitive advantage.

The external and internal analysis combines into situational analysis which enables to determinea firm's superior capabilities and resources and identify external opportunities that are not yet capitalized on due to inadequate resources (Wheelen and Hunger, 2012). The situational analysis uses the SWOT framework, which stands for Strength, Weaknesses, Opportunities, and Threats. The situational analysis then becomes the basis of strategy formulation.

Sangun Laundry has to decide first on the generic strategy whose types have their different requirement and advantages (Porter, 1980). Cost leadership strategy requires heavy capital investment in upscaling measures and product design to drive costs down. Firms pursuing this strategy provide an entry barrier in the form of cost advantages and economies of scale, while dampening the impact of input cost raise. Differentiation strategy requires extensive research and development, high-quality materials, and intensive customer care. Exclusivity and uniqueness provide make customers loyal and willing to pay high prices while reducing the number of comparable alternatives and creating high barrier to entry. Differentiating firms enjoy from having financial flexibility to handle the power of suppliers. Focused firms are required to better fulfill the needs of the particular strategic target or provide a more efficient alternative than those that target broadly.

Next, the business-level strategy of Sangun Laundry is formulated using the Diamond Strategy, which breaks down a strategy of a firm into five elements: arena, differentiator, vehicles, staging, and economic logic (Hambrick and Fredrickson, 2001). Arena defines where a firm will be active. Differentiation describes how the firm will win the market segment it targets. Firm leaders decide on what will be deployed to get customers and gain revenues. Then, a vehicle becomes the means to achieving the differentiation. The sequence and speed of the strategic initiatives are explained in the staging. Finally, how the strategy will generate profits for the firm is centralized around economic logic.

RESEARCH METHOD
This research followed the research flow chart shown in Figure 1. The problem faced by Sangun Laundry was stated in the introduction. Then, research questions and objectives helped direct the end goal of the research. Primary data in this study included interviews with Pak Haris as the owner of Sangun Laundry, customer interviews and surveys, and undisclosed financial recordings of Sangun Laundry. Secondary data came from relevant pieces of literature and marketing content of Sangun Laundry, especially for PESTEL Analysis.
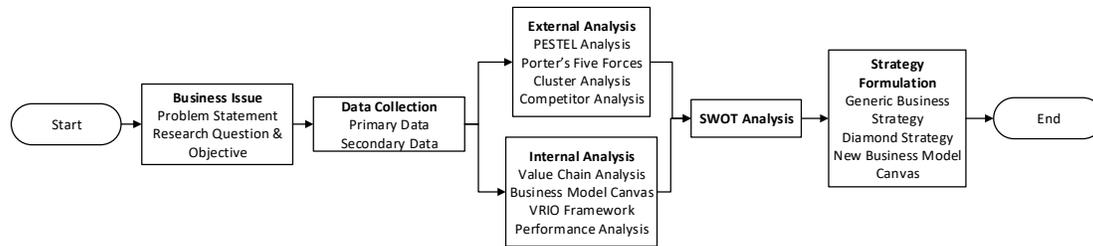
Figure 1. Research Flow Diagram

Qualitative interviews were conducted to gather essential information for internal and external analysis. As the owner of Sangun Laundry, Pak Haris was inquired about the laundry service's daily operation and the current situation of the laundry service business, which were analyzed using Value Chain Analysis, Business Model Canvas, VRIO Framework, Porter's Five Forces, Performance Analysis, and Competitor Analysis. Five customers of Sangun Laundry were interviewed qualitatively about their buying criteria.

Variables gathered from the customer qualitative interview were further surveyed in a questionnaire for quantitative data collection. The number of respondents for quantitative survey was calculated using simplified sample size formula (Yamane, 1967). It was estimated that the total available market or the population size is 1800. A 90% confidence level and P = .1 were assumed in the equation because it is sufficient to be used in both survey data and usability benchmarks for many industry contexts (Sauro and Lewis, 2016). A minimum of 95 respondents was needed for quantitative data collection. The survey was answered by 105 respondents who were customers or potential customers located in Delatinos Residential Area and surrounding areas in BSD, South Tangerang from 1 April 2022 to 14 April 2022.

Their responses were then analyzed using cluster analysis to map out the potential cluster of customer pool that can be targeted by Sangun Laundry. Involving multiple criteria with some intangible ones, the customer buying decisions were examined using Analytic Hierarchy Process (AHP) (Saaty, 2008). In this study, the goal of AHP was to determine the customer's weight of decision criteria to purchase a laundry service. The weight of buying decision of each respondent were further classified using cluster analysis, which involves a two-step process. First, the number of clusters was determined using agglomerative hierarchical clustering technique in an agglomerative manner with Ward's method in which each respondent data point is considered a cluster which then merges with another similar one forming pair of clusters successively until a hierarchy is formed, based on the smallest increase in the within cluster sum of squares (Govender and Sivakumar, 2020). The result of this technique was the dendrogram where cutting the hierarchy of clusters at a certain level result in the desired number of cluster. Then, this number became the input of k-means clustering algorithm, that was the *k* number of randomly assigned initial clustering centers (Niu *et al.*, 2021).The distance between each respondent data point and the initial clustering centers was calculated and the data point is assigned to the nearest center. For each object assigned, the clustering centers were recalculated using the existing data points in the clusters. The process reiterated until there was no change in cluster centers. The two cluster analyses resulted to the number of customer cluster and the average weight of buying decision of every cluster, becoming the basis for choosing the targeted customer segment.

Findings from the internal and external analysis were combined in SWOT Analysis. Strengths and weaknesses of Sangun Laundry were extracted from the internal analysis while opportunities and threats were scrutinized from the external analysis. Business-level strategy was formulated using

generic strategy and diamond strategy. New value proposition and targeted cluster of customer helped form a new business model canvas for Sangun Laundry.

FINDINGS AND DISCUSSION
Business Situation

The PESTEL framework of Sangun Laundry is shown in Figure 2. The Indonesian government launched a program to boost the national economy after the COVID-19 pandemic by allocating IDR 455.62 trillion to help small-to-medium enterprises (SMEs) (Kementerian Keuangan Republik Indonesia, 2022). The program includes credit restructuring, an inclusive funding ratio, and an interest subsidy for People's Enterprise Credit (KUR). As the pandemic proceeds, the Indonesian Central bank projected economic growth of 3.2-4.0% in 2021 and 4.7-5.5% in 2022 with gradually recovering consumption and investment amidst well-maintained government spending and exports (Bank Indonesia, 2022). The COVID-19 pandemic had also significantly shifted the behaviors and attitudes of Indonesian people due to the adoption of new habits that prevent the spread of infection (Kahar *et al.*, 2020). Other sociocultural factors factors that require attention is Jakarta's metropolitan suburbanization, which is indicated by residential development in the surrounding area of the city, population redistribution from the urban center to peripheral areas, and decentralization of economic activities (Firman and Fahmi, 2017). The development of laundry appliances technology favors household consumers as antibacterial features and drying features enable them to wash disinfect their clothes at home (Ayu, 2021; Nurcahyadi, 2021). One ecological factor is the grey wastewater discharge, which is produced from bathtubs, showers, and washing machines in households and can create extensive eutrophication when discharged into the river water if untreated (Wijaya and Soedjono, 2018). The other factor include the monsoonal climate of South Tangerang, indicated by the peak rainy seasons from December to February (Aldrian, 2001). From legal perspective, the formation of a new firm is regulated through Regulation of Ministry of Industry and Trade No. 289/MPP/Kep/10/2001 regarding Standard of Granting Business License, consisting of Firm Location License (SITU) and Business Activity License (SIUP) (Dewi, 2021). The government also protects laundry consumers' rights through Law No. 8/1999 regarding consumer protection where customer may receive compensation from quality mishaps (Damayanti, Megasari and Aini, 2020).
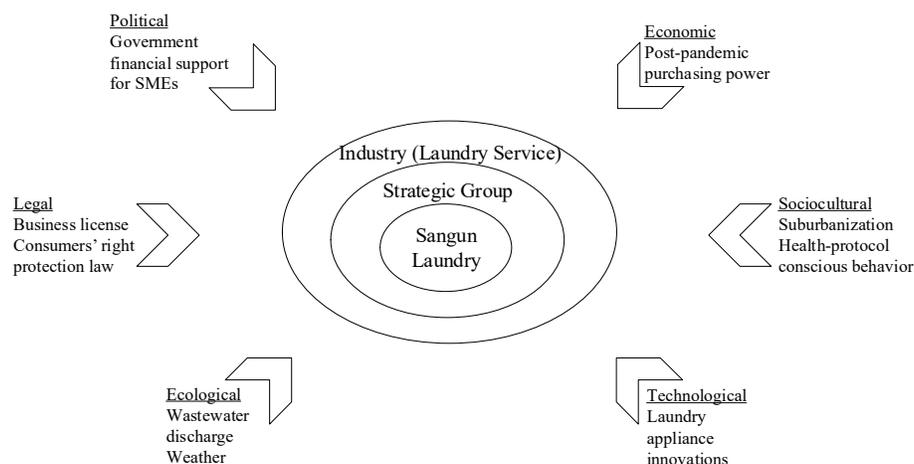
Figure 2. PESTEL Analysis of Sangun Laundry

The Porter's Five Competitive Forces of Sangun Laundry is shown in Figure 3. Main supplies of LSPs are detergent and LPG. In the case of detergent, the suppliers have low bargaining power as detergent for bulk laundry since LSPs are price-sensitive and can change to other detergent brands if the price changes even slightly. On the other hand, LPG price is regulated by state-owned enterprise resulting in the high bargaining power of LPG suppliers. Despite serving local customers who order in small sizes and tend to be loyal even when there is a price increase, Sangun Laundry may face challenge from high price elasticity due to low switching cost and cheaper alternative to wash at home, resulting in medium bargaining power of buyers (Barkah, 2018). Single-piece laundry service requires professional handling of fabric and stains. However, the innovation of laundry appliances allows consumers to wash and disinfect their clothes at home (Nurcahyadi, 2021; Widyartanti, 2021). This makes the threat of substitute medium. From Pak Haris' account, the capital expenditure required to build a small laundry booth, complete with a washing machine, ironing equipment, and dryer machine, is around Rp 14 million. The capital expenditure required is relatively cheap and the capability of human resources needed to operate a simple bulk laundry service is not rare, making the threat of new entry high. With a large number of surrounding LSPs of the same size and a low barrier of entry, Sangun Laundry is competing in a monopolistic market (Keat, Young and Erfle, 2013).
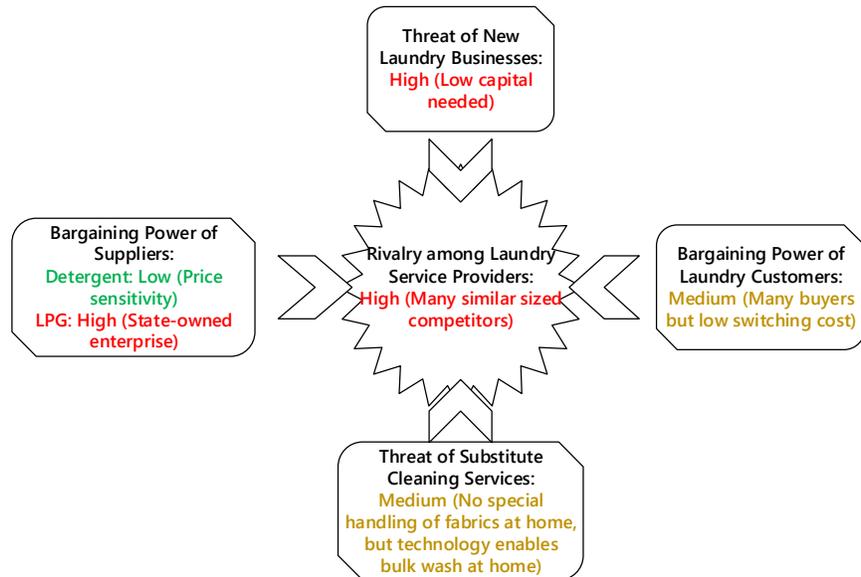

Figure 3. Competitive Forces of Sangun Laundry

Although competing in a monopolistic market structure, Sangun Laundry has three important LSP competitors: Urban Laundry, Cutrika Laundry, and Laundry Berwarna. Competitor analysis will comprise the service offering, prices, promotions, and place of Sangun Laundry and its direct competitor, as shown in Table 1.

Table 1. Competitive Analysis of Sangun Laundry

Parameter	Sangun Laundry	Urban Laundry	Cutrika Laundry	Laundry Berwarna
Value Proposition	Professional and hygienic, contactless and free pick-up delivery	Quick, clean, hygienic service	Using branded detergents, one-day service	Using branded detergents and filtered water, One-day service with free pick-up delivery

Parameter	Sangun Laundry	Urban Laundry	Cutrika Laundry	Laundry Berwarna
Service	Bulk laundry service, single-piece laundry service, carpet cleaning	Bulk laundry service	Bulk laundry service	Bulk laundry service and stroller cleaning
Price of Complete Bulk Laundry Service	IDR 8,000/kg	IDR 50,000/5kg	IDR 7,000/kg	IDR 10,000/kg
Place	Pick-up delivery only	Laundry booth	Laundry booth	Laundry booth and pick-up delivery
Promotion	WhatsApp	WhatsApp and Instagram	WhatsApp	WhatsApp and Instagram

The qualitative interview of customers resulted in eight buying criteria that can be classified into four main criteria of quality of laundry, timeliness, price affordablity, and the service of staff. Quality of laundry has four subcriteria which include quality consistency (clean, odorless, and intact), long-lasting fragrance, smooth foldings, and tidy packaging, and tough stain removal. Service of the staff consists of pick-up and delivery, and communication about laundry conditions.
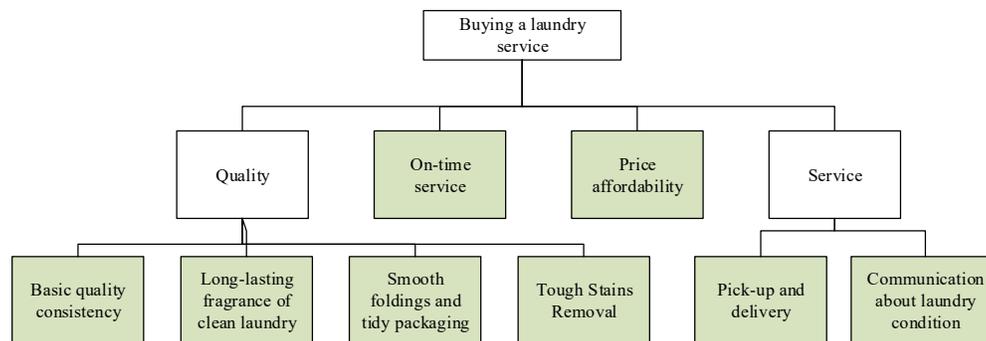

Figure 4. Customer Buying Decision Structure

The weight of buying decision of each respondent are further analyzed using cluster analysis to classify the respondents into clusters. The hierarchical clustering of the 105 respondents' average weights results in a dendrogram shown in Figure 5. The dendrogram is cut by the orange dashed line at rescaled distance cluster combine of 12 since slight a shift of the line to the right or the left will not change the number of the desired cluster center. Therefore, the number of cluster centers that are going to be the input of the k-means cluster is three.
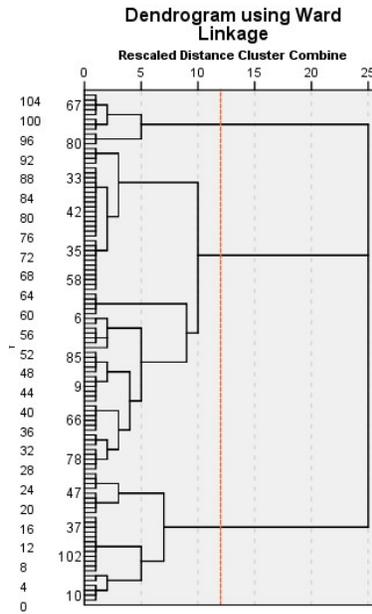
Figure 5. Dendrogram of 105 survey respondents

Next, the k-means clustering algorithm is applied to the average weights of the respondents of the survey with the goal number of clusters of three. The average weights of each cluster are shown in Table 2. The 105 respondents are divided into Cluster 1 with 33 respondents, Cluster 2 with 15 respondents, and Cluster 3 with 57 respondents. Cluster 1 has the highest average weight on communication about laundry conditions whereas Cluster 2 and Cluster 3 prioritize affordable price and pick-up delivery the most, respectively.

Table 2. Final Cluster Centers of K-means Clustering Algorithm

	Average weight		
Criteria	Cluster 1 (33 respondents)	Cluster 2 (15 respondents)	Cluster 3 (57 respondents)
Quality consistency	0.101	0.061	0.101
Long-lasting fragrance	0.054	0.036	0.061
Smooth foldings	0.057	0.047	0.067
Tough stain removal	0.112	0.068	0.108
Pick-up delivery	0.189	0.182	**0.276**
Communication about laundry condition	**0.330**	0.229	0.198
On-time service	0.089	0.121	0.108
Affordable price	0.068	**0.257**	0.082

The value chain of Sangun Laundry has most of the value activities in the operation, as shown in Figure 6. Being a service firm, operation plays a vital role (Porter, 1985:40). The laundry operation of Sangun Laundry is conducted at the operation center in Pak Haris' house. Logistics involve transporting clean and dirty laundry of customers where free delivery is applied. The firm infrastructure of Sangun Laundry is managed by Pak Haris.

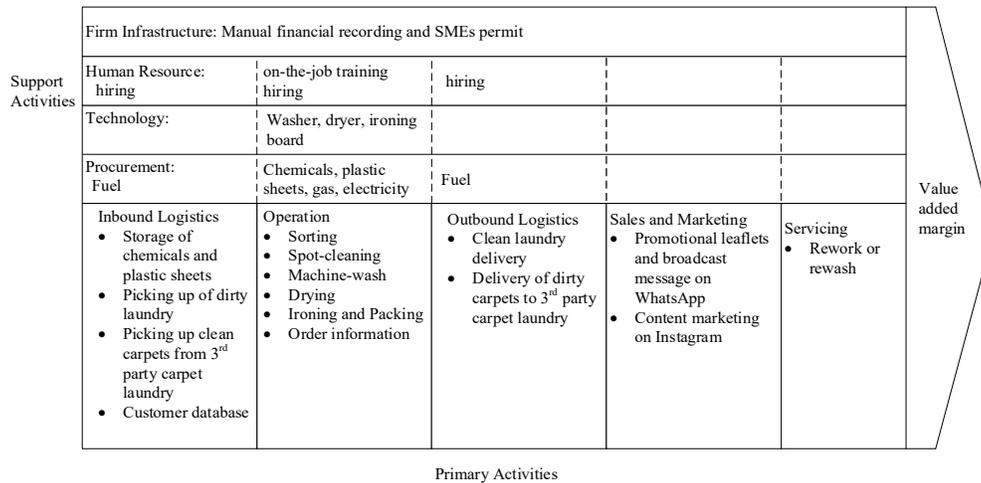| Support Activities	Firm Infrastructure: Manual financial recording and SMEs permit					Value added margin
	Human Resource: hiring	on-the-job training hiring	hiring			
	Technology:	Washer, dryer, ironing board				
	Procurement: Fuel	Chemicals, plastic sheets, gas, electricity	Fuel			
	Inbound Logistics • Storage of chemicals and plastic sheets • Picking up of dirty laundry • Picking up clean carpets from 3rd party carpet laundry • Customer database	Operation • Sorting • Spot-cleaning • Machine-wash • Drying • Ironing and Packing • Order information	Outbound Logistics • Clean laundry delivery • Delivery of dirty carpets to 3rd party carpet laundry	Sales and Marketing • Promotional leaflets and broadcast message on WhatsApp • Content marketing on Instagram	Servicing • Rework or rewash	

Primary Activities

Figure 5. Value Chain of Sangun Laundry

As shown in Figure 6, the current business model of Sangun Laundry focused on fulfilling Delatinos residents' needs of daily clean clothes. They know Sangun Laundry's business from broadcast messages in the WhatsApp group chat for residents and are further attracted by recommendations from friends or neighbors. The official WhatsApp account of Sangun Laundry will then be approached by the customer to order a direct, contactless pick-up of dirty laundry to prevent from contracting COVID-19 during the pandemic. They perform their operation with health protocol where the disinfecting setting of the machines and antiseptic laundry detergent is used. The hygienic operation is showcased in the content of their promotional messages. Sangun Laundry relies on bulk laundry services as its major revenue stream. Single-piece service, especially bedcover, and commission from third-party carpet laundry contribute to the remainder of total revenue. The cost structure of Sangun Laundry consists of staff wages, commission, and laundry supplies. Despite having a relatively low margin, Sangun Laundry favors from the high volume of orders to harvest profit.

Key Partner	Key Activities	Value Proposition	Customer Relationships	Customer Segment
• Detergent manufacturer • Laundry minimarket • Fuel distributor • Plastics shop • Third party carpet laundry	Pick-up and Delivery Washing Drying Ironing and Packing	• Professional and hygienic laundry cleaning • Contactless pick-up and delivery	• WhatsApp residents and community group chat • Word of mouth	Housing complex families with working spouses and/or no washing machine in Delatinos Residential Area
	Key Resources • Laundry chemicals • Plastic sheets • Fuel • Laundry staff • Operating vehicles		**Channels** • WhatsApp chat • Direct pick-up and delivery	
Cost Structure • Staff wages • Staff commission per kg bulk laundry • Laundry chemicals, packaging, and utility cost			**Revenue Streams** • Bulk laundry service • Single-piece laundry service • Carpet laundry service commission	

Figure 6. Business Model Canvas of Sangun Laundry

Resource-based view analysis discovers how resource and capabilities of Sangun Laundry contribute to the sustainable competitive advantage of the LSP, as shown in Table 3. Most of Sangun Laundry's resources and capabilities can be considered valuable because they support the customers' buying criteria and show superiority from the three notable competitors. Sangun Laundry possesses five sustainable competitive advantages which include centralized operating station, antiseptic and concentrated laundry detergent, honest and well-trained staff, large-quantity pick-up and delivery, and quality reputation. Although most of the operational resources and capability of Sangun Laundry are valuable and rare, their causal ambiguity is not strong enough for competitors to be unable to imitate or their accessibility is easy for other LSPs to eliminate the rarity.

Table 3. VRIO Analysis of Sangun Laundry's Resource and Capabilities

Resources/Capability	V	R	I	O	Implications
Operating equipments	X				Weakness, in terms of capacity utilization
Centralized operating station	√	√	√	√	**Sustainable competitive advantage**
Booth and its location	X				Weakness, in terms of brand presence
Meticulous sorting	√	√			Temporary competitive advantage
Antiseptic, concentrated detergent	√	√	√	√	**Sustainable competitive advantage**
Single-piece laundry detergent	√	√			Temporary competitive advantage
Effective washing and disinfecting	√	√			Temporary competitive advantage
120-kg per day washing and ironing	√				Competitive parity
Ironing, folding, and packing compensation	√	√			Temporary competitive advantage
Grade A perfume	√	√			Temporary competitive advantage
Honest, well-trained staff	√	√	√	√	**Sustainable competitive advantage**
WhatsApp account	X				Weakness
Digital branding	X				Weakness
Financial administration	X				Weakness, still manual
One-shift policy	√	√			Temporary competitive advantage
Operational vehicles	√	√			Temporary competitive advantage
Large quantity pick-up/delivery	√	√	√	√	**Sustainable competitive advantage**
Quality reputation	√	√	√	√	**Sustainable competitive advantage**
Third party carpet laundry	√	√			Temporary competitive advantage

The performance of Sangun Laundry in fulfilling the listed customer preferences is assessed by Pak Haris as the business owner. The assessment is based on the maximum score of 5 by comparing it with the closest competitors. The performance score of the criteria is shown in Table 4. Two of the eight criteria, pick-up delivery, and on-time service, have superior performance with 4.80, attributed to the ability of Sangun Laundry to deliver large quantities of laundry with the operational vehicles. On the other hand, tough stain removal only scores 3.00, highlighting one weakness of Sangun Laundry.

Table 4. Performance Score of Sangun Laundry

Criteria	Performance Score (out of 5)
Quality consistency	4.25
Long-lasting fragrance	3.60
Smooth foldings	3.50

Criteria	Performance Score (out of 5)
Tough stain removal	3.00
Pick-up delivery	4.80
Communication about laundry condition	3.40
On-time service	4.80
Affordable price	4.00

SWOT Analysis of Sangun Laundry is shown in Table 5. The strengths of Sangun Laundry come from its operating excellence. The operating vehicles with large space enable efficient delivery. Centralized operating station saves fixed costs as Sangun Laundry does not need to rent a booth. Concentrated laundry detergent shrinks the cost per kg of bulk laundry service. Honest, well-trained staff are able to effectively conduct all laundry processes with consistent output and communicate with customers frankly about laundry conditions, resulting in a good quality reputation. However, underutilized operation capacity signifies inefficiency in capitalizing fixed costs. Lack of both physical and digital branding limits customer acquisition. Most of the external factors determine the laundry service demand. Rising purchasing power, rainy seasons, and increasing population of Jakarta's satellite cities raise future demand, while tight rivalry lowers it. Laundry appliance technology advancement favor laundering at home and may reduce the demand for bulk laundry services. Potential disputes due to environmental problem and quality misconduct may lead to business suspension. The pandemic acts as both an opportunity and a threat as it raises the awareness of cleanliness and demand of laundry service but at the same time decreases the revenue of LSPs that do not abide to health protocol.

Table 5. SWOT Analysis of Sangun Laundry

Strength	Weakness
• Large-quantity pick-up delivery • Centralized operating station • Antiseptic, concentrated laundry detergent • Honest, well-trained staff • Quality reputation	• Underutilized operation capacity • Lack of physical brand presence • Lack of digital branding • Manual financial recordings • Tough stain removal
Opportunity	**Threat**
• Rising purchasing power of household consumers • Higher laundry service demand during peak rainy season • Higher awareness towards cleanliness • Increasing population in areas surrounding Jakarta	• Tight rivalry among LSPs with low barrier of entry • Potential legal dispute from quality mishaps • Higher demand of contactless, health-conscious service • Laundry appliances technology favoring household consumers • Potential business suspension due to wastewater incompliance

Business strategy

To map out which generic strategy Sangun Laundry should apply, the SWOT-generic strategy matrix is used, as shown in Table 6. The internal and external factors that support the requirement of the generic strategy will be assigned a score of 1 while those that hinder will have a score of -1. The generic strategy with the highest score is chosen. According to the analysis, Sangun Laundry needs to apply differentiation strategy to outperform its competitors in the laundry service

industry, which confirms that they are in a monopolistic market, in which there are many competitors and nonprice competition is crucial (Keat, Young and Erfle, 2013).

Table 6. SWOT-Generic Strategy Matrix of Sangun Laundry

Internal and External Factors	Cost leadership	Differentiation	Cost Focus	Differentiation focus
Strength				
S1 Large quantity, pick-up delivery	1			
S2 Boothless, centralized operating station	1	1	1	
S3 Antiseptic, concentrated laundry detergent	1		1	
S4 Honest, well-trained staff	1	1	1	1
S5 Quality Reputation		1		1
Weakness				
W1 Underutilized operation capacity	-1		-1	-1
W2 Lack of physical brand presence		-1		-1
W3 Lack of digital branding		-1		-1
W4 Manual financial recordings	-1		-1	
W5 Tough stain removal		-1		-1
Opportunity				
O1 Low bargaining power of buyer with low threat of substitutes		1		1
O2 Rising purchasing power of household customers		1		
O3 Higher laundry service demand during peak rainy season	1	1	1	1
O4 Higher awareness towards cleanliness		1		1
O5 Increasing population in areas surrounding Jakarta	1	1	1	1
Threat				
T1 Tight rivalry among LSPs with low barrier of entry	-1		-1	
T2 Potential legal dispute from quality mishaps	-1		-1	
T3 Higher demand of contactless, health-conscious service	-1		-1	
T4 Laundry appliances technology favoring household consumers	-1		-1	
T5 Potential business suspension due to wastewater incompliance	-1	-1	-1	-1
Total	-1	4	-2	2

The relevant elements of the arena for Sangun Laundry include the market segment, service offered, geographical areas, core technologies, and value-creation stages. Sangun Laundry competes in Delatinos Residential Area where about 1800 families reside and serves consumers within a radius of three kilometers from the location. The core technology focuses on fulfilling the need for a hygienic laundry service via disinfecting mode of washing machines. The market segment is selected among the clusters from the cluster analysis. The average weights of each cluster are multiplied by the performance score gathered in performance analysis resulting in a weighted score. The sum of the weighted score for each cluster is then calculated, as shown in Table 7.

Table 7. Weighted Score of Three Clusters of Sangun Laundry

Criteria	Performance score	Cluster 1 (33 respondents)		Cluster 2 (15 respondents)		Cluster 3 (57 respondents)	
		Avg. Weight	Weighted score	Avg. Weight	Weighted score	Avg. Weight	Weighted score
Quality consistency	4.25	0.101	0.429	0.061	0.259	0.101	0.429
Long-lasting fragrance	3.60	0.054	0.194	0.036	0.130	0.061	0.220
Smooth foldings	3.50	0.057	0.200	0.047	0.165	0.067	0.235
Tough stain removal	3.00	0.112	0.336	0.068	0.204	0.108	0.324
Pick-up delivery	4.80	0.189	0.907	0.182	0.874	**0.276**	1.325
Communication about laundry condition	3.40	**0.33**	1.122	0.229	0.779	0.198	0.673
On-time service	4.80	0.089	0.427	0.121	0.581	0.108	0.518
Affordable price	4.00	0.068	0.272	**0.257**	1.028	0.082	0.328
Total			3.888		4.018		**4.052**

Prioritizing pick-up delivery, cluster 3 has the highest total weighted score among the three clusters with a score of 4.052. Cluster 2 trails slightly behind Cluster 3 with 4.018 while Cluster 1 is far behind with 3.888. Cluster 3 is dominated by workers in the age range of 36-45 years old and 46-55 years old. Although having a household income of mostly above IDR 20 million, Cluster 3 spends mostly in the range of IDR 50K-200K on laundry service. Having a tight work schedule, members of Cluster 3 wash their clothes daily as they require a practical supply of clean clothes. They also clean their carpets and bed covers at most once a month. Due to the nature of this cluster, Sangun Laundry has to provide bulk laundry services for their daily clothes and other single-piece or carpet laundry service for other fabrics. All machine-washable fabrics such as clothes and bedcovers can be laundered by the operating equipment of Sangun Laundry while carpets are outsourced to third-party carpet laundry service.

Fulfilling the needs of the selected customer segments concerns both expectations of important and judgments of attributes, which are evaluated with Importance-Performance Analysis (Martilla and James, 1977). In this study, customers were surveyed on their judgement on laundry service buying criteria importance, which were analyzed with AHP, and Sangun Laundry's performance score, with a score out of 5 as tabulated in Table 7. The result of the analysis is a two-dimensional grid with four quadrants referring to the next action in which the central point of the quadrants is the mean of importance (0.125) and the mean performance score (3.92).

Table 7. Weighted Score of Three Clusters of Sangun Laundry

Criteria Number	Criteria	Avg. Score	Cluster 3 Avg. Weight	Intepretation
1	Quality consistency	4.25	0.101	Possible overkill
2	Long-lasting fragrance	3.60	0.061	Low priority
3	Smooth foldings	3.50	0.067	Low priority
4	Tough stain removal	3.00	0.108	Low priority
5	Pick-up delivery	4.80	**0.276**	Keep up the good work
6	Communication about laundry condition	3.40	0.198	Concentrate here
7	On-time service	4.80	0.108	Possible overkill
8	Affordable price	4.00	0.082	Possible overkill

Becoming the main differentiator of Sangun Laundry and positioned as "keep up the good work", pick-up delivery is highly prioritized by the customers and Sangun Laundry satisfy them well, as shown in Figure 7. Another criterion that can potentially become an additional differentiator of Sangun Laundry is communication about laundry conditions which is classified as "concentrate

here". The members of Cluster 3 consider this factor as important but Sangun Laundry has been communicating the laundry condition below their expectations. Criteria that are classified into "possible overkill" might become additional features in communication content when Sangun Laundry promote in WhatsApp group chat or official account.
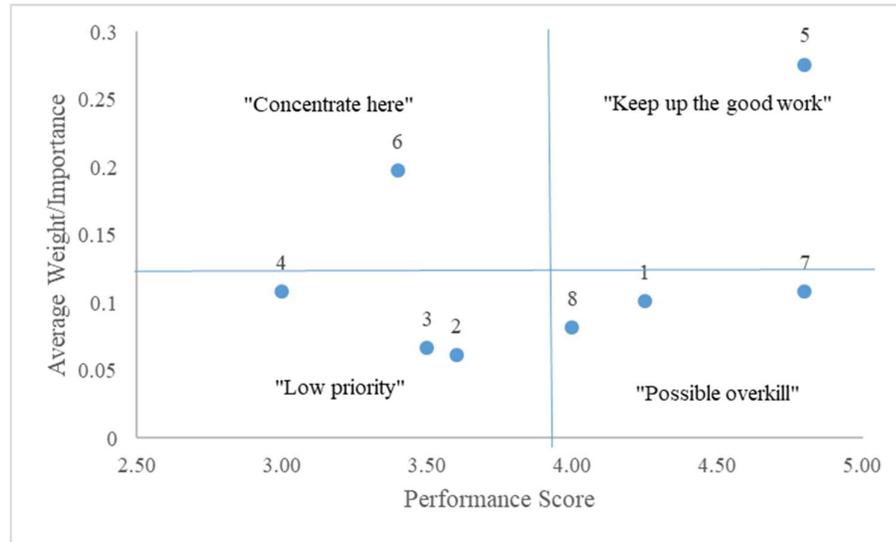

Table 7. Weighted Score of Three Clusters of Sangun Laundry

According to Importance-Performance Analysis above, one element of Sangun Laundry's service that has to be enhanced is communication with customers. In addition to reliability and punctuality, behavior, communication ability, and caring attitude have significant positive effects on customers' perceived value, resulting in customer satisfaction (Uzir *et al.*, 2021). When encountering customer complaints, the customer service of Sangun Laundry should show empathy, give assurance, and create an effective solution. When customers ask for laundry service conditions, Sangun Laundry should convey accurate information in a friendly and gentle manner. Dissemination of information plays a significant role in customers' spending and sharing intention via word-of-mouth or recommendation (Lu and Miller, 2019; Itani *et al.*, 2020). Consistent customer interaction can accumulate into trust, which has a positive effect on customer satisfaction as a sign of security. Thus, the vehicle suitable for Sangun Laundry is the internal development of the human resource for customer service, combined with customer relationship manager (CRM) software, as shown in Table 3.5.

Table 8. Vehicle Component of Sangun Laundry

Vehicle	Requirement	Task
Internal Development - Hire customer service personnel	Background: customer service, preferably in laundry service Skills: communication, complain-handling, team work Personality: Friendly, informative, and helpful	• Receive order • Inform laundry service progress • Help with customer complaints • Coordinate with operation and delivery staff regarding progress
Alliance – Omnichannel chat with customer relationship manager (CRM) software Qontak	Customer service Customer database Business intelligence	• Communicate responsively with chat bot • Handle complaints with ticketing system • Record customers' database • Make sales/financial dashboard

The proposed vehicle is financially substantiated by breakeven analysis or cost-volume-profit analysis, which demonstrates the level of operations needed to cover the total operating cost (Gitman and Zutter, 2015). The new customer service (CS) officer will have a monthly wage of IDR 1.3 million or the same as the operational staff, with an additional IDR 1,000/kg commission. The total variable operating cost which includes the material, energy, and commission cost is IDR 6,000/kg bulk laundry. The omnichannel chat with the CRM application of Qontak costs IDR 750,000 per month (Starter Package). In addition, publishing physical brochure and rewarding referrals in the form of cash back will cost IDR 250,000 and IDR 200,000 every month, respectively. The total monthly fixed cost is IDR 5,600,000. The cost-volume-profit analysis of the bulk laundry service of Sangun Laundry in Figure 8, shows that the breakeven point with the proposed vehicle is 2,800 kg/month when relying only on bulk laundry service, Furthermore, at their maximum capacity of 120 kg/day or 3600 kg/month, the net profit is only 7.5% of the sales revenue. With the high breakeven point and tight net profit, Sangun Laundry must be able to cross-sell single-piece laundry service to customers, to speed up the breakeven period and elevate the net profit.
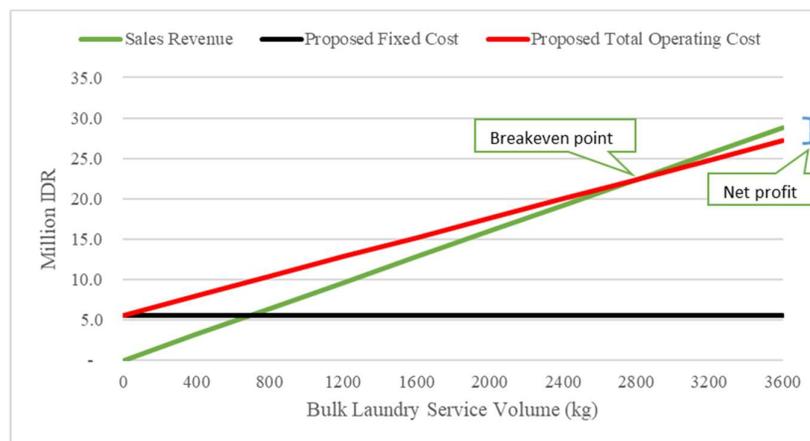

Figure 8. Cost-Volume-Profit of Sangun Laundry

Sangun Laundry aims to being present in multiple residential areas in Serpong Subdistrict via a series of acquisitions. However, for the proposed differentiators, they require strong brand perception, empowered by improving the quality of customer service. Therefore, a three-stage plan is constructed, as shown in Figure 9. Firstly, Sangun Laundry should invest some of its profit margins to improve its communication and brand presence. After having a better reputation for customer service, Sangun Laundry can acquire customers in adjacent residential areas, fulfilling their utilization of capacity. This starts with publishing physical and digital brochures to residents of adjacent residential areas. Finally, Sangun Laundry can further extend its reach to other residential areas in Serpong Subdistrict and implement a referral program that rewards the customer with merchandise or cashbacks, while developing its brand. Detailed initiatives during each stage is described in Table 9.
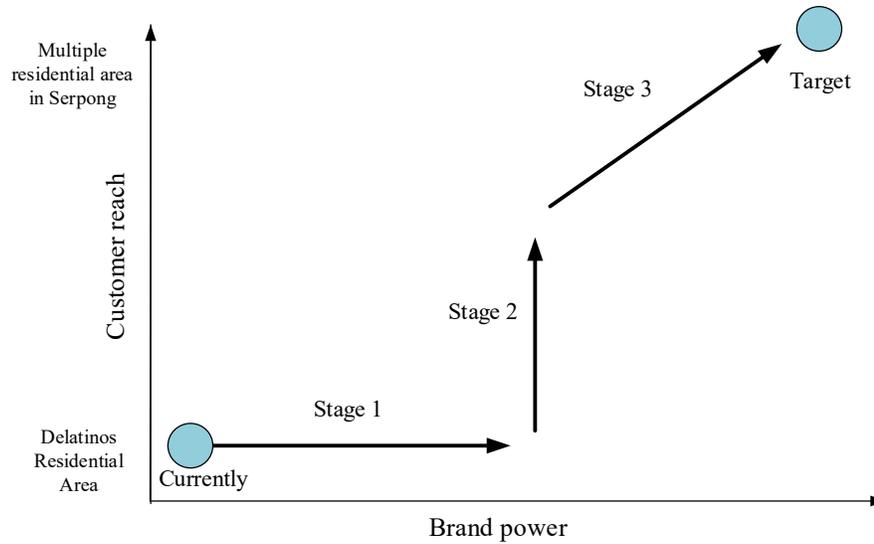
Figure 9. Strategic Staging of Sangun Laundry

Table 9. Staging Initiatives of Sangun Laundry

Stage	Initiatives
Stage 1: Improve communication with customer and brand presence	• Hire a customer service staff • Simulate CRM practice • Set KPI for customer service
Stage 2: Make selected acquisitions in adjacent residential areas	• Partner with CRM software • Train CS staff to operate CRM • Publish physical and digital brochure to residents of adjacent residential areas
Stage 3: Make acquisitions in additional residential areas with favorable business condition	• Enable referral program • Publish physical and digital brochure to residents of targeted residential areas group chats

The chosen customer segment of Sangun Laundry prioritizes pick-up delivery and communication while putting the price at a lower level of importance. Price can be raised to make the degree of operating leverage closer to 1.00, as shown in Table 10. Appropriate operating leverage is needed lower the risk for Sangun Laundry (Gitman and Zutter, 2015). To further shrink the risk, Sangun Laundry should cross-sell their single-piece laundry service and carpet cleaning service to the customers. Therefore, Sangun Laundry shall choose a premium price due to unmatched customer intimacy and operational excellence as the economic logic. Increasing the price to just below the other two competitors of Sangun Laundry can still be justified by the enhanced perceived benefits for the customers through improved customer service, as shown in Figure 10.

Table 10. Leverage Analysis of Price Increase

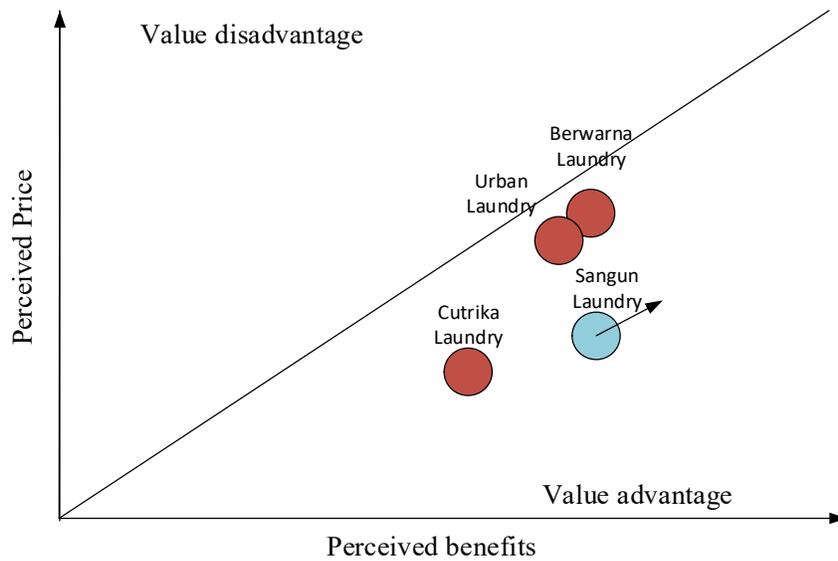|	Current Case	Case A	Case B
Bulk laundry sales (kg)	3000	3000	3000
Bulk laundry price (IDR/kg)	8000	8500	9000
Sales revenue (IDR)	24,000,000	25,500,000	27,000,000
Less: Variable operating costs (IDR)	18,000,000	18,000,000	18,000,000
Less: Fixed operating costs (IDR)	5,600,000	5,600,000	5,600,000
Operating Income (IDR)	400,000	1,900,000	3,400,000
Degree of Operating Leverage	15.00	3.95	2.65

Figure 10. Value Map of Sangun Laundry and Competitors

The diamond strategy of Sangun Laundry is summarized in Figure 11. Cluster 3 that is dominated by workers will be the targeted customer segment. The main differentiations of Sangun Laundry are pick-up delivery and communication with customers. To boost the latter, Sangun Laundry should hire a new customer service staff and create partnership with CRM software. The sequuence of actions will be focused on building brand perception before expanding the market reach. Premium price with regards to unmatched customer service quality will be pursued.
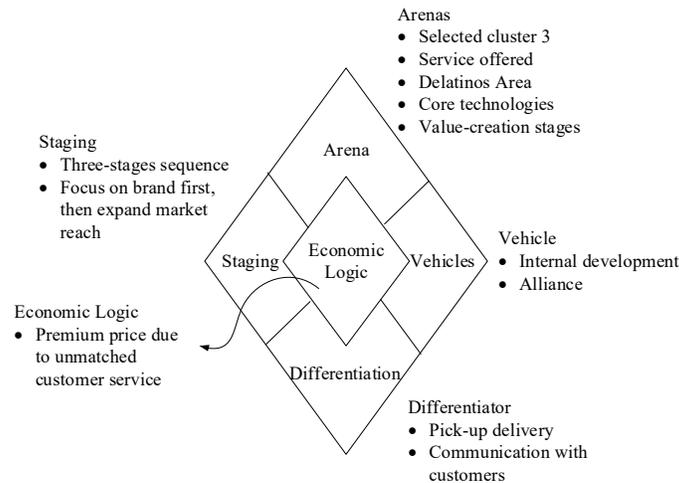

Figure 11. Diamond Strategy of Sangun Laundry

With the implementation of the new business strategy, the business model canvas of Sangun Laundry has shifted, as shown in Figure 12. The arena component of the diamond strategy highlights the need for Sangun Laundry to focus on the customer segment dominated by workers aged 36-55. Their needs for a practical supply of clean clothes and a monthly routine of laundering carpets and bedcovers can be satisfied by the value proposition of Sangun Laundry with professional and hygienic treatment and contactless pick-up delivery. In addition to those, Sangun Laundry shall include helpful, honest, and responsive communication process with customer to

improve customers' trust. The new value proposition will be executed via Sangun Laundry's WhatsApp official account with the help of CRM software Qontak.

Key Partner	Key Activities	Value Proposition	Customer Relationships	Customer Segment
• Detergent manufacturer • Laundry minimarket • Fuel distributor • Plastics shop • Third party carpet laundry • Omnichannel chat with CRM software Qontak	Pick-up and Delivery Washing Drying Ironing and Packing Communication with customer **Key Resources** • Laundry chemicals • Plastic sheets • Fuel • Laundry staff • Operating vehicles	• Professional and hygienic laundry cleaning • Contactless pick-up and delivery • Helpful, honest, and responsive communication process with customer	• WhatsApp group chat • Word of mouth • WhatsApp official account **Channels** • WhatsApp chat • Direct pick-up and delivery	Residents of age 36-55 in Delatinos Residential Area whose occupation is worker

Cost Structure	Revenue Streams
• Staff wages • Staff commission per kg bulk laundry • Laundry chemicals, packaging, and utility cost	• Bulk laundry service • Single-piece laundry service • Carpet laundry service commission

Figure 12. New Business Model Canvas of Sangun Laundry

CONCLUSION

Based on the data collection, situational analysis and strategy formulation, this study concludes as follow:

1. Sangun Laundry is superior in cost-efficiency and quality reputation because of its honest staff, operating station, operating vehicles, and laundry chemicals, Nonetheless, underutilized operational capacity, lack of branding, and manual financial recording are still inferior. Low bargaining power of buyers, rising purchasing power, and raised health awareness means higher future demand, though threats from tight rivalry, health protocol ignorance, laundry appliance innovations, environmental disobedience, and quality mishaps exist.

2. Sangun Laundry should apply differentiation strategy, in which pick-up delivery and helpful, honest, and responsive communication process with customers become the value propositions, and target the customer segment dominated by workers aged 36-55. Hiring a customer service staff, who would adopt a partner CRM software, is a required vehicle. Communicating with customers will become a new key activity that strengthens brand perception and customer's sharing intention.

LIMITATION & FURTHER RESEARCH

This study only surveyed respondents in the surrounding areas of Delatinos Residential Area for a short period. Survey may be conducted in other residential areas in South Tangerang to ease Sangun Laundry discovering the needs of customer in a broader area. It would also be interesting to report the changes in customer buying criteria across a longer period of time. This enables the formulation of an time-adaptive strategy.

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