Business Strategy Using The Blue Ocean Strategy Approach in Facing Competition at Lacosta Café in Metro City

Fadhilah Anas Shaabiriin [1*], Rr Erlina [2], Ahmad Faisol [3]

[1-3] Jurusan Manajemen Universitas Lampung, Indonesia ; e-mail : fadil.anas2001@gmail.com

* Corresponding Author : Fadhilah Anas Shaabiriin

Abstract: This research focuses on Kafe Lacosta in Kota Metro, examining its business strategy implementation using the Blue Ocean Strategy approach to navigate the increasingly competitive market landscape. The study aims to explore and evaluate how Kafe Lacosta applies the Blue Ocean Strategy framework to tackle the competition it faces. As competition in the café sector intensifies, business owners are required to adopt innovative strategies to sustain and grow their enterprises. This research adopts a descriptive qualitative method, utilizing data collection techniques such as observation, interviews, and documentation. The analysis is conducted through tools like the Four Actions Framework, the Eliminate-Reduce-Raise-Create (ERRC) grid, the Strategy Canvas, and the Blue Ocean Idea Index. The results indicate that Lacosta MSME has initiated the Blue Ocean Strategy, particularly through product innovation, service enhancement, and promotional activities. Nonetheless, pricing remains a challenge that needs further attention. In general, applying the Blue Ocean Strategy has enabled Lacosta to develop distinctive value propositions to address market competition, especially by offering affordable value to its customers.

Keywords: Business Competition, Blue Ocean Strategy (BOS); Business Strategy; MSME; Kafe Lacosta.

1. Introduction

Strategy plays a crucial role in a company's long-term success, serving as a roadmap to achieve its goals amid increasingly intense and diverse competition. Business owners must carefully craft their strategies to ensure sustainability and growth, as high competition pressures pricing, profitability, and the need for continuous innovation. According to [1], a business strategy is a planned approach followed by practical actions that distinguish a company's competitiveness from its rivals. As markets become saturated, opportunities for expansion and success narrow [2], pushing businesses to adopt effective strategies like the Blue Ocean Strategy to build sustainable competitive advantages, avoid direct rivalry, attract new customers, and retain existing ones.

Several studies have explored the application of the Blue Ocean Strategy. For instance, [3] found that the core principle of the Blue Ocean Strategy is to create customer value while reducing production costs, achieved through efficiency and digitalized promotion via social media and the internet. The study emphasized maximizing existing potential and improving visual communication on hotel booking platforms. [4] highlighted how adopting the strategy enhances tourism appeal and social responsibility while driving business profits. [5] in a study on PT Inti Lautan Fajar Abadi, showed the company applied the strategy by focusing on customer satisfaction through quality, taste, and presentation. [2] discussed how innovative human capital management and social responsibility can provide business solutions, particularly in the retail distribution sector.

Meanwhile, [6] in their study on the shellcraft industry in Tanjung Balai, found that the sector remains in the 'red ocean,' marked by intense competition. While these studies have examined various industries such as hospitality, tourism, manufacturing, and labor distribution, there has been little research specifically analyzing the implementation of Blue Ocean Strategy in the café sector, especially at Kafe Lacosta in Kota Metro. There is a noticeable gap regarding how this strategy can be applied in cafés to achieve competitive advantage through product innovation, service differentiation, and digital marketing.

In recent years, Micro, Small, and Medium Enterprises (MSMEs) have become a vital component of the economy in many countries. Ina Primiana (2012) highlights that MSMEs play a crucial role in the national economy by absorbing labor and driving local economic growth. MSMEs are also key to community development, contributing significantly to Indonesia's GDP and job creation while fostering entrepreneurial creativity aligned with local traditions. Defined as small-scale economic activities meeting specific asset or sales criteria [7], MSMEs in Indonesia serve as the backbone of the economy, essential for job creation, income distribution, and poverty reduction. Their steady growth reflects positive economic trends, supported by government initiatives such as easier access to financing and capacity-building programs. According to the Coordinating Ministry for Economic Affairs (2023), MSMEs make a substantial contribution to Indonesia's GDP, underscoring their central role in economic stability and development.

[8] state that increasing competition within industries has led to the emergence of two key market strategies: the Red Ocean Strategy and the Blue Ocean Strategy. The Red Ocean Strategy focuses on competing within existing markets by offering standardized products, leading businesses to fight over the same customer base, which intensifies competition. Many industries remain trapped in this approach, resulting in fierce rivalry. To survive, businesses must continuously refine their strategies to meet customer needs effectively; failing to innovate risks decline within a saturated market. Therefore, entrepreneurs must innovate and offer new value by shifting to the Blue Ocean, where competition becomes irrelevant through the creation and capture of untapped demand [8]. The Blue Ocean Strategy (BOS) enables companies to redefine themselves by focusing on innovation rather than direct competition, creating a win-win situation for buyers and sellers. It is especially effective in competitive markets, allowing firms to establish new markets driven by consumer demand. BOS uses tools like the Four Actions Framework and the Eliminate-Reduce-Raise-Create (ERRC) grid to reconstruct buyer value elements, guiding companies to break free from crowded markets and enter new spaces with minimal competition, though exceptions remain in sectors like food and beverage (cafés).

With the development of modern lifestyles, many people now spend significant time outside their homes, whether for relaxation or work purposes. Cafés have become a popular choice because they offer not only food and drinks but also a comfortable environment for visitors [9]. They state that a café's atmosphere, menu variety, and pricing significantly impact consumer satisfaction, which is a key aspect in designing competitive strategies. A café is a commercially managed business offering food and beverages in a casual, informal setting without strict service rules. Its offerings are typically affordable, and many cafés operate 24 hours, staying open even when restaurants have closed. Thus, a café is a dining place designed with a unique style and a relaxed atmosphere, usually serving coffee and light snacks such as finger foods or fast food. Cafés are particularly popular among young people, teenagers, and students, who often spend time there socializing, studying, or enjoying meals. According to the Central Bureau of Statistics (BPS) in Metro City, Lampung, the number of junior high school, high school, and university students has risen significantly in recent years, which is a crucial factor in the growth of the café business in the city. In 2023, BPS Metro reported 8,560 junior high school students, 7,890 high school students, and around 12,340 university students.

Lacosta Café is one of the well-established cafés in Metro City, having been in operation since October 10, 2019. From the beginning, Lacosta embraced a predominantly outdoor concept but also offers an indoor air-conditioned space. Branded as "Coffee & Eat," Lacosta provides an extensive menu of food and drinks. The café also offers relatively comprehensive facilities, including indoor and outdoor seating options, Wi-Fi, a prayer room, live music, a beanbag area, and a parking lot that is larger than those of most competing cafés. Its best-

selling menu items are coffee, particularly the robusta and arabica varieties. Lacosta operates from 10:00 AM to 10:00 PM. Since its inception, Lacosta has experienced significant growth. Initially, its concept was similar to other cafés in Metro, focusing on providing a comfortable space with various food and beverage options, especially coffee. The café's main innovation today lies in its cozy, relaxed ambiance, achieved through interior design that blends minimalist elements with natural touches such as wooden chairs, ornamental plants, warm lighting, and neutral colors, creating an elegant and clean atmosphere. The layout is designed to support social interaction, with well-spaced tables catering to customers who want to hang out, work, or hold meetings. However, many indicators suggest that Lacosta still closely resembles its competitors, as its product innovations follow market trends, its pricing and customer experience remain comparable to other cafés, and its marketing strategies, such as social media promotions, discounts, and collaborations with online food delivery apps, are also similar to those of other establishments.

The title reflects an effort to explore how a business can rise above intense competition by moving beyond conventional strategies. Rather than merely competing within an already saturated market, the study focuses on identifying innovative ways for Lacosta Café to differentiate itself, creating new market spaces where competition becomes irrelevant. This is achieved through a methodical approach that helps the business evaluate which aspects to eliminate, reduce, enhance, or newly create, ensuring sustainable growth and a stronger market position. Implicitly, the title emphasizes the need for Lacosta to shift from merely surviving within a crowded market to thriving by reimagining its business strategy through the Blue Ocean lens.

2. Preliminaries or Related Work or Literature Review

Blue Ocean Strategy

Blue Ocean Strategy focuses on untapped market spaces that offer demand and profitable growth opportunities. Many Blue Ocean strategies are created outside the existing industry frameworks [10]. The main principle of Blue Ocean Strategy is to create innovative value propositions by shifting away from intense competition in existing market spaces, which are already crowded with competitors (red oceans), toward new market spaces that are free from rivalry (blue oceans) [11]. According to research by [2], this strategy emphasizes the creation and capture of new demand while breaking the trade-off between value and cost. In these new market spaces, companies can seize greater growth opportunities and build sustainable competitive advantages without engaging in damaging price wars. [12] also highlight that Blue Ocean Strategy redefines competition by fostering innovation. Research by [5] indicates that implementing the Blue Ocean Strategy can positively impact customer satisfaction, particularly through product and service differentiation focused on added value. In essence, Blue Ocean Strategy is about exploring unexplored markets, creating new demand, and unlocking highly profitable growth opportunities, whereas Red Ocean Strategy operates within well-defined industry boundaries where the rules and norms of competition are already established [13].

To implement Blue Ocean Strategy through value innovation, the four-step framework, eliminate, reduce, raise, and create, is used [14]. The framework consists of:
   a. Eliminate: Removing factors that are traditionally accepted by companies, allowing for the exploration of new business opportunities beyond established limits.
   b. Reduce: Reducing investments in factors that do not provide significant benefits to consumers.
   c. Raise: Increasing investments in competitive factors to enhance value for consumers.
   d. Create: Introducing new factors that have not been offered before, providing additional value to both consumers and non-consumers, creating a new market space.

In the pursuit of creating a successful Blue Ocean Strategy, companies must follow a set of guiding principles that enable them to break free from traditional competitive boundaries and innovate effectively [15]. These six principles, as outlined by [14], serve as a framework

to help businesses navigate the challenges of market competition and drive sustainable growth in untapped markets:

    a.   Principle 1: Reconstruct Market Boundaries: To discover new market boundaries, companies must go beyond Red Ocean competition. Although current competition focuses on Red Ocean tools and methods, companies should embrace Blue Ocean opportunities. [14] highlight six fundamental approaches to redefine market boundaries.

    b.   Principle 2: Focus on the Big Picture, Not Numbers: This principle emphasizes strategic planning that avoids tactical distractions in Red Ocean. By using a strategy canvas, businesses can stimulate creativity, expand into Blue Oceans, and ensure effective implementation through clear communication.

    c.   Principle 3: Reach Beyond Existing Demand: To innovate value, companies should address two traditional strategic practices: focusing solely on current customers and refining segmentation. The goal is to target non-customers across three levels for broader demand.

    d.   Principle 4: Properly Sequence Strategy: Companies should follow a correct strategic sequence to reduce business risks. This includes evaluating Blue Ocean ideas based on key criteria such as customer value, price, and implementation costs.

    e.   Principle 5: Overcome Organizational Barriers: There are four key organizational barriers, cognitive, resource, political, and motivational, that hinder strategy execution. These barriers are interconnected and must be addressed to successfully implement Blue Ocean Strategy.

    f.   Principle 6: Integrate Execution into Strategy: This principle ensures that execution is embedded into the strategy, influencing the attitudes and behaviors of individuals involved in the process.

Framework

The conceptual framework of this study focuses on implementing a business strategy using the Blue Ocean Strategy approach at Kafe Lacosta in Kota Metro. The process begins with data collection to gain insights into the business environment, consumer needs, and competitor positions. After gathering the data, the Four Actions Framework (Eliminate, Reduce, Raise, Create) is applied to guide strategic decisions: eliminating irrelevant factors, reducing less important elements to cut costs, raising crucial aspects to strengthen the business, and creating new elements to attract consumers and open untapped markets. The strategy is then implemented by focusing on buyer utility, competitive pricing, cost control, and adoption by consumers and the market. The results are visualized through a Strategy Canvas to assess Kafe Lacosta's competitive position. This approach aims to create a Blue Ocean, a unique and uncontested market space, enhancing Kafe Lacosta's competitiveness and long-term sustainability in the café industry.

3. Proposed Method

Research Design

This study uses a qualitative approach with a descriptive research type to understand the business strategy implemented by Kafe Lacosta in Kota Metro [16]. The research focuses on gathering primary data through interviews and observations, as well as secondary data from literature and previous studies. Primary data is obtained directly from the research site, including from the owner, customers, and competitors of Kafe Lacosta [17]. The goal is to provide a detailed understanding of the phenomena being studied, without manipulating variables, and to explore the context and characteristics of the business operations at Kafe Lacosta. Data collection involves interviews, direct observations, and literature reviews to gain insights into the current business strategy and market environment.

Data Analysis Method

Data analysis is the process of organizing and structuring data from various sources, such as interviews, field notes, and other documents, systematically to make the data easier to understand and share [18]. According to [19], qualitative data analysis involves simplifying phrases or words to capture the meaning of most textual or visual data. He also recommends using logic replication, where each case follows the same research procedure, and results are

compared to identify similarities and differences. This comparison helps answer research questions and achieve the research objectives [20]. Data reduction involves summarizing and focusing on key aspects by eliminating unnecessary information, as field data often becomes overwhelming. Strategy Canvas is a framework for building a good Blue Ocean Strategy, visualized through two dimensions: horizontal for factors of competition and investment and vertical for the level of offerings. The ERRC grid (Eliminate, Reduce, Raise, Create) complements the Four Actions Framework, encouraging companies to make strategic decisions to create new value curves. Key advantages of this approach include balancing value and cost, fostering innovation without increasing costs excessively, engaging all organizational levels, and promoting competitiveness.

Operational Variable Definition

The operational table of variables in this study is as follows:

Table 1. Operational Variable Definition.

Variable	Indicator
Buyer Utility	1. More value than competitors
	2. Different value from competitors
Price	1. Affordable prices for market segments
	2. Cheaper prices than competitors
Cost	1. Costs are in accordance with the target market
	2. Costs are set to obtain optimal profits
Adoption	1. Knowing the barriers
	2. Dealing with adoption barriers

Source: Kim dan Mauborgne (2004)

4. Results and Discussion

Eliminate-Reduce-Improve-Create Scheme

Table 2. Eliminate-Reduce-Increase-Create Scheme At Lacosta UMKM In Metro City.

Write it off	Reduce
• Menus that are less popular with consumers	• Product Price
Upgrade	**Create**
• Seating when buying and waiting • Friendly service • Promos and Discounts • Number of employees	• Product Innovation

Lacosta MSME Strategy Canvas

To create the strategy canvas, the researcher distributed a questionnaire to 5 respondents: the owner of UMKM Lacosta and 4 former customers. The table below summarizes their responses, which include ratings for nine variables derived from the Four Actions Framework.

Table 3. Recapitulation of Respondents' Answers.

Factors	Respondent					Average
	1	2	3	4	5	
Menu	4	5	3	3	4	3.8

Product Price	4	2	2	2	2	2.4
Number of employees	4	4	4	4	3	3.8
Parking Lot	4	4	5	4	5	4.4
Quality of service	4	4	5	2	2	3.4
Promoions or discounts	4	3	3	4	4	3.6
Product variants	4	4	5	3	5	4.2
Waiting Area or Seating Area	4	4	3	2	3	3.2

The strategy canvas not only illustrates a company's current strategic position but also erves as a benchmark for formulating future strategies. The graph shows that the "Menu" curve has an average score of 3.8, indicating a fairly good position. The "Product Price" curve is the lowest at 2.4, suggesting that Lacosta's pricing is perceived as less favorable or relatively expensive; thus, a pricing review or a tagline highlighting the quality of ingredients could be considered. The "Number of Employees" scores 3.8, reflecting a satisfactory staffing level. The "Parking Area" scores 4.4, showing excellent availability. The "Service Quality" curve averages 3.4, indicating good service but with room for improvement. "Promotions/Discounts" average 3.6, which is acceptable but could be enhanced to boost sales. The "Product Variety" scores 4.2, showing strong diversity, while "Seating/Waiting Area" averages 3.2, suggesting sufficient space for dine-in customers, with the added convenience of online ordering via GoFood, GrabFood, and ShopeeFood.

Blue Ocean Idean Index

Based on interviews and direct observations conducted with UMKM Lacosta and its customes, the company's strategic position on the strategy canvas has been identified. However, the canvas still requires further explanation to determine whether Lacosta's strategy has entered the Blue Ocean or remains within the Red Ocean framework. The Blue Ocean Idea Index for UMKM Lacosta is as follows: The results indicate that UMKM Lacosta is already aligned with Blue Ocean standards, demonstrating clear and deliberate strategic choices. These conclusions were drawn after conducting various tests and analyses as described above.

Discussion

The research findings on the application of the Blue Ocean Strategy at UMKM Lacosta, using various approaches such as the four-step framework, the eliminate-reduce-raise-create (ERRC) scheme, and the Blue Ocean Idea Index, show that Lacosta is generally aligned with the Blue Ocean Strategy. This indicates that Lacosta has moved beyond the Red Ocean strategy, positioning itself competitively ahead of similar businesses. However, in terms of product pricing, Lacosta remains within the Red Ocean zone, where competition is still intense. The Blue Ocean Idea Index serves to guide Lacosta in determining future actions aimed at ensuring business sustainability. The following outlines the Four-Step Framework Scheme that UMKM Lacosta can implement to enhance its strategy and maintain its competitive edge.

Firs, regarding the menu, the variety offered is currently too extensive, which may confuse customers; thus, it is recommended to remove less popular items to streamline choices and boost customer satisfaction. On pricing, despite the strategy canvas showing a low score, some customers perceive Lacosta's prices as high. Therefore, clearer communication about pricing and its alignment with product quality is essential. In terms of service, improvements in staff friendliness and responsiveness are necessary to enhance customer experience. Promotion efforts also require strengthening, with more frequent discounts and optimized social media marketing to attract a broader audience. Additionally, Lacosta needs to expand its workforce by recruiting skilled personnel to manage HR and marketing functions effectively. Finally, product innovation is crucial, as current offerings are similar to competitors'. Developing unique products will help Lacosta stand out, offering customers distinctive value beyond just pricing.

5. Conclusions

In conclusion, this study finds that UMKM Lacosta has successfully implemented the Blue Ocean Strategy by offering unique value compared to its competitors, as reflected in the Blue Ocean Idea Index where respondents gave positive feedback on product utility, cost, and strategy adoption, though the price dimension still indicates a Red Ocean position. However, the study is limited by a small sample size, focus on a single UMKM, and a short data collection period, which may not fully represent broader market dynamics. Therefore, future research should involve larger and more diverse samples, comparative studies across different industries, and longitudinal approaches to assess strategy effectiveness over time, while also incorporating financial performance and deeper market analysis to provide more robust insights.

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