

Developing Alternative Business Strategy: Analysis and Formulation Process in Distribution Company

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Abstract

The distribution company's business process emphasizes the ability to build a community of consumers, especially agents and store partners. Speed of service, competitive prices, number of variants, product quality, and the ability to reach distribution are the company's competitive advantages. This study aims to identify internal factors, external factors, and formulate alternative strategies to develop distribution companies. Researchers used a single case study at PT. Mapan Makmur Mandiri is a plywood distributor company. The analysis used in this research is Internal Factor Evaluation (IFE), External Factor Evaluation (EFE), Internal-External (IE) Matrix, SWOT Matrix, and Quantitative Strategy Planning Matrix (QSPM). The results of the IE Matrix analysis show that PT. Mapan Makmur Mandiri in quadrant I with recommendations for growth and development strategies. The results of the analysis of alternative strategies based on the SWOT Matrix supported by priority analysis using QSPM show strength in management that is not accompanied by an expansion of the distribution area. The recommended strategy to achieve competitive advantage is to expand the scope of services by opening branches in other cities, in the East Java region.

Keywords

Entrepreneurship, Distribution strategy, Indonesia, Strategy formulation, Strategic planning.

1. Introduction

Business organizations are always struggling to find efficient managerial tools and techniques, especially in company operations (Pistono & Songini, 2017;). Streamlining distribution channels is one of the ideas that can make companies get better profitability (Benrqa et al., 2020; Pratama et al, 2021). The business process of distribution companies also emphasizes the ability to build a community of consumers, especially agents and store partners (Marchet et al., 2018). Speed of service, competitive prices, number of variants, product quality, and the ability to reach distribution are the competitive advantages of companies that are focused on as distributors (Poirel & Paché, 2017).

As a distributor company, mastering the buyer-supplier relationship approach is very important. Understanding this relationship provides an overview of retailer behavior with suppliers and with logistics services (Cuervo-Cazurra et al., 2019). The importance of a strategy in the distribution process for companies that focus on being a distributor of a product is a very important bargaining power (Purnomo et al, 2021; Pratama et al, 2021). This is an advantage to defend consumers from competitors with weak distribution systems (Kumar et al., 2020). Intense competitive conditions emphasize companies to be able to create the right strategy as a value to achieve competitive advantage (Pratama et al., 2019; David & David, 2017)

Research on competitive strategies for companies or businesses engaged in the distribution has been widely carried out. Research shows various suggestions to improve company effectiveness and efficiencies, such as improving storage processes in warehouses and proper distribution channels (Bonilla-Ramirez et al., 2019). However, there has

been no research that specifically examines the analysis process to the formulation of strategies in specific building material product distribution companies.

This research was structured using a qualitative approach with a single holistic case study analysis knife at PT. Mapan Makmur Mandiri is a plywood distributor company that has been operating since 2002 until now. PT. Mapan Makmur Mandiri has an average annual turnover of 3-5 billion. The results of the study will describe a detailed process starting from the company's vision and mission analysis, analysis of internal conditions, analysis of external conditions, formulation of alternative strategies with a SWOT approach, and selection of strategic priorities to be implemented so that the company can have a competitive advantage that continues to grow in the face of competition.

1.1 Objectives

This study reveals the process of analysis to the formulation and determination of alternative strategies at PT. Independent Prosperous Mapan. The results of this study describe the analysis of the company's vision and mission, analysis of internal conditions, analysis of external conditions, formulation of alternative strategies using the SWOT approach, and determining priorities for alternative strategies to be implemented using Quantitative Strategic Planning Method (QSPM).

2. Methods

2.1 Research Design

The Research Design in this study is shown in the fishbone diagram in Figure 1 below:

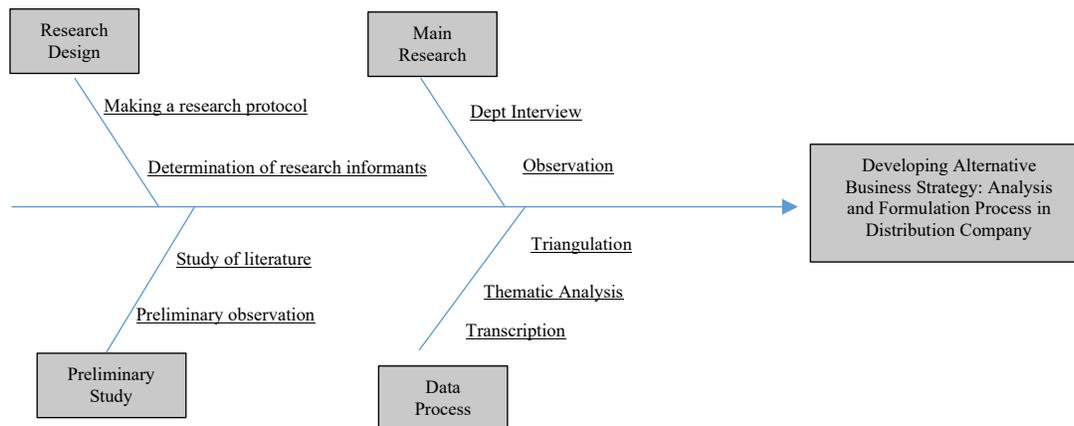


Figure 1. Research Design – Fishbone Diagram

This study begins with the preparation of a qualitative research protocol that explores information on PT. Mapan Makmur Mandiri for the implementation of the company's vision, mission, internal conditions, and external conditions. To meet the data needs, then proceed with the determination of key informants and supporting informants based on certain criteria. Furthermore, preliminary observations and studies of entrepreneurial strategy literacy related to the business conditions of PT. Mapan Makmur Mandiri.

The core research activities are carried out by in-depth interviews with key and supporting informants, document studies, and observations. Furthermore, transcription of the interview results, key information screening, and triangulation validation was carried out. The results of this study indicate an analysis of the conditions of implementation of the vision, mission, internal conditions, and external conditions at PT. Mapan Makmur Mandiri is used as the basis for formulating alternative strategies using SWOT analysis and priority selection using the Quantitative Strategic Planning Method (QSPM) to achieve the company's competitive advantage.

2.2 Research Informants

Informants in this study consisted of two categories, namely key informants and supporting informants. Qualitative research, especially holistic single case studies, does not recognize a minimum number (Martha & Kresno, 2016). Qualitative research uses a small number of informants who have met the criteria to narrow the focus (Creswell & Creswell, 2018). The criteria for the informants of this research are individuals who understand the PT. Mapan

Makmur Mandiri business model and have an important role in the company's organizational structure. Research informants can be seen in Table 1 below:

Table 1. Research Informants

Name	Consideration/ Condition	Status
Mr. Alex	Owner and CEO @ PT. Mapan Makmur Mandiri	Key Informants
Mrs. Indrawati	Head of Administration @ PT. Mapan Makmur Mandiri	Supporting Informant
Miss. Lina	Head of Purchasing @ PT. Mapan Makmur Mandiri	Supporting Informant

2.3 Research Instruments

This study uses an interpretivism paradigm that leads to a thorough and in-depth understanding of the complexity of a case (Creswell & Creswell, 2018). Based on this paradigm, this research uses a qualitative approach with a single holistic case study research design (Yin, 2018). Data collection methods used various sources, namely: field observations, in-depth interviews, and document studies at PT. Independent Prosperous Mapan. Using various instruments is a characteristic of qualitative research, this is to achieve data saturation (Pratama et al., 2019).

2.4 Data Validity

The validity of the qualitative research was carried out on the data that had been obtained by measuring the level of data saturation as the basis for accuracy (Creswell & Creswell, 2018; Yin, 2018). Testing the validity of the finding data is carried out in the following stages:

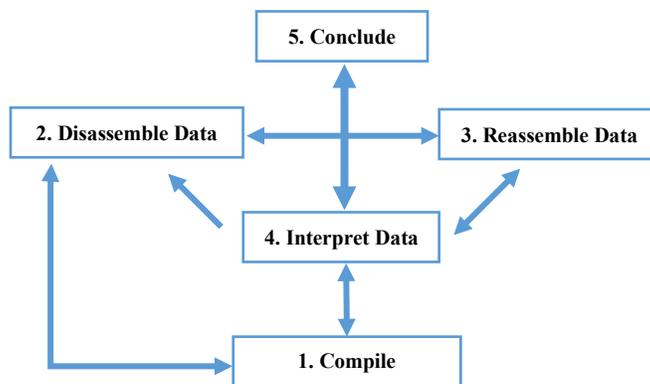


Figure 2. Yin Method – Data Analyze Technique

The first step begins with collecting data from PT. Mapan Makmur Mandiri with in-depth interview research instruments for each informant. Furthermore, transcription of the interview results was carried out and screening was carried out on the implementation of the vision and mission, internal conditions, and external conditions of the company. The data reduction process is repeated to obtain saturated data.

In the second and third stages, the presentation of the data is done by structuring, linking all information systematically, and linking the links between the results of the information obtained. At this stage, triangulation and member checks were also carried out on all information so that the data obtained met the valid elements measured by the level of data saturation.

The fourth stage is data interpretation where the objectivity of the researcher is needed. This is done by clarifying the bias and linking it to the theory of entrepreneurial strategy. The fifth stage is concluding the implementation of the vision, mission, internal conditions, and external conditions of the company, so that it can be used as a basis for formulating alternative strategies using the SWOT approach and measuring priorities using the Quantitative Strategic Planning Method (QSPM).

3. Results and Discussion

The result of this study shows the analysis process to strategy formulation at PT. Mapan Makmur Mandiri with details as shown in the following picture:

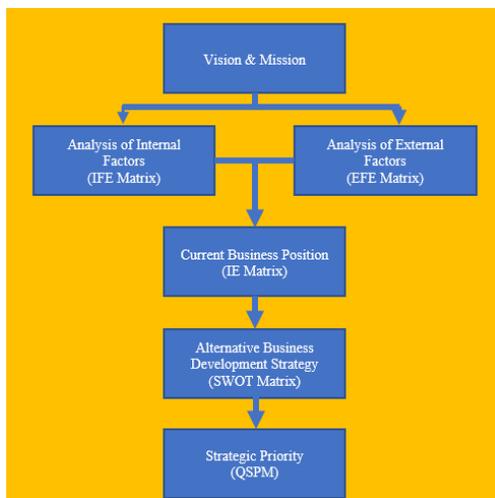


Figure 3. Strategy Alternative Analysis and Formulation

3.1 Vision Analysis and Recommendation

The results of this study indicate the process of analysis to strategy formulation at PT. Mapan Makmur Mandiri with details as shown below:

Table 2. Vision Analysis

No	Criteria	Yes/No
1.	The owner explains the vision & mission in one sentence	YES
2.	Managers can develop these statements	YES
3.	What do you want to be in the future?	YES
4.	Reflection of the personal vision of entrepreneurs, managers & employees in their hearts and minds about the future	YES

Based on the results of interviews with informants, it was found that PT. Mapan Makmur Mandiri has a vision that leads to the company's future goals being achieved. However, the vision is still too broad because it does not specifically indicate the products that are the focus of PT. Mapan Makmur Mandiri. Therefore, the vision recommendation for PT. Mapan Makmur Mandiri to be more focused can use the following sentence "To be the leading plywood distributor in Indonesia and the first choice of consumers".

5.2 Mission Analysis and Recommendation

The mission of PT. Mapan Makmur Mandiri is "Always maintain good relations with suppliers and customers so that we can continue to add customers outside the city".

Table 3. Mission Analysis

No	Criteria	YES/NO
1.	Customer	YES
2.	Product or Service	YES
3.	Market	YES
4.	Technology	NO
5.	Concern for survival, growth, and profitability	YES
6.	Philosophy	YES
7.	Self Concept	YES
8.	Concern for the product image	YES
9.	Concern for employees	YES
10.	Word count less than 150 words	YES
11.	Board coverage and does not contain amounts, numbers, percentages, ratios	YES

PT. Mapan Makmur Mandiri has a mission that focuses on developing and expanding its sales outside the island, a mission that has been designed by PT. Mapan Makmur Mandiri will later become the company's focal point to take strategies, objective sources and help employees not to take wrong steps and realize the vision that has been formed. We can also recommend missions for companies that are:

- a) Provide technical knowledge of materials & education for workers in installation.
- b) Provide quality plywood and improve product innovation regularly.
- c) Creating a good image of the company and giving high value to suppliers, employees, and consumers.

5.3 Internal Factor Evaluation (IFE)

Table 4. Internal Factor Evaluation (IFE) Matrix

IFE									
No	STRENGTHS	NS1	NS2	NS3	Total Value	Weight	Rating	X Rating	
					Total value of all resource persons	Total Indicator Value / Grand Total	Total Value / Total NS		
1	Already a legal entity	4	4	4	12	0.16	4	0.62	
2	Have a clear SOP	4	4	4	12	0.16	4	0.62	
3	Product variants that other companies don't have	4	4	4	12	0.16	4	0.62	
4	Have many relationships (suppliers and customers)	4	4	4	12	0.16	4	0.62	
Total					48	0.62		2.49	
No	WEAKNESSES	NS1	NS2	NS3	Total Value	Weight	Rating	X Rating	
1	High operating costs	3	3	3	9	0.12	3	0.35	
2	Haven't used a tracking app (to find out the sales location)	3	1	2	6	0.08	2	0.16	
3	Lack of employee productivity	2	2	2	6	0.08	2	0.16	
4	Dishonest sales	3	2	3	8	0.10	2.6666667	0.28	
Total					29	0.38		0.94	
GRAND TOTAL					77	1.00		3.43	

Based on the results of calculations that have been carried out on the points contained in "strength" and the company's "weaknesses" obtained a total score of 3.43. Where seen from the strength of PT. Mapan Makmur Mandiri, which has

a total score of 2.49 with equal strength in each point. Meanwhile, regarding weaknesses, the first rank is high operating costs, with a score of 0.35. Then weaknesses in the second rank are filled with dishonest employees, with a score of 0.28. From the total IFE score, which is at 3.43, it can be said that the internal factors of PT. Mapan Makmur Mandiri is in a strong position.

5.4 External Factor Evaluation (EFE)

Table 5. External Factor Evaluation (EFE) Matrix

EFE								
No	OPPORTUNITY	NS1	NS2	NS3	Total Value	Weight	Rating	X Rating
1	High product selling price (because it sells a different product than competitors' products)	4	4	4	12	0.15	4	0.59
2	Reputation resulting from excellent service	4	4	4	12	0.15	4	0.59
3	Market development with a controlled distribution system	4	3	4	11	0.13	3.6666667	0.49
4	Cooperation with many factories	4	4	4	12	0.15	4	0.59
Total					47	0.57		2.25
No	THREATS	NS1	NS2	NS3	Total Value	Weight	Rating	X Rating
1	There are new competitors that damage the market price	4	4	4	12	0.15	4	0.59
2	Competition with competitors	3	3	3	9	0.11	3	0.33
3	Uncertainty about the increase in business taxes which causes an increase in product prices	2	1	2	5	0.06	1.6666667	0.10
4	Government regulations related to covid-19 (affecting market demand)	3	3	3	9	0.11	3	0.33
TOTAL					35	0.43		1.35
GRAND TOTAL					82	1.00		3.59

Based on the results of calculations that have been carried out on the points contained in the "opportunities" and the company's "threat" obtained a total score of 3.59. Where seen from the strength of PT. Mapan Makmur Mandiri, which has a total score of 2.25 with almost equal strength in every point. Meanwhile, regarding threats, the first rank is the presence of new competitors who damage the market price, with a score of 0.35. From the overall total score of EFE, which is at 3.59, it can be said that the external factors of PT. Mapan Makmur Mandiri is also in a strong position.

5.5 IE Matrix

		Strong (3.0 - 4.0)	Medium (2.0 - 2.99)	Weak (1.0 - 1.99)
EFE	Strong (3.0 - 4.0)	● I	II	III
	Medium (2.0 - 2.99)	IV	V	VI
	Weak (1.0 - 1.99)	VII	VIII	IX
			Grow and Develop	
			Take care and maintain	
			Sell and Divest	

Figure 4. Internal-External Matrix PT. Mapan Makmur Mandiri

Based on the results of calculating the total score on the company's internal weakness and strength factors (IFE), and External Factors Evaluation (EFE), namely opportunities and threats, it is known that PT Mapan Makmur Mandiri is in quadrant I. This can be seen from the total score IFE is 3.43 and EFE is 3.59. So, we concluded that the company needs an alternative strategy focused on Growth and Development.

5.5 SWOT Analysis and Strategy Recommendation

Table 6. Strategy Recommendation based on SWOT Analysis

	Strengths	Weaknesses
Opportunity	Expanding branches in East Java	Start filtering consumers, so that operational costs related to company transportation are reduced. By starting to target small distributors rather than small shops.
Threat	Raising capital so that the stock of goods can be obtained at a lower price than competitors.	Creating a website to make it easier for consumers to make purchases so that consumers don't need to come directly to the store and shop owners who want to be supplied (no need for sales to offer to shops).

- Expanding branches in East Java**
 This alternative strategy is obtained from the meeting of the strengths and opportunity variables. In making this alternative strategy, our group saw that, with the many relationships of the company and the status of the company that was already a legal entity, it would be easier for the company to open a new branch outside the city.
- Start filtering consumers, so that operational costs related to company transportation are reduced. By starting to target small distributors rather than small shops.**
 This alternative strategy is obtained from the meeting of the weakness variable and the opportunity variable. In making this alternative strategy, our group saw that in the weakness variable there were problems related to the lack of employee productivity and swelling operational costs. So we suggest companies start targeting small distributors rather than small shops. This is because small distributors usually have at least a larger number of orders for goods compared to orders made by small shops.
- Raising capital so that the stock of goods can be obtained at a lower price than competitors.**
 This alternative strategy is obtained from the meeting of the strength and threat variables. To face very tight market competition (threats), and supported by the many suppliers and customer relationships (strength) owned by the company, the company must of course be able to conduct fierce price competition with competitors, so that the company can remain competitive. For this reason, the company can increase its capital, so that the stock of goods can be obtained at a lower price than competitors. Because the more we buy goods, the prices we get will be cheaper. So, in this way, the company can continue to compete with competitors at a tight price and not lose customers.
- Creating a website to make it easier for consumers to make purchases, so that consumers do not need to come directly to the store and shop owners who want to be supplied (no need for sales to offer shops)**
 This alternative strategy is obtained from the meeting of the weakness and threat variables. Due to the intense competition with competitors (threats), companies have to make innovations by creating websites to be able to reach a wider range of consumers. So the company can minimize the risk of high operational costs (weakness) and lack of employee productivity (weakness) while maximizing profit

5.6 Quantitative Strategic Planning Matrix (QSPM)

Table 7. Priority-based on Quantitative Strategic Planning Method (QSPM)

Rating	QSPM Matrix Sorts TAS From Highest to Lowest	Total Score (IFE + EFE)
1	Expanding branches in East Java	21.14
2	Creating a website to make it easier for consumers to make purchases so that consumers don't need to come directly to the store and shop owners who want to be supplied (no need for sales to offer to shops)	20.26
3	Start filtering consumers, so that operational costs related to company transportation are reduced. By starting to target small distributors rather than small shops.	19.1
4	Raising capital so that the stock of goods can be obtained at a lower price than competitors.	18.81

Based on the assessment of each source about the priority of alternative strategies based on the internal and external conditions of the company, the highest strategic alternative value that is a priority to be implemented is to develop a business or open a branch in the East Java region. This is due to the market share of PT. Mapan Makmur Mandiri is mostly located in east Java and the company does not yet have a store branch in another city, so with this strategy, our hopes the company to be faster in terms of service to consumers who are in other cities.

6. Conclusion

Strategic management is very important for a business to achieve its purpose or goals company. By formulating a business strategy, operational activities will be more focused. There is 3 step to make the formulation, that is input stage which is analyzed out through IFE and EFE matrix analysis, the second stage is the matching stage which is carried out by formulating alternative strategies based on the IE and SWOT matrix and the last stage is the strategy selection stage/decision stage which is obtained by quantifying the existing strategy options through the QSPM (Quantitive Strategy Planning Matrix).

Based on the results of the calculations in the IFE matrix table, it is obtained that the total score is 3.43, which means PT Mapan Makmur Mandiri has a strong internal position, and is able to take advantage of its strengths. This can be seen from the IFE score, PT Mapan Makmur Mandiri has a value above 3.0.

Based on the results of the calculations in the EFE matrix table, it is found that the total score weighs 3.59, which means that PT Mapan Makmur Mandiri responds strongly to opportunities and threats. This can be seen from the total score of PT Mapan Makmur Mandiri which has a total score of more than 3.0. The biggest threat with a score of 0.59 PT Mapan Makmur Mandiri is the presence of new competitors who damage the market price. From the IE matrix analysis, PT Mapan Makmur Mandiri is in a position to grow and develop so that they can take a market penetration strategy.

The results of the SWOT analysis recommend companies to expand branches in East Java, reduce operational costs related to transportation by targeting small distributors compared to small shops, increase capital so that stock items can be obtained at lower prices than competitors and create a website to make it easier consumers make purchases. The results of the QSPM analysis show that the attractiveness score of all strategic factors shows that the highest total TAS is expanding in East Java with a weight of 21.14. So PT Mapan Makmur Mandiri can formulate the best strategy, by opening a branch in East Java.

This research has theoretical and practical implications, where theoretically this research proves the implementation process of strategic analysis and formulation. Practically, this research can be used as a reference for business people in analyzing internal, external conditions, compiling alternative strategies, to making strategic priority decisions. Further researchers can research up to the evaluation stage, involve many industries, or increase the criteria for the object of research such as the turnover value and the duration of the company's establishment.

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Biography

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