

Corporate Strategic Management Analysis of PT Ultrajaya Milk Industry and Trading Company Tbk

Rina Nurlaelasari¹, Marza Yopita², Acep Durahman³

¹Masters of Business Management Programme,
School Of Postgraduates studies Bandung, Indonesian University of Education

²Masters of Business Management Programme,
School Of Postgraduates studies Bandung, Indonesian University of Education

³Masters of Business Management Programme,
School Of Postgraduates studies Bandung, Indonesian University of Education

Abstract: *This study is a strategic management analysis at PT. Ultrajaya measured by matrix strategies including Boston Consulting Group Matrix, SWOT Matrix, Space Matrix and QSPM Matrix. This study will describe matrices strategy implementation at PT. Ultrajaya. Based on the matrix calculations, PT.Ultrajaya are in the market leader position with innovation, improvement and learning in every field, thus affecting value for company by new product creation, provide more value for customer and efficiency continuously so that company can perform a wider market penetration in order to increase the annual revenue and margin.*

Keywords: SWOT, QSPM, corporate strategic management

1. Introduction

Corporate creation strategy to achieve corporate purpose is required. Strategic management in a corporate can assess strategic process success undertaken as input to decision making in the future. Strategy implementation for corporate can be matrices commonly used to measure, identify and explain position and alternative strategies that will be taken. Matrix strategy can be either the Boston Consulting Group Matrix, SWOT Matrix, Space Matrix and QSPM Matrix. This study will describe matrix strategy implementation at PT. Ultrajaya.

PT. Ultrajaya Milk Industry & Trading Company Tbk. is a company that originated from the family business. The company initiated since early 1960s that from year to year continues to grow and now has become one of leading companies in the food and beverage industry in Indonesia. In 2012 Indonesia's economic growth rate is > 6%, so that expected income and purchasing power we will continue to increase.

The population now more than 230 million with growth rate of 1-1.5% per year. Healthy lifestyles have also started growing in our communities because of education was carried out both by the government and private sector. With the conditions described above expected milk consumption in Indonesia society will increase, so the milk market in the next 10 years expected to grow by 8% per year, and UHT milk market will grow about 20% for the next 5 years cumulatively.

2. Literature

Strategic management is a field of science overall corporate management, in which there are a series of actions and managerial decisions in determine the performance for the long term. Fred R David (2009:5) "Strategic management is

the art and science to formulate, implement, and evaluate decision that enable cross functional organization achieve the goals. "According to Bambang Hariadi (2003:3) argues that "Strategic management is a systematic process designed by management to formulate a strategy, execute the strategy and evaluate strategies to provide the best value to customer for realize organization vision.

Analytical framework of strategy formulation by Fred R. David (2009:323) as follows:

- a. Input stage, composed of an External Factor Evaluation (EFE) Matrix, Internal Factor Evaluation (IFE) Matrix, and Competitive Profile Matrix (CPM)
- b. Matching stage, consist of Strength, Weakness, Opportunity and Threat (SWOT/TOWS) Matrix, SPACE Matrix, Boston Consulting Group (BCG) Matrix, Internal External (IE) Matrix and Grand Strategy Matrix
- c. Decision stage which consist of Quantitative Strategic Planning Matrix (QSPM).

3. Method

The methods used in this research are descriptive and explanatory. The data collection techniques used in this research is literature study, namely data collection by book, journal, internet resources, and to obtain information related to the theories and concept related to strategic management analysis. In this study, secondary data source are literature study, article, and websites related to the study of the published data.

4. Result and Discussion

Input Stage

Table 1: External Factor Evaluation (EFE) Matrix

No.	External Strategic Factor	Quality	Rating	Score
Opportunity				
1	Retain and maintain a position as a leader in this industry	0.075	9	0.675
2	Ultrajaya can gain market share more than 55% in Indonesia and internationally in the future	0.025	3	0.075
3	Creating a new innovation with new flavors to the product that can compete with other companies	0.05	5	0.25
4	Become a sponsor social events or health themed	0.025	3	0.075
5	Continue to expand distribution network to all corner of Indonesia	0.05	6	0.3
6	Purchasing power in Indonesia continues to increase which will encourage milk consumption for nutrition	0.075	7	0.525
7	Establishing community Ultra consuming milk with group leader presence in various cities	0.075	8	0.6
8	Establish communication strategy proximity with consumer on social media	0.05	5	0.25
9	Increased public awareness to healthy beverage product needs that will drive corporate vision and mission achievement	0.05	4	0.2
10	Acquisition possibility	0.025	3	0.075
Total		0.5		3.025
Threat				
1	Government policy with a high tax rate	0.075	8	0.6
2	Local competitor emergence	0.075	9	0.675
3	Fluctuation in the exchange rate	0.05	6	0.3
4	Climate effect to the raw material quality	0.025	4	0.1
5	Substitute product competitor from liquid to powder milk	0.05	5	0.25
6	Free trade area globalization	0.075	7	0.525
7	Rising fuel price	0.05	5	0.25
8	Awareness level in Indonesia that low in consuming liquid milk	0.05	5	0.25
9	Liquid dairy product overseas into Indonesia which has a high brand image	0.25	2	0.05
10	Demand wage increases fronted by a union demo	0.025	3	0.075
Total		0.5		3.075
External Factor Total Score				6,1

Table 2: Internal Factor Evaluation (IFE) Matrix

No.	Internal Strategic Factor	Quality	Rating	Score
Strength				
1	Competent and well trained human resource	0.05	5	0.25
2	Competitive price product	0.05	4	0.2
3	Having a network distribution system and large market share	0.075	6	0.45
4	Strong brand image due to position as market leader	0.075	9	0.675
5	Sales have increased	0.025	3	0.075
6	Focused marketing vision	0.025	1	0.25
7	Pioneer in the UHT technology and packaging aseptic carton	0.075	7	0.525

8	Strategic location because located in raw material supply location	0.025	3	0.075
9	Consumer loyalty to product	0.075	8	0.6
10	Intensive research and development	0.025	2	0.05
Total		0.5		3.375
Weakness				
1	Low export scale	0.075	9	0.675
2	Raw material availability	0.05	5	0.25
3	Higher production cost	0.075	6	0.45
4	Product packaging less attractive	0.075	7	0.525
5	Less intense promotion by the famous celebrity endoser	0.05	4	0.2
6	Imported aseptic carton packaging	0.075	8	0.6
7	CSR less well promoted	0.025	3	0.075
8	Scholarship only for local area	0.025	3	0.075
9	Company selective in the visit program	0.025	3	0.075
10	Superior only in liquid dairy product	0.025	2	0.05
Total		0.5		2,975
Internal Factor Total Score				6,35

Table 3: Competitive Profile Matrix (CPM)

Indicator	Ultrajaya			Indomilk			Frisian Flag		
	Quality	Rating	Score	Quality	Rating	Score	Quality	Rating	Score
Reputation	0.08	4	0.32	0.08	4	0.32	0.08	4	0.32
Culture	0.08	4	0.32	0.06	3	0.18	0.06	3	0.18
Competence	0.08	4	0.32	0.08	4	0.32	0.12	2	0.24
Price	0.06	3	0.18	0.06	3	0.18	0.08	4	0.32
Packaging	0.12	2	0.24	0.06	3	0.18	0.12	2	0.24
Market Segmentation	0.12	2	0.24	0.08	4	0.32	0.08	3	0.24
Sales volume	0.06	4	0.24	0.12	2	0.24	0.12	2	0.24
Financial Ratio Analysis	0.08	4	0.32	0.08	4	0.32	0.06	3	0.18
Promotion	0.12	2	0.24	0.06	3	0.18	0.06	3	0.18
Technology	0.08	4	0.32	0.12	2	0.24	0.06	3	0.18
Flavor	0.06	3	0.18	0.08	4	0.32	0.08	4	0.32
Distribution	0.06	3	0.18	0.12	2	0.24	0.08	4	0.32
Total	1		3.1	1		3.04	1		2.96

Based on the CPM Matrix can be concluded that PT. Ultrajaya can still dominate in many field because PT. Ultrajaya is a pioneer of liquid milk in Indonesia, so the brand image firmly embedded for consumer. This leads to the PT. Ultrajaya can be a market leader when compared with PT.Indomilk and Frisian Flag Indonesia.

Matching Stage

SWOT/TOWS Matrix

	Strength (S)	Weakness (W)
SWOT/TOWS Strategy Analysis	1. Competent and well trained human resource 2. Competitive price product 3. Having a network distribution system and large market share 4. Strong brand image due to position as market leader 5. Sales have increased 6. Focused	1. Low export scale 2. Raw material availability 3. Higher production cost 4. Product packaging less attractive 5. Less intense promotion by the famous celebrity endoser 6. Imported aseptic carton packaging 7. CSR less well promoted 8. Scholarship only

	<p>marketing vision</p> <p>7. Pioneer in the UHT technology and packaging aseptic carton</p> <p>8. Strategic location because located in raw material supply location</p> <p>9. Consumer loyalty to product</p> <p>10. Intensive research and development</p>	<p>for local area</p> <p>9. Company selective in the visit program</p> <p>10. Superior only in liquid dairy product</p>	<p>consumer on social media</p> <p>9. Increased public awareness to healthy beverage product needs that will drive corporate vision and mission achievement</p> <p>10. Acquisition possibility</p>		
Opportunity (O)	SO Strategy	WO Strategy	Threat (T)	ST Strategy	WT Strategy
<p>1. Retain and maintain a position as a leader in this industry</p> <p>2. Ultrajaya can gain market share more than 55% in Indonesia and internationally in the future</p> <p>3. Creating a new innovation with new flavors to the product that can compete with other companies</p> <p>4. Become a sponsor social events or health themed</p> <p>5. Continue to expand distribution network to all corner of Indonesia</p> <p>6. Purchasing power in Indonesia continues to increase which will encourage milk consumption for nutrition</p> <p>7. Establishing community Ultra consuming milk with group leader presence in various cities</p> <p>8. Establish communication strategy proximity with</p>	<p>a. Consistent offering the highest quality product (S₁, O₁), (S₄, O₄), (S₅, O₅), (S₇, O₇) & (S₁₀, O₁₀).</p> <p>b. With competitive prices and affordable products for consumer by continuing attention to product quality, this will expand the market share (S₂, O₂), (S₃, O₃) & (S₉, O₉).</p>	<p>a. Trying to raise the scale of exports than 10% to 15-20% (W₁, O₁)</p> <p>b. Should maintain raw material availability in accordance with sales target for reaching a large market share (W₂, O₂), (W₃, O₃), (W₄, O₄) & (W₁₀, O₁₀).</p>	<p>1. Government policy with a high tax rate</p> <p>2. Local competitor emergence</p> <p>3. Fluctuation in the exchange rate</p> <p>4. Climate effect to the raw material quality</p> <p>5. Substitute product competitor from liquid to powder milk</p> <p>6. Free trade area globalization</p> <p>7. Rising fuel price</p> <p>8. Awareness level in Indonesia that low in consuming liquid milk</p> <p>9. Liquid dairy product overseas into Indonesia which has a high brand image</p> <p>10. Demand wage increases fronted by a union demo</p>	<p>a. Large companies have high taxes, with the increase of foreign exchange to the country thus supporting the government raised export a larger scale ((S₁, T₁).</p> <p>b. Competing at affordable prices with competitors (S₂, T₂), (S₆, T₆).</p> <p>c. Increased exports can increase its profit by the exchange rate (S₃, T₃).</p> <p>d. Keeping Brand Image feedstock supply to maintain the quality and availability (S₄, T₄), (S₇, T₇) & (S₁₀, T₁₀).</p> <p>e. Instill in the consumer mind that natural milk is healthier to drink than milk powder (S₅, T₅), (S₈, T₈).</p>	<p>a. export with sales to increase scale over the world, even though the milk-producing country to compete (W₁, T₁).</p> <p>b. Maintain the raw material availability so the product can compete with competitor (W₂, T₂), (W₇, T₇).</p> <p>c. Do not try to import raw material (W₃, T₃), (W₆, T₆).</p> <p>d. Create or dairy product quality by adding flavors, example: banana flavored milk or milk tea (W₄, T₄), (W₉, T₉).</p> <p>e. Advertise products by the famous celebrity endoser which contains the message better than drinking milk powder (W₅, T₅), (W₈, T₈), (W₁₀, T₁₀).</p>

Based on the TOWS analysis, it can be seen that PT. Ultrajaya has a large market share and strong brand image for the consumer as a pioneer of liquid milk. This requires companies to retain and improve product quality due to the lack of competition from domestic and abroad are so tight that makes PT. Ultrajaya must implement various strategies, such as: upstream business strategy, marketing downstream business strategy, processing downstream business strategy, and support function strategy.

SPACE Matrix

a. Internal Strategic Position

Financial Strength	Rating
Return On Investment	4
Liquidity	5
Working Capital	4
Cash flow	5
Return On Equity	5
Total	23

Competitive Advantage	Rating
Market Share	-1
Product Quality	-1
Customer Loyalty	-2
Product Life Cycle	-2
Control Over Supplier	-3
Total	-9

b. External Strategic Position

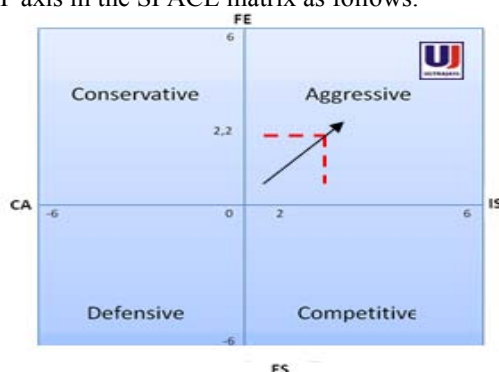
Environmental Stability	Rating
Technology	-2
Demand	-2
Price	-2
Barrier	-4
Competitive Pressure	-2
Total	-12

Industry Strength	Rating
Growth Potential	5
Profit	4
Financial	4
Technology	3
Resource Utilization	3
Total	19

From the internal and external strategy position table it can be calculated average values as follows:

FS	4,6
CA	-1,8
ES	-2,4
IS	3,8

Next on average will be obtained coordinate position on the X and Y axis in the SPACE matrix as follows:



From the Strategic Internal (FS and CA) and External Strategic (ES and IS) calculation, PT. Ultrajaya have an aggressive position. So that, PT. Ultrajaya can implement market penetration, product development, integration (forward, backward or horizontal), diversification (concentric, horizontal, conglomerate).

c. Decision Stage

QSPM Matrix

Alternative Strategy	TOWS	GE	BCG	SPACE	GS	COUNT
Forward Intergration	✓	-	-	-	✓	2
Backward Integration	✓	✓	✓	✓	✓	5
Horizontal Integration	✓	-	✓	✓	✓	4
Product Development	✓	✓	✓	✓	✓	5
Market Penetration	✓	✓	-	✓	✓	4
Consentric Diversification	✓	✓	-	-	-	2
Conglomerate Diversification	-	-	-	-	-	0
Joint Venture	-	-	-	-	-	0
Retrenchment	-	-	-	-	-	0
Divestitute	-	-	-	-	-	0
Liquidation	-	-	-	-	-	0

Strategic option based on QSPM analysis above are follow:

a. Backward Integration

In the upstream business, this strategy geared to PT Ultrajaya sustainability that has full determination of the product quality. Starting from raw materials in collaboration with dairy producer and has a stake in it to finished product, quality control system strictly implemented, not only product, but also production and storage process.

b. Product Development

Achieve appropriate product quality and market specification to differentiate product and become a market leader in the domestic market.

The QSPM matrix calculation as follow:

Strength	Quality	Strategy 1		Strategy 2	
		AS	TAS	AS	TAS
Competent and well trained human resource	0.05	3	0.15	3	0.15
Competitive price product	0.05	2	0.1	3	0.15
Having a network distribution system and large market share	0.075	4	0.3	4	0.3
Strong brand image due to position as market leader	0.075	4	0.3	4	0.3
Sales have increased	0.025	1	0.025	2	0.05
Focused marketing vision	0.025	1	0.025	2	0.05
Pioneer in the UHT technology and packaging aseptic carton	0.075	4	0.3	4	0.3
Strategic location because located in raw material supply location	0.025	2	0.05	2	0.05
Consumer loyalty to product	0.075	4	0.3	4	0.3
Intensive research and development	0.025	1	0.025	3	0.075
Total	0.5		1.575		1.725

Weakness	Quality	Strategy 1		Strategy 2	
		AS	TAS	AS	TAS
Low export scale	0.075	3	0.225	3	0.225
Raw material availability	0.05	2	0.1	2	0.1
Higher production cost	0.075	3	0.225	3	0.225
Product packaging less attractive	0.075	3	0.225	4	0.3
Less intense promotion by the famous celebrity endoser	0.05	1	0.05	2	0.1
Imported aseptic carton packaging	0.075	3	0.225	3	0.225
CSR less well promoted	0.025	1	0.025	2	0.05
Scholarship only for local area	0.025	1	0.025	2	0.05
Company selective in the visit program	0.025	1	0.025	2	0.05
Superior only in liquid dairy product	0.025	1	0.025	1	0.025
Total	0.5		1.15		1.35
Total IFE			2.725		3.075

Opportunity	Quality	Strategy 1		Strategy 2	
		AS	TAS	AS	TAS
Retain and maintain a position as a leader in this industry	0.075	4	0.3	4	0.3
Ultrajaya can gain market share more than 55% in Indonesia and internationally in the future	0.025	2	0.05	2	0.05
Creating a new innovation with new flavors to the product that can compete with other companies	0.05	3	0.15	3	0.15
Become a sponsor social events or health themed	0.025	2	0.05	2	0.05
Continue to expand distribution network to all corner of Indonesia	0.05	3	0.15	3	0.15
Purchasing power in Indonesia continues to increase which will encourage milk consumption for nutrition	0.075	3	0.225	4	0.3
Establishing community Ultra consuming milk with group leader presence in various cities	0.075	4	0.3	4	0.3
Establish communication strategy proximity with consumer on social media	0.05	2	0.1	3	0.15
Increased public awareness to healthy beverage product needs that will drive corporate vision and mission achievement	0.05	2	0.1	3	0.15
Acquisition possibility	0.025	1	0.025	2	0.05
Total	0.5		1.45		1.65

Threat	Quality	Strategy 1		Strategy 2	
		AS	TAS	AS	TAS
Government policy with a high tax	0.075	4	0.3	4	0.3
Local competitor emergence	0.075	4	0.3	4	0.3
Fluctuation in the exchange rate	0.05	3	0.15	3	0.15
Climate effect to the raw material quality	0.025	2	0.05	2	0.05
Substitute product competitor from liquid to powder milk	0.05	3	0.15	3	0.15
Free trade area globalization	0.075	4	0.3	4	0.3
Rising fuel price	0.05	3	0.15	3	0.15
Awareness level in Indonesia that low in consuming liquid milk	0.05	3	0.15	3	0.15
Liquid dairy product overseas into Indonesia which has a high brand image	0.025	2	0.05	2	0.05
Demand wage increases fronted by a union demo	0.025	1	0.025	2	0.05
Total	0.5		1.625		1.65
Total EFE			3.075		3.3

Based on the QSPM analysis obtained value of 5.8 for strategy 1 and 6.375 for strategy 2. Thus be considered to implement strategy 2 for enhance the growth of PT. Ultrajaya. By implementing the chosen strategy 2, product development that achieve appropriate product quality and market specifications poduk differentiate and become the market leader in the domestic market.

5. Conclusion

Based on matrix analysis has been done, comprehensive strategic management implementation at PT. Ultrajaya as follow: PT. Ultrajaya on the space matrix calculations in a position Aggressive, able to implement strategy 2 namely product development strategy to achieve appropriate product quality and market specification to differentiate product and become the market leader in the domestic market. Support the PT. Ultrajaya growth rate to implement "Product Development" strategy hence the recommendation to do company as follow:

- a. In the product category can make modification to the new product creation
- b. In the STP (Segmenting, Targeting and Positioning) category, products can be extended to all ages
- c. Within the research and development category, product can add new flavor.

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Author Profile



Rina Nurlaelasari, Born in Bandung, February 14th 1985. Bachelor Degree Majoring in Economic Education, Indonesian University of Education (2008), Masters of Business Management Programme, School Of Postgraduates studies Bandung, Indonesian University of Education (2014).



Marza Yopita, Born in Kampai, July 18th 1989. Bachelor Degree Majoring in Teacher Education of Elementary School, Benkulu University (2012), Masters of Business Management Programme, School Of Postgraduates studies Bandung, Indonesian University of Education (2014).



Acep Durahman, Born in Bandung, June 25th 1983. Bachelor Degree Majoring in Biology Education, Indonesian University of Education (2009), Masters of Business Management Programme, School Of Postgraduates studies Bandung, Indonesian University of Education (2014).

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