Proposed Business Strategy for a Nonformal Architecture-Related Education Start-up (Case Study: Klass Academy)

Anastasia C. Handrian and Alvanov Z. Mansoor

ABSTRACT

Architecture is arguably one of the most complex and broad subjects, both for academic study and professional practice. Thus, many architecture students and practising architects participate in nonformal architecturerelated learning activities. The COVID-19 pandemic has created an unprecedented impact on both formal and nonformal education systems worldwide; with the inevitable closure of schools and institutions, the sudden shift to virtual learning becomes mandatory. These drastic digital accelerations have caused the customers' behaviour to change adaptively the use of online education service and the market demands in nonformal education show an increasing trend.

This paper presents a contextual and relevant business strategy for Klass Academy - a startup company in nonformal educational business - amid the pandemic and post-pandemic scenarios. It will underpin how the company could maintain its competitiveness by first analysing the existing business condition - both externally and internally, using several tools and theories from the literature study: Market Analysis, Porter's 5 Forces, and Research-Based View Analysis. The findings from conducted analysis determine the proposed business strategy recommendations - with the use of Ansoff matrix as an analysing tool. The formulated strategies in this paper are categorised as Product Development Strategy and Diversification Strategy.

Keywords: Ansoff Matrix, Architecture, Business Strategy, Nonformal Education.

Submitted: May 04, 2021 Published: May 31, 2021

ISSN: 2507-1076

DOI: 10.24018/ejbmr.2021.6.3.875

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I. Introduction

Whether as an academic subject and a professional career, architecture is arguably one of the most complexly extensive and globally acknowledged cultural practices. To gain more competences and strives higher in the industry, mere formal education is often not adequate; many students and even practising architects take part in nonformal learning activities.

The highly contagious coronavirus pandemic has caused the near-total closure of educational institutions worldwide, both formal and nonformal, and resulted in a sudden move of all academic activities to the virtual, online-based learning.

According to McKinsey & Company's recent research, COVID-19 pandemic has also been transforming consumer behaviour and created a digital acceleration in all spheres of life - including learning. The necessary digital shift in learning and studying activities has dramatically increased the use of online education services. The user base of remote learning is significantly growing by 120 per cent in only two weeks – showing a dramatical increase that covered decades in only days [1].

The shift of learning from outside the home to inside has also blurred the lines between learning and leisure, increasing the customer's demand in learning activities, moreover in the nonformal sector.

Given the unprecedented global phenomenon - that leads to the shifting consumer behaviour and the increasing demand of services in education, a contextual and relevant business strategy is needed for a nonformal educational business to strive in this post-pandemic era.

II. BUSINESS ISSUE EXPLORATION

Klass Academy is an emerging startup in the nonformal education industry, providing architecture-related learning. In its early stage today, Klass Academy has proposed several innovative business concepts to gain competitive advantage among its competitors. However, the coronavirus outbreak has to bring the relevance of Klass Academy's initial business concept into question.

To formulate a contextual and relevant business strategy for Klass Academy, the researcher first externally and internally analyzed the company's existing business situation. The overall analysis is used as a basis to formulate the proposed business strategy by using the Ansoff Matrix tool.



Fig. 1. Conceptual Framework

A. Market Analysis

In Indonesia, the number of education-related business has reached 619,947 companies - equivalent to 2.32 per cent of the total trade in the whole country. According to Directorate Nonformal Education and Training (Direktorat Pembinaan Kursus dan Pelatihan) under Indonesian Ministry of Education and Culture, the number of nonformal education and training centre in Indonesia (Lembaga Kursus dan Pelatihan) has shown an increasing trend: from 16,353 units in 2011 to 29,283 units in 2017, and still growing significantly to date [2].

The Indonesian education industry is enormous; it is driven by a large population of students and productive demography. In 2019, it was estimated that there were approximately 52 million students within Indonesia's standard 12-year education system. In the same year, there are approximately 150 million people within productive demographics.

While the Indonesian market is huge, the education industry is saturated with many incumbent players focusing on the formal education segment. However, as education gets more personalised, the trend towards specialising into niche areas is expected to grow in the coming years in Indonesia [3].

To understand more deeply about the market opportunities for nonformal education in Indonesia, especially in the architecture-related sector, the researcher has interviewed ten people; three of them are Klass Academy students who were enrolled in a software training course during the interview, five of them are architecture graduates and practising architects who had experience in taking nonformal education course, and two others are architecture students. Some of the interviews were done through in-person conversation between interviewees and researcher, some others were done via video-conferencing platform during courses, and others were done on text messages and phone calls. The researcher uses purposive sampling method; respondents are fit to a particular profile – are or used to be architecture/design student, practising in architecture or design-related job, could be advantaged by nonformal education training.

The result of the interviews indicates that all interviewees agreed on the importance of nonformal education to excel in the competitive architecture-related industry; they all have enrolled in nonformal architecture-related courses before although it varies from software training to workshops and seminars.

Interviewees have different reasons for taking courses. Students reasoned they did not get the particular learning from formal education on campus; thus, it is important to take outside lessons to increase their skills. On the other hand, most of the practising architects taking courses for personal career growth, broaden networks or gain experiences.

B. Porter's 5 Forces Analysis

Porter's Five Forces Model is a model used for analysing industry to develop a business strategy on competitive environments; it explains about how the five competitive forces can affect profitability and viability of the business in its industry. Porter's model consists of bargaining power of buyers, bargaining power of supplier, the threat of new entrants, threat of substitutes product, and rivalry among existing competitors [4].

1) The Threat of New Entrants

The threat of new entrants determines how easily a company can enter the industry; it depends on the height of entry barriers that are present and on the reaction entrants can expect from an incumbent [4].

Nonformal education industry shows the HIGH threat of new entrants. Klass Academy needs low capital requirements. There is also little to none government regulation concerning the nonformal education business. As the business is focusing on digital marketing, online learning, and conventional offline in-person training, access to distribution is also relatively simple.

2) Bargaining Power of Suppliers

The suppliers can be considered as powerful if; the supplier group is more concentrated than the industry it sells to, the supplier group does not depend heavily on the industry for its revenues, the industry participants face a high switching costs in changing suppliers, the suppliers offer products that are differentiated, there is no substitute for supplies, and the supplier group can credibly threaten to integrate forward into the industry [4].

Klass Academy depends on several key partners; professional associations, student associations, expertise in the industry, software distributor, and creative event space provider. Losing affiliation with professional associations will cause the business corrupted; losing affiliation with student associations will decrease potential market; losing a partnership with expertise will slow down program executions; losing a partnership with software distributor and creative event space provider will increase cost in legal licencing and renting spaces. Therefore, the bargaining power of suppliers is HIGH.

3) The Threat of Substitute Product or Service

The threat of substitute explains the threat of products or services being substituted in one market with something else. Besides, through training and workshops provided by education services business, customers could get nonformal educations through online tutorial videos, books, articles, and self-learnings. However, not everyone could excel in independent learning; some needs accountability, mentors, and peers to strive in their learning. Thus, the threat of substitute product of service for Klass Academy is MEDIUM.

4) Bargaining Power of Buyers

The bargaining power of buyer lies in the buyers' or customers' ability to decrease the prices they pay, the number of customers, the size of a customer order, differences

between competitors, price sensitivity, buyer's ability to substitute, buyer's information availability, and switching cost [4].

In industry providing service like education, the bargaining power of customers or buyers is MEDIUM. The price sensitivity is relatively low as the company focuses on value rather than cost. Moreover, Klass Academy provides shorter length programs and mentorship subscriptions so that the switching cost for customers could be pressed higher.

5) Rivalry Among Existing Competitors

The intensity of rivalry is greatest if; competitors are numerous or are roughly equal in size and power, exit barriers are high, rivals are highly committed to the business and have aspirations for leadership, firms cannot read each other's signal well because of lack of familiarity with one another [4].

Although the number of companies in the education business is increasing, the numbers of existing competitors in the nonformal architecture-related education are still limited; the nonformal education market is still huge, and there are many unexplored territories in the market share. Aiming for this niche market, Klass Academy has LOW rivalry among existing competitors.

The five forces Porter analysis of Klass Academy can be summed up in the diagram below:

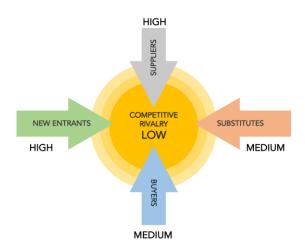


Fig. II. Porter's Five Forces Analysis. Source: Based on Porter's theory [4].

C. Resource-Based View Analysis

Resource-Based View (RBV) is an approach to achieve competitive advantage in a firm based on major works published by Wernerfelt, B. (The Resource-Based View of the Firm) and others in the 1980s and 1990s. It is a model that sees resources as key to superior firm performance. If the resource represents VRIO attributes, the resource enables the firm to gain and sustain competitive advantage [5]. Companies that have various resources will be benefited based on rare resources [6].

Based on the diagram theory below, the RBV model relies on tangible and intangible resources - that must be heterogeneous and immobile and have VRIO (Value, Rarity, Imitability, Organization) attributes. Those eligible VRIO resources provide competitive advantages for the company. VRIO analysis stands for Valuable, Rare, costly to Imitate, and Organised – the four aspects that have to be observed in every resource during the analysis. A resource or capability that meets all four requirements can bring sustained competitive advantage for the company [5].

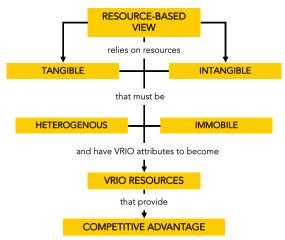


Fig. 3. Resource-Based View Concept Diagram. Source: Adapted from [5].

The summary of all resources of Klass Academy are stated in the table below.

The analysis shows that Klass Academy has several parity competitive resources such as website and social media account. It also has several resources that can sustainably be company's competitive advantages such as the team's experience and expertise and expertise support. However, Klass Academy can explore more into its unused competitive advantages such as its syllabus and program template, the licence support, and the networking it has to the target market.

TABLE I: RBV ANALYSIS						
	Resources	V?	R?	Ι?	O?	Result
TANGIBLE	Website	YES	NO	NO	NO	Competitive Parity
RESOURCE	Social Media Account	YES	NO	NO	NO	Competitive Parity
	Syllabus and Program Template	YES	YES	YES	NO	Unused Competitive Advantage
	Partnership with coworking space	YES	NO	NO	NO	Competitive Parity
	License Support	YES	YES	YES	NO	Unused Competitive Advantage
INTANGIBLE RESOURCES	Team's experience and expertise	YES	YES	YES	YES	Sustainable Competitive Advantage
	Expertise support	YES	YES	YES	YES	Sustainable Competitive Advantage
	Networking to target market	YES	YES	YES	NO	Unused Competitive Advantage

III. BUSINESS STRATEGY FORMULATION

A. Ansoff Matrix

The Ansoff Matrix - that was first described by Igor Ansoff in 'Strategies for Diversification – is a two-by-two framework encapsulating strategy options for a company to improve revenue or profitability [7]. The matrix suggests four alternative strategies that hinge on whether the products (or services) and the markets are new or existing.



Fig. 4. Ansoff Matrix Diagram. Source: Adapted from [7].

The market penetration strategy is the least risky approach among the four strategies that leverage on the company's existing resources - by doing what the company already does well with incremental improvements: for example, through an increase in advertisement or reduction in price. While in the product development strategy, the company develops new or additional products or services – by leveraging existing strengths and values - to satisfy the needs of existing customers. The company strives to engage and perform better by offering product or service innovations.

The market development strategy aims to increase sales using the pursuit of additional market segments or geographical regions – which typically comes with more risk than the market penetration strategy. The diversification strategy, on the other hand, is the most experimental of the four strategies; it requires both products and market developments. However, diversification may strengthen the potential to gain a foothold in an attractive industry and the reduction of overall business portfolio risk [8].

The Ansoff matrix tools are used by determining the company's current position in the market in order to choose the most suitable strategy for the company. These are several highlights of analysis results done in the previous chapter, to be considered in determining Klass Academy's position on the Ansoff matrix:

- 1. Based on the **market analysis**, the nonformal education market is still full of opportunities. The market demands are rising, and the possibilities are plenty.
- 2. The Porter Five Forces in the industry analysis show that the industry has a high threat of new entrants and low barriers to entry yet has low rivalry competition. This demonstrates that market saturation is low, and there are many unexplored territories in the industry.
- 3. The Resource Based-View analysis shows that Klass Academy has several unused resources that need to be explored to be its competitive advantage.

Based on those analysis results, Klass Academy could strive in both existing and new markets and still has many possibilities to develop its products or services as it has several unoptimized valuable resources. Thus, the most recommended strategy for Klass Academy is the Product **Development Strategy and Diversification Strategy.**

IV. CONCLUSION

Having weighed every analysis that has been done in the previous chapter, the researcher recommends Klass Academy to develop a new business strategy to stay relevant in the nonformal architecture-related business, in particular during and post COVID-19 pandemic. The new business strategy is the development of the previous strategy and aims to maximise the unused potential of the company to excel in its industry.

The development strategy is divided into two types of **Product Development** strategy: Strategy **Diversification Strategy**. The product development strategy aims to offer an improvement on the existing products for the existing market while the diversification strategy aims to develop new products or services based on Klass Academy existing resources and market them to a new market.

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