

Competitive Strategy of Bottled Oolong Tea Beverage

Fuad Wahdan Muhibuddin¹, Arief Daryanto², Yandra Arkeman³

¹School of Business, Bogor Agricultural University (IPB), Jl. Raya Pajajaran Bogor, Indonesia 16151, West Java, Indonesia

²School of Business, Bogor Agricultural University (IPB), Jl. Raya Pajajaran Bogor, Indonesia 16151, West Java, Indonesia

³Department of Agroindustrial Technology, Faculty of Agricultural Technology, Bogor Agricultural University (IPB), Jl. Raya Darmaga Kampus IPB Darmaga Bogor 16680 West Java, Indonesia

Abstract: This study is aimed to formulated competitive strategy of Oolong tea through strategic planning analysis used Competitive Profil Matrix (CPM), Porter's Five Forces, Strategic Position and Action Evaluation (SPACE), and Quantitative Strategic Planning Matrix (QSPM) as strategic tools analysis. This study provided necessary information of critical success factors and served as the basis for oolong tea strategy. Based on the result of analysis, the management of oolong tea suggested implementing market penetration as priority strategy, followed by market development, product development, and concentric diversification

Keywords: Competitive, Critical Success Factors, Strategy Priority, Tea Beverage Industry

1. Introduction

Indonesia beverage industry shown good performance. Based on GDP by beverage industry employment increased 35% in 2011 to 2015 [1]. The profile of Indonesia beverage industry based on consumption level are grouped into drinking water (85.1%), tea beverage (8.7%), carbonated beverage (3.0%), and other soft drinks (3.2%) [2]. One of the beverage industry that has a positive growth is tea beverage industry by 7.26% based on volume production. Oolong tea (OT) is new player in this industry. Launched in the middle of 2013.

OT as new comers given new colors in tea beverage market in Indonesia, which is dominated by jasmine tea beverage. Despite positive growth in tea beverage industry, OT experienced declined sales 10.77% from 2014 to 2016. Decreasing sales described in Figure 1.

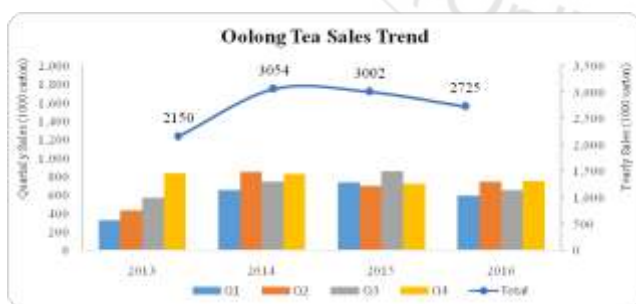


Figure 1: Suntory Garuda Beverage tea drink sales volume

The sales data shown in Figure 2 is inversely proportional to the growth rate of the tea beverage industry. One factor is the intense competition and the magnitude of actors in the tea beverage industry. The results of a study by [3] illustrated the competition of tea beverage industry in Indonesia based on Oolong brand awareness - top of mind tea of 0.9% compared to brand "Teh Botol Sosro" as a leader market and brand "Pucuk Harum" as newcomer player, 55.1% and 12.9% respectively.

Current position of OT shown in hard conditions, it affected low bargaining position market and decreasing corporate profits. These conditions required to be done study related competitive enhancement strategy that is expected to compete with competitors.

2. Data

There are two types of data being used, they are primary data and secondary data. Primary data were collected through depth interview. While secondary data retrieved from the archive, and corporate reports. The research instrument used for primary data collection is a semi-enclosed questionnaire. Retrieval of research data using direct observation and interviews. An observation method was used to observe the business processes, the conditions of human resources, and activities related to business continuity. Interview method used for information relating to the notions, ideas, feelings, and thoughts of respondent in accordance with the purpose of research. While the questionnaire given to respondents to obtain information on the company profile.

Sampling method were used non-probability sampling approach which is determined by purposive sampling techniques, through expertised judgement. The sampling number are 5-10 respondents, who are an expertist and competent in their field that would be studied and has a important role on the object to be examined. This techniques have no minimum sampling number required, considered the respondents are having knowledge, ability, experiences, and understanding of tea beverage industries.

3. Methodology

Method of study were qualitative and quantitative analysis. Strategic planning analysis were used to formulated competitive strategy of Oolong tea beverage, which is divided into three stages. First input stage used Competitive Profile Matrix (CPM) and industrial environment analysis through Porter's Five Forces analysis, second matching stage

used Strategic Position and Action Evaluation (SPACE) Matrix, and third decision stage used Quantitative Strategic Planning Matrix (QSPM) [4].

4. Empirical Results and Analysis

CPM input data obtained through identified critical success factors (CFSs), included both internal and external factors [4]. CFSs defined as the factors customers perceived as something priceless [5]. Identification of CFSs refers to [4] and [6] which has adapted to the company requirement. CPM analysis compare CFSs on current product with competitor's. in this study Jasmine tea (JT) (Pucuk Harum) and Green tea (GT) (Ichi Ocha) were selected as competitor's products.

Result of CPM analysis (Table 1) showed total score analysis for OT 2.80, JT 3.26, and GT 3.03. Total score of competitors have greater than OT, it is indicated competitor have greater competitiveness. Having greater total score CFSs analysis is not indicated the company better than the lower one [4].

Porter's five forces have been used to analysis external factors related to competition intensity of industrial environment affected to company sustainability, further the company able to create some strategies to minimized threats and maximized opportunities. Identification industrial environment affected to OT refer to [4], and [5].

The assessment of industrial competition intensity able to assist the company to find out which is the industrial factors has more affected to the company/product. The competition intensity described in Table 2.

Table 2 find out industrial competition intensity for OT in range medium to high. Medium intensity gone to factors rivalry among competing firms, buyer, and supplier. High intensity gone to product substitution. Product substitution given highly threat if the consumers faced on slight switching cost, lower prices, equal or higher quality [4].

Table 2: Industrial Competition Intensity

No	Faktor lingkungan industry	Nilai	Keterangan
1	Rivalry among competing firms	3.47	Medium
2	Buyer	3.45	Medium
3	Supplier	3.55	Medium
4	Product substitution	3.69	High
5	Entry of new competitors	3.69	High

Coffee ready to drink were identified as substitute product. It has equal/more function as beverage consumption habit, and slight switching cost. Other hand, Indonesia coffee beverage industry showed positive growth rate 7% a year [9], it is significant threat to tea beverage industry.

Porter described entry of new competitors in industries as threat for the existing firms. Entry of new competitors would be brought new capacity, desire to seize market share, and substantial resources [4].

SPACE matrix analysis is one of matching strategic analytical tools. The information gathered from input stage were grouped into four factors, they are financial strength (FS), competitive advantage (CA), stability environment position (SP), and industrial strength (IS). Analysis SPACE Matrix seen in Table 3.

The result of SPACE Matrix analysis (Table 3) showed total score for X axis is -0.87, while Y axis 1.26. X and Y axis score configured vector lead to conservative quadrant (Figure 2).

QSPM have been used along to determine decision alternative strategy fit to the firms. Determining priority by calculating each attractiveness score of critical success factors on identified alternative strategy. The highest total score were defined as highly priority strategy

Table 1: Competitive Profile Matrix Analysis

Critical Success Factors	Weight	OT		JT (Pucuk Harum)		GT (Ichi Ocha)	
		Ranking	Score	Ranking	Score	Ranking	Score
Management experience	0.09	4	0.34	4	0.32	4	0.33
Company organization	0.07	3	0.24	3	0.22	3	0.23
Advertising (Promotion)	0.09	2	0.18	4	0.35	3	0.24
Distribution	0.07	2	0.15	4	0.27	3	0.21
Inventory	0.07	2	0.15	3	0.21	3	0.21
Price competitiveness	0.10	2	0.19	4	0.39	2	0.18
Quality of Product	0.11	4	0.42	3	0.32	4	0.42
Financial position	0.09	3	0.33	3	0.29	3	0.30
Production capacity	0.07	3	0.23	3	0.24	3	0.23
Technology	0.09	3	0.27	3	0.27	3	0.28
IDR exchange rate	0.08	2	0.16	2	0.16	2	0.17
Minimum wage rate	0.08	2	0.15	3	0.23	3	0.23
Total	1		2.80		3.26		3.03

Table 3: SPACE Matrix Analysis

Internal Strategies Position		External Strategies Position	
Financial	Ranking	Environmental	Ranking
Current ratio decreased 2,33%	3	Industry growth rate increased 7,26%	-1
Quick Ratio increased 4,88%	4	Threat of newcomers very high	-4
Cash ratio increased 29,63%	3	Threat of substitute product very high	-3
Inventory turnover increased 7.35%		Technological development	-1
Total holding company asset IDR500 billion	5	Power of supplier	-2
Financial position	5	Weakening IDR exchange rate	-3
		Increment of minimum wages	-4
Average	3,83	Average	-2,57
Total Y = 1,26			
Competitive		Industry	
OT market share position 2,45%	-5	Sales decreased 10,77%	1
Quality of product	-1	Days of inventory ratio decreased	3
Distribution channel	-4	Entry barrier to industry is low	2
Management experience	-1	Production capacity	3
Price competitiveness	-5	Supplier availability	3
Average	-3,35	Average	2,48
Total X = -0,87			

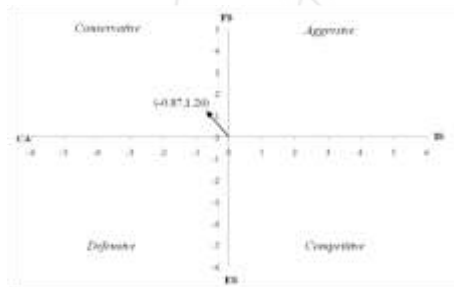


Figure 2: SPACE Vector

Table 4: QSPM Analysis

No	Strategy	Total TAS
1	Market penetration	7.08
2	Market development	7.02
3	Product development	7.01
4	Diversification concentric	5.86

Based on result of QSPM (Table 4) analysis, alternative strategies which has highest TAS is marketing penetration (7.08), followed market development (7.02), product development (7.01), and concentric diversification. Analysis QSPM showed in Table 4.

Market penetration strategy aimed to gain market share and reposition bargaining power of product. If seen positive good performance of tea beverage industry, chosen priority strategy is very possible to be implemented by firms. The matters should be done by firm is to improve marketing performance.

5. Conclusion

The result of CPM analysis on CFSs assessment showed competitor have greater competitiveness than OT. The intensity competition in tea beverage industry by Porter's five forces analysis is medium and high intensity. Medium intensity gone to factors rivalry among competing firms, buyer, and supplier, while high intensity gone to product substitution. The strategic position of OT based on SPACE Matrix analysis is in conservative quadrant. Alternative strategies been suggested are market development, product development, market penetration, and diversification concentric. The priority strategy fit to the firm is market penetration, followed market development, product development, and concentric diversification prespectively. To implement market penetration strategy required the firm to improve marketing performance.

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Author Profile



Fuad Wahdan Muhibuddin received the B.S. degrees in Aquatic Product Technology, Bogor Agricultural University in 2010. During 2010-2017, he worked at PT Fega Marikultura. then continued his career in PT Suntory Garuda Beverage under division Operation Management. He is currently continuing his master studies in School of Business, Bogor Agricultural University.