

## **Gap Analysis of Promotional Strategies for Express Logistics Operations in Indonesia: A Case Study on JNE Logistics**

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### **ABSTRACT**

Indonesian logistics sector is poised for expeditious growth over the coming years fueled by the burgeoning economy, expanding middle class urban population, robust manufacturing sector, and large domestic consumption. Although challenges such as poor infrastructure, centralized port network, protracted and bureaucratic customs procedures, extortionate transportation costs, complex regulatory environment, plummeting commodity prices, limited access to banking system, and geotechnical challenges of the archipelagic state exist, the demand for modern warehousing and logistics facilities in Indonesia is proliferating as businesses have realized the positive impact of improved logistics efficiencies on their financial statements. Further, the fledgling Indonesian logistics sector – boosted by increased government spending on infrastructure development since 2015 – has unambiguous indications of an imbalance in demand and supply of efficacious warehousing space thus presenting a plethora of opportunities for domestic entrants and international incumbents alike. However, local incumbents such as JNE Logistics, whose inception in 1990 marked their entry in an uncontested blue ocean market, is now battling in a red ocean to keep their stewardship afloat. This paper is a feasibility study of JNE's marketing activities evaluating the gaps in their current go-to-market blueprint for their express logistics operations and recommending innovative promotional strategies which is not easily imitable.

**Keywords:** express logistics, warehousing, strategy, marketing, Indonesia.

### **INTRODUCTION**

Logistics operation is no longer viewed as supportive industry, but instead there is a general cognizance among businesses that this function has a strategic value considering the positive impact modern warehousing and logistics facilities have impact on their business performance and for accomplishing the objectives of sustainable growth. Indonesia's growing middle class population with high disposable income has stimulated domestic consumption thus stabilizing the economy with 5.46% average growth between 2008 and 2017 (World Bank, 2018). The robust manufacturing sector accounts for 22% of GDP with food and beverage manufacturing contributing to 30% of Indonesia's total manufacturing output. The infancy stature of e-commerce industry offers potential future growth opportunities combined with the conducive business environment fueled by government spending on infrastructure. This combination has compelled domestic and international logistic firms to take a positive outlook towards Indonesia, despite its current challenges (Genoveva & Liu, 2017).

Flooded with well over 135 domestic and international players the potential for growth in Indonesian logistics market is huge for incumbents and new entrants (Gupta, 2018). While the extrinsic factors are favorable for new entrants into the Indonesian market, for incumbents such as JNE Logistics having influential lobbying ability in government's policy decision for this sector the road ahead is getting rougher. Even with its prominent stature, JNE could not prevent the Indonesian government from loosening the regulatory regime and entry barriers paving way for international players such as DHL and FedEx to enter the Indonesian market. Moreover, the demand for greater efficiencies in logistics operations led to new entrants such as J&T and SiCept mushrooming all over the country. JNE now will have to battle competition from both domestic and international entrants, alongside the veterans such as Pos Indonesia

Additionally, most of the competitive edge strategies developed by JNE over the years such as competitive pricing, an adequate management system, strong financial base, resolving 'last kilometer' delivery issues, extensive physical asset base and human capital were to a large extent imitable and are no longer advantageous for sustainable growth. In this paper, the authors studied the current online and offline promotion strategies and customer service blueprints of JNE Logistics. Further a qualitative analysis of the limited data provided by the company was performed, the findings of which assisted the authors to draw strategic recommendations of process improvements that could provide JNE with the necessary competitive advantage for business sustainability.

### **Company Profile**

Tiki Jalur Nugraha Ekakurir (JNE) incepted in 1990, under the aegis of H. Soeprapto Suparno, is a logistics company headquartered in Jakarta City (Indonesia) whose primary business line includes inland courier services, shipping, and warehousing services for domestic and international customers. Trusted by the domestic customers as a reliable logistics service provider, JNE since its inception has consistently grown as compared to the local competition.

A subsidiary of PT. Citra Van Titipan Kilat (TiKi), the service portfolio of JNE is broadly categorized under JNE Express, JNE Logistic and JNE Freight profit centers. Further, the myriad services under the JNE Express include Super Speed, PESONAii, YESiii, REGiv, OKEv, Jesikavi, Money Remittance, Diplomat, JNE Trucking, and JNE International with JNE Loyalty Card, JNE PIPOvii, @boxviii, JOPix, Pop Boxx, and JOB which are support services to their core activities (JNE Logistics, 2015a).

JNE Logistic services comprises of inland cargo transportation, and provides warehousing facilities, while JNE Freight encompasses customs brokerage, air and ocean freight services through their 5,000+ international network and in cooperation with ACCAxi. Awarded with ISO 9001: 2008 for its quality standards, JNE serves the archipelago nation from 6,000 services locations with 6,800 agents spread across the country, 12,000 permanent staff and providing livelihood to another 28,000 (JNE Logistics, 2015b, 2015c).

JNE provides customer care services comprising of email communication, online telephone, and feedback systems directly through JNE agents. The customer care service has consistently recorded resolution of complaints within 72 hours of receipt. The complaints and feedback system are utilized to improve the service performance across the company.

JNE's warehousing facilities are located in Jakarta and Surabaya. Although X-ray machines are deployed to scan the contents of packages, most of the other warehouse operations such as sorting, labeling, and storing are labour intensive using conventional methods. **Figure 1** below shows the labour-intensive operations in JNE's warehousing facilities.



**Figure 1:** Warehousing facilities and operations of JNE Logistics

**Source:** JNE Logistics (2015c; Online)

JNE has grown close to 40% between 2015 and 2017 taking their share of the Indonesian courier market up to 22% and clocked a net revenue of IDR 1.0 billion for the year 2017. Service levels in 2017 surpassed the previous year by 12.5%; with 18 million deliveries made every month. In the coming years, JNE has huge organic and inorganic expansion plans. They have expressed interest in partnering with major financial institutions<sup>xii</sup> to add fintech<sup>xiii</sup> services to their portfolio. Additionally, JNE plans to invest the proceeds of the debt capital on developing additional infrastructure, technology, and building new business partnerships. Amazon plans to invest in the Indonesian e-commerce sphere beginning early 2019 and spreading it over the next 10 years (Chan, 2018), and if this happens it will boost the already growing sector further; spurring the logistics space demand. JNE is hoping to build a partnership with the global e-commerce giant as its Indonesian distributor banking on its widely spread domestic network (Maheshwari, 2017).

## RESEARCH METHOD

This marketing feasibility study required the authors to collate data through conducting exhaustive interview of the key personnel within the organization and visiting their facilities to understand their operations. Further, the data collected was used to conduct an extensive qualitative analysis with extant literature on market promotion strategies, the results of which are presented in the Chapter 3 with suggestions for improvement covered in Chapter 4.



Mr. Aditya Nugroho of JNE Logistics based at Malang City (East Java, Indonesia) was interviewed on November 7, 2018. While parts of the interview which provided the details on the company structure, services portfolio, and operational structures are covered in Chapter 2, in this chapter the information on current marketing blueprint adopted by JNE Logistics is presented.

JNE Logistics markets its services adopting both offline and online communication techniques. While the offline promotions include customer loyalty events, banners, hoardings, and distribution of flyers, the online marketing is limited to promotions through Instagramxiv, Facebookxv, Twitterxvi, and company websitexvii. All marketing communications such as festive and special offers, service introductions and briefings, CSR activities, employee engagement activities etc., are showcased on the Facebook page. The twitter handle is generally utilized to expedite customer complaints and respond to their service queries, while the Instagram account is used in line with their Facebook page (Nugroho, 2018).

The JNE Loyalty Card (JLC) is a free membership program aimed at JNE loyal customers. JLC holders get various benefits including – but not limited to – speed of service, discounted prices during the promo period, and attractive lottery-based rewards. Customers can easily enroll for the JNE Loyalty Card program by filling out an online form provided on JLC official website (<http://www.jlc.jne.co.id>). A JLC holder gets one point for every transaction worth IDR 25,000 at JNE. These points can be exchanged for attractive loyalty rewards or special discounts at a myriad merchant point-of-sale.



**Figure 2:** Digital promotion currently used by JNE Logistics.

**Source:** JNE Logistics (2015c; Online)

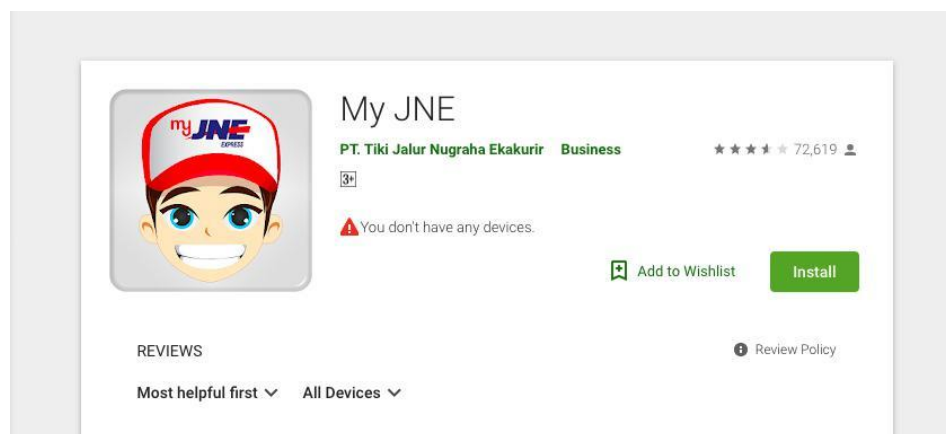
## RESULTS AND DISCUSSIONS

Qualitative analysis of the limited data provided by JNE personnel during the interview was carried out in correlation with extant marketing literature and secondary data collated from a myriad online resource. Authors studied the customer feedback/reviews

provided for each of the marketing tool currently being utilized by JNE. The effectiveness of each marketing tools was then evaluated by revisiting the features of these tools and identifying the gaps which provided a considerable insight for suggesting improvements.

World over, the logistics sector is rapidly evolving by adopting innovative technology in their market penetration strategies that provide a competitive edge in the marketplace for sustainable growth. JNE's marketing activities are currently quite basic in the digital era relying on fundamental online tools while focusing more on the offline tools. Even in the digital space the online tools are inefficacious considering the number of negative reviews each of these marketing tools have received from the users which is evident from the qualitative analysis of their 'My JNE' mobile application below.

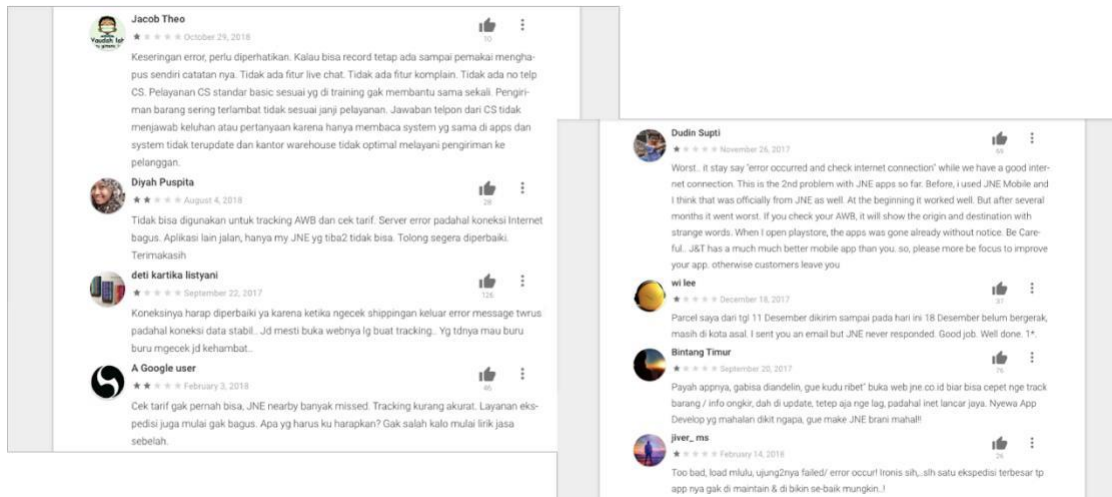
'My JNE' is a mobile application that provides registered customers information on nearest service locations, tracing and tracking consignments, shipping rates, and allows users to book their shipments online and make payments through a digital platform or via their exclusive digital wallet. **Figure 3** below shows the downloadable application available on Google Play app store.



**Figure 3:** MyJNE - Mobile application for Android users

**Source:** Google Play (2017; Online)

As on date of this paper (November 2018) 72,619 users have reviewed this application on Google Play with an overall app rating of 3.6 stars. Close to 28.17% of users have rated the application as below average (reviews below 3-star rating), 10.3% rated it as satisfactory (3-star rating), and 61.5% users rating the application as good or excellent (above 3-star rating). Although the customer satisfaction index for the JNE application users cannot be ratified against benchmarks, having 38.47% of the application users either below or close to average satisfaction levels should be of major concern to the company. Moreover, this application is currently available only for android mobile users and not for iOS users, thus restricting the userbase for the application.



**Figure 4:** Reviews by My JNE App users on Google Play

**Source:** Google Play (2017; Online)

Unlike its competitors, JNE's entrenched asset base at 6,000 service locations built on the foundation of 28 years legacy, strong association with inland transportation networks and portfolio of services enabled JNE to maintain the broad differentiation strategy. This has indeed facilitated the domestic and regional e-commerce companies to approach JNE and avail their logistics services. Further, the current differentiation strategy fostered their confidence to consider Amazon's entry into the Indonesian market as a potential opportunity for sustainable growth as long as Amazon utilizes local logistics services and does not develop their own like in the USA. Growth of the e-commerce and retail sector in Indonesia is stupendous over the last couple of years which is predicted to further expand. This means shorter delivery time with less errors and effective consignment tracking system will be quintessential for sustainable business revenues. However, JNE's customer complaints hovering between 5% and 10% of the total sales revenue and the 72-hour time period taken to resolve customer grievances could pose as a major hinderance for retail giants like Amazon to associate with JNE (Maheshwari, 2017; Nugroho, 2018).

On the marketing front, JNE's online presence is quite minuscule – consisting of the company website, Facebook, Twitter, and Instagram. A review of content on the company website – service information or company background – clearly indicates a professional overhauling is urgently required. Promotional efforts through social media do not have exhaustive information and tend to provide with web links that are not attached to the right pop-ups.

## CONCLUSIONS

From the qualitative analysis of the limited information shared by the interviewed JNE official, the authors – without doubts – are convinced that JNE is on a positive growth path. However, to edge over competition and accomplish sustainable year-on-year performance, it is imperative that the inherent gaps in the current processes, features

of customer service, and inefficacious promotional tools be either rectified or discarded, and without further ado adopt the proposed comprehensive strategies:

1. It is of critical importance to achieve 6-sigma level customer experience standards in mobile application usage. According to the Google Play app store, the last update of the mobile application for JNE was in August 2017. Connectivity issues, live chat options etc. along with other myriad suggestions should be incorporated and the application be relaunched for the convenience of the customers. The application should serve JNE as a crucial platform to further aggrandize the promotional offers and penetrate untapped territories within Indonesia.
2. As mentioned in Chapter 4, the company website is outdated and requires a complete overhauling from professional digital content writers both in the native language and English version. JNE will require either a dedicated digital marketing staff within the organization or outsource this activity who are employed to continuously review the content and incessantly update the information, with the aim to provide current data and support customer service.
3. JNE's customer complaint resolution process is time consuming. With the limited information provided, the authors presume that the productiveness of the resolution process could not be improved as each complaint is treated individually and that frequent complaint instances are not percolated to process level improvements. In order to collate such data, JNE will need to utilize 'big data analytic tools' to assimilate the complaints data and sort them for process level or functional level resolutions.
4. The authors recommend the use of digital marketing tools such as Google analytics and AdWords as a strategic action plan along with current online marketing objectives. Currently, JNE's presence in social media is not strong. JNE should focus on understanding the market dynamics through anonymous customer experience surveys to capture customer aspirations which could lead to innovative service designs resulting in better market penetration.
5. To compete with international players such as DHL and FedEx, JNE should step up their brand building activities to international standards. This activity requires continuous monitoring and controlling the promotional contents such as online contests, coupons, advertising, customer success stories, campaigns etc. through social media in order to build the image of JNE as a most preferred and innovative company.
6. On the delivery front, the authors propose the use of geo analytics that will have positive impact on the environment thereby reducing operational costs. It will ensure JNE meets the shorter delivery time expectations of e-commerce industry through best possible route planning and substantial cost savings through reduced fuel consumption (Youredi, 2017).
7. Kramer's (2006) postulation on strategic CSR demonstrated the addition of a social dimension to a company's value proposition has a great social impact on the overall strategy of the company. Agreeing with Kramer, the authors recommend expanding JNE's service portfolio that have societal impact, such as JESIKA, which will enhance the brand equity of the company. It was also noted



that such service offerings lack an effective promotion strategy, thus it should be dedicated to only limited cities in Indonesia. Utilizing the inherent reachability features of digital marketing tools, well designed and effective integrated marketing campaigns can create opportunities; thus, providing the quintessential competitive edge over market rivals.

An established incumbent in the Indonesian logistics sector, JNE Logistics is indubitably on the growth path. However, it is quite evident from the limited qualitative data available for analysis and the information available on the internet, that JNE, over the years, has been able to embrace limited technological advancements of its operations. Although the authors were unable to provide quantitative assessment on JNE's rationale behind restricted technology adoption, a prejudicial conclusion points towards management complacency, as business performance has seen a steady growth building on the strong foundations of its legacy. Historical business failures, those of Nokia and Kodak, stand testimony to the fact that complacent management of market leaders occurs when they overlook innovation and/or disconnect themselves from the market or customer aspirations, which are bound to push the company to bankruptcy sooner – or later.

Analysis of JNE's promotional and customer service strategies, based on the limited information shared by the company, conclude that JNE should primarily focus its energies on improving its current digital marketing platforms, while developing an integrated marketing campaign. Additionally, JNE should embrace big data analytics tools to collate, analyze and draw conclusions on the effectiveness of their marketing campaigns. Furthermore, JNE should conduct anonymous online surveys (instead of only offline) to access satisfaction levels among customers of the current service offered by JNE while assimilating suggestions on service quality improvements.

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iPos Indonesia – Postal Service, Indonesia.

- ii PESONA – Indonesian Cuisine and Snack Order service.
- iii YES – Yakin Esok Sampai – next day delivery service.
- iv REG – regular delivery service.
- v OKE – Ongkos Kirim Ekonomis – economical delivery service.
- vi JESIKA – Jemput ASI Seketika – Mother's Milk Express Delivery service.
- vii JNE PIPO – JNE Pick-Up Point.
- viii @box – delivery packaging service.
- ix JOP – JNE Online Payment
- x Pop Box – Lockers service at specific locations.
- xi ACCA – Association Courier Conference of Asia.
- xii Fintech and banks
- xiii Adopting technological innovations in improving the financial services and disrupted business transactions. It refers to digital transformations such as electronic payments, bitcoin, funding startups, investment portfolio management etc. wherein human intervention has been minimized.
- xiv [http://www.instagram.com/jne\\_id](http://www.instagram.com/jne_id)
- xv <http://facebook.com/JNEPusat>
- xvi [www.twitter/jne\\_id](http://www.twitter/jne_id)
- xvii <http://www.jne.co.id>