Porter’s Generic Strategies on Food and Beverage Industry in Indonesia during COVID-19 Pandemic: Cases study approach

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Abstract

This paper aims to explore strategies that food and beverage companies are implementing to increase the resilience and sustainability of production systems during the COVID-19 pandemic. The study was conducted based on analysis of primary data which includes surveys and interviews and a review of secondary data which includes websites, academic journals, case studies, research reports, books, and annual reports. The findings revealed that the companies have taken different strategies during the COVID-19 pandemic, due to shifting behavior on consumers that more activities are carried out at home to prevent the spread of the virus. Porter's generic strategies adopted by the food and beverage companies have helped the company through the situation either in increasing or declining sales demand. This paper reveals that implementing a low-cost leadership strategy is essential for the success of a multinational beverage company that is experiencing a decline in demand while implementing a focus strategy is the best choice for sustainable production in the trend of increasing demand for a sugar refinery company.

Keywords
Low-cost leadership strategy, focus strategy, COVID-19 pandemic, food and beverage industry, sales demand.

1. Introduction

According to WHO data until the end of 2020, the impact of the COVID-19 pandemic has caused more than 79 million positive cases and 1.7 million more victims worldwide (WHO, 2020). The Indonesian government has made a number of attempts to prevent the spread of the Coronavirus, including urging people to wear masks, wash their hands regularly, keep a safe distance, and stay at home (Ministry of Health of the Republic of Indonesia, 2020). COVID-19 is changing how consumers behave across all spheres of life, from how they work to how they shop to how they entertain themselves (McKinsey, 2020). Along with the increasing activities carried out by the consumers at home, cooking activities at home and food delivery using third parties are becoming popular in Indonesia (Cahyani et al., 2019), and eating out less, which results in changes in the level of consumption of several products (Nielsen, 2020). The food delivery is supported by the technology on smartphones that continue to develop from year to year which have penetrated various aspects of everyday life (Fainusa et al., 2019). It makes it easier for people to live their daily lives even if only at home. iRi POS data report of COVID-19 impact stated edible products are expected to have an increased demand and non-edible products shall have a moderate need globally, decreased demand which includes homecare, cosmetics, and personal care products (iRi POS data, 2020). This environmental change has had a major impact on business activities for many companies, especially in the demand trends for the food supply chain affected by COVID-19. Food supply chain refers to all the processes that describe how foods from farms end up on our tables, including farming, processing, distributing, retailing, and consuming. The flexibility of a model fresh produce supply chain was used in a study on the impact of the COVID-19 on the food supply chain, which was based on the real choice theory and defined the food supply chain resilience in terms of its flexibility (Chitrakar et al., 2021). Similarly, Hobbs (2020) examined the effect of the COVID-19 pandemic on the food supply chain and its resilience in terms of disruptions in industry, transportation, and labor shortages, as well as shocks on the demand side, such as consumer panic purchasing behavior and changes in food consumption patterns from food serving installments to home-prepared foods, as well as the shocks on the supply-side, such as consumer panic purchase behavior and changes in food...
consumption patterns from food serving installments to home-prepared foods.

Impact on business performance depends on the business and product portfolio (ABeam Consulting). Anticipating the impact of changes that occur, companies implement certain strategies with different goals. There are those who implement strategies to meet the increasing demand for products they produce and some are implementing strategies to anticipate the decline in demand for products they produce or to simply survive through conditions that are detrimental to the company.

This paper will discuss further about the strategies applied to 2 different types of companies in terms of changes in the trend of products demand affected by COVID-19. In this case, examples of companies in Indonesia will be taken. First, the Sugar Refinery Industry which produces and distributes sugar products and the second is Multinational Beverage companies which produces and distributes soft drink products. The Sugar Refinery companies which produces sugar applies the focus strategy, where the demand for sugar products increases during the COVID-19 pandemic. Meanwhile, the Multinational Beverage companies is implementing a Cost Leadership strategy to anticipate decreasing demand for the soft drink products they produce.

1.1 Objectives

The manufacturing industry, especially in the food and beverage industry is widely affected due to Covid-19 pandemic. Most of the manufacturing plants are shut down or working to reduce the production capacities. To address the challenges and put forward to manage the production and operations of the food and beverage industry.

The purpose of this paper is to explore in detail the activities carried out by The Sugar Refinery companies and Multinational Beverage companies in Indonesia during the COVID-19 pandemic based on the strategy implemented in the current business setting as well as to make a contingency plan to control and revamp in such future events. This paper also suggested several future research avenues to further broaden the existing knowledge to improve the resilience and sustainability of the production system.

2. Literature Review

The foundation of an organization's operations is strategy, which decides the patterns it can pursue to achieve its goals and objectives (Hax, 1986). In terms of setting the overall organization's course and enabling it to meet obstacles in a competitive world, strategy is critical for success. Furthermore, strategy is needed to ensure proper coordination of the various activities of the company and to guide its efforts (Mahfod, 2017). Strategies can be combined to shape combinative strategies, which will help businesses respond to a changing market climate (Subramanian, 2001). In order to help cognition, to fulfill an inherent need for order, and to foster productivity under stable conditions by concentrating resources and leveraging past learning, a strategy is needed to minimize confusion and provide continuity (Mintzberg, 1987). The process of developing a strategic strategy entails relating an organization to its surroundings. The general strategy developed by Porter is the result of various environmental features but is based on the company's decision to follow a broad or narrow target market, as well as its uniqueness or cost competency. Strategies are divided into 3, namely cost leadership, differentiation, and focus (Porter, 1980).

2.1 Cost Leadership

Cost leadership is targeted at large markets, and it necessitates "aggressively building productive scale facilities, lowering rates, controlling tight costs and costs, avoiding marginal customers, and minimizing other costs" (Hunger and Wheelen, 2003). In areas like research and growth, sales force, and ads, a cost leadership strategy approach necessitates a relentless pursuit of cost savings, tight cost, total control, and cost minimization (Porter, 1980). The organization is also able to provide high-value benefits to consumers while controlling costs thanks to the cost leadership strategy (Pearce and Robinson, 2009). According to Dess and Davis (1984), size, performance, and access to low-cost inputs are all advantages of low-cost strategies. The most debated benefit promoting firms' low-cost strategy in developing countries has been access to low-cost services (Elango and Pattnaik, 2007; Kotabe et al., 2000).

A business must follow a cost-leadership mindset and be able to discontinue all activities in which they do not have a cost advantage, as well as accept outsourcing activities to other companies with a cost advantage, in order to achieve a cost leadership strategy of advantage (Malburg, 2000). According to Venu (2001), cost leadership can be achieved in a variety of ways, including mass manufacturing and distribution, economies of scale, technology and product design, low-cost raw materials, and efficient business processes. However, distribution logistics is one of the
most difficult fields to manage in terms of cost. Distribution networks play a critical role in both cost reduction and value development (Akan et al., 2006). The replenishment logistics has proved to be a very successful tool for lowering delivery costs, but the retail cross docking approach is the only one that has been able to keep distribution costs to a bare minimum. Some of the cost-effective steps that a company might take based on the system used by Wal-Mart and Amazon are as follows (Bertozzi, 2007):

- Enhance the performance of business processes (new technology, different plant layout)
- Reduce the number of permanent employees by outsourcing a portion of the company process or hiring contractors
- Staff on a project basis
- Operating economies of scales
- Training staff to improve its efficiency

According to Michael (2013), high-efficiency, low overhead, intolerant of waste, minimal benefits, focused review of the budget request, wider spans of control, incentives linked to cost control, and widespread employee participation in cost control initiatives are all signs of an effective cost leadership strategy. To effectively implement a cost leadership strategy, a business must ensure that the total cost of the supply chain is lower than the total cost of the competitor. This can be accomplished in two ways (Michael, 2013):

- In comparison to rivals, execute the value chain models more effectively and efficiently, and monitor the variables that affect the cost of value chain activities.
- Restructuring the entire supply chain of the business in order to eliminate or avoid such cost-producing activities. Maintaining suppliers and distributors, online trading, relocating manufacturing operations, avoiding the use of union labor, and so on are some of the activities.

2.2 Focus

Focus strategies are more convincing when the company can recognize and cultivate customers' unique interests, and when this niche demand has not yet been entered or exploited by competitors (David, 2000). Within a market, a focus strategy identifies a narrow competitive spectrum. The focuser defines an industry segment or group of segments and tailors its strategy to serve them at the exclusion of others (Ochodo, 2020). Using a focus plan to direct the firm's resources towards specific value chain activities is the secret to gaining a competitive edge. The company will place itself to improve brand loyalty and customer satisfaction by concentrating the marketing mix on the tightly identified target markets (Collins and Winrow, 2010).

The company that pursues a focused low-cost approach competes against the cost leader. An organization uses this strategy to focus on low-volume, cost-built goods for which it has a cost advantage. This approach may be tweaked to save a consumer group whose needs can be met at a lower cost than the rest of the market (Grace, 2020). Firms who want to maximize operating efficiency while concentrating on particular niche elements of the product or service they're presenting to the consumer use this approach, which is a combination of emphasis and cost strategy. However, it is critical for the company to ensure that this niche market is broad enough and has the potential to expand, as some companies have overlooked this market segment. This strategy can be effective in a specific geographic region, as well as with a specific ethnic minority and budget-conscious consumers (Davis, 2015).

3. Methods

This research is an exploratory research based on analysis of primary data which includes survey and interviews and review of secondary data which includes websites, academic journals, case studies, research reports, books, annual reports of sugar refinery companies and multinational beverage companies in Indonesia. We use a blended analysis that combines qualitative and quantitative data. Surveys and interviews conducted to see the details of Porter’s Generic strategy implementation by both companies. Then compared with companies’ data such as annual reports, sales and demand volume and others, which reflect strategy objectively. The comparison result is then discussed and analyzed qualitatively. Following (Huet et al., 2020), we differentiate between the likelihood and the expected impact of this risk. The purpose of this study was to identify the implementation of the Porter’s Generic strategy by the two companies in the context of the COVID-19 Pandemic.

4. Data Collection

The first data collection is from one of the Sugar Refinery Company in Indonesia. The sugar refinery company was founded in 2013 with PMA status to operate Sugar Refinery in Marunda, Bekasi, Indonesia, for the first
time starting commercial operations in June 2013. The company is owned by several local shareholders, as well as overseas shareholders. All local shareholders have extensive experience in the sugar industry and more than 40 years of experience in sugar distribution and trading in Indonesia. The overseas shareholders have more than 30 years of experience worldwide in Sugar Trading. The sugar refinery in Marunda is also growing slowly to increase the production capacity to meet the industrial needs in Indonesia. In 2020, the sugar refinery company had 1,000 MT/day production capacity, with the hope of increasing annual sales and demand.

The sugar refinery company’s sales target in 2020 is 230,818 MT, where in May 2020 the target has been achieved due to a surge in demand due to the impact of COVID-19 pandemic as shown in Table 1. Overview of the total number of delivery plans, actual and performance achievement as per month schedule arrangement as shown in Table 1, due to a pandemic situation in May 2020 there is an over requested schedule by customer existing and the government request as the new sales demand. Usually the sugar refinery company only produces the refinery sugar for industrial consumption. After the pandemic started, in May 2020 the production had to build up the stock and the production melted to fulfill the additional demand. According to a decree from Indonesian government, the site plant must produce the sugar not only for industrial consumption but also for the public needs.

<table>
<thead>
<tr>
<th>Item</th>
<th>Month</th>
<th>Jan-20</th>
<th>Feb-20</th>
<th>Mar-20</th>
<th>Apr-20</th>
<th>May-20</th>
<th>Jun-20</th>
<th>Jul-20</th>
<th>Aug-20</th>
<th>Sep-20</th>
<th>Oct-20</th>
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<th>Dec-20</th>
<th>YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan</td>
<td>Monthly</td>
<td>17,360.00</td>
<td>24,000.00</td>
<td>24,000.00</td>
<td>24,000.00</td>
<td>31,000.00</td>
<td>8,320.00</td>
<td>16,360.00</td>
<td>37,727.00</td>
<td>19,900.00</td>
<td>34,457.00</td>
<td>24,535.00</td>
<td>25,459.00</td>
<td>250,138.00</td>
</tr>
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<td></td>
<td>Accum.</td>
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<td>41,000.00</td>
<td>65,000.00</td>
<td>91,000.00</td>
<td>138,000.00</td>
<td>219,320.00</td>
<td>225,680.00</td>
<td>263,407.00</td>
<td>286,232.00</td>
<td>314,128.00</td>
<td>338,663.00</td>
<td>363,189.00</td>
<td>398,086.00</td>
</tr>
<tr>
<td>Actual</td>
<td>Monthly</td>
<td>17,360.00</td>
<td>18,350.00</td>
<td>26,074.00</td>
<td>31,989.00</td>
<td>32,940.00</td>
<td>16,259.75</td>
<td>22,586.70</td>
<td>20,403.95</td>
<td>21,893.94</td>
<td>26,367.90</td>
<td>6,755.15</td>
<td>164,913.20</td>
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<td></td>
<td>Accum.</td>
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<td>35,959.06</td>
<td>62,015.41</td>
<td>82,014.40</td>
<td>114,083.20</td>
<td>122,679.55</td>
<td>135,792.20</td>
<td>139,289.06</td>
<td>144,712.25</td>
<td>147,823.18</td>
<td>142,415.35</td>
<td>240,926.28</td>
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<td>Perf.</td>
<td>% Month</td>
<td>102.26%</td>
<td>108.69%</td>
<td>97.09%</td>
<td>218.12%</td>
<td>198.78%</td>
<td>111.87%</td>
<td>108.64%</td>
<td>111.53%</td>
<td>111.78%</td>
<td>114.54%</td>
<td>106.39%</td>
<td>104.39%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>% Accum.</td>
<td>102.26%</td>
<td>97.09%</td>
<td>91.61%</td>
<td>104.82%</td>
<td>121.87%</td>
<td>110.04%</td>
<td>111.33%</td>
<td>111.54%</td>
<td>106.39%</td>
<td>104.39%</td>
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</tr>
</tbody>
</table>

Figure 1 shows an increase in delivery as an impact of an increase in the number of demands. There was an increase in demand for delivery which was increasing in May 2020 by 132.03% from the previous month.

The second data that we collected was from one of the Multinational beverage companies in Indonesia. The Multinational Beverage Company is a leading ready-to-drink non-alcoholic beverage producer and distributor that has been operating in Indonesia since 1992. It is one of the biggest beverage companies in Indonesia, which has 8 bottling plants, 37 production lines, 14 warehouses and 5,500 employees. The beverage company manufactures, sells and distributes more than 10 brands in Indonesia including carbonated soft drinks, juices, teas, isotonics, drinks, bottled drinking water, energy drinks, and many more — in more than 100 packaging formats and sizes. The beverage company also serves more than 600,000 retail outlets large and small directly.

Since 2010, the sales volume trend of the beverage company has had a positive trend that always had growth for almost years. But due to COVID-19 outbreak, the sales volume dropped significantly more than 18% which is equal to the sales volume of 6 years ago (Figure 2). The sales dropped significantly due to most of the customers being...
retail outlets that had the most significant impact of COVID-19, since there was an appeal of social distancing and local lockdown in many areas in Indonesia. Many retail outlets were closed due to this situation.

![Figure 2. Sales volume trend of the beverage company from 2010-2020](image)

The data of sales volume trend from both companies shows that the impact of COVID-19 outbreak has different impact that is positive impact for the Sugar Refinery companies and negative impact for the beverage company. Due to this condition, both companies had implemented different strategies, either to fulfil the increasing sales volume or come up in the declining sales volume.

5. Results and Discussion

According to Kumar (2020), managing the production and distribution of necessary and non-essential goods and services in a pandemic situation is a difficult decision for industrial managers and policy makers. In this paper, we will analyze and discuss how to improve sustainable production in the demand trend of the food supply chain where there is an increase in demand for sugar products in a sugar refinery company that affected by COVID-19, while in a multinational beverage company is how to improve resilience in way minimize production costs to anticipate decreased demand of soft drink products and compete with other competitors in the market.

5.1 The Sugar Refinery Company

According to the pandemic situation the company must build up the sugar stock because of additional demands from the government for the public consumption needs. The sugar company has implemented strategies of Focus. Focus strategies are more compelling when the firm can identify and nurture consumers’ distinct preferences and when this specific niche market has not been reached. The focus strategy identifies a segment or group of segments in the industry and aligns its strategy to serving them to the exclusion of others.

The sugar company was impacted by the COVID-119 pandemic situation, especially on high demanded sugar products. The company already set the sales target in 2020 is 230,818 MT, but due to the COVID-19 condition, the actual delivery has achieved more than the sales target which is more than 104% achievement (Table 2).

Regarding the increase of the sales demand, the company had adopted the Porter’s generic strategy, which is Focus strategy. The main objective of Focus strategy was to fulfill the additional sales demand on public needs, while keeping the scheduled sales demand achieved. There are several Focus strategies that have been implemented by the company in detail as follows.

First, the strategies come from the planning side, where the planning team had to balance the sales demand between the local sales demand and industrial sales demand. It’s needed to ensure that the budgeted planning of sales demand which comes from industrial consumption can be realized in production, while the additional sales demand that comes from local consumption still can be produced. Another planning strategy that had been implemented is from the raw material supply, due to the increasing sales demand. The sugar refinery company needs to focus on how
they can get an extra raw material supply to fulfil the additional demand for local consumption. The company had to purchase the additional raw material of raw sugar from several countries such as Vietnam, Brazil and Thailand and maintain the delivery to meet the production schedule. Supporting material needed also becomes the company focus to be prepared, such as sugar bags, chemicals, and other supporting material.

Table 2. Delivery Report of the Sugar Refinery Company (2020)

<table>
<thead>
<tr>
<th>Month</th>
<th>Jan-20</th>
<th>Feb-20</th>
<th>Mar-20</th>
<th>Apr-20</th>
<th>May-20</th>
<th>Jun-20</th>
<th>Jul-20</th>
<th>Aug-20</th>
<th>Sep-20</th>
<th>Oct-20</th>
<th>Nov-20</th>
<th>Dec-20</th>
<th>Total</th>
</tr>
</thead>
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<td>11,684.30</td>
<td>10,878.75</td>
<td>12,680.20</td>
<td>9,660.85</td>
<td>9,527.95</td>
<td>8,998.80</td>
<td>8,962.25</td>
<td>12,050.45</td>
<td>16,208.90</td>
<td>13,351.25</td>
<td>13,949.90</td>
<td>13,311.35</td>
<td>152,442.42</td>
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<tr>
<td>Grade B</td>
<td>4,907.00</td>
<td>8,227.05</td>
<td>11,944.30</td>
<td>7,083.95</td>
<td>2,568.42</td>
<td>1,216.15</td>
<td>2,977.20</td>
<td>4,924.20</td>
<td>11,077.35</td>
<td>6,039.09</td>
<td>8,271.20</td>
<td>7,733.90</td>
<td>70,408.33</td>
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<td>Superfine 25 Kg</td>
<td>210.00</td>
<td>181.90</td>
<td>355.00</td>
<td>126.00</td>
<td>314.50</td>
<td>147.50</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
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<td>1,341.00</td>
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<td>Merah 1200 Kg</td>
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<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>510.00</td>
<td>0.00</td>
<td>510.00</td>
</tr>
<tr>
<td>One Ton Bag</td>
<td>493.00</td>
<td>3,145.00</td>
<td>855.00</td>
<td>1,685.00</td>
<td>819.00</td>
<td>1,351.00</td>
<td>845.00</td>
<td>1,170.00</td>
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<td>300 Kg</td>
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<td>71.20</td>
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<td>51.20</td>
<td>89.80</td>
<td>51.20</td>
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<td>709.60</td>
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<td>GKP 1</td>
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<td>2,274.68</td>
<td>9,454.92</td>
<td>4,585.10</td>
<td>634.00</td>
<td>2,410.85</td>
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<td>0.15</td>
<td>0.00</td>
<td>15.00</td>
<td>19,525.80</td>
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<tr>
<td>B MERAH</td>
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<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>1,150.00</td>
<td>0.00</td>
<td>0.00</td>
<td>2,000.00</td>
<td>100.00</td>
<td>0.00</td>
<td>0.00</td>
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<td>Specialty Product</td>
<td>0.00</td>
<td>37.00</td>
<td>33.00</td>
<td>0.00</td>
<td>27.00</td>
<td>0.00</td>
<td>23.00</td>
<td>0.00</td>
<td>15.00</td>
<td>25.00</td>
<td>30.00</td>
<td>25.00</td>
<td>262.00</td>
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<td>Total ACU Actual Del.</td>
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<td>18,555.00</td>
<td>24,974.90</td>
<td>20,900.78</td>
<td>22,994.02</td>
<td>16,259.75</td>
<td>12,624.25</td>
<td>22,586.70</td>
<td>28,445.85</td>
<td>21,092.90</td>
<td>26,307.90</td>
<td>8,725.15</td>
<td>240,928.20</td>
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<tr>
<td>Total Plan</td>
<td>17,000.00</td>
<td>24,000.00</td>
<td>24,000.00</td>
<td>24,000.00</td>
<td>10,900.00</td>
<td>8,182.00</td>
<td>16,364.00</td>
<td>22,727.00</td>
<td>19,093.00</td>
<td>26,455.00</td>
<td>24,545.96</td>
<td>24,545.06</td>
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<tr>
<td>% Achievement</td>
<td>102.36%</td>
<td>77.31%</td>
<td>106.65%</td>
<td>97.09%</td>
<td>199.12%</td>
<td>199.73%</td>
<td>127.41%</td>
<td>148.99%</td>
<td>105.12%</td>
<td>107.45%</td>
<td>74.64%</td>
<td>104.38%</td>
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</table>

The second strategy that is carried out by the sugar company comes from the production side, which needs strategies to produce additional demand planning with existing machinery. It’s needed to modify the existing machinery due to different packages of the sugar product for local consumption. The company had to focus on listing the consumable parts needed to prepare the material support for the production process. Collaboration and coordination among all related departments teams becomes an important thing to do in this strategy. The sugar refinery company should act in a short time to fulfill the increased sales demand due to COVID-19 pandemic condition.

In the product development strategy, the company also develops new packaging designs to accommodate public consumption needs with the government request. The company had to create the new packaging to differentiate between industrial consumption products and public consumption products. The public consumption design package was made to provide the sugar products in massive quantities, small sizes and low cost, different from industrial consumption. The public consumption package was built in 1 kg’s quantity per bag (GKP 1, refer to Table 2), which is a common package that has been used for people in Indonesia.

The market structure is determined by industry specific factors such as the degree of industry consolidation, entry barriers, the power of buyers and suppliers and governmental regulations. The potential for firms to achieve high profitability is negatively correlated to the degree of competition or rivalry in that industry, since more competition leads to price competition (Porter, 1980). Therefore, following the government decree to fulfill the sugar needs for public consumption, the company already in order to achieve high profitability, firms should occupy an industry with low competition.

5.2 The Multinational Beverage Company

Shifting behavior of the consumer in Indonesia, which prefers to do more activities at home, especially cooking activities, has an impact on the declining sales demand volume of the beverage company by more than 18%. The company has major customers in the retail area, which is the place that consumers avoid due to COVID-19 pandemic and also the appeal from Indonesian government of social distancing. The situation had pushed the retail outlets to close their outlets and stay at home. Due to this condition, the beverage company has implemented several strategies to manage the situation and conditions that impact their declining sales, which mainly adopt one of Porter’s Generic Strategies that is Low-Cost Leadership. The strategy was adopted mainly to balance their financial condition due to declining sales volume and maintain their competitive strategies among their competitors. The beverage company had implemented Low-Cost Leadership strategies on both sides, internally and externally, in order to balance the financial condition. Internal strategies mainly focused on reducing cost of supply chain activities and external strategies mainly focused on lowering price of product while competing with other competitors.

Internal side of Low-Cost Leadership strategies had been implemented by conducting cost saving management in the entire of their Supply Chain function area, which is the cost center of their business activities. Starting from the supply chain planning area, manufacturing, logistics and their supporting services department. Cost saving management in the supply chain planning area such as saving in material price, supply product distribution, and resources planning. In manufacturing they conduct cost saving in production, maintenance, quality, inventory and...
utilities. Logistic contributing cost saving in product delivery and warehouse management. Meanwhile the supporting services department conducts the cost saving in spare parts usage, equipment delivery, and regular service activities. The significant savings come from manufacturing and supply chain planning.

In manufacturing, the company has had to restructure the organization to be leaner, which is to release all their casual employees and optimize the workload of their permanent employees. Giving them more training and tools to help them in their additional job. Besides that, the manufacturing management had to strengthen their spending on employees over time, and no replacement for permanent employees who had retired during this year. Productivity increased by improving line production efficiency and reducing the number of products rejected. Variable cost in the manufacturing is reduced by optimizing the electrical usage in the whole area, optimizing the Natural gas usage in producing steam by minimizing the heat exchanger time used, and several activities to minimize the chemicals usage in water treatment, waste water treatment and production area. Fixed cost in the manufacturing reduced by pending the overhaul activities in line productions due to less volume in actual rather than the planning. The frequency of special service is also reduced to get an extra cost saving from fixed cost. Several rental of plant equipment is also reviewed and cancelled. In the supply chain planning area, the cost saving mainly generated by the activities of cost cutting of product and material delivery, prefer to do direct shipment rather than non-direct shipment, substitute the material with the lower price but still meet the quality requirements. All these cost saving activities are adopting the Lean concept, which is eliminating waste and reducing variability.

On the other hand, the external side of Low-Cost Leadership strategies had been implemented by conducting promotion of bundle packages which had lower prices than regular prices. The promotion was given to maintain their position in the competitive market and also to gain the sales volume. The promotion itself is divided into three types, the first type is promotion that offers combination and non-combination of the soft drink products, which give the customer lower price around 15 - 50%. There is also an extra advantage for the customer who bought the products more than the minimum quantity, which is direct delivery to the customers' houses. It helps the customers to avoid contact with others related to prevention of COVID-19 spread. The second type is the promotion that offers the bundle package with other products such as fast food or snacks. It gives the consumer a lower price around 20% than the normal price. The last type is promotion that collaborates with the tourist resorts, restaurants, cafes, and internet service providers.

6. Conclusion

COVID-19 has resulted in shifting behavior in the communities that more activities are carried out at home. Increased activity in the home also has an impact on changes in the level of consumption, especially food and beverage. The study shows that both Food and Beverage companies in Indonesia are affected by this shifting behavior, which causes the change in their sales demand. This condition has led the company to implement the strategy based on the impact to their sales volume. The identification shows that Porter's Generic strategy, especially Low-Cost Leadership strategy and Focus strategy has been adopted by the company to go through this period of COVID-19 in 2020, either to fulfill the increasing sales demand or come up through the declining sales demand. However, there is still room for improvement to the strategies, regarding the period of COVID-19 still not over yet in 2021.

References


Biography

Ayu Mandasari Nasution is a master’s degree student in the Industrial Engineering department at Universitas Indonesia, concentrating in Industrial Management. She completed her bachelor’s degree at Universitas Brawijaya, Indonesia, majoring in Fisheries Product Technology, Faculty of Fisheries and Marine Science. She’s experienced PPIC for over 4 years in the FMCG Industry which is her first experience was in the coconut milk and pineapple Industry for 1 year and 3 months. She continued her career in sugar refinery companies in Indonesia till present as a
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