



## Proposed Business Strategy for Enhancing the Market Competitiveness of Argo Parahyangan Facing the Jakarta – Bandung High-Speed Train

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**ABSTRACT:** This research analyzes the competition between the Argo Parahyangan train and the Jakarta-Bandung High-Speed Train (HST) on the Jakarta-Bandung route. The objective is to make an informed decision about the continuation of the Argo Parahyangan train, considering passenger preferences. Factors such as accessibility, comfort, travel cost, safety, and travel time influence passengers' mode of transport choice. The study identifies travel cost and time as primary considerations for passengers. Proposed strategies include optimizing schedules, enhancing customer experience, promoting scenic views, utilizing social media, offering promotions, and forming partnerships. Implementing these strategies would enhance the market competitiveness of the Argo Parahyangan train, operated by the Indonesian Railway Service Company, in response to the Jakarta-Bandung HST operations.

**KEYWORDS:** Business Strategy, Customer Segmentation, Indonesian Railway Services, Market Competitiveness

### INTRODUCTION

The Indonesian Railway Service Company, managing a diverse portfolio of railway services, annually caters to over 200 million passengers and more than 20 million tons of cargo [1]. In response to the urgent need to alleviate road network congestion, efforts have intensified towards urban rail expansion. According to Indonesian Presidential Regulation Number 93 of 2021, The Jakarta-Bandung high-speed train (HST) project which is an international strategic alliance between Indonesia and China, embodies these efforts, aiming to significantly reduce the travel time between the two major cities. Despite the anticipated socio-economic benefits [2] [3], the HST's introduction disrupts the existing equilibrium, notably for the long-standing Argo Parahyangan train.

Indonesian Railway Service Company recognizes the direct competition posed by the HST to the Argo Parahyangan, as both services serve the same route. The government's suggestion to discontinue the Argo Parahyangan service following the HST's operational onset raises concerns, considering the train's significant financial contribution. This scenario necessitates a comprehensive study to understand customer segmentation between the two services [4], evaluate the feasibility of discontinuing the Argo Parahyangan service, and formulate strategic measures to ensure its sustained market competitiveness.

### LITERATURE REVIEW

In marketing strategy, marketers categorize potential buyers into separate groups based on demographics, behavior, and psychographics, and then target the most promising groups [5]. To pique interest in a product or service, a business needs to understand and meet the needs of its target customers in a way that outperforms competitors. Customized strategies that emphasize unique features, promotions, discounts, and outstanding customer service can stimulate demand. In the context of transportation choice, factors such as accessibility, comfort, cost, safety [6][7][8], travel time[7][8][9], trip maker's demographics, and journey purpose will be surveyed to gain insights about potential customers' preferences for the Argo Parahyangan train and the Jakarta-Bandung HST.

The process involves a seven-step segmentation procedure, from needs-based segmentation to expanding the segment positioning strategy [5]. Strategy is defined as a blend of activities designed to deliver a unique value proposition and achieve a competitive edge [10] [11]. In other words, strategy entails a set of coordinated decisions and actions directed towards developing superior competencies and carrying out competitive strategies, relying on comprehensive market and competitor analysis. Strategic management is a process for formulating and overseeing an organization's strategy to achieve its objectives in an efficient and timely manner[11] [12]. This process requires flexibility, ongoing assessment and analysis of internal and external factors, strategy formulation, and implementation. Two models, the industrial organization model and the resource-based model, are fundamental for achieving strategic competitiveness.



The industrial organization model suggests that the external environment shapes strategies for strategic competitiveness. It focuses on the importance of industry selection and resource allocation [11]. The Industrial Organizational economics theory further emphasizes achieving a competitive market position for higher returns [13] The Resource-based view (RBV), on the other hand, focuses on using unique, hard-to-copy resources to achieve long-term competitive advantage [14]

In analyzing the company's environment, both internal and external factors must be considered [15]. External factors include general environment analysis (PEST), industry analysis (Porter's Five Forces Model), and competitor analysis, which help determine a company's market position and growth opportunities [16]. The PEST framework analyzes the impact of political, economic, socio-cultural, and technological factors on a business [17]. Porter's five forces model, on the other hand, evaluates industry profitability by examining factors like new entrants, buyer power, substitution threats, competition, and supplier power [18]. This aids in forming a company's competitive strategy and identifying its competitive advantage [17][19].

Internal analysis, on the other hand, focuses on unique resources and capabilities that provide a competitive advantage [20] These include resources that take time and effort to acquire, are difficult to transfer or buy, and need significant organizational changes, thus harder for competitors to replicate. The Resource-Based View (RBV) framework posits that a firm's tangible and intangible resources and capabilities can be leveraged as a long-term competitive advantage. Tangible resources include financial, physical, technological, and organizational assets, while intangible resources encompass human aspects, innovation capabilities, and reputational factors. This framework offers a comprehensive understanding of how diverse resources contribute to a firm's strategic edge [21][22]. This also includes value chain analysis, which scrutinizes the organization's structure, resources, and how its activities are performed to determine costs and profits [23]. Value chain analysis is a vital tool for improving a company's value offering. This process scrutinizes company operations to pinpoint internal advantages, facilitating optimization and enhancing customer value. In essence, it serves as a roadmap to streamline operations and enrich the company's value proposition [24]. Lastly, SWOT analysis serves as a strategic tool that evaluates an organization's strengths, weaknesses, opportunities, and threats, thereby facilitating the development of competitive and organizational strategies [25][26].

**METHODOLOGY**

A research design is a plan with specified objectives and methods for addressing research issues [27]. Research methodology involves systematic techniques for data collection with specific goals [28]. This study utilizes both quantitative and qualitative methods. Quantitative data is numerical and gathered through surveys and experiments, as seen in the customer segmentation questionnaire used here [27]. Conversely, qualitative data describes phenomenon characteristics and is collected via interviews or document analysis, serving this study in SWOT analysis and strategy formulation [29]. This study uses two types of data: primary and secondary. Primary data, collected directly from the source via methods such as surveys and interviews, is fresh and unpublished. This includes questionnaires disseminated via Google Forms and interviews, both of which gauge participants' attitudes and perceptions. The questionnaire uses a Likert scale and counts to measure responses, while interviews will be semi-structured and conducted face-to-face with The Indonesian Railway Company's stakeholders. Secondary data, previously gathered and published by others, comes from various sources like government agencies and research organizations. In this study, it includes data from PT KAI regarding train passengers, long-term company plans and annual reports.

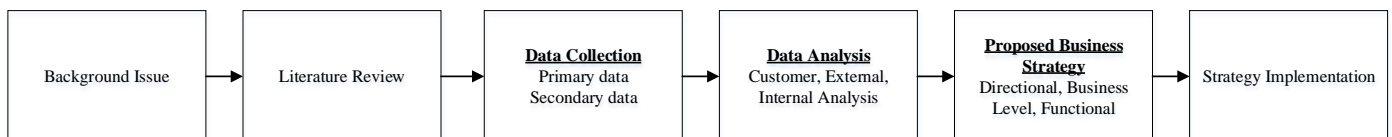


Figure 1. Block diagram of methodology used in this research

**ANALYSIS**

**A. Customer Analysis**

Market segmentation categorizes a market into distinct customer groups with shared needs or traits to better understand different customer segments. This process typically utilizes a questionnaire survey informed by predefined criteria from interviews and



journals. Analysis of potential customers' responses for the Jakarta-Bandung High-Speed Train (HST) and Argo Parahyangan revealed two impactful factors: travel cost and travel time, forming the basis for the following needs-based customer segments.

#### 1. Time-sensitive segment

Customers in this segment prioritize swift travel options. High-speed rail services and reduced travel times are crucial considerations for this group.

#### 2. Cost and safety-conscious segment

Customers in this segment prioritize affordability and safety. Competitive pricing, discounts, and clear safety measures are their primary considerations.

These segments align with prior research indicating that affluent intercity train passengers favor the HST, while those with lower incomes opt for traditional intercity train services [30].

#### B. External Analysis

Based on the PEST analysis, the general environment analysis suggests there are more opportunities for The Indonesian Railway Service Company. Industry analysis indicates moderate rivalry among existing competitors, low threats of new entrants, and high bargaining power for both buyers and suppliers, with a high threat of substitutes. Despite these challenges, the industry remains attractive. From the competitor analysis perspective, it is crucial to anticipate and prepare for competitor reactions. It's inferred that Jakarta – Bandung HST, the competitor, will likely focus on providing luxurious, swift travel options between Jakarta and Bandung, underpinned by good corporate governance for long-term sustainability. In response, The Indonesian Railway Service Company can leverage its key strengths to outperform its competitors. Its strategy involves providing lifetime services to its customers, fostering loyalty, and promoting repeat business with Argo Parahyangan Train. By building a strong base of loyal customers, The Indonesian Railway Service Company can mitigate the influence of competitors and better navigate market changes.

#### C. Internal Analysis

The internal analysis, using the VRIS framework, shows that The Indonesian Railway Service Company has various resources like financials, human resources, organization, facility, technology, and innovation, all offering temporary competitive advantages due to their value, rarity, and difficulty to imitate, but they're substitutable. The company's reputation, however, gives it a sustainable competitive advantage due to its uniqueness and non-substitutability.

The Indonesian Railway Service Company has set itself apart in the transportation field through trustworthy, efficient services, with an emphasis on safety and sustainability. Their adherence to stringent operational standards has earned customer trust and loyalty, distinguishing them from competitors. The Indonesian Railway Service Company focuses on passenger safety, underscored by rigorous maintenance and training, establishes it as a secure transportation provider

## RESULTS AND DISCUSSION

#### A. Corporate Directional Strategy

The Indonesian Railway Service Company needs to define its future trajectory to render its vision more quantifiable and achievable. The company's strategic direction, which may involve growth, retrenchment, diversification, or stability, depends on its current circumstances, decisions on concentration or diversification, and choice between internal investments or strategic alliances. Given The Indonesian Railway Service Company's SWOT analysis, it resides in the first quadrant, characterized by dominant strengths and opportunities over weaknesses and threats. To stimulate growth, The Indonesian Railway Service Company can explore strategies such as geographical expansion, service capacity augmentation, and boosting brand recognition. Particularly with the impending capital relocation to East Kalimantan, expansion beyond Java and Sumatra promises potential for their passenger train services. Enhancing customer satisfaction will be key in improving brand visibility, aligning with the core focus of this research. The Indonesian Railway Service Company should ensure its services, including Argo Parahyangan, align with their unique value proposition and meet customer wants.

#### B. Business Level Strategy

The Indonesian Railway Service Company's Argo Parahyangan Train chiefly serves price-conscious customers, blending cost leadership and focused differentiation strategies. Growing experience have allowed companies, like The Indonesian Railway Service Company, to successfully implement both cost leadership and differentiation, known as integrated cost leadership/differentiation strategy. This approach has boosted efficiency and reduced costs. Argo Parahyangan strives for affordable fares and reliable,



comfortable journeys, taking advantage of the route's scenic appeal. The Indonesian Railway Service Company could strengthen its competitiveness by improving operational efficiency and tailoring services to customers' wants and demands.

### C. Functional Strategy

The TOWS matrix, a strategic tool for assessing internal strengths and weaknesses, as well as external opportunities and threats, can help The Indonesian Railway Service Company improve the Argo Parahyangan service. The strategies derived can be summarized in two domains: operation and marketing. Operational strategies focus on cost leadership, identifying cost drivers and minimizing them. For instance, the train schedule can be optimized to match demand, which is higher during weekends. The Indonesian Railway Service Company should consider changing all carriages to economic class with reclining seats, as the Argo Parahyangan's audience is price-sensitive. Additionally, providing free onboard WiFi, an important customer demand, and ensuring scenic views by keeping windows clean can boost customer satisfaction. Marketing strategies emphasize brand development, social media promotion, and regular sales. A strong brand identity for Argo Parahyangan highlighting its affordability, reliability, and scenic views can be crafted. Enhancing service promotion on social media platforms like Instagram and offering regular voucher discounts, particularly for group travels during weekends, can attract customers. Partnerships with hotels or tourist attractions offering discounts to Argo Parahyangan passengers could also boost patronage and benefit all parties involved.

### D. Implementation Plan

An implementation plan is crucial for the successful execution of a strategy or project, serving as a detailed roadmap of actions, tasks, and resources needed to reach the intended outcome. This plan becomes a pivotal tool for coordinating efforts across various teams and departments. Executing this proposed plan meticulously will enable The Indonesian Railway Service Company to effectively market the Argo Parahyangan train, optimize its existing strengths, and tackle potential challenges. This comprehensive strategy aims to boost operational efficiency and marketing, thereby improving the competitiveness of the Argo Parahyangan train in the Jakarta-Bandung transportation market.

## CONCLUSIONS

The Jakarta-Bandung High-Speed Train (HST), with its fast speed and potentially high fares, targets time-sensitive travelers like businesspersons or tourists on a tight schedule, while the Argo Parahyangan Train appeals to cost-conscious travelers who prefer scenic, leisurely journeys. Therefore, discontinuing the Argo Parahyangan Train once the HST starts may not be beneficial since both serve different customer segments. The Indonesian Railway Service Company can enhance the Argo Parahyangan Train's appeal by employing a blend of cost leadership and differentiation strategies. This includes maintaining affordable fares compared to the HST, which can be achieved by focusing on the economy class. Offering complimentary onboard WiFi is crucial to keep customers, as is adjusting train schedules to align with passengers' leisure-based travel. Furthermore, to enhance the traveling experience, The Indonesian Railway Service Company should ensure clean windows for scenic views and consider collaborations with hotels in Bandung and Jakarta for special deals, catering to leisure travelers' interests.

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