

Blue Ocean Strategy in Promoting Sustainability of Batik SMEs: A Case Study of Wukirsari Yogyakarta

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Abstract.

The Blue Ocean Strategy is a business approach aimed at creating new, uncontested market space, thereby offering significant opportunities for entrepreneurs to innovate. This study aims to explore the strategies employed by UMKM Batik Wukirsari in developing its business and to examine the application of the Blue Ocean Strategy in the growth of the handmade batik creative industry. This research uses a descriptive qualitative method with a Blue Ocean strategic framework. The findings indicate that UMKM Batik Wukirsari has successfully applied the Blue Ocean Strategy, as reflected in several aspects, including enhanced product utility, price adjustment, cost efficiency, and the adoption of innovation in both production and marketing processes. Performance analysis from multiple perspectives—namely business, financial management, consumer (both potential and actual), and human resource empowerment—demonstrates the enterprise’s readiness to create untapped market space. The strategic plan implemented fulfills the three key characteristics of the Blue Ocean Strategy: focus, divergence, and a strong value proposition. Moreover, the four action framework—eliminate, reduce, raise, and create—has been applied with careful consideration of both potential and non-potential factors in developing the handmade batik industry as part of the local creative economy.

Keywords: *Blue Ocean Strategy, creative industry, handmade batik, UMKM Wukirsari.*

I. INTRODUCTION

The creative economy in Indonesia has become a key lever for sustainable development, particularly through the contributions of micro, small, and medium enterprises (MSMEs) in traditional craft sectors such as handmade batik. Artisan batik producers confront several pressures: saturation of competitors, variations in motif and quality, shifting consumer preferences toward sustainability and design innovation, as well as cost and pricing constraints. These conditions pose challenges for maintaining market relevance and long-term viability of many batik MSMEs.

Recent studies highlight that sustainability orientation and government support are crucial in driving sustainable entrepreneurship among Indonesian batik MSMEs (Wibowo, 2025). Also, the adoption of open innovation together with circular economy principles has been shown to enhance organizational performance in batik SMEs (Rahmat, 2024). Research on “Readiness in implementing green industry standard” also reveals that many batik producers are examining

environmental compliance and production efficiency as parts of their competitive strategies (Kusumawardani, 2024).



Figure 1 Batik Wukirsari

Source: Author's Documentation

Batik Tulis Wukirsari in Yogyakarta represents one such traditional batik center facing these pressures. Despite its strong heritage and established artisan community, there is limited empirical work analyzing how the Blue Ocean Strategy might be systematically adopted by batik-specific MSMEs to escape saturated competition and foster product innovation, cost efficiency, and sustainable market expansion. This study thus aims to (1) identify the strategies used by Batik Wukirsari MSMEs in applying the Blue Ocean framework and (2) assess how these strategies contribute to innovation, efficiency, and expansion. By addressing these objectives, the research offers original insights into how traditional handcraft industries can adapt modern strategic frameworks to enhance competitiveness and sustainability in Indonesia's evolving creative economy.



Figure 2 Batik-Making Process

Source: Author's Documentation

II. METHODS

This study employed a descriptive qualitative approach to examine how Batik Wukirsari MSMEs apply the Blue Ocean Strategy. Data were collected between March and May 2025 from 15 purposively selected participants consisting of 1 batik MSME owners/managers, 3 employees involved in production and marketing, and 2 representatives from local government agencies

providing support to artisans. In addition, short questionnaires were distributed to 30 consumers (potential and actual) to validate the findings from the supply-side interviews. Primary data were gathered through semi-structured interviews, direct observation of production and marketing activities, and a review of business documents and promotional materials.

To ensure reliability and validity, the study applied triangulation of sources and methods, combined with member checking to verify interview transcripts with respondents. All qualitative data were coded and analyzed following the Blue Ocean Strategy framework (eliminate, reduce, raise, and create) and its three strategic characteristics of focus, divergence, and compelling value proposition. This approach allowed for a comprehensive understanding of how strategic practices are implemented and how they influence product innovation, cost efficiency, and market expansion in the handmade batik industry.

III. RESULT AND DISCUSSION

RESULT

Based on interviews, observations, and questionnaires, the application of the Blue Ocean Strategy at Batik Wukirsari MSMEs can be described through four main elements. In terms of consumer utility, most respondents expressed satisfaction with the products due to their high quality, the accuracy of fabric dimensions, and the colorfastness of dyes used, indicating that the batik produced meets customer expectations. Regarding pricing, approximately 63 percent of respondents stated that the prices offered were attractive and aligned with their purchasing power, while 55.2 percent felt that the price matched the quality provided. For target cost, 76.3 percent of respondents considered the prices not expensive, suggesting that the enterprises have been able to manage production costs effectively to maintain affordability. Concerning adoption hurdles, about 65.7 percent of respondents reported that the adoption of new designs, marketing methods, and distribution models was running smoothly, indicating that both internal and external challenges to introducing product differentiation have been largely addressed.

The data also show some areas requiring improvement. Around 68 percent of respondents judged customer service facilities to be limited, with issues such as the absence of attractive branded packaging for gift purchases and small shop spaces without adequate ventilation or cooling. On the other hand, artisans had already begun introducing more contemporary designs while preserving distinctive Wukirsari motifs, incorporating village-specific symbols, and expanding color palettes to give customers greater choice. These findings collectively present a clear picture of the current conditions of Batik Wukirsari MSMEs in implementing the Blue Ocean Strategy and highlight both strengths and areas for development.

Beyond aligning with the four key elements of the Blue Ocean Strategy, the findings also underscore the importance of service differentiation and brand experience as non-price factors in influencing consumer decisions. As noted by Rahmat et al. (2024), batik SMEs that complement product innovation with enhanced customer experience achieve higher repeat purchase intentions than those relying solely on price or motif variations. For Batik Wukirsari MSMEs, strengthening the physical environment of stores, improving packaging, and offering personalized services could serve as low-cost yet high-impact measures to reinforce the value proposition and build long-term customer loyalty.

Furthermore, the introduction of derivative products and experiential offerings such as ready-to-wear clothing, accessories, batik workshops, and educational tours reflects a strategic shift from competing in saturated markets to creating entirely new market segments. This approach resonates with Kurniawati et al. (2025), who found that clustering and diversifying creative MSMEs not only increases profitability but also fosters collective innovation and knowledge sharing. In the Wukirsari context, collaboration among artisans, joint marketing platforms, and co-branding strategies could accelerate this process and enhance the overall visibility of the region's batik industry.

Finally, the findings suggest that effective application of the Blue Ocean Strategy requires not only internal readiness but also external support systems. Government programs, cooperative networks, and digital marketplaces can play a pivotal role in reducing adoption barriers and ensuring consistent quality standards across SMEs. Wibowo (2025) highlights that sustainability-oriented policies and targeted government support significantly influence MSME performance in the batik sector. In this regard, Wukirsari MSMEs could leverage local government initiatives for training, financing, and technological assistance to scale up their innovations, thus transforming the Blue Ocean Strategy from a conceptual model into a sustainable operational framework.

DISCUSSION

The results show that Batik Wukirsari MSMEs have achieved promising alignment with the Blue Ocean Strategy's key elements: consumer utility, pricing, target cost, and relatively low adoption hurdles. Satisfaction with product quality, colorfastness, and attention to traditional motifs fuel strong consumer utility, while pricing appears acceptable to the majority of respondents, which suggests that balancing value and cost is feasible in this context. However, these advantages are moderated by weaker customer service facilities and packaging, indicating that focus, one of the three strategic pillars of the Blue Ocean framework (Kim & Mauborgne, 2005), has not yet been fully leveraged.

When compared with recent findings, the innovation practices observed in Wukirsari align with trends in batik SMEs more broadly. For example, Rahmat et al. (2024) found that open innovation combined with circular economy principles significantly enhances organizational performance among batik SMEs in Banyuwangi, particularly through resource optimization rather than waste reduction per se. Similarly, Kurniawati et al. (2025) showed that clustering of batik SMEs to share innovations and adopt environmentally sustainable practices strengthens competitiveness. These findings support the notion that Wukirsari MSMEs can continue to raise their divergence by expanding product design innovation, preserving local motifs, and differentiating on non-tangible elements such as branding and customer experience.

The four actions framework eliminate, reduce, raise, and create offers concrete avenues for improvement. The study's findings suggest Batik Wukirsari should eliminate risky operational practices (e.g., accepting orders without down payment), reduce reliance on cost-intensive but ineffective promotion channels, raise aspects such as customer service, packaging, and design consistency, and create new offerings such as derivative products or experiential services to expand market reach. These strategic moves mirror recommended approaches in recent BOS literature which emphasize creative value innovation and differentiation combined with cost management (Scaling Up SMEs framework; How SMEs Apply the Blue Ocean Strategy, 2024).

Overall, while Wukirsari batik MSMEs have built a solid foundation for Blue Ocean strategy implementation, strengthening infrastructural service components and clarifying their brand identity will be key to sustaining growth and fully escaping direct competition. Another important implication of the findings is the centrality of human resource development in sustaining value innovation. Although Batik Wukirsari MSMEs have begun adopting new designs and marketing strategies, long-term success depends on upgrading artisan skills and managerial capabilities. This is in line with Wibowo (2025), who found that sustainability-oriented entrepreneurship in batik MSMEs is strongly supported by training and education programs. By institutionalizing regular workshops on digital marketing, design software, and eco-friendly dyeing techniques, the artisans could reinforce their competitive advantage and maintain consistent quality standards across production teams.

In addition, the adoption of digital platforms offers a promising pathway for scaling up the Blue Ocean Strategy. As seen in Rahmat et al. (2024), SMEs that integrate circular economy principles with e-commerce channels increase both their environmental performance and market reach. For Batik Wukirsari MSMEs, actively using social media analytics, online marketplaces, and direct-to-consumer platforms could help them access new customer segments, collect feedback more efficiently, and refine their value propositions in real time. This would complement their ongoing shift from price-based competition toward experience- and story-based differentiation.

Lastly, the findings highlight the potential for building a collaborative ecosystem between artisans, local government, and private partners. Kurniawati et al. (2025) showed that clustering SMEs within a region encourages shared infrastructure, joint promotion, and co-branding, which in turn accelerates innovation diffusion. In the Wukirsari context, establishing a cooperative or consortium could facilitate bulk purchasing of quality raw materials, joint quality certification, and shared retail spaces, thereby reducing costs while enhancing brand credibility. Such an ecosystem would transform the Blue Ocean Strategy from an individual enterprise-level initiative into a collective regional strategy for sustaining the handmade batik industry.

Table. 1 Comparison of Conditions Before and After Implementation of the Blue Ocean Strategy at Batik Wukirsari MSMEs

Aspect	Before BOS (Blue Ocean Strategy)	After BOS (Blue Ocean Strategy)
Product/Utility	Limited motifs and colors, inconsistent quality	More diverse motifs (traditional + contemporary), more stable quality and colorfastness
Price/Pricing	Prices varied, often misaligned with consumers' purchasing power	More affordable and consistent pricing aligned with quality
Cost Efficiency	Production processes inefficient, high cost of raw materials	Optimized production costs, strategic partnerships, better control over raw materials
Innovation Adoption	Slow adoption of design and marketing innovations; minimal differentiation	Faster adoption of innovations, differentiation through village symbols and new colors

Customer Service	Small shop space, poor ventilation, ordinary packaging	Improved packaging and initial steps to redesign store space and service for better comfort
Promotion	Reliance on costly, poorly targeted exhibitions	More active and measurable digital marketing (social media)
Derivative Products	Focus solely on batik fabric	Beginning to develop ready-to-wear clothing, accessories, and batik-themed souvenirs

The table above illustrates how the implementation of the Blue Ocean Strategy has produced positive changes in key aspects of Batik Wukirsari MSMEs. In terms of products, differentiation has become more visible through the development of contemporary motifs and improved colorfastness, thereby enhancing consumer utility. Pricing has become more aligned with consumers' purchasing power without compromising quality, consistent with the finding that 63 % of respondents considered the price attractive. In the area of cost efficiency, strategic partnerships and better control over raw materials have helped reduce production costs and meet target cost expectations (supported by 76.3 % of respondents).

Furthermore, innovation adoption has accelerated with the introduction of distinctive village symbols and expanded color palettes, while promotional efforts have shifted from costly, untargeted exhibitions to digital marketing that is more active and measurable. However, customer service remains a weakness: although packaging improvements have begun, store facilities and customer comfort are still limited—reflecting the 68 % of respondents who rated customer service as insufficient. Overall, this before-and-after analysis confirms that the Blue Ocean Strategy not only improves product and pricing aspects but also drives business model innovation and service-system improvements to support the sustainability of traditional batik MSMEs.

IV. CONCLUSION

This study demonstrates that Batik Wukirsari MSMEs have begun to systematically apply the Blue Ocean Strategy to strengthen the sustainability of handmade batik in Yogyakarta's creative industry. By enhancing product utility, optimizing pricing, controlling production costs, and adopting innovations in design and marketing, these enterprises have laid a strong foundation for creating new, uncontested market space. The strategic design implemented reflects the three core characteristics of the Blue Ocean Strategy—focus, divergence, and a compelling value proposition—and operationalizes the four actions framework (eliminate, reduce, raise, create) in a local MSME context.

Beyond summarizing the findings, the study offers several practical implications. First, MSMEs can use the proposed framework to identify and eliminate risky or low-value practices (e.g., no-down-payment orders), reduce ineffective promotional channels, and simultaneously raise customer service quality, product consistency, and branding efforts. Second, the development of derivative products and experiential offerings such as workshops or batik tours can create additional revenue streams and differentiate Wukirsari batik from competitors. Third, adopting targeted digital marketing combined with improved packaging and store facilities can enhance customer experience and loyalty.

The research also makes a conceptual contribution by adapting the Blue Ocean Strategy to a traditional creative industry context and presenting it as an integrated model for MSME development. This model combines four pillars: value innovation, cost efficiency, customer experience, and brand identity guided by the four actions framework, which MSMEs can apply as a roadmap for escaping saturated competition. Future studies may expand this model by testing it quantitatively across different batik centers or other creative subsectors to validate its broader applicability.

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Conflict of Interest Declaration:

The author declares that there is no conflict of interest regarding the publication of this article. The research was conducted independently without any financial or personal relationships that could inappropriately influence the findings or interpretations presented.

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