

# The Value Chain Analysis of Go-Jek

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***Abstract**---Online transportation is one of the newest service innovation in m-commerce. Online transportation service or ride-sharing is an individual transportation service where a customer can order a ride through mobile application and the driver can respond to the order through the applications, and customer can easily find transportation to commute to other places (time efficiency). Service quality is an important aspect in m-commerce that can determine customer behavior, satisfaction, and intention to use certain product or service. It is argued that service quality provides long-term success and can be competitive advantage. Therefore, it is important to assess and measure the service quality especially services provided in m-commerce environment. A value chain is comprised of the series of events surrounding the development, production, and delivery of a good or service desired by targeted consumers. This is achieved by ensuring that Goods gain consumer-recognized value as they move through each step of the chain. In an efficient and effective value chain, this is achieved through coordinating operations in a manner that ensures the involved companies are able to create more consumer recognized value than their competitors. The aim of this research is to analyze value chain of online transportation service focusing on technology aspect as the source competitive advantage.*

**Keyword:** Value chain analysis, Competitive advantage, Onlinetransportation service

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## I. INTRODUCTION

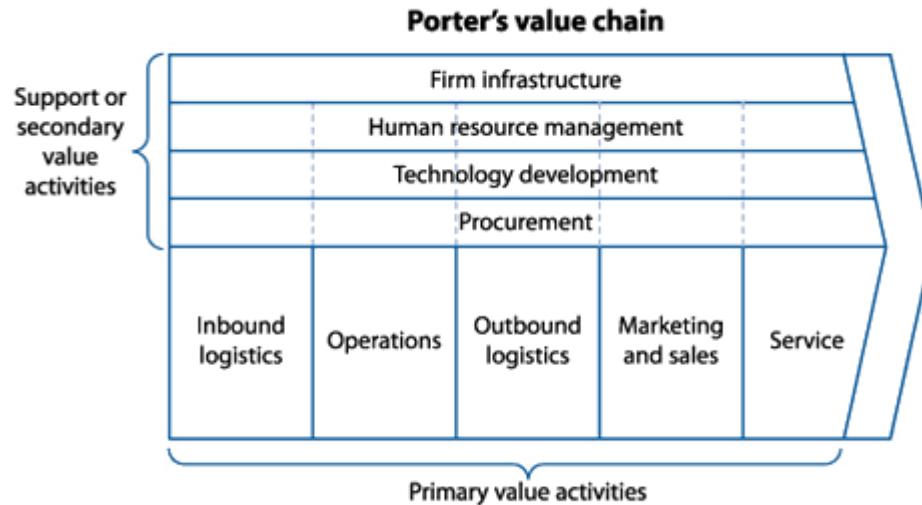
Michael Porter [1] defines Value Chain as a representation of a firm's value-adding activities, based on its strategy and cost structure ; value chain of a firm reflects its performance in primary and secondary or support value activities to design, produce, market, deliver and support its products. It is also the reflection of its history, strategy the approach in implementing its strategy, and the economic factors. The aim of Porter's value chain is to understand the company's capabilities and competitiveness in serving the needs of its customers. The first steps in conducting the value chain analysis are to break down the key activities which involve in the frame work. The next steps are to assess the potential for adding value through the means of cost advantage or differentiation. Finally, it is very important for the analyst to determine the strategies that focus on those activities that would enable the company to attain sustainable.

Value chains include a wide range of activities and services compulsory to provide consumers with products and services, either local consumers, national, international, or global. It comprises of producers, materials, suppliers, operations, processors, retailers, even buyers,.

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**Figure 1:** Michael Porter's Value Chain Model

There are four basic steps that have to be followed in order to use value chain as the analysis model [2]. Therefore, a firm could be analyzed using the value chain. The first step is to identify the sub activities for each primary activities that can be determined to create a specific value for an organization. The sub activities include direct activities (such as marketing and sales), indirect activities (such as keeping the Customer Relationship Management updated), and quality assurance. Step two is to identify the sub activities for each support activities such as infrastructure of the firm, human resource management, technology development, and procurement that can create value within the primary activities.

Next step is the most crucial and time consuming, is to identify links between the added value that have been identified. This step is the most important step for an organization since it concerns with how to increase an organization competitive advantage as a result of the value chain created. The last step is optimizing and creating value from opportunities and solutions. Organization's commitment is required to determine which activities needed to be optimized to create value contributing to the increase the organization's customer base, competitive advantage, and profitability. Therefore, an organization needs to determine the strategic focused on the first, second, and third step to help it achieve its sustainable competitive advantage.

The value chain perspective of an organization is based on its strategic planning and has always been the primary constituent of its competitive advantage [4]. An organization's ability to maintain its sustainability is tremendously rely on its ability to maintain the balance of managing the environment, social responsibility, and economic welfare. It also required to manage the complexity of business that include organization competencies, employees understanding to their scope of work and to cooperate in a collective mind, organizational commitment, the ability to react positively upon the changes and dynamic that contribute to organization learning curve.

Any organizations need to assess their value chain thoroughly since consumers will only buy product and services from organizations that provide outstanding value added to their goods and services. Furthermore, organizations need to weigh their ability to create service quality since it is apparatus in building competitive advantage in retailing. Building service quality could be done by implementing a high-quality service to consumers. This could be done by providing a high-quality service to consumers [4].

Online transportation service is an example of disruptive technology that enable customers to have better bargaining position than the companies ; it is known for its accessibility, transparency, and tariff affordability; therefore online transportation service providers are superior than their conventional transportation competitors [6]. Online transportation service provider also change the transportation business model. At first, service providers attempted to provide affordable, fast, and safe public transportation. Later on, service providers also establish other services to complete their key services and becoming a "one-stop service. As a result, they increase their customer value proposition [6]; [9].

## II. DISCUSSION

### II.I Go-Jek Primary Activities

At first, Go-Jek business model was to provide human transportation at efficient cost through call center. Now it is one of the leading ride hailing services that is using use online-enabled platforms to connect between passengers and local drivers using their personal vehicles. Such service called Go-Ride is most preferable to customers since it transport customers door-to-door. This certainly the building block of Go-Jek and other ride hailing transportation service company competitive advantages.

Go-Jek's primary activity is supported by other services that help customers with their daily life such as Go-Food, Go-Car, Go-Life, Go-Pulsa, Go-Send, Go-Message, Go-Clean and so on. These services are fast and affordable to most customers. Not to mention, some services such as Go-Food, Go-Message, Go-Clean, not only are beneficial for customers, but also help third parties with their economic welfare. Go-Jek, with its business platform, opens a lot of job opportunities and help the government reduce the number of unemployment. These services, with 44,5 million partners Indonesia-wide, also makes Go-Jek the largest ride-hailing transportation service company in Indonesia.

### II.II Go-Jek Increasing Value Chain

To add value to its offering, Go-Jek announced its partnership with some leading companies, such as Line from Korea, Blue Bird and Astra form Indonesia, Allianz from Germany. Go-Jek and Line developed a system which allows it Line users to order Go-Jek without leaving the chatting platform. Go-Jek also developed partnership with Blue Bird, Indonesia's largest taxi company. Go-Jek and Blue Bird developed a payment and promotion technology that accelerate the consumer empowerment (**Asian Correspondent, 2016**). These business decisions makes Go-Jek win most competitions against its competitors.

**Table 1: Comparison of GO-JEK Versus Grab**

	<b>GO-JEK</b>	<b>GRAB</b>
Status	Unicorn	Decacorn
Establish	2010	2012
FounderS	Nadiem Makarim Michaelangelo Moran Kevin Aluwi	Anthony Tan Tan Hooi Ling
Company Valuation (USD)	9,294,428,314.34	10,768,894,428.81
Application Downloaded	57 million	139 million
Countries of Operation	5 countries	8 countries
Width of Networks <sup>a)</sup>	44.5 million partners	9 million partners

a) Consists of partnering drivers, merchants, agents, and service providers.

**Table 2: GO-JEK Versus Grab : Corporate Innovation**

<b>Go-Jek – Astra</b>	<b>Grab – Sinarmas</b>
Establishing joint venture to boost the development of ride-hailing business	Agreement of the smart city development of BSD City.
To provide thousands of cars to suport door-to-door online transportation service.	To develop and provide autonomous vehicle technology.
Every car equipped with Astra Fleet Management System Software supported by Go-Jek ride hailing tehnology.	The development of R&D facility to map BSD City and control the ideal distant between operating autonomous cars.

To strengthen its competitive position against its competitors, Go-Jek makes some important decisions such as establishing joint ventures to boost the development of ride-hailing business, to provide thousands of cas to supprt

door-to-door online transportation services, and equipped with Astra Fleet Management System Software. Go-Jek also sponsored the Indonesia Football League from 2017 until mid-2019. This makes Go-Jek's popularity uproar in the eyes of the customers.

### III. CONCLUSION

Go-Jek, with its business platforms, proves that it is an innovative corporation and has a tremendous value propositions to its customers. Further research is needed to dig deeper on how Go-Jek or other ride-hailing transportation service companies work on its value chain and its value proposition.

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