# A Study of Supply Chain Management for Preliminary Destination Brand Experience in North Sumatera, Indonesia

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***Abstract*— The development of tourism places is getting more attention in current era especially Lake Toba, North Sumatera, Indonesia. It aims to attracts many tourists. As one way to differentiate the identity of a product or service is by the brand. The brand experience emerges as an essential and effective in management and marketing. Thus, this study consider the brand experience as a factor in market competition. In conjuction with the issue, this study aims to identify the supply chain management for preliminary destination brand experience In North Sumatera, Indonesia. This quantitative study designed using the library, literature reviews and others relevance source. The data analyzed using the Matrix Strategic Position and Action Evaluation (SPACE). The results of the analysis found that the environmental stability of Lake Toba as tourism area categorized as medium position. Also, using the inelastic dimension of environmental stability (pricing), we found that the Lake Toba is still a tourist choice. In addition, the experience as the value of excellence to increase the tourist satisfaction.**

***Keywords*—** *Marketing of destination, brand, destination brand experience, tourism, space matrix.*

## 1. Introduction

Lake Toba is an enormous contribution to the tourism industry in North Sumatra, Indonesia. This preliminary study uses a Strategic Position and Action Evaluation (SPACE) Matrix analysis. For sharpening the analysis, the study focused on Toba Lake Tourism Area as the context of doing an investigation. The results expected to give a strategic perspective and strengthen the reasoning of why Brand Experience is the way forward for marketing destinations. Various methods have used to assess the environment and determine the competitiveness of an organization. Methodologies such as; Boston Consulting Group (BCG) product portfolio, McKinsey's Industry Attractiveness/Company Strength Matrix, General Electric (GE) Stoplight Strategy, Directional Policy Matrix (DPM) and Profit Impact of Market Strategy (PIMS), have been known and widely used. Some limitations identified with these methods.

BCG's two by two matrix only identifies one factor in each axis to determine the success factor. The first axis represents the industry growth rate, to measure cash use and the second axis represents market share, to determine cash generation. It is an over-simplistic assumption as businesses with a low market share can be highly profitable as well [1]. Moreover, there are factors determining market strength, which BCG does not only take into account, factors such as: financial strength, human resources and technological competence, profitability, market barriers and market density. [2],[3],[4]. [5] stated that brand and love are the most crucial factor in making the business sustain over time.

The McKinsey and GE matrix solves most of the issues of BCG and proposes a more sophisticated three by three (nine-cell) matrix to provide a framework for strategic decisions. Two axes employed in each of these methods, one of the axes measures the overall attractiveness of the industry and the other represents the company able to compete in its market. DPM, is perhaps more specific by using market potential and organization capabilities as its two-dimension. The axes in McKinsey, GE and DPM divided into Low, Medium, High areas with each area having their own suggested strategy. Although these methods are an improvement from BCG, they are still not free from criticism. As the market increased its complexity, it needs to accommodate more factors into accounts to provide managers with a better position to select an appropriate strategy.

The Strategic Position and Action Evaluation (with this, SPACE) Matrix developed by [6] is trying to overcome the limitations of previous frameworks by incorporating more factors and adding two key dimensions into its internal and external evaluation [7]. The SPACE matrix commonly used in strategic management literature larger due to its integrative power over the standard tools and techniques [7]. Recently, the framework application in tourism and leisure field has been favorably used to evaluate destinations [8],[9],

leisure centers [10], volunteer tourism organizations [11], airlines industry [12] and football industry [13].

## 2. Methodology

This study designed using qualitative analysis in the field of library and information studies, reviews the discourse of marketing factors as it relates to qualitative research, and also draws on debates in the marketing sciences on the role of qualitative research in evidence-based practice. The data analysed using Strategic Position and Action Evaluation (SPACE) Matrix.

## 3. Results and Discussion

The Strategic Position and Action Evaluation Matrix (SPACE Matrix) is a four-quadrant framework, which indicates whether aggressive, conservative, defensive or competitive strategies are most appropriate for a given organization [14]. The SPACE matrix method is selected since it is more superior to others due to its capability to take account of many factors in building the dimensions. The factors are similar to the PIMS study and adjusted according to the characteristic of the industry analyzed. Therefore, it provides managers with a thorough perspective to determine strategic posture for an organization, which translated into generic competitive strategies.

The quadrant axes (Fig.1) represent the combination of internal dimensions and external dimensions which then determined the strategic position of an organization in its industry. Internal dimensions consist of Financial Strength (FS) and Competitive Advantage (CA). Whilst, external dimensions consist of Environmental Stability (ES) and Industry Strength (IS). Each dimension has building factors. The factors are assigned appropriate numerical values, which then averaged to determine the position of dimension in the matrix.

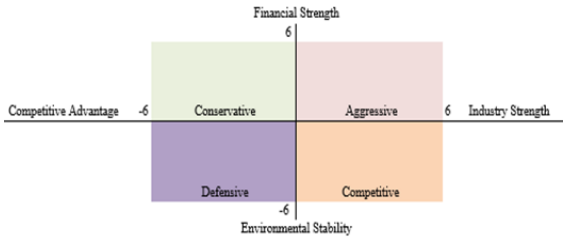


Figure 1. SPACE Matrix Diagram

There are four basic strategic postures in the SPACE matrix: aggressive posture, competitive posture, conservative posture and defensive posture [7]. It following the characteristic

Table 1. Strategic Postures and Appropriate Strategies Suggested by SPACE Matrix

| Dimension | Aggressive | Competitive | Conservative | Defensive |
|---|---|---|---|---|
| Environment | Stable | Unstable | Stable | Unstable |
| Industry | Attractive | Attractive | Unattractive | Unattractive |
| Competitiveness | Strong | Strong | Weak | Weak |
| Financial Strength | High | Weak | High | Weak |
| Appropriate Strategies | Growth – possibly by acquisition. Capitalize on opportunities. Innovate to sustain competitive advantage | Cost reduction, productivity improvement, raising more capital to follow opportunities and strengthen competitiveness. Possibly merge with a less competitive but cash-rich organization | rationalization. Invest in search for new products, services and competitive opportunities | Rationalization. Divestment as appropriate |

Source: Radder and Louw (1998)

There are two approaches in SPACE matrix numerical calculation, one is by [6] and the other by [14]. Despite having a slight variation on assigning the values of factors and on the numerical scale both approaches aimed for the same result. This study is following the methodology from [6], which also had been followed by [7] research. The approach consists of three steps.

The first step is to assign numerical values to each of the factors, which made up the dimensions (IS, FS, ES and CA). In the first three questionnaires, the factors listed are following Table 2. [6]. However as [7] suggested when the SPACE method applied to industries other than manufacturing, another list of factors and even dimensions may have to be constructed [7]. Thus, the first three questionnaires also come with an additional question asking whether the respondent can think of other factors for the tourism industry evaluation and whether the current factor relevant. With the input of the three questionnaires, new factors are constructed, omitting extraneous factors and adding suggested ones into the questionnaires.

The second step is to assign a numerical value ranging from 0 to 6 to each of the factors. The average of the factors will make up for each dimension. For financial strength (FS) and industry strength (IS), the average values of each factor are the score for the dimensions respectively. For competitive advantage (CA) and environmental stability (ES), the average values of each factor minus 6 are the score of each dimension respectively.

Last is plotting the values of each dimension into the SPACE chart. By connecting the average values on each axes, it creates a four-sided polygon displaying the weight for one of the strategies. A different way to determine the strategy is by adding two scores on the axes opposite each other to obtain directional vector points. The x axis coordinate determined by the sum of CA and IS, while the sum of FS and ES determines the y axis coordinate. Knowing x and y values we can now

plot the coordinate onto the matrix and draw a directional vector trough the new intersection point. The location of the point will define the recommended strategic postures.

Various stakeholders in the tourism industry chosen as respondents for this SPACE Matrix analysis. The selection based on judgment sampling, in-depth interviews with 10 (ten) people representing the Government and the Lake Toba Authority Agency (2 people), business people in the Tourism industry (Tour and Travel, Tour Guide) (5 people), Practitioners and Academics (3 people). The SPACE Matrix questionnaire was estimated to conduct during 10 hours of the interview including discussion and filling out the questionnaire — research sites in the Lake Toba Tourism Area, North Sumatra, Indonesia.

This preliminary study, called SPACE (Strategic Position and Action Evaluation) Matrix, was developed by Rowe, et al., Who revealed the need to conduct an environmental analysis because the links between the tourism industries are now a mainstay but unsupported by environmental stability. The results of the SPACE Matrix questionnaire calculation are in Table 2.

Table 2. SPACE Matrix Value Results

| Component of SPACE Matrix | Value |
|---|---|
| Environmental Stability (ES) | -3.5 |
| Industry Strength (IS) | 4.0 |
| Competitive Advantage (CA) | -2.4 |
| Financial Strength (FS) | 3.3 |
| **Axis X (IS + CA)** | **1.6** |
| **Axis Y (ES + FS)** | **-0.2** |

The results of the SPACE Matrix indicates that the environmental stability in the Lake Toba Tourism Area is in a medium position. Supported from the inelastic dimension of environmental stability in pricing in the business environment, which indicates that Lake Toba Tourism Area is still a tourist choice. Some dimensions of concern are the sense of security for travel and the last natural disaster in the Lake Toba Tourism Area. Further, the tourism industry is considered attractive in North Sumatra. In North Sumatra itself, the Lake Toba Tourism Area destination is still a mainstay, which needs to be observed is the Human Capital Skill to improve the industry can compete on an international scale. The competitive advantage is in the medium-low position. There needs to be innovation in developing tourism products and easy access to potential destinations. Lastly, financial strength is at the medium-low level. In the scale of the tourism industry, Lake Toba Tourism Area has the potential for investment returns, but the security risks and natural disasters faced are the primary considerations. Also, the SPACE Matrix Results Map can be seen in Figure 2 below:

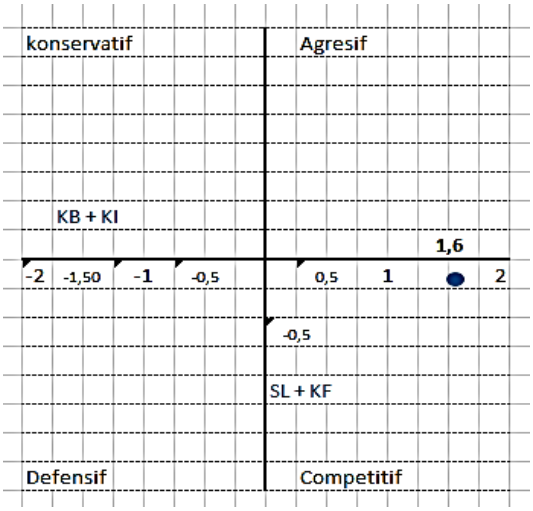


Figure 2. SPACE Matrix Result Map

The results of the SPACE Matrix can be implemented in the differentiation strategy in the Lake Toba Tourism Area, as a case study of this research. According to [15] one of the things done for differentiation is to return to the main competencies and competitive capabilities that competitors do not have or cannot match. Supported by Kotler and Keller convey experience as the value of excellence for differentiation that can increase consumer satisfaction, in this case tourists.

## 5. Conclusion

The research concluded that experience is the next value for differentiation. Thus, the result of the preliminary study has given a basic understanding of the industry as well as setting a background for investigating brand experience in destination context to have collaborated for the next part of the study. A firm can enhance its differentiation in two ways, it may become unique in performing its existing value activities or it may reconfigure its value chain to enhance its uniqueness. There are four best routes to competitive advantage via a broad differentiation strategy that is (i) incorporate product attributes and user features that lower the customer's overall costs of using the company's product. (ii) incorporate features that raise product performance. (iii) incorporate features that enhance customer satisfaction in noneconomic or intangible ways. Finally, to implement differentiation base on competencies and competitive capabilities that rivals not have or can not afford to match.

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