

CHAPTER 2

LITERATURE REVIEW AND THEORETICAL BACKGROUND

2.1. Literature Review

The literature review is needed to discover information and review previous research related to the topic of this study. This review can help find options of solutions and methods needed for this research. The literature review search was conducted on the Google Scholar platform using several keywords such as “increase sales” and “decline in sales”.

2.1. Previous Research

The fierce competition among businesses has caused a decline in sales. With so many companies competing for customers, attracting buyers and making sales have become harder. This increased competition has led to lower prices and aggressive marketing strategies, which have affected the profit of businesses. As a result, sales have decreased, and companies face challenges maintaining their market share. Based on some previous research, several solutions alternative are available to overcome this problems.

In order to increase sales, Ningrum et. al. (2017) proposed a strategy to create new market space for CV Bang Husin. In developing this strategy, this research used the Blue Ocean Strategy method that focuses on the strategic analysis tools and a four-step framework. As a result, three variables are created to develop the new market space: make-to-order products, pre-order services, and trade-in products.

Ikhwan (2018) handled the problem of the declining sales by creating a new uncontested market for the coffee shop Nongkring. This solution was carried out by implementing the Blue Ocean Strategy method. In order to obtain the new uncontested market, this research develops a strategy through the strategy canvas tool and the four-step framework. This research provides three innovation strategies: beginner barista school facilities, the history of coffee variants, and the flavor tables of each coffee.

Kobessah Coffee experienced sales stagnation along with the emergence of competitors. Baskoro (2020) proposed a strategy to win the market share by creating a new market space to overcome this problem. Using the Blue Ocean Strategy method, the researcher utilizes the strategy canvas and four action

frameworks to obtain the value innovation that suits the coffee shop. As a result, the researcher develops three strategies to create a new market space. The three strategies are the *Gerakan Menjauh* Strategy which is creating a new product development, and expanding the market by opening an online store.

Hida (2021) handles the problems of the decrease in sales for online entrepreneurs (@berkaysay) by proposing digital marketing strategies through the Instagram platform. This qualitative research used an explanatory method for all aspects of marketing strategies. The research results are implementing paid promotion strategy and providing discounts for several products. This research also provides giveaway products for potential customers for promotional purposes.

MSMEs in South Tangerang encounter the decrease in sales during the Covid-19 pandemic. Effendy et. al. (2021) overcomes this problem by proposing digital marketing strategies. This research approach employs qualitative techniques to comprehend data collection techniques comprehensively. This research results in implementing digital marketing strategies through social media platforms like Facebook, Instagram, Whatsapp, and GoFood/GrabFood.

Kicks Kemon is a shoe cleaning service located in Jakarta that experienced a problem with its inability to increase its sales. Arsyadi et. al. (2023) handled this problem by proposing digital marketing strategies. This research uses the SOSTAC method, which stands for situation, objectives, strategy, tactics, action, and control. As a result, this research implements digital marketing strategies in several social media platforms. Besides, this research developed strategies such as collaborating with influencers, creating content/video marketing, and making event marketing.

Suprpto (2019) handled the problem of stagnant sales at CV MN Paradila by proposing a product development design. This research used SWOT analysis as well as the IFAS-EFAS method for the product development process. The result shows that after implementing the product development, the company is in the first quadrant position: the strengths can overcome the weaknesses.

Catfish farmers in Pekanbaru experienced problems of low selling prices while the operational costs were high, leading to decreased sales. Yusuf et. al. (2023) overcame this problem by proposing a product development design. The product development was carried out for the diversification processes of the catfish

products, which have high selling value. This research results in the processed products of catfish variations such as fish floss, nuggets, and crackers.

Furthermore, along with the fierce competition, Khansa Pizza needed a new strategy to increase its sales volume. To handle this problem, Bora et. al. (2016) proposed a packaging product development design that is able to attract customers. This research obtains the design of the packaging product through the Quality Function and Deployment method, especially House of Quality (HoQ) tools. As a result, this research develops a pizza packaging design with a length of 14.5 cm, a width of 14.5 cm, and a height of 2.5 cm, which has the function of protecting pizza and increasing attractiveness for potential customers.

Guttentag (2015) examined the rise of informal tourism accommodation through the lens of Airbnb's disruptive innovation strategy. This research highlights how Airbnb, despite diverging from traditional accommodation norms, has effectively created a new market. By leveraging disruptive innovation theory, the study underscores Airbnb's ability to capitalize on modern internet technologies to offer unique benefits like cost efficiency and authentic local experiences. The findings illustrate that Airbnb's innovative business model has not only disrupted the traditional accommodation sector but also opened up new opportunities and posed challenges for destination management.

Riyanto & Aziz (2020) addressed challenges faced by the Informatics Engineering Program at PGRI University Madiun, which required a new strategy to compete with other private institutions. Their solution involved creating a new market using a disruptive innovation strategy combined with SWOT analysis. This research resulted in a strategic framework aimed at enhancing the attractiveness of the Informatics Engineering Program, thereby drawing a larger pool of prospective students to enroll in the program.

Table 2.1. Summary of Literature Review

No	Researcher	Title	Research Problems	Solution	Method	Results
1	Ningrum et. al. (2019)	<i>Strategi Perencanaan dengan Pendekatan Blue Ocean Strategy untuk Meningkatkan Penjualan dalam Persaingan Bisnis Pada CV Bang Husin</i>	The decline in sales on CV Bang Husin	Propose a strategy to create a new market space	Blue Ocean Strategy	Develop a new strategy by creating value innovations using the strategy canvas and the four-step framework using BOS
2	Ikhwan (2018)	<i>Analisis Perancangan Strategi dengan Pendekatan Blue Ocean Strategy untuk Meningkatkan Penjualan dalam Persaingan Bisnis (Studi Kasus di Kedai Kopi Nongkring)</i>	Decline in sales for the past three years	Creating a new, uncontested market	Blue Ocean Strategy	Provide beginner barista school facilities, add the history of coffee variants, and add flavor tables of each coffee
3	Baskoro (2020)	<i>Analisis Strategi Pengembangan terhadap Peningkatan Penjualan Menggunakan Pendekatan Blue Ocean Strategy pada Ukm Kobessah Kopi</i>	Sales are unable to grow with the emergence of many competitors.	Propose a strategy to win the market share by creating a new market space	Blue Ocean Strategy	Develop the "Gerakan Menjauh" Strategy, create a new product development, and online store

Table 2.1. Continuation

No	Researcher	Title	Research Problems	Solution	Method	Results
4	Hida et.al. (2021)	Marketing Strategies Through Instagram to Increase Sales (Study on Description on The Account @berkhsay)	Need a strategy to increase sales	Propose a digital marketing strategy through the instagram platform	Explanatory method	Implement paid promote, provide discounts, and give away products
5	Effendy et. al. (2021)	Implementation of Digital Marketing Strategies to Increase Sales during the Covid-19 Pandemic (Study on MSMEs in South Tangerang City)	MSMEs in South Tangerang City encounter a decrease in sales during the Covid-19 Pandemic	Implement a digital marketing strategies to increase sales	Qualitative Method	Implement the digital marketing strategies through several social media platforms such as Facebook, Instagram, Whatsapp, and GoFood/GrabFood
6	Arsyadi et. al. (2023)	Improvement of Digital Marketing Strategy Kickskemon Cleaning Shoe Service with Sostac Method	Kicks Kemon is unable to increase its sales	Propose a digital marketing strategy to increase sales of the Kicks Kemon store	SOSTAC Method	Applying social media optimization through several social media platforms and developing strategies such as collaborating with influencers, creating content marketing, and event marketing

Table 2.1. Continuation

No	Researcher	Title	Research Problems	Solution	Method	Results
7	Suprpto (2019)	<i>Penerapan Strategi Pemasaran melalui Pendekatan Pengembangan Produk Guna Meningkatkan Volume Penjualan pada CV Silvi Mn Paradila Parengan Lamongan</i>	Sales volume is not growing at CV MN Paradila	Product development to increase the sales volume	SWOT, IFAS-EFAS	The results were carried out on a CV Silvi MN Paradila shows that the company is in the first quadrant position. Namely, the strengths possessed can overcome the weaknesses possessed.
8	Yusuf et. al. (2023)	<i>Pengembangan Produk Bisnis dalam Meningkatkan Omset Penjualan pada Pokda Ikan Patin</i>	Catfish farmers in Pekanbaru City experience problems where the selling price is low, while the management costs are high	Diversification of processed catfish products in order to get high-selling value	Qualitative Method	Processed products of catfish variations such as fish floss, nuggets, and crackers.
9	Bora et. al. (2016)	<i>Pengembangan Kemasan Produk Khansa Pizza untuk Meningkatkan Penjualan dengan Menggunakan Metode Quality Function Deployment (QFD)</i>	Khansa Pizza needs a strategy to increase its pizza sales	Packaging product development	QFD	Develop a pizza packaging design with a length of 14.5 cm, a width of 14.5 cm, and a height of 2.5 cm with the function to protect pizza and increasing attractiveness for potential customers.

Table 2.1. Continuation

No	Researcher	Title	Research Problems	Solution	Method	Results
10	Guttentag (2015)	Airbnb: Disruptive Innovation and the Rise of an Informal Tourism Accommodation Sector	Impact of Airbnb as a disruptive innovation on the traditional accommodation sector and its benefits and challenges for tourism destinations.	Analyze Airbnb's impact on the accommodation market.	Literature review and analysis of Disruptive Innovation theory	Airbnb creates a new market while diverging from traditional accommodation norms by capitalizing on modern internet technologies.
11	Riyanto & Aziz (2020)	SWOT Analysis for Disruptive Innovation Development Strategies for Informatics Engineering Study Programs	Required an approach to compete effectively against private institutions	Creating new market	Disruptive Innovation and SWOT Analysis	Develop a strategic framework of SWOT Analysis aimed at enhancing the attractiveness of the Informatics Engineering Program

2.2. Theoretical Background

2.2.1. Thriftstore

A thrift store is a store that offers branded or distinctive secondhand clothes that have been washed, cleaned, and nicely wrapped (Permatasari et al., 2021). Thrift stores provide a variety of clothing items, including t-shirts, crewnecks, jeans, jackets, and blouses that are still in good condition. Thrift stores are currently quite popular in Indonesia, particularly among teenagers. These garments are frequently marketed at inexpensive costs and come in various brands with good qualities. This store is a solution for people who want to avoid paying a fortune to get-good brand items.

However, thrift shops in Indonesia are currently facing a significant challenge due to their non-compliance with the regulations outlined in Minister of Trade Regulation No. 18 of 2021, specifically in Article 2, Paragraph 3. This regulation prohibits the import of certain items, including used bags, sacks, and clothing, leading to a serious issue for thrift shops in Indonesia as their supply, which comes in bulk from foreign imports, falls under the prohibited category. Besides the impact on their supply chain, this legal restriction is also taking a toll on their sales. With their primary source of merchandise cut off, thrift shops are unable to restock their shelves with the variety of clothing items that have made it so popular among Indonesian consumers.

2.2.2. Strategy

A strategy involves the creation of a distinctive and valuable position through the deliberate selection and execution of unique activities. According to Porter (2011), a strategy is about developing a unique value proposition by performing different activities from rivals or performing similar activities in different ways. This approach ensures a company to achieve a sustainable competitive advantage by consistently delivering superior value to customers. Porter emphasizes the importance of aligning a company's activities to reinforce its strategic position, ensuring coherence and sustainability in the long term.

McGrath (2013) highlights the dynamic nature of strategy in today's fast-paced market environment. McGrath argues that competitive advantages are often transient, and companies must continuously adapt and renew their strategies to stay competitive. She stresses the importance of agility and the ability to reconfigure resources and capabilities swiftly in response to market changes.

Combining these viewpoints, a strategy can be defined as a comprehensive and adaptive process that involves creating a distinctive position through unique activities and continuously evolving to maintain a competitive edge in a dynamic market.

2.2.3. Creating New Market Space

Kim & Mauborgne (2014) define the concept of creating new market space as the process of generating a new, uncontested market environment that makes the competition irrelevant. This approach is crucial for sustainable growth and long-term profitability. Instead of engaging in direct competition within existing markets, companies should focus on where they can innovate and create new demand.

Central to this concept is value innovation, which involves offering significant value through unique products or services that simultaneously pursue differentiation and low cost. Reconstructing market boundaries is another key aspect, where companies challenge and redefine industry boundaries to discover new opportunities and create value in ways not previously considered. Additionally, reaching beyond existing demand by targeting non-customers helps companies to capture untapped demand and expand their customer base. These strategies collectively enable businesses to unlock new growth opportunities and establish themselves in uncontested markets.

Ultimately, the creation of new market space provides a powerful framework for companies looking to achieve sustainable growth and increase sales. By focusing on value innovation, reconstructing market boundaries, and reaching beyond existing demand, companies can open up new avenues for growth and create significant value for their customers. This approach not only drives sales growth but also establishes a competitive edge that is difficult for others to replicate.

2.2.4. Product Diversification

Product diversification, as defined by Johnson et al. (2008), involves expanding into products or services that possess different characteristics, such as targeting new markets, employing different technologies, or appealing to diverse customer segments. This strategic approach enables companies to capitalize on profitable opportunities beyond their current offerings, thereby enhancing strategic flexibility and competitiveness. According to Hermawan (2015), diversification entails expanding the range of goods offered for sale and represents a corporate strategy

aimed at increasing market penetration. With product diversification, a company reduces its reliance on any single product type, thereby ensuring resilience against fluctuations in demand or performance of individual products.

From these definitions, it is evident that product diversification encompasses expanding into new products or services that cater to different markets, technologies, or customer segments. This strategic initiative not only broadens a company's market footprint but also enhances its ability to adapt to changing market conditions and consumer preferences. By offering a variety of products, companies can mitigate risks, capitalize on emerging opportunities, and strengthen their competitive position in the marketplace.

2.2.5. Digital Marketing

According to Chaffey & Ellis-Chadwick (2019), digital marketing utilizes digital technologies, especially the internet and mobile devices, to conduct marketing activities such as promoting products, engaging with consumers, and analyzing data to improve marketing effectiveness. This approach leverages online platforms like websites, social media, email, and search engines to reach target markets efficiently.

Ryan and Jones (2012) define digital marketing as a process that employs digital technologies to create, communicate, and deliver customer value in relevant ways, engaging consumers on their preferred online platforms. This strategy allows companies to personalize messages, measure marketing performance accurately, and optimize strategies based on data insights obtained from digital interactions.

From these definitions, it is evident that digital marketing involves leveraging digital tools to engage consumers, personalize marketing efforts, and optimize strategies through data-driven insights. This approach enhances customer interaction and engagement across various online channels. By effectively using digital platforms to reach target audiences, businesses can enhance brand visibility, attract qualified leads, and convert them into customers. The ability to personalize marketing messages and optimize strategies based on real-time data enables companies to achieve higher conversion rates and overall sales growth in today's competitive digital landscape.

2.2.6. Blue Ocean Strategy

Blue Ocean Strategy is a business strategy framework that presents a novel approach to market competition. Unlike traditional strategies that battle competitors in existing market spaces known as “Red Oceans,” the Blue Ocean Strategy encourages businesses to explore uncharted territories and create new market spaces known as “Blue Oceans.” The primary objective is to make competition irrelevant by unlocking new demands and capturing uncontested market segments (Kim & Mauborgne, 2014).

Blue Ocean Strategy can be used to provide a framework for understanding the competitive landscape and developing a strategy that will create new market space. It can also be used to identify opportunities for innovation and differentiation. By understanding the principles of the Blue Ocean Strategy, businesses can position themselves for success in today’s competitive marketplace.

Blue Ocean Strategy has six principles for driving companies to reach success. These six principles are:

a. Reconstructing Market Boundaries

This principle focuses on redefining the market space to break away from the conventional competition. The goal is to identify and exploit new opportunities by challenging the existing industry assumptions. This can be achieved through tools such as the Six Paths Framework, which helps identify new market opportunities by exploring alternative industries, strategic groups, buyer chains, complementary products and services, functional-emotional orientation, and time. Companies can use this framework to explore opportunities and cater to different customer segments. Another valuable tool is the Strategy Canvas, which helps visualize the current competitive landscape and identify areas for differentiation. By plotting factors that influence competition, companies can see where they can innovate and create new values (Nurunisa & Dewi, 2021).

b. Focusing on the Big Picture, Not the Numbers

This principle encourages businesses to look beyond short-term financial metrics and focus on the broader market landscape. By understanding long-term trends and shifts, companies can identify strategic opportunities and drive sustainable growth. To achieve this, visual exploration techniques such as visual strategy mapping help in understanding the broader market context and identifying key

trends. Additionally, the Pioneer-Migrator-Settler (PMS) Map is useful in categorizing the company's products or services based on their level of innovation, aiding in the visualization of the company's strategic landscape and future growth areas.

c. Reaching Beyond Existing Demand

This principle advocates expanding market demand by targeting non-customers. By understanding why certain groups are not customers, businesses can develop value propositions that appeal to these non-customers, thereby expanding their market. Tools like the Three Tiers of Noncustomers help identify and categorize non-customers into three tiers (soon-to-be, refusing, and unexplored non-customers), allowing companies to tailor strategies to convert them into customers. Companies can target those who currently prefer new branded clothing but are open to sustainable alternatives. The Buyer Utility Map is another essential tool that helps in understanding how to deliver exceptional utility to buyers, identifying potential areas where new demand can be unlocked.

d. Getting the Strategic Sequence Right

This principle emphasizes the importance of following a specific sequence: first focusing on creating exceptional value (value innovation), then reducing costs, and finally capturing new demand. This approach ensures that the business does not compromise on its value proposition while achieving cost efficiencies. Tools such as strategic pricing help set the right price to attract customers without undermining the value offered. Cost Structure Analysis is crucial for analyzing and optimizing the cost structure to ensure profitability. Additionally, identifying and overcoming Adoption Barriers ensures that customers can seamlessly adopt the new offering.

e. Overcoming Key Organizational Hurdles

This principle addresses the internal challenges that can hinder the implementation of the Blue Ocean Strategy. It involves overcoming cultural, structural, and political hurdles within the organization. Tipping Point Leadership is an effective approach, focusing on leveraging key influencers within the organization to drive change and overcome resistance. Ensuring transparency and involvement in decision-making processes through Fair Process helps in gaining buy-in from all organizational levels.

f. Building Execution into Strategy

This principle is about integrating execution into the strategy formulation from the outset. It involves detailed planning, clear accountability, alignment of resources, and continuous monitoring and adaptation. A structured Execution Framework outlines the steps for implementation, assigns responsibilities, and sets timelines. Establishing Feedback Loops is crucial for continuously gathering feedback and making necessary adjustments to the strategy, ensuring its dynamism and adaptability.

2.2.7. Red Ocean Strategy

Red Ocean Strategy represents the traditional approach to competition within existing market spaces. These “Red Oceans” are characterized by fierce competition, where companies fight for market share and strive to outperform rivals through incremental improvements, cost-cutting, and differentiation (Kim & Mauborgne, 2014). Red Ocean Strategy assumes that industries are fixed and market space is limited, leading to intense competition. Businesses implementing the Red Ocean Strategy generally engage in price wars and struggle to maintain profitability as they directly compete with competitors in the same market.

2.2.8. Disruptive Innovation

Disruptive innovation, as defined by Christensen et al. (2013), is a process that creates entirely new markets and value networks or disrupts established ones by entering at the bottom and eventually displacing leading firms. This type of innovation often starts by targeting underserved segments, stimulating new demand, and fundamentally reshaping market dynamics. Disruptive innovations go beyond just changing product or service delivery; they have the potential to shift competitive forces and unlock entirely new markets previously overlooked.

Companies can leverage disruptive innovation strategies to effectively create new markets. This involves identifying unmet needs or inefficiencies within existing markets and developing innovative solutions that bridge those gaps. By embracing disruptive innovation, businesses can introduce products or services that not only attract new customers but also redefine industry standards, propelling them to leadership positions in emerging sectors. This proactive approach allows companies to capitalize on untapped opportunities and stay ahead of the curve in dynamic and evolving markets.

2.2.9. Research Data

Mulyadi (2011) said that research data could be split into two types: qualitative and quantitative. Quantitative research is provided in numbers or for mathematical and quantitative processing. There are two types of quantitative data: discrete and continuous. Continuous data is derived from measurement results, and discrete data is derived from computation and enumeration outcomes. Data expressed in phrases, words, or visuals is referred to as qualitative data. Mathematical operations cannot be used to retrieve data. Only the characteristics or properties of a research object can be described using qualitative data.

2.2.10. Data Collecting Technique

Ulrich & Eppinger (2016) claim that collecting information during the product development process is an effort to acquire information that will later be used as input for the product's analysis and design process. Several methods can be used during the collecting data, including:

a. Interview

Interviewing is the process of asking and answering questions from informants to researchers in order to collect data. Because of the developments that have been made in information technology in recent years, interviews may now be performed in face-to-face or online, specifically via social media. This makes it easier for researchers to collect data to many people at once.

b. Focus Group Discussion

According to Paramita & Kristiana (2013) Focus group discussion is a qualitative data collection technique used to learn about participants' needs, wants, perspectives, beliefs, and experiences related to a particular topic with the help of a facilitator or moderator. This is used to prevent the researcher from interpreting the research problem incorrectly.

c. Observation

Hasanah (2016) stated that observation is one of the empirical scientific disciplines that bases texts and field observations solely on sensory experience . The purpose of the observation is to explain, provide, and detail events as they happen.

d. Questionnaire

The questionnaire is the primary data collection tool and survey methodology to gather opinions from respondents. There are many alternatives for distributing

questionnaires to respondents. According to Pujihastuti (2010), there are three ways to distribute the questionnaires:

- i. directly from the researcher
- ii. send via mail
- iii. send via email or social media.

During the designing phase of questionnaire, the success of the questionnaire is determined by three factors: the length of the questions and questionnaires designed should be ideal, the clarity and lack of ambiguity of the questions, and the fact that the questions do not lead to a specific outcome.

