



## **BUSINESS STRATEGY DEVELOPMENT OF PT IHSAN SOLUSI INFORMATIKA (ISI) IN IT INDUSTRY AS AN INTERMEDIARY IN PAYMENT SERVICES**

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### **Abstract**

PT Ihsan Solusi Informatika is a company in IT industry, was established in 2001, that provides information technology solutions in the form of software and hardware development and services, as well as consulting services aimed at financial institutions both banks and non-banks. The IT industry in Indonesia still shows a good opportunity for development, but it also attracts more attention for new companies to engage in. The company decided to diversify its business by becoming an intermediary in payment services so it has more value compared to other competitors. The purpose of this research is to find out the steps that need to be done by PT Ihsan Solusi Informatika to run a new business process. It is necessary to do the external and internal analysis. After that, determine the appropriate strategy for PT Ihsan Solusi Informatika by using Porter's Generic Strategies and Diamond Framework Strategy. PT Ihsan Solusi Informatika already has a good basis in facing competition in the IT industry. In order to become an intermediary in payment services, the company should define business forms and cooperation, look for potential suppliers and clients, and continuously improve the quality of services provided by the company.

**Keywords:** Business Strategy Development, Services, IT Industry.

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### **1. Introduction**

Financial industry is one of the earliest industries disrupted when massive digital technology was used. The banking industry in Indonesia is undergoing a significant transformation driven by technology. More than half of respondents said that technology is the main driver of transformation in their bank over the next 3 to 5 years (PWC, 2017). Most banks are directing their tech investment towards e-banking, with almost half saying this was the first priority. Establishing web-based and smart phone-based applications which allow for banking transactions is the obvious entry point for many. In today's market, it is a foregone conclusion that customers expect such options.

In Indonesia, there is a regulation that manages digital banking. Peraturan Otoritas Jasa Keuangan (OJK) Nomor 12/POJK.03/2018 about Management of Digital Banking Services by Commercial Banks stated that digital banking services is an electronic banking service that is developed by optimizing the use of customer data in order to serve customers more quickly, easily, and in accordance with needs (customer experience), and can be carried out independently by customers, taking into security aspects. Digital banking services can be provided by banks itself and/or banks based on partnership agreements between banks and

bank partners. Bank partners can be financial service institutions (Lembaga Jasa Keuangan/LJK) or non-financial service institutions.

PT Ihsan Solusi Informatika is one of the digital banking service providers who has partnered with banks and bank partners. The services are focusing on banking and financial industries by providing software development, software service, and consulting service. Based on the services, the clients in financial institutions, and also the number of employees in the company, there are 3 (three) major competitors that competing directly with PT Ihsan Solusi Informatika. Those companies are PT Sigma Cipta Caraka, PT Multipolar Technology Tbk, and PT Collega Inti Pratama. All of them are local players which are used by local and international companies. PT Ihsan Solusi Informatika is not that big compared to other companies in terms of the number of employees and the number of clients, but still can maintain the profit and existing clients. Most of these companies have been running more than 15 years in the IT industry.

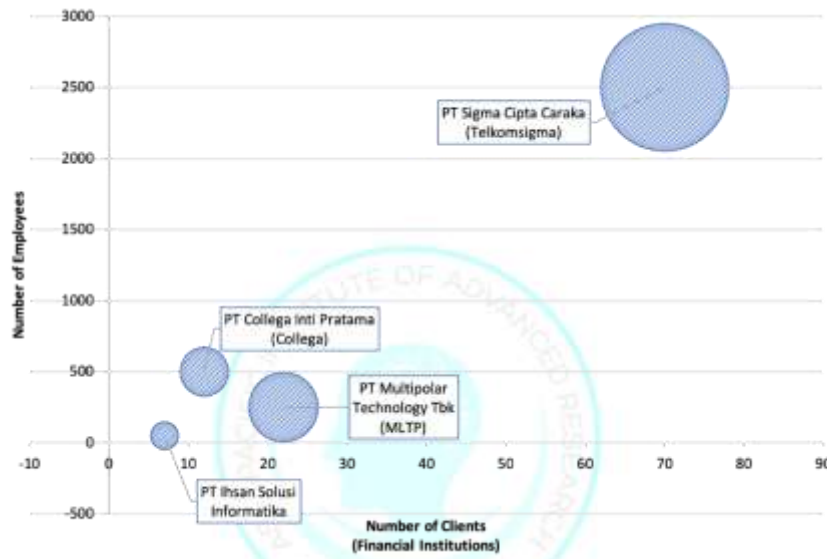


Figure 1: Competitive Map of PT IhsanSolusiInformatika

Consumer banking, once viewed as the fortress in financial services, is now being identified as the most likely financial sector to be disrupted by fintechs over the next 5 years. The very simplicity that underlies banking products and processes for savings, lending, and business services renders the sector ripe for disruption. Based on the report from PwC (2018), Indonesian bankers are also focusing their digital strategy primarily on consumer banking products/services and the mass customer segment (refer to Figure 2).



Figure 2 : Products/Services and Customer Segments Key Focus Area for Digital Strategy in Indonesian Banks

Seeing those potentials, PT Ihsan Solusi Informatika decided to add new types of business into the company, which is as an intermediary in payment gateway and switching provider services

to support online transaction. There are already some companies in payment gateway and switching provider services, so PT Ihsan Solusi Informatika requires the right strategy in order to the new type of business can grow sustainably and compete with other companies.

## 2. Business Issue Exploration

PT Ihsan Solusi Informatika sees that there is a large potential of non-cash payments. This is also supported by the research results by PwC (2018) shown in Figure 1.5, where consumer banking will become one of the sectors in the bank that will be disrupted by fintech. If it is disrupted by fintech, the role of technology in it will begin. In addition, PT Ihsan Solusi Informatika also sees the potential of existing clients, namely PT POS and BMT BUS.

PT POS has a non-cash payment system that has been applied in every branch of the post office in Indonesia. BMT BUS is one of the biggest clients at PT Ihsan Solusi Informatika at present who has used technology services, all of which are provided by PT Ihsan Solusi Informatika. BMT BUS has approximately four hundred thousand customers, the majority of them are live in small cities, and they lived near by the store. BMT BUS plans to provide bill payment services through its customers who open stores, so that it will reach more people near the store to pay their bills through the store. To provide these services, PT Ihsan Solusi Informatika became an intermediary for PT POS to enter its non-cash payment services with a system modified by PT Ihsan Solusi Informatika so it can be implemented in mobile banking application of BMT BUS. After that, BMT BUS customers who have stores become the payment counter for residents who will pay their bills through the counter in the nearest store. The intermediary scheme of the payment system can be seen in the following figure.



Figure3 : PT IhsanSolusiInformatika Business Development

The term intermediary in payment systems has been used in various countries with business process as described above. Electronic Payment Intermediate Service Providers are persons who act as intermediaries between financial institutions and their customers in the payment-related field and either communicate orders to initiate payment using IT or acquire account information and provide such information to customers in financial institutions under entrustment from customers (Miyamoto & Taura, 2017). A payment service provider is one whose business it is to provide payment services, that the services must be provided to persons making payments (consumers) or parties using the payment services (retailers), or both (De Nederlandsche Bank, 2016). So, a payment service provider acts as an intermediary between the two. PT Ihsan Solusi Informatika decided to add new types of business as an intermediary in payment services, but need to know how the strategy should be implemented.

This research started with identifying the business issue occur in the company and need to be analyzed more. The objectives of this research are to determine the conditions both externally and internally of the company and then make strategies based on the result of the analysis. In order to analyze and make strategies for the company, it is necessary to collect data from various sources with 2 (two) types, those are primary data and secondary data. The collected data then analyzed using PEST analysis, Porter's five forces, and competitor analysis for external conditions and using value chain analysis, VRIO framework, and current business model for internal conditions.

External analysis can provide an overview of opportunities and threats for company where the analysis consists of PEST analysis, Porter's Five Forces, and competitive analysis. There are various opportunities that can be taken for PT Ihsan Solusi Informatika by looking at the condition of the IT industry in Indonesia and also from the conditions in Indonesia generally. The general election in Indonesia, which will be held in 2019, can provide opportunities for IT firms such as PT Ihsan Solusi Informatika. In addition, regulations that regulate the rules regarding both IT and fintech companies are increasingly clear, so PT Ihsan Solusi Informatika has been able to measure anything that is allowed and not allowed when planning to develop the company (Kurnianingrum, 2018). The government currently has a special program to facilitate business processes and policies that specifically lead to improvements in IT sector, Nawacita Program (Frost & Sullivan, 2018). Economic conditions in Indonesia also continued to improve despite global economic conditions which tended to decline (OJK in Katadata, 2018; Google & Temasek, 2018). However, the threat that comes from general conditions in Indonesia, including political conditions that can change significantly after the election due to the bad implementation of the election.

The majority of the population in Indonesia are also familiar with the use of the internet, social media, and some of them also often use applications to support their financial activities. Indonesia poses tremendous opportunity for digitalization in banking. Despite the low penetration rate compared to other ASEAN emerging and developed countries, Indonesia's citizens are known to be tech savvy people (Solidiance, 2017). Indonesia's internet user engagement against technology is constantly growing, especially with online purchase behavior. According to a 2019 report by We Are Social, Indonesia has around 150 million internet users, with 150 million active social media users and 130 million active mobile social media users. These combines with more than 60 million smartphone users, forces Indonesian banks to create a smartphone based mobile specific strategy to service their end customers.

Table 1 : Indonesia's Latest Key Digital Indicators Year 2017-2019

Indicator	2017	2018	2019
Total Population (million)	262.0	265.4	268.2
Internet Users (million)	132.7	132.7	150.0
Active Social Media Users (million)	106.0	130.0	150.0
Active Mobile Social Users (million)	92.0	120.0	130.0

Based on interview conducted with the founder of PT Ihsan Solusi Informatika and analysis with Porter's Five Forces, it was found that IT industry is still a good opportunity for development, but it can also attract more attention for new companies to engage in IT industry. Nowadays, there are several IT companies that also provide products and services to provide solutions to the needs of digital banking services. These companies include PT Collega Inti Pratama, PT Multipolar Technology Tbk, and PT Sigma Cipta Caraka. In terms of customers, it will be potential because the future era is that every business process carried out must implement IT, so it will require IT service providers like PT Ihsan Solusi Informatika.

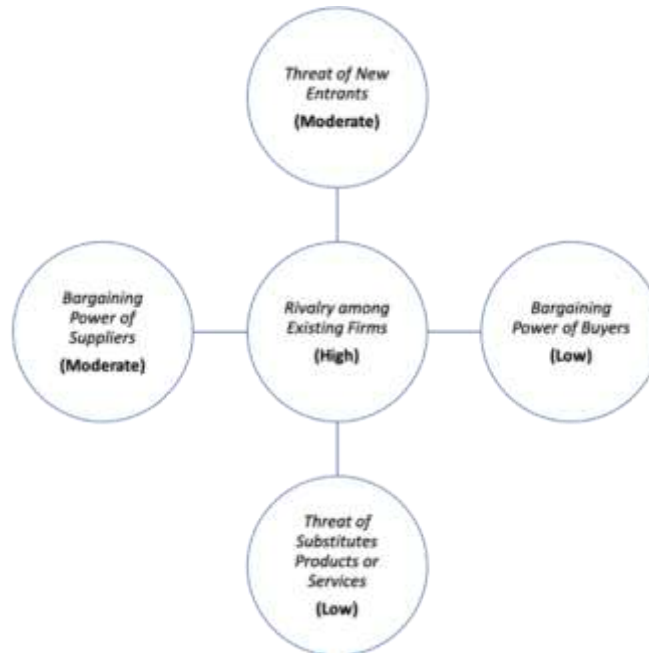


Figure 3 : Porter's Five Forces of IT Industry

Internal analysis can provide an overview of strengths and weaknesses of company where the analysis consists of VRIO framework, value chain analysis, and existing business model. The strength possessed by PT Ihsan Solusi Informatika is have experienced, competent, and qualified personnel in IT field. The founder of PT Ihsan Solusi Informatika is also a person who had experience in banking with educational backgrounds related to IT. So, formulating IT products and services needed by financial institutions becomes easier and on target. The working environment at PT Ihsan Solusi Informatika also strongly supports the development of the capabilities of its employees. The weaknesses of PT Ihsan Solusi Informatika is having limited financial support and lack of marketing strategies.

Table 2 : VRIO Analysis of PT IhsanSolusiInformatika

Resources	Valuable	Rare	Imitability	Organization	Competitive Consequences
<b>Tangible Resources</b>					
Labor	Yes	Yes	No	Yes	Temporary Competitive Advantage
Capital	Yes	Yes	No	Yes	Temporary Competitive Advantage
Buildings	Yes	No	No	No	Competitive Parity
Office Equipment	Yes	No	No	Yes	Competitive Parity
<b>Intangible Resources</b>					
Corporate Culture	Yes	Yes	Yes	Yes	Sustainable Competitive Advantage
Brand Recognition	Yes	Yes	No	Yes	Temporary Competitive Advantage



New Product Development	Yes	Yes	No	Yes	Temporary Competitive Advantage
Customer Lists and Relationships	Yes	Yes	Yes	Yes	Sustainable Competitive Advantage
Engineering Expertise	Yes	Yes	Yes	Yes	Sustainable Competitive Advantage
Innovation Capability	Yes	No	No	Yes	Competitive Parity

A business model illustrates the rationale of how a firm creates, delivers, and captures value. The Business model becomes a shared language that allows the firm to easily describe and create new strategic alternatives. The Business model can best be described through 9 (nine) basic building blocks that show the logic of how a company intends to make money (Osterwalder, 2010). In order to understand the existing strategic alternatives in PT Ihsan Solusi Informatika, the business model of the company will be explained through each 9 (nine) basic building blocks of business model canvas (BMC).

- a. **Customer Segments:** The customer segments of PT Ihsan Solusi Informatika consist of organizations in the financial field, such as bank or non-banking financial institutions. The customers usually need the product and service for their IT process in cheaper but still doing the good process for their company.
- b. **Value Proposition:** PT Ihsan Solusi Informatika offers value as an IT service provider company that provides products and services from front-to-back and beginning-to-end with technology that is suitable for the needs of financial institutions and at an affordable cost.
- c. **Channels:** The customer segments of PT Ihsan Solusi Informatika are large companies which need trust and a high level of reliability to establish relationships. Therefore, the suitable channel that allows PT Ihsan Solusi Informatika to communicate with customers is word-of-mouth. The connection owned by the founder of PT Ihsan Solusi Informatika who used to work in the banking sector was very helpful in reaching customers. Other than that, PT Ihsan Solusi Informatika also has professional company website to reach more range of customers.
- d. **Customer Relationships:** The customer relationship describes PT Ihsan Solusi Informatika as an IT service provider. Even though the business process occurs is business-to-business type, the relationship between both companies are based on human interaction. This kind of customer relationship is called personal assistance.
- e. **Revenue Streams:** The revenue streams of PT Ihsan Solusi Informatika coming from selling customization IT system software solution and regular maintenance fee.
- f. **Key Resources:** Based on the interview conducted with the founder of PT Ihsan Solusi Informatika, the key resources for the company are relationship with the customers/clients, core developer team (human resources and intellectual), and assets (physical).
- g. **Key Activities:** The key activities of PT Ihsan Solusi Informatika is the production process. To produce the products and services need by the customers, the company should know the needs from the customers. Production activities related to designing, making, and delivering the product.
- h. **Key Partnerships:** The type of partnerships between PT Ihsan Solusi Informatika and suppliers is only as a buyer-supplier relationship. The motivation for creating partnership is for optimization and economy of scale. Actually, PT Ihsan Solusi Informatika is not focusing to only one supplier, but to many suppliers who depend on what kind of product and service they need to make.

- i. **Cost Structures:** The costs of PT Ihsan Solusi Informatika include production cost, technology/infrastructure, integration & customization, human resource, and also location rent. In addition, PT Ihsan Solusi Informatika also need to update their technology with current need technology for financial institution, so the company will always spend money for R&D.

### 3. Business Solution

Based on the conclusions from the analysis that looked at the external and internal conditions of the company, as well as supported by the existence of PT Ihsan Solusi Informatika's plan to develop the company's business, it was necessary to develop a business strategy for PT Ihsan Solusi Informatika. To formulate the strategy, need to use several tools which is Porter's Generic Strategy, Strategy Diamond Framework, and Proposed Business Model.

PT Ihsan Solusi Informatika positioned itself as an affordable IT service provider with the system provided in accordance with the needs of the client. Therefore, the current business carried out by PT Ihsan Solusi Informatika is a cost-leadership strategy. However, PT Ihsan Solusi Informatika feels that this strategy has not been able to make companies compete with other competitors and also based on the future opportunities related to fintech. In addition, based on the results of the analysis using the VRIO framework, the company is still in the position of temporary competitive advantage. PT Ihsan Solusi Informatika has good competency resources and wants to utilize existing technological resources, so the company wants to make development in its business different from other companies. The proposed business strategy is a differentiation strategy.

Differentiation strategy will provide more value of the company to the clients. Clients who benefit from the development of the company's business model are not only for new clients, but also existing clients who have used services from PT Ihsan Solusi Informatika. With the differentiation strategy, the company can grab more target markets and increase the company's revenue. To achieve this differentiation strategy, there are several things that must be considered related to the needs of expertise, resources, and organization in general (Porter, 1998).

Table 4 : Differentiation Strategy Requirements

Generic Strategy	Commonly Required Skills and Resources	Common Organizational Requirements
Differentiation	<ul style="list-style-type: none"> <li>• Strong marketing abilities</li> <li>• Product engineering</li> <li>• Creative flair</li> <li>• Strong capability in basic research</li> <li>• Corporate reputation for quality or technological leadership</li> <li>• Long tradition in the industry or unique combination of skills drawn from other businesses</li> <li>• Strong cooperation from channels</li> </ul>	<ul style="list-style-type: none"> <li>• Strong coordination among functions in R&amp;D, product development, and marketing</li> <li>• Subjective measurement and incentives instead of quantitative measures</li> <li>• Amenities to attract highly skilled labor, scientists, or creative people.</li> </ul>

The strategic approach that will be carried out by PT Ihsan Solusi Informatika in the future is differentiation strategy. Basically, the differentiation strategy is to add unique features that will add value to the products and services received by customers so they are willing to pay a higher price. To find out the differentiation strategies that will be implemented in PT Ihsan Solusi Informatika will be explained in detail using five parts of the strategy diamond framework.

- a. **Arenas:** The product categories that are the main business of PT Ihsan Solusi Informatika are products and services related to IT. PT Ihsan Solusi Informatika provides IT solutions that consist of software development, software service, and consulting service. In the future, the products that will be offered by PT Ihsan Solusi Informatika will still be the same, but the company diversified by making prominence in the part of providing payment and switching systems. The geographical area that become the target of PT Ihsan Solusi Informatika is everywhere. The company is only providing a system and system requirements can be applied anywhere. So, its geographical area depends on where the client's company is. In a business model like this, PT Ihsan Solusi Informatika will act as an intermediary, so that the target market segments are both suppliers and customers. The core technology used by PT Ihsan Solusi Informatika is the latest programming software using recent Laravel Framework. Using core technology that continues to be updated will bring product development to an effective and efficient process.
- b. **Vehicles:** Although the business diversification conducted by PT Ihsan Solusi Informatika does not change too many existing activities, certain human resources need to be chosen so they can handle the new strategy implemented in the company. As its primary vehicle for getting to its chosen arenas, PT Ihsan Solusi Informatika engages in organic expansion. In the current business model, suppliers were only as providers and seller of equipment needed by clients without special relationship. Whereas in new strategy as an intermediary between producers and consumers it is necessary to implement a partnership strategy especially with biller companies.
- c. **Differentiators:** The images that PT Ihsan Solusi Informatika wants to convey is as an IT company that can provide solutions to integrated IT needs by not only providing software but also supporting client's businesses at the same time. Every process related to product development is always oriented towards quality and well monitored. PT Ihsan Solusi Informatika also always prioritizes its customers based on customer orientation. As stated previously, all product development is always quality oriented. Each of PT Ihsan Solusi Informatika product has a decent level of security, fast access time, and is efficient in the source code structure. In other words, the reliability of PT Ihsan Solusi Informatika's products is an important point for the company.
- d. **Staging:** The plan will be carried out in several stages. The closest plan is to be an intermediary between biller company and financial institutions. The thing underlies PT Ihsan Solusi Informatika to diversify its business as an intermediary is because the company has technological tools to run the business, has implementation experience with previous and current clients, and has networks both from the producer and consumer side. By diversifying its business, it will add more value compared to other existing IT companies. In addition, PT Ihsan Solusi Informatika can also provide complete and integrated products and services, so that clients who need it can only use services from PT Ihsan Solusi Informatika without having to use services from other companies.

**Economic Logic:** As a profit-oriented company, PT Ihsan Solusi Informatika determined the economic logic in economic scope for existing business process. The theory of an economic scope states the average total cost of a company's production decreases when there is an increasing variety of goods produced. Economic scope gives a cost advantage to a company when it produces a complementary range of products while focusing on its core competencies



(Nickolas, 2018). As for the new business model in PT Ihsan Solusi Informatika, the economic logic is using flat per transaction and negotiation for the long-term contract.

After conducting strategy formulation using Porter’s Generic Strategies, Strategy Diamond Framework, and interview with the founder of PT Ihsan Solusi Informatika, it is known that there are several components in the existing business model canvas that need to be changed. These changes are the effects of the changing strategies implemented in the company

Table 1 : PT IhsanSolusiInformatika’s New Business Model Canvas

Key Partners	Key Activities	Value Propositions	Customer Relationship	Customer Segments
<ul style="list-style-type: none"> <li>Financial institutions</li> <li>Biller company</li> </ul>	<ul style="list-style-type: none"> <li>Acquire clients</li> <li>Consultation</li> <li>Decision</li> <li>Agreement</li> <li>Implementation &amp; development</li> <li>After-sales service</li> <li>Acquire supplier</li> </ul> <hr/> <p><b>Key Resources</b></p> <ul style="list-style-type: none"> <li>Customers</li> <li>Core development team</li> <li>Assets (Technology)</li> </ul>	<ul style="list-style-type: none"> <li>Provides products and services from front-to-end with technology driven for financial institutions</li> <li>Inexpensive and scalable infrastructure</li> <li>Short development, implementation and change time</li> <li>Connecting the needs of financial institutions and biller company</li> </ul>	<ul style="list-style-type: none"> <li>Personal assistance</li> </ul> <hr/> <p><b>Channels</b></p> <ul style="list-style-type: none"> <li>People in the company’s network</li> <li>Professional company website</li> <li>E-mail</li> <li>Telephone</li> <li>Office</li> </ul>	<ul style="list-style-type: none"> <li>Financial institutions</li> <li>Other companies</li> <li>Fintech</li> <li>Biller companies</li> </ul>
<p><b>Cost Structure</b></p> <ul style="list-style-type: none"> <li>Production cost</li> <li>Employee’s salary</li> <li>Operational</li> <li>R&amp;D</li> </ul>		<p><b>Revenue Streams</b></p> <ul style="list-style-type: none"> <li>Profit on sales</li> <li>Regular maintenance fee</li> <li>Fee based obtained from each transaction as an intermediary</li> </ul>		

#### 4. Implementation Plan

Strategy implementation is the total amount of activities and choices needed for the implementation of the strategic plan (Wheelen & Hunger, 2012). Implementation is also an effort largely focused on testing and validating assumptions while integrating the key resources and processes required to deliver in the customer value proposition (CVP) and the profit formula (Johnson, 2018). Although implementation is usually considered after the strategy is formulated, implementation is an important part of strategic management. Implementation should be pursued in three stages: incubation, acceleration, and transition (Johnson, 2018 refer to Figure 6). Incubation must be focused on building profitability, but it is very important not to press the project to reap high-speed revenue until acceleration begins. Real and large-scale revenue rarely increases to the transition stage.

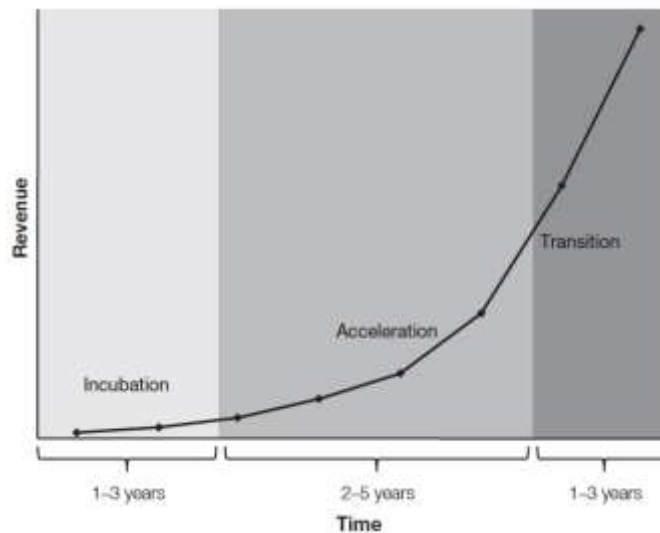


Figure 5 : Stages of Business Model Implementation

Based on the formulation strategy in Chapter 3, the short-term plan of PT Ihsan Solusi Informatika is become an intermediary company in payment services between biller company as a producer and client from financial institutions as a consumer. While the long-term plan is to self-operate the company as a fintech company. The short-term plan is part of incubation process of implementation the strategy then the period of short-term plan is for 2 years. With this plan, it is expected that PT Ihsan Solusi Informatika can continue to maintain its competitiveness in the IT industry and sustain from the market competition.

The short-term plan of PT Ihsan Solusi Informatika is related to the strategy that the company will become an intermediary in payment services with providing payment and switching systems. The period of short-term plan is 2 years started from Q2 in 2019 until Q2 in 2021. The implementation plan will be explained based on staging process from Strategy Diamond Framework.

- **Determining the form of cooperation with producers and customers.**

The form of cooperation between PT Ihsan Solusi Informatika and suppliers and clients in the new business model is different from the previous one, where previously supplier relations only trading, but in the new business model was different. Relations with suppliers, namely biller companies, must use partnerships so PT Ihsan Solusi Informatika must design how the agreement forms and business term and conditions. Besides that, with clients as consumers it is also different. If previously only providing IT services needed by the clients,

the new business model requires provisions on how to communicate between consumers and producers so that consumers are not directly communicate to producers but through PT Ihsan Solusi Informatika.

- **Partnering with biller companies and looking for potential clients.**

After knowing how the cooperation process will be carried out, only then PT Ihsan Solusi Informatika can be able to search for biller companies that want to make partnerships and clients who have the potential to need a payment system. This process can be done by using a network of clients who are already customers at PT Ihsan Solusi Informatika and looking for new clients from other financial institutions that are in accordance with the specified market segment.

- **Make a new function division for new business process.**

Because the business process is slightly different from the one that already exists, it is important for PT Ihsan Solusi Informatika to form a new function division specifically for managing business as an intermediary. The formation of this new division can be done by recruiting workers from existing employees or hiring new workers. This is done so that the sustainability of new businesses is more effective and efficient and does not interfere with the sustainability of existing business.

- **Maintain and improve service quality.**

For IT provider companies like PT Ihsan Solusi Informatika, it is very important to implement a plan to maintain the quality of services provided. This is done for both existing and new businesses. Maintaining service quality can be done by conducting regular evaluations, regular internal meetings, and through R&D. In addition, PT Ihsan Solusi Informatika should improve the quality of company's resources and capabilities in order to strengthen its internal competitiveness and increase the company's performance.

- **Expanding business networking.**

This is needed to maintain client awareness of the image of the company. In addition, by expanding the network can also add opportunities to get clients who have the potential to use services from PT Ihsan Solusi Informatika.

Table 2 : PT IhsanSolusiInformatika Implementation Plan

No.	Action Plan	Duration																																								
		2019												2020												2021																
		4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4				
1.	Determining the form of cooperation with biller company																																									
2.	Determining the form of cooperation with potential clients																																									
3.	Partnering with biller companies																																									
4.	Acquiring clients																																									
5.	Make a new function division																																									
6.	Maintain and improve service quality																																									
7.	Expanding business networking																																									

The long-term plan owned by PT Ihsan Solusi Informatika is to become a fintech company that has its own operating system. By becoming a fintech company, PT Ihsan Solusi Informatika hopes to maintain the technology resources that are owned and human resources involved in the business process so far. PT Ihsan Solusi Informatika also wants to have the most mastered core technology competencies so that it can continue to compete with other companies both in the present and in the future.

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