

Implementation of Red Ocean Strategy in MSMEs: A Case Study of Warung Sambal Nagih Bang Hepi Yogyakarta – Performance and Marketing Strategy Analysis

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Abstract

In starting a business, especially on the MSME (Micro, Small and Medium Enterprises) scale, many business people go directly into existing markets and existing business models or commonly called Red Ocean. Especially in the culinary business, if there are still humans alive, the need for food remains, the potential for the culinary business also remains. The application of the Red Ocean Strategy theory in building the Warung Sambal Nagih Bang Hepi MSME business in Yogyakarta is a way for business people that entering into an existing market still has the potential to compete, but it is necessary to make adjustments to the added value of their business as an additional strategy. This research analyzes business performance from the aspects of marketing, production, human resources, and finance. The results showed that the implementation of Red Ocean Strategy with added values such as affordable prices, extra rice portions, and free delivery services succeeded in making the business survive in a competitive market. Solutions implemented include special promos, CRM management, and adaptation to national economic dynamics. The conclusion shows that the business still exists and survives with a surplus profit of IDR 4,695,500 in period January-October 2024.

Keywords: Marketing; Red Ocean Strategy; MSMEs.

INTRODUCTION

Food or culinary business is one of the most popular businesses. As we know eating is a basic human need, everyone needs to eat. This is a great opportunity in the culinary business, where food will always be sought after. With great opportunities, of



course, innovation or novelty and entrepreneurial character are needed in competition. For example, on a global scale who doesn't know KFC and Mc Donald. They are examples of the rulers of the food or culinary industry in the world.

There were 326,555 micro businesses and 16,072 small businesses in Yogyakarta Special Region in 2024 (semester 1), growing 0.96% from 2023 (Bappeda DIY, 2024), including culinary businesses. This reflects the growing economy of business opportunities in Yogyakarta. The Special Region of Yogyakarta is a special region as one of Indonesia's culinary meccas. Some successful and nationalized culinary businesses are Waroeng SS (Special Sambal), Waroeng Steak & Shake, and Ayam Gepreksu (Geprek & Susu).

Table 1 Data on MSMEs in Yogyakarta

Business Scale	Total	
	2023	2024
Micro Enterprises	324.408	327.680
Small Business	16.069	16.076
Medium Enterprises	2.109	2.130
Total	342.586	345.886

Resource: BAPPEDA DIY

The growth of culinary businesses in Yogyakarta is not without reason, one of the supporting factors is the migrant population that increases every year, namely students. With 102 universities in Yogyakarta (LLDIKTI, 2024), it is also called the City of Students. The tendency of students to choose to buy food at stalls or eateries rather than cooking themselves makes all kinds of culinary businesses in Yogyakarta never die. This is an opportunity for entrepreneurs to be part of the success of this business.

From Bappeda DIY data, there were 264,969 students in DIY in 2024 (LLDIKTI, 2024), not to mention the addition of Yogyakarta as a Tourism City which adds to the potential number of migrants and residents so that the market is increasing, not to mention that after the covid19 pandemic subsidies and things have started to normalize in general, the potential for public consumption needs will increase.

With the main target being students, and the lower middle class, the need for satisfaction is very important, especially in portion and price, not just in taste. In Yogyakarta, there are not many competitors that can provide this, especially for take away services.



Warung Sambal Nagih Bang Hepi is a chili culinary MSME that was pioneered in Yogyakarta. The purpose of this study is to analyse the performance of Warung Sambal Nagih Bang Hepi MSMEs that were pioneered with the Red Ocean Strategy to provide concrete steps for businesses to compete in the Red Ocean Market. where there are already many similar competitors. In the Red Ocean, business actors fight for the same market share (Kotler & Armstrong, 2018), so a Red Ocean strategy is needed to compete.

THEORETICAL FOUNDATION

Strategy comes from the Greek word *strategos*, which refers to the general's role in planning and directing action (Kusumadmo, 2013). In a business context, a company's strategy includes setting long-term goals and allocating resources to achieve them. Therefore, strategy is a vital element for companies that must be kept confidential so that it is not known by incompetent parties (Lestari & Kusumadmo, 2017).

One approach to formulating a strategy is the Red Ocean Strategy, which leads to competition in an existing market by fighting for a limited market share. In this strategy, companies seek to beat existing competitors by offering similar products or services, often at more competitive prices or minor improvements to existing products (Kumar, 2023).

The Red Ocean concept refers to a highly competitive market, where companies compete to outdo each other, leading to fierce competition. In this kind of market, companies focus on exploiting existing demand and trying to beat competitors who are also eyeing the same market (Shaikh and Soomro, 2023).

According to Amaliah and Aspiranti (2022), the implementation of Red Ocean Strategy is done in several ways, namely: first, by focusing on existing markets; second, product differentiation to create products that are unique; and third, good management, which emphasizes internal efficiency, including human resource management, capital improvement through community funds, and technological innovation in services

METHODS

This research uses SWOT analysis, Red Ocean Strategy approach, marketing mix and descriptive method by analysing operational data of Warung Sambal Nagih Bang Hepi from January to October 2024. The data collected includes sales reports, identification of problems faced up to the solutions carried out. The analysis was carried out by looking at the effectiveness of business performance from the beginning of the implementation of the Red Ocean Strategy.



SWOT analysis is used to see the position of strengths, weaknesses, opportunities and potential threats faced by MSMEs. Red Ocean Strategy is a concrete strategy implemented by MSMEs in facing competition in the Red Ocean Market based on the previous SWOT analysis. The marketing mix provides an explanation of marketing activities that are commonly applied through 4 P (Product, Price, Place, Promotion) based on the application of the Red Ocean Strategy. The results of the strategy implementation are analysed descriptively by referring to MSME operational data

Warung Sambal Nagih is a chili culinary MSME business that started in July 2023 in the Yogyakarta area, for research report data using operational activities from January 2024. In building the Warung Sambal Nagih culinary business, this MSME realizes that it is entering a red ocean that is full of competitors, especially in the Yogyakarta area. This is a position often experienced by business pioneers where they see the market potential that still looks wide with businesses that resemble each other.

RESULTS

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SWOT Analysis

A very important thing in developing and implementing a strong marketing strategy is awareness of the changing environment in which marketing takes place (Hooley et al., 2017), which is why market analysis is needed. The environment in Bang Hepi's Warung Sambal Nagih business internally and externally can be looked at using SWOT analysis (Philip Kotler, 2016).





Figure 1 SWOT Analysis

From the SWOT chart on weaknesses and threats, it shows that these MSMEs are indeed in the Red Ocean Market, which is characterized by similar business actors competing with each other for market share. However, on the one hand, the opportunities that exist in the Red Ocean Market are still a potential to develop the business by strengthening Strength. In this Strength point, many activities will be unravelled to be able to compete.

Red Ocean Strategies

The red ocean symbolizes an established industry or company. Here, competition is fierce as many companies fight for the same market share, making it limited. As a result, profits and growth opportunities are diminishing. Products tend to become common commodities, and the fierce competition makes the business situation even more difficult. But on the one hand, many MSME business pioneers are in this situation, with their capital wanting to imitate businesses that are already running with improvisations that can be made (Kumar, 2023).

The red ocean with its bloody competitive conditions does not make the perception of all industries in it unable to grow. Regardless of the size of a small, medium or large company, it is the duty of management to develop the business, to establish the company's future strategic position in the market which includes product and service offerings, pricing and growth strategies (Yeshitila et al., 2020).

There are six characteristics of the Red Ocean (Siddique & Shukla, 2016) at once that explain how to UMKM Warung Sambal Nagih bang Hepi in the Red Ocean Market.

1. Compete in the existing market space. Warung Sambal Nagih bang Hepi, according to the SWOT analysis, is in the existing culinary market, especially the penyetan (smashed dishes with sambal) stall segment in Yogyakarta.
2. Beats the competition. At this point Warung Sambal Nagih bang Hepi tries to beat the competition by offering affordable prices starting from Rp 10,000 to attract customers. If approached with a generic competitive strategy (Porter, 1980), this MSME stall implements a cost leadership strategy, which is a company strategy to offer the lowest price to customers.
3. Exploit the existing demand. Warung Sambal Nagih bang Hepi tries to utilize the potential demand that already exists from students and workers as well as the lower middle class around the operational location.
4. Make the value-cost trade-off. Basically, business actors choose between strengthening value or emphasizing low costs. However, in reality, besides offering low (affordable) prices, these MSMEs also provide added value such as the use of lunch box packaging for take away, free delivery service within a radius of 1 km and a minimum order of IDR 50,000, free extra rice for dine in and take away. Added value in generic competitive strategies is commonly referred to as differentiation.
5. Line up the whole system of a firm's activities with its strategic choice of differentiation or low cost. The choice of UMKM Warung Sambal Nagih bang Hepi in point four which not only offers affordable prices (cost leadership) but also provides added value (added value for differentiation), these activities must be harmonized. The alignment is done by looking for a strong supply chain, which is able to provide competitive prices to support safe margins, not just expecting a surge in turnover which may not go according to projections.
6. Value creation or addition = added value. Value creation will be very flexible in the development of competition and is the key to continuing to compete, survive and grow. UMKM Warung Sambal Nagih bang Hepi adds value in several ways:
 - a. Addition of free delivery services within a radius of 1 km and a minimum order of IDR 50,000.
 - b. Offering free extra rice not only for dine in but also for take away
 - c. Provide different variants of chili sauce (ripe eggplant aceh sauce)
 - d. Packaging adjustments that are safer with lunch boxes (non-styrofoam), elegant and practical.



- e. CRM communication that is built in managing customer relationships. The CRM approach here does not only focus on technology, but also on human aspects and business value (Saleh & El Saheli, 2018), covering everything including human aspects regarding friendly, fast service and business value aspects including products, business services & complaints.

Marketing Mix

The marketing mix was originally classified by McCarthy many years ago. The marketing mix is a series of tactical marketing tools that companies use to implement their marketing strategies to generate the desired response in the target market (Kotler & Armstrong, 2018)



Figure 2. Marketing Mix 4P's

The marketing mix is commonly known as the 4 Ps Marketing Mix (Product, Price, Place, Promotion). Breakdown of marketing mix activities from the Red Ocean Strategy UMKM Warung Sambal Nagih bang Hepi with other activities that complement it are:

- Product. The implementation of all things related to the product is included in this point, including packaging adjustments, new chili variants, extra rice offers.
- Price. Offering affordable prices starting at IDR 10,000.
- Place. Activate the operational place of the stall in a location close to the target market share of students, workers & lower middleclass people, namely on Jalan Sorosutan Yogyakarta.

- d. Promotion. All activities to communicate the UMKM brand Warung Sambal Nagih bang Hepi are here in the form of making shop print media tools (banners-stickers-etc.), online poster media tools for products and other promo activities, social media activation, influencer collaboration advertising, holistic CRM activation from WA channels - social media - to direct service.

Operational Data of UMKM Warung Sambal Nagih Bang Hepi

From the implementation of the Red Ocean Strategy for 10 months from January to October 2024, the profit and loss is obtained as follows.

Table 2. Profit/Loss of UMKM Warung Sambal Nagih Bang Hepi

Month	Total Sales	Total Cost	Profit
Jan	2.890.000	7.125.483	- 4.235.483
Feb	7.452.000	7.716.233	- 264.233
Mar	36.015.000	17.947.683	18.067.317
Apr	9.846.000	9.205.983	640.017
May	-	-	-
Jun	2.794.000	5.806.533	-3.012.533
Jul	4.883.000	6.876.133	-1.993.133
Aug	4.808.000	6.436.183	-1.628.183
Sep	2.542.000	5.569.733	-3.027.733
Oct	6.763.000	6.613.533	149.467
Total	77.993.000	73.297.500	4.695.500

Source: Zainul (2024)

In May 2024, this MSME did not conduct full operations for one month due to internal obstacles to other activities. Cumulatively, the profit and loss for the period January to October 2024 was a surplus of Rp 4,695,500, or an average surplus of Rp 469,550 per month.

DISCUSSION

At Warung Sambal Nagih Bang Hepi, market shifts have become a significant challenge over time. Initially targeting university students, the restaurant has now adjusted to cater to a broader market segment, especially lower-middle-class workers.



One solution implemented is enhancing the added value, such as offering free delivery with a more affordable minimum order price, specifically for workers who are more responsive to delivery services. This approach aligns with the Red Ocean Strategy, which aims to differentiate itself in an already highly competitive market. However, despite the introduction of offers like branding stickers for social communities and discount vouchers for students, the impact on sales volume has not been significant.

MSMEs such as Warung Sambal Nagih Bang Hepi must continue to innovate beyond price competition. One major challenge is the underutilization of social media. While social media is already in place, its use is limited, partly due to the readiness of the human resources (HR) involved. The current workforce, aged 40 and above, tends to be passive social media users, meaning that strengthening HR capacity for supporting promotional activities within the marketing mix becomes crucial. By improving social media use, Warung Sambal Nagih Bang Hepi can effectively introduce its products and maintain relationships with customers, particularly younger customers, like students.

In an already saturated market, Warung Sambal Nagih Bang Hepi relies on competitive advantages established from the start, such as free delivery services, offering extra rice for take-out orders, and implementing effective Customer Relationship Management (CRM). Managing customer relationships through CRM allows the restaurant to continuously interact with customers, although the application of social media promotions still faces challenges, especially after the staff turnover, which led to a lack of familiarity with digital platforms.

Additionally, national economic dynamics, particularly the increase in raw material prices like rice, have a significant impact on Warung Sambal Nagih Bang Hepi's operations. To keep prices affordable, management opted to use Bulog rice as an alternative, even though its quality is lower compared to medium-grade rice. This strategy has proven effective in maintaining prices similar to before. Other economic challenges, such as mass layoffs and declining purchasing power, also affect the customer base, particularly contract workers. In response, Warung Sambal Nagih Bang Hepi launched a more affordable new menu and utilized moment-based promotions to strengthen connections with existing customers and attract new markets.

The speed of decision-making is also critical in addressing the various challenges that arise. By using a Point of Sales (POS) system to monitor transactions and expenses, management can make data-driven decisions more quickly and accurately. Additionally, business mapping using the Ansoff Matrix shows that Warung Sambal Nagih Bang Hepi has already penetrated the existing market, developed new product offerings like



additional sambal varieties, and expanded its market through digital promotions and online ordering platforms. However, the next challenge is product diversification to tap into broader markets and reduce reliance on existing customer segments.

Overall, the strategies implemented by Warung Sambal Nagih Bang Hepi are relevant and well-targeted in addressing the challenges faced. By strengthening competitive advantages, adapting to market changes, and utilizing technology in decision-making, the restaurant has managed to survive and grow despite being in a highly competitive market. However, to ensure sustainable growth, continuous innovation is necessary, particularly in terms of product diversification and strengthening the use of social media as a primary marketing tool. The Red Ocean Strategy can still be leveraged as an initial approach before discovering innovative ideas that can create a Blue Ocean, in line with Michael Porter's competitive strategy theory.

CONCLUSION

Warung Sambal Nagih Bang Hepi has successfully navigated market shifts and the challenges of operating in a highly competitive Red Ocean market. Initially targeting university students, the business has adapted its offerings to cater to a broader market, particularly lower-middle-class workers, by introducing affordable pricing and added-value services such as free delivery and extra rice for take-out orders. These strategies align with the Red Ocean Strategy, helping the restaurant maintain competitiveness in a crowded market. Despite some promotional efforts, like the use of social media and branding stickers, not yet significantly impacting sales, these actions are critical in differentiating the brand and expanding its reach.

The business also faces challenges with its human resources, particularly in leveraging digital marketing platforms. The current workforce, which is not well-versed in social media, hinders the full potential of promotional activities. To overcome this, strengthening staff capabilities in digital marketing and social media engagement is essential. Additionally, Warung Sambal Nagih's ability to adapt to external factors, such as rising raw material costs and economic downturns, has proven important. The use of technology, like the Point of Sales (POS) system and business mapping tools such as the Ansoff Matrix, allows the restaurant to make data-driven decisions and explore growth opportunities.

Looking ahead, the business can continue to thrive by focusing on innovation, diversifying its product offerings, and strengthening its digital presence. The shift towards a Blue Ocean Strategy, which focuses on differentiation and innovation, should be

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considered to reduce dependence on the saturated Red Ocean market. Furthermore, diversifying product offerings and exploring new locations will help the business increase visibility and attract a wider customer base.

While Warung Sambal Nagih Bang Hepi has made a strong start, addressing limitations like the lack of social media expertise and operational disruptions will be crucial for sustainable growth. By leveraging its strengths, such as affordable pricing, unique product offerings, and effective customer relationship management, the business can continue to expand and eventually transition into a less competitive and more innovative market space.

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