

Porter's Five Generic Strategies: A Case Study from Indonesia Automotive Industry Against Covid-19

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Abstract

The automotive industry is one of the largest and most complex industries around the world. The automotive industry needs to implement a long-term strategy for the company. Before the COVID-19 pandemic emerged, the automotive industry was projected to witness steady growth through the course of this decade. To restore the demand for the automotive industry in Indonesia, the Government will provide financial incentives in the form of a reduction in Sales Tax on Luxury Goods rates. The research methodology in this article uses Analytical Hierarchy Process (AHP), and Qualitative Analysis (Segmentation and SWOT). In addition, Porter's Strategy was utilized in this article to analyze automotive industry attractiveness from an outside-in perspective during the COVID-19 pandemic. To do so, a case study approach on Indonesia's automotive industry firms, e.g., Toyota and Daihatsu were employed. The analysis result acknowledged the application of Porter's generic strategies to automotive industry firms to achieve competitive advantage and proved the positive impact of generic strategies on firms' financial performance. This research contributes to existing research by suggesting Porter's generic strategies in the Indonesian automotive industry.

Keywords

Automotive Industry, Analytical Hierarchy Process, Covid-19, Porter's Strategy

1. Introduction

The automotive industry is one of the most complicated sectors. (Orsato and Wells 2007; Kannegiesser and Günther 2014). Although the automotive sector is a critical industrial sector affecting the global economic system sustainability, car manufacturers and other companies in the automotive supply network's environmental and social output do not always meet the expectations of customers. (Koplin et al 2007; Orsato and Wells 2007). In response to this practical challenge, the automotive industry needs to implement a long-term strategy for the company. According to Michael Porter, company strategy can be divided into 3 types: cost leadership, differentiation, and focus. There are two types of cost leadership strategies and focus, namely low-cost and best value. So that there are 5 company strategies according to Porter, Porter's Five Generic Strategies (Gorondutse and Gawuna 2017). Cost leadership and differentiation strategies can lead to organizational success according to Porter by understanding cost advantages and differentiation as discrete alternatives (Porter 1980). If the company has a competitive advantage in the market, it will support the success factors in the organization.

Before the COVID-19 pandemic hit, the auto industry was projected to experience steady growth during this decade. The automotive industry is an important contributor to income in developing and developed countries in the world. The auto industry is often seen as the backbone of countries' Gross Domestic Product (GDP). Therefore, solid economic growth depends to a large extent on how well the automotive industry is performing in a region. Increasing consumer income is one of the main drivers of growth in the automotive industry. (Kaitwade 2020). Whether it's increasing demand for electric vehicles or fast innovation, the auto industry has been booming before it was hit by the COVID-19 outbreak. Automotive manufacturing also appears to be affected by the negative impact of COVID-19. The coronavirus pandemic has caused a sharp drop in demand for automotive vehicles. The pandemic has hit the automotive world during 2020. A survey of 46 companies in the automotive supply chain, showed that nearly two-thirds of respondents wanted a delay in implementing technology for the upcoming industrial launch. Nearly 65 percent of companies put off implementing technology projects after the pandemic was over. Meanwhile, some of these auto companies have faced critical challenges even before the pandemic began.

To restore the demand for the automotive industry in Indonesia, the Government has pushed for an industrial localization policy that must be fully implemented by all OEMs (original equipment manufacturers) by 2019. Government action is to support all content to be produced locally in Indonesia. Future challenges and opportunities will determine the fate of the automotive industry in Indonesia. To increase the purchase and production of Motorized Vehicles, the Government will provide financial incentives in the form of reducing the Sales Tax on Luxury Goods rates for motor vehicles. Relaxation can increase people's purchasing power and provide a jump start for the economy. With the relaxation scenario that is carried out in stages, based on data from the Ministry of Industry, it is calculated that there can be an increase in production which reaches 81,752 units. The estimated additional output of the automotive industry is also estimated to be able to contribute to state revenue of IDR 1.4 trillion. This policy will also have an impact on state revenues, which are projected to experience a revenue surplus of Rp1.62 trillion.

Previous research on the automotive industry related to Manufacturing Strategy in the automotive industry (Nurcahyo and Dwi 2015) with the research methodology used was using Structural Equation Modeling (SEM). This study states that there is a manufacturing strategy relationship with manufacturing capabilities. In addition, there is research on Quality Management Strategy (QMS) which uses the Kano Model, QFD Matrix, and AHP as research methodologies (Azka and Nurcahyo 2018). The study discusses QMS using quantitative analysis, namely AHP, and qualitative analysis, namely the kano model. From the research that has been mentioned, it is felt that further research is needed to examine the manufacturing strategy in the automotive industry by combining quantitative analysis and qualitative analysis.

1.1 Objectives

There are at least a few research articles that combine the Analytical Hierarchy Process method with Qualitative Analysis (Segmentation and SWOT) in company strategy according to Porter. Hence, the objective of this research is to identify challenges and opportunities for the automotive industry using SWOT Analysis. In addition, Porter's Strategy was utilized in this article to analyze automotive industry attractiveness from an outside-inside perspective during the Covid-19 pandemic.

In the first part of this paper, Porter's generic competitive strategies are described, focusing on the most important aspects of each type of strategy. The second part of the study is a literature review of Porter's Strategy. The last part of the study analyses a case study of Toyota and Daihatsu, the market leader in Indonesia's automotive industry, focusing on its competitive strategy. Research methodology: using a case study for Analytical Hierarchy Process, Segmentation Analysis, SWOT Analysis. The study analyses various aspects of the case study car brand, price gap, quality gap, and brand segmentation, outside-inside perspective of Indonesia automotive industry such as the effect of reducing the Sales Tax on Luxury Goods rates for motor vehicles and results are analyzed to determine whether it is true that Toyota and Daihatsu have implemented Porter's strategy in the company's business and what strategy is being used.

2. Literature Review

2.1 Cost Leadership

A company must have a strategy to place its products on the market. Companies must be smart in finding ways to direct customers to buy the company's products compared to competing companies (Barney, 2002; Birjandi et al., 2014). One of them is a cost leadership strategy. This strategy can compete when the price of a product is cheaper than its competitors. The low-cost strategy reflects the desire of the customer to get the product at the lowest possible price but with not bad service quality or even more (Gorondutse and Gawuna 2017).

An example of the use of a cost leadership strategy is found in 45 companies listed in the Tehran Security Exchange (TSE) (Valipour et al 2012). According to (Valipour et al 2012) there is a positive relationship between the cost leadership strategy and a company's performance. This is also supported by Kiprotic 2018 regarding cost leadership in the procurement sector. The study discusses the relationship between the cost-leadership strategy of procurement and the performance of manufacturing companies in Kenya. The results showed that there was a significant positive relationship between cost leadership and manufacturing company performance. In the world of manufacturing, supply chain systems provide opportunities for companies and organizations to contribute to a competitive advantage by reducing prices, administrative costs, and transaction costs associated with the purchase of goods and services.

2.2 Differentiation

The differentiation strategy reflects the way of making and marketing a product that is relatively unique compared to many other industries (Porter 1980). Differentiation can limit itself to direct competitors (head to head) by having brand loyalty to customers and having little effect on price changes. For example, IKEA is in the household furniture

sector (Baraldi, E. and Ratajczak-Mrozek 2019), Harley Davidson in the vehicle sector (Schembri 2009), Huawei in the field of mobile technology (Zhelun et al 2021), etc. Companies can carry out a differentiation strategy by providing a more luxurious brand image, more unique product designs, more sophisticated technology, etc. Companies that implement a differentiation strategy can get greater profits than the tendency to compete to produce products at lower prices (Porter 1980).

Differentiation can be applied in various fields of the company, such as human resource management (Kariuki et al 2018). Differentiation strategies can enhance a company's competitive advantage when they are aligned with HRM practices. HR systems that produce employee behavior that is focused on key business strategies, which in turn drive profits, resulting in competitive advantage. In other fields, namely the differentiation strategy for SMEs (Gary et al 2020), the differentiation strategy, encourages SMEs to be able to find their own uniqueness in the target market.

2.3 Focus

To remain competitive with competitors, a company must think and find a strategy to provide an advantage in market competition. The focus strategy can increase the company's competitive advantage because the competitive conditions in today's industrial world are getting tougher. This strategy takes a focused and effective market share and only meets the needs of customers in certain segments (Odunayo 2018).

An example of implementing a focus strategy is that the National Hospital Insurance Fund (NHIF) is used to enable all Kenyans to access quality and affordable services. As a result, NHIF accredited hospitals are positioned so that they have a competitive advantage (Ochodo et al 2020). In addition, it has been implemented in technology companies in Nigeria (Odunayo 2018). This research is focused on the relationship between market focus strategy and organizational performance of telecommunication companies in Port Harcourt. The empirical results confirm that there is a very positive and significant relationship between market focus strategy and organizational performance in telecommunications companies in Port Harcourt.

2.4 Decoy Effect

The process in which consumers make their purchase decisions has long been of great interest to researchers and practitioners (Burnett and Lundford 1994). Determining competitive prices is crucial for every company. Since customers usually perceive competitiveness by comparing price to value or price among the products, some companies use the decoy effect to increase their perceived competitiveness. When it is hard to compare two products, maybe because they have many attributes or are just very different from each other, introducing a product that similar, but slightly worse, than one of the options can shift our preference. (Spencer 2018).

If two brands of a product are available in a market, brand A and brand B, consumers have to choose between the two. If brand A has a superior quality but its price is much higher than that of brand B, consumers face a price/quality trade-off. If however, a third brand C (usually called a decoy), which is inferior to brand B in both price and quality, appears on the market, this may affect consumer choice. Various experiments have shown that, although no consumer will choose brand C its mere appearance causes a substantial shift of preference from A to B. Marketing researchers call this effect the decoy effect (Zhang and Zhang 2007). Although these decoys differ in terms of their relationship with other options in a choice set of products, their availability and the underlying mechanisms proposed to account for their impact all have a positive effect on the target product (Min 2003)

2.5 Product Development

Product Development is the process of converting needs into a technical solution and each product development is unique, but the process shares common features or elements (Whitney 1990). The success of a new product strongly depends on the formulation and implementation strategy (Murthy et al 2008). According to (Fairlie-Clarke and Muller 2003), new product development needs some key strategies and consist of three stages: set objective and plan development, execute plan development, and control product development. This strategy is done in almost every sector, including the automotive industry. Ray and Ray 2011 in their research show how frugal use of resources through a new combination of existing component technologies created a new modular product to achieve the unique price-performance requirements demanded by the BoP (based on the pyramid). Moreover, they find that collaboration with suppliers for component design and their early integration in the design phase substantially lowered costs and helped eliminate unnecessary frills whilst incorporating features valued by mass markets.

3. Methods

The research methodology in this article uses Analytical Hierarchy Process (AHP) and Qualitative Analysis (Segmentation and SWOT). AHP is a method for solving a complex unstructured situation into several components

in a hierarchical arrangement, by giving subjective values about the relative importance of each variable, and determining which variables have the highest priority to influence the outcome in that situation. The AHP stages consist of problem definition, hierarchy, pairwise weighting criteria, check consistency, sensitivity analysis, and evaluation of alternatives (Zimmer et al 2012). AHP is here to prove that the Toyota and Daihatsu brands use a cost leadership strategy. In addition, it determines what parameters determine the quality of the car.

After obtaining evidence from AHP, scoring will be carried out and proven by segmentation analysis to validate the results of the AHP. After that, a SWOT analysis was carried out to determine the strengths, weaknesses, opportunities, and challenges of the automotive industry in Indonesia during Pandemic COVID-19. According to (Rangkuti 2002), in conducting a SWOT analysis, three stages must be carried out, namely, the data collection stage, the analysis stage, and the decision-making stage, which are detailed as follows: The data collection stage includes: data collection, classification, and pre-analysis activities. Data can be divided into external data such as market analysis, analysis of competitors, communities, suppliers, government, and certain interest groups) and internal data such as; financial reports, HR activity reports, operational activity reports, and marketing activity reports. The analysis phase is the analysis stage using quantitative models of strategy formulation, which are based on all the data and information that has been obtained. So that this analysis can be carried out as objectively as possible. Decision-making stage, is the act of determining the results of the study and strategic decisions taken based on the results of the analysis that has been carried out.

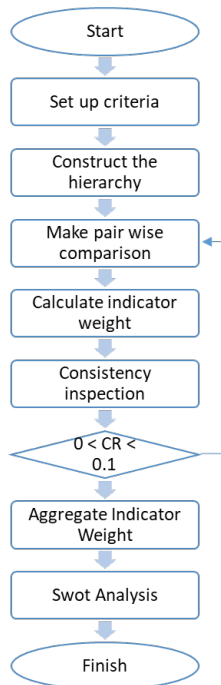


Figure 1. Workflow Research

4. Data Collection

4. 1. Segmentation

Daihatsu seriously develops its business in Indonesia, a southeast Asian developing country with the biggest population, 270,2 million people (BPS population census 2020), as a car production center and the market as well. By its country and population's uniqueness and characteristics, it is critical to select the correct and relevant target market segments for Daihatsu. Daihatsu brand itself in global is a regular car, not a premium car. So in Indonesia, it will mostly compete with other Asian car manufacturers, Japan (Toyota, Honda, Mitsubishi, Nissan, Suzuki, Mazda), China (Wuling, DFSK), and South Korea (Hyundai and Kia).

We research by evaluating the price range of cars that are marketed via ATPM (sole agent for brand holders). The on the road price was obtained from the official website of each car manufacturer in April. It is clearly seen that Daihatsu is targeted low-medium cost market. It sold in low range between USD 7,271 (Daihatsu Ayla) – USD 17,724 (Daihatsu

Terios). Comparing with other car manufacturers, Daihatsu segmented a relatively cheaper car market with the smallest price range. It is indicating that Daihatsu focuses on a very specific market, in terms of price as in figure 2.



Figure 2. Brand Segmentation Indonesia Automotive Industry

Daihatsu’s focus segmentation is also evaluated have a strong focus on the type of car that they produce. Table 1 shows what types of cars that is marketed in Indonesia by every car manufacturer. It is aligned with the previous discussion that Daihatsu focuses only on a specific segment. In passenger cars, Daihatsu only provides a low level of each car category. They do not have any medium, big, or a luxury car. Each specific products are LCGC (Ayla), City Car (Sirion), Low MPV/Van (Sigra, Xenia, and Luxio), and Low SUV (Rocky). Moreover, Daihatsu also plays in a commercial car (Grand Max) as in Table 1. This is also supported by the principle of the Decoy effect, a phenomenon in which consumers tend to switch between 2 options if given an unbalanced third option. By staying focus on developing the targeted segment, Daihatsu successfully becomes a second car producer in Indonesia, after Toyota.

Table 1. Brand Segmentation in Every Vehicle Type

	LCGC (low cost green car)	City Car	Hatchback	Sedan			MPV			SUV				Commercial		Sports/ Semi Sports	
				Small	Medium	Large	Low	Medium	Large/Lux	Low/Small	Compact	Medium	Large	Double Cabin	Pick Up		Compact
Daihatsu	V	V					V			V					V	V	
DFSK										V		V				V	
Honda	V	V	V	V	V	V	V		V	V	V	V					V
Hyundai		V	V		V	V			V		V		V				
Kia			V						V	V	V						
Mazda			V		V	V					V	V	V				
Mitsubishi		V					V			V	V	V		V	V		
Nissan						V	V			V	V						
Suzuki		V	V				V			V	V				V	V	
Toyota	V		V	V	V	V	V	V	V	V		V		V			V
Wuling							V	V				V				V	

4. 2. Cost Leadership in Toyota Avanza and Daihatsu Xenia

Data is taken from the oto.com website as of 7th May 2021. Data taken is for the Toyota Avanza 1.3E MT, Daihatsu Grand Xenia 1.3X MT. Suzuki Ertiga GA MT, Mobilio S MT and Nissan Livina E MT. Some examples of car specifications are taken with the same fuel type and vehicle type, namely petrol fuel and the vehicle type is MPV. For the price of Toyota Avanza 1.3E MT, Daihatsu Grand Xenia 1.3X MT. Suzuki Ertiga GA MT, Mobilio S MT and Nissan Livina E MT in sequence are as follows \$13,371.85, \$12,998.45, \$14,048.19, \$13,921.38, \$14,675.21. So that the most expensive petrol-fueled MPV class car is the Nissan Livina E MT and the cheapest is the Daihatsu Grand Xenia 1.3X MT.

Parameters taken are performance (1), capacity (2), transmission (3), suspension & brakes (4), engine details (5), wheel & tire (6), steering (7), safety (8), security (9), and comfort (10). Of the 10 parameters, a pairwise comparison was performed so that there were 45 pairwise comparisons. Of the 45 pairwise comparisons, a scale of 1-9 was filled with AHP Scale: 1- Equal Importance, 3- Moderate importance, 5- Strong importance, 7- Very strong importance, 9-

Extreme importance. The AHP score is filled by three experts from the automotive industry, namely a Quality Engineer from an automatic company with a ten-year working period in the automotive industry, a business management officer from an automotive company with a working period of 3 years, and a supplier quality specialist from an automatic company with a working period of 5 years. The results obtained are in the form of a Decision Matrix as shown in Figure 3.

	1	2	3	4	5	6	7	8	9	10
1	1	2.00	2.00	2.00	7.00	2.00	3.00	7.00	7.00	9.00
2	0.50	1	2.00	2.00	6.00	3.00	2.00	6.00	6.00	7.00
3	0.50	0.50	1	2.00	5.00	3.00	2.00	5.00	5.00	7.00
4	0.50	0.50	0.50	1	4.00	3.00	3.00	7.00	6.00	6.00
5	0.14	0.17	0.20	0.25	1	2.00	2.00	6.00	5.00	8.00
6	0.50	0.33	0.33	0.33	0.50	1	3.00	8.00	7.00	9.00
7	0.33	0.50	0.50	0.33	0.50	0.33	1	9.00	9.00	9.00
8	0.14	0.17	0.20	0.14	0.17	0.12	0.11	1	2.00	4.00
9	0.14	0.17	0.20	0.17	0.20	0.14	0.11	0.50	1	2.00
10	0.11	0.14	0.14	0.17	0.12	0.11	0.11	0.25	0.50	1

Figure 3. Decision Matrix from 10 Parameters

From the Decision Matrix, we can know the weight of each parameter. The resulting weights are based on the principal eigenvector of the decision matrix, with a principal eigen value of 11,490 and a Consistency Ratio CR of 11.2%. CR depends mainly on the matrix size following the recommendations of Wedley, 1993. In addition, it depends on the sample characteristics and the analysis (group and/or individual), for individual's experts, CR is restricted to 10% or 15%. The weight value of each parameter is attached in table 2.

Table 2. Weight value of each parameter

Parameter	Weight
Performance	22.15%
Capacity	18.45%
Transmission	15.25%
Suspension & Brakes	13.80%
Engine Details	7.75%
Wheel & Tyre	9.30%
Steering	8%
Safety	2.20%
Security	1.80%
Comfort	1.30%
Total	100.00%

4. 3. SWOT Analysis

The results of the Internal Factor Analysis Summary (IFAS) which are compiled based on the identification results of the internal environmental conditions in the form of strengths and weaknesses that are owned by companies in the automotive industry, obtained a total weighted value of 5.4 so that from the weighted total it can be concluded that the company is in a strong position. This condition shows that the internal factors of the company have been able to

take advantage of its strengths and overcome its weaknesses properly. While the External Factor Analysis Summary (EFAS) is used to determine how big the role of external factors influencing the automotive industry during the Covid 19 pandemic. EFAS is prepared based on the identification results of the company's external environmental conditions in the form of opportunities and threats that the company has. Based on the results of IFAS, the total weighted value is 5.1. This shows that the company can respond to external factors by taking advantage of existing opportunities to overcome threats.

Based on the IFAS and EFAS analysis, the company can then determine the position of the company in the SWOT analysis diagram to find out the right strategy based on the position in the quadrant. The SWOT analysis matrix diagram is as follows:

Based on the SWOT analysis, it shows that the Automotive Industry during the Covid-19 pandemic was in quadrant I, which is the position of companies that support aggressive strategies. According to Rangkuti, 2014 when the vector direction is in the aggressive quadrant (upper right quadrant) then the company is in a good position to use its internal strengths to be able to take advantage of existing opportunities so that the strategy that must be implemented in this condition is to support aggressive policy growth (growth-oriented strategy).

The aggressive strategy is a company strategy that aims to expand the market. The method used is the market penetration strategy and market development. Where the market penetration strategy (Market Penetration Strategy) can be implemented by carrying out intensive and effective sales promotion activities by utilizing a digital basis. Meanwhile, the market development strategy is implemented by enhancing and maintaining the brand image of the product itself. Brand image is very important for a company to find out whether its products are accepted by society. Brand image is a description of the success of a company in marketing activities. If the product can be well received by the community, the company can develop a wider market even though it faces the challenges of the Covid 19 pandemic.

Based on the position of determining the marketing strategy using the SWOT matrix, market penetration strategies and market development that can be used include:

- a) Strengthen and maintain in providing after-sales service, namely the maximum service after purchasing a car to consumers. This service improvement can be in the form of car service services such as digital booking services, online media consultations, and the ease of buying spare parts digitally.
- b) Intensifying promotions in targeted consumer markets. Focus on consumers so that the right target for the product to be marketed.
- c) Always innovate on the products offered. Companies must always innovate products to seize existing opportunities according to consumer needs. The innovations that are created can indirectly benefit or facilitate future product development.
- d) Using social media optimally for marketing activities. Nowadays, the development of social media has sprung up with various features that can be used as a means for promotion. Promotion using social media can be said to be more effective because it removes distance and time.
- e) Improving human resource capabilities can be done through providing training for employees to improve employee skills to improve sales mechanisms and improve service quality to consumers.
- f) For example, personal selling training, namely direct communication between sellers and prospective customers to introduce a product to potential customers and form a customer's understanding of the product so that the customer has an interest in buying.
- g) Improve relationships both with customers and prospective customers. In the midst of intense competition during this pandemic, one must be able to provide the best service for customers to remain loyal, one of which is by providing services via telephone / SMS or virtual interactive to customers regarding product information offered, information on purchasing procedures through leasing or cash.

The right marketing strategy applied for now is an aggressive strategy or growth-oriented strategy. The choice of this strategy is believed to be able to increase sales and further increase the existing market share so that companies can attract consumers to buy cars and be able to compete with other automotive industries.

5. Results and Discussion

5.1 Cost Leadership

The results obtained in Table 2 are that the quality of the car is determined by the parameters of performance, capacity, and transmission, namely 22.15%, 18.45%, and 15.25% respectively. Meanwhile, the parameters that do not determine the quality of the car are safety, security, and comfort, namely 2.2%, 1.8%, and 1.3%. It can be concluded that each type of car must have these three basic parameters.

Each parameter has a sub-parameter of assessment, namely for Performance (1), which are: Fuel Type, Vehicle Type, Engine Displacement (cc), Power (hp), and Torque (Nm). The Capacity (2) sub-parameters are Seating Capacity, No of Doors, Length (mm), Width (mm), Height (mm), Ground Clearance (mm), Wheel Base (mm). The Transmission sub-parameter (3) is the Gear Box and Transmission Type. The sub-parameter of Suspension & Brakes (4) is Front Suspension and Rear Suspension. The Engine Details (5) sub-parameters are Amount of Cylinder, Valves Per Cylinders, and Engine. For Wheel & Tire (6) sub-parameters are Tire Size, Tire Type, and Wheel Size. The Steering (7) sub-parameters are Steering Gear Type, Adjustable Steering Column, and Steering Type. The Safety sub-parameters (8) are Anti-Lock Braking System, Airbag Driver, Passenger Airbag, Rear Seat Belts, Seat Belt Warning, Door Teach Warning, Crash Sensor, Child Safety Locks, Side Impact Beams, and Engine Check Warning. The Security (9) sub-parameters are Smart Access Card Entry and Engine Immobilizer. For comfort, sub-parameters (10) are Air Conditioner, Power Steering, Accessory Power Outlet, Foldable Rear Seat, and Adjustable Seats. Scores for each car brand are filled in by three experts from the automotive industry as in table 3.

Table 3. Scores for each car brand

Parameter	Weight	Toyota Avanza 1.3E MT		Daihatsu Grand Xenia 1.3 X MT		Suzuki Ertiga GA MT		Mobilio S MT		Nissan Livina E MT	
Performance	22.15%	1	0.222	1	0.222	3	0.665	4	0.886	5	1.108
Capacity	18.45%	1	0.185	1	0.185	4	0.738	3	0.554	5	0.923
Transmission	15.25%	5	0.763	5	0.763	5	0.763	5	0.763	5	0.763
Suspension & Brakes	13.80%	3	0.414	3	0.414	5	0.690	5	0.690	3	0.414
Engine Details	7.75%	5	0.388	5	0.388	5	0.388	5	0.388	5	0.388
Wheel & Tyre	9.30%	5	0.465	5	0.465	5	0.465	5	0.465	5	0.465
Steering	8%	3	0.240	3	0.240	5	0.400	3	0.240	5	0.400
Safety	2.20%	5	0.110	5	0.110	5	0.110	5	0.110	5	0.110
Security	1.80%	5	0.090	5	0.090	5	0.090	5	0.090	5	0.090
Comfort	1.30%	5	0.065	5	0.065	5	0.065	5	0.065	5	0.065
Total	100.00%		2.940		2.940		4.373		4.250		4.724

Table 4. Quality and Price Gap of Each Car Brand

Car Brand	Toyota Avanza 1.3E MT	Daihatsu Grand Xenia 1.3 X MT	Suzuki Ertiga GA MT	Mobilio S MT	Nissan Livina E MT
Price (OTR) in USD	\$13,371.85	\$12,998.45	\$14,048.19	\$13,921.38	\$14,675.21
Price Gap in Rupiah	\$373.40	\$0.00	\$1,049.74	\$922.93	\$1,676.76
Price Gap in Percentage	2.87%	0.00%	8.08%	7.10%	12.90%
Quality	2.940	2.940	4.373	4.250	4.724
Gap Quality	0	0	1.433	1.310	1.784
Gap Quality in Percentage	0	0	49%	45%	61%

The highest score for MPV car quality was achieved by Nissan Livina E MT, amounting to 4,724, while the quality of the Toyota Avanza 1.3E MT and Daihatsu Grand Xenia 1.3 X MT was 2,940. This is quite far in quality between the Toyota Avanza 1.3E MT and the Daihatsu Grand Xenia 1.3 X MT when compared to the Nissan Livina E MT. However, if you look at the price of the Toyota Avanza 1.3E MT and the Daihatsu Grand Xenia, it is the cheapest among its peers, but the price gap is not much different as in Table 4 and Figure 4. So that the strategy of Toyota and Daihatsu in the Toyota Avanza 1.3E MT and Daihatsu Grand Xenia 1.3 X MT is a Cost Leadership

strategy. Cost leadership is a mechanism to build a competitive advantage by having the lowest operating costs in the industry regardless of quality.

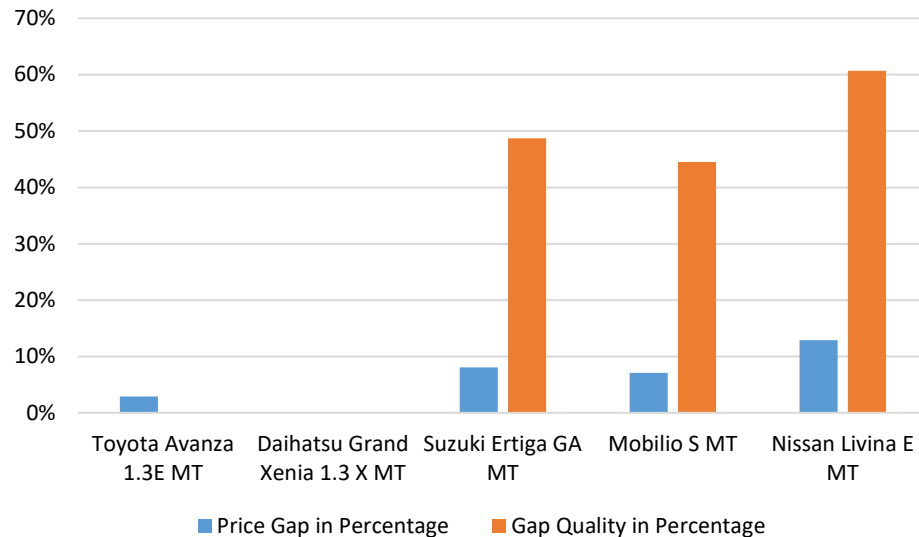


Figure 4. Graph of Quality and Price Gap of Each Car Brand

5.2 Proposed Improvements

This research is limited to 5 car brands in Indonesia with gasoline and MPV types. Then for the use of expert choice only use 1 expert. Future research may be able to hold a Focus Group Discussion with more than 3 experts to determine the score when compiling pair-wise comparisons. In addition, it is necessary to hold a more in-depth study using Soft Systems Methodology (SSM) to explain the objectives and then design the automotive industry activity system to achieve these goals.

6. Conclusion

By using the Analytical Hierarchy Process (AHP) tool, Toyota and Daihatsu in Indonesia are concluded using a Cost Leadership strategy. This conclusion is proven by the segmentation analysis which stated that Daihatsu segmented a relatively cheaper car market with the smallest price range. It is indicating that Daihatsu using focuses on a very specific market. It can conclude that the strategy used by Daihatsu is Cost Leadership Low-Cost. Meanwhile, Toyota is on the top brand. So that the strategy used by Toyota is Cost Leadership Best Value. Based on the SWOT analysis, it shows that the Automotive Industry during the Covid-19 pandemic was in quadrant I, which is the position of companies that support aggressive strategies. So, in general, the automotive industry still has many opportunities to reach the target market and the number of automotive sales in Indonesia.

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