

# Decision - Making for Marketing Strategy of Oil Palm Planting Materials in Pusat Penelitian Kelapa Sawit (PPKS), Indonesia

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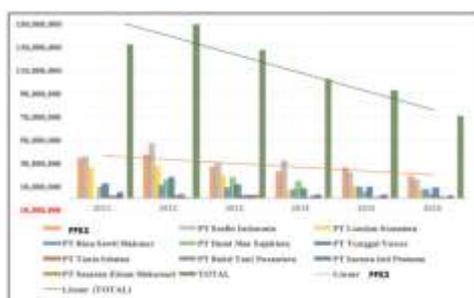
**Abstract:** *The decline in sales of national oil palm planting materials due to government regulations related to the land clearing for oil palm plantations (moratorium), and the large number of competitors in the industry in the last five years (2011-2016) led to Pusat Penelitian Kelapa Sawit (PPKS) as a company that relied on the sale of oil palm planting materials as the main source of funding should be able to increase the market share so that corporate activities are not hampered. The increased market share of the company can be done by becoming superior in the competition. In order to be superior in competition, PPKS selected marketing strategy by considering the criteria that influence the process of marketing strategy selection using Analytical Network Process (ANP) method. The alternative marketing strategy in this study was based on SWOT analysis. The result of this research showed that the main strategy that is suitable to increase the sales of PPKS is Alternative 1 (positioning product) by providing the product according to what the current market needs and building the positioning product (0.091276), and Alternative 5 (service quality) by increasing service quality as an attraction for customers (0.081756).*

**Keywords:** Oil Palm Planting Material, The Industry of Oil Palm Planting Material, Marketing Strategy, Analytical Network Process.

## Introduction

Pusat Penelitian Kelapa Sawit (Indonesian Oil Palm Research Institute) abbreviated PPKS is one of the research institutes for oil palm commodities (*Elaeis guineensis*), which develops the sale of Oil Palm Planting Materials (OPPM) as the main source of company funding (60%). Therefore, if there is an instability of OPPM sales in a company, it will hamper the corporate activities.

Based on the MPOB (2017), there has been an increase in CPO prices over the past three years amounting to 623 US\$/MT in 2015, increased to 790 US\$/MT in 2016, and increased to 815 US\$/MT in 2017. Increasing CPO price should trigger oil palm industry to increase CPO production by replanting and new planting. However, there was a decrease in national OPPM demand which also caused a decrease in OPPM sales, one of which was PPKS (PPKS 2017). The decrease of OPPM sales every year can be seen in Figure 1.



**Figure 1:** The decline in sales of the National Oil Palm Planting materials (OPPM) in the period 2011-2016

The decrease of national OPPM sales is caused by two main factors, namely:

(1) The existence of a moratorium related to the land clearing for oil palm plantation. The Government of Indonesia signed a two-year moratorium on primary forests that came into force from 2011 May 20<sup>th</sup> (Presidential Instruction No. 10 of 2011) including the stipulation of delays in the granting of new licences for the improvement of primary natural forest governance and peat lands. This policy is the fulfillment of the agreement in the LoI (Letter of Intent) between the Government of Indonesia and The Kingdom of Norway. The Government of Indonesia is committed to reduce greenhouse gas emissions by 26% in 2020. This policy includes a delay in granting new licences for the conversion of primary forest an peatland, for two years, which then extended for three periods (2013-2017) which is six years namely Presidential Instruction No.6 Year 2013, Presidential Instruction No. 8 year 2015, and Presidential Instruction No. 6 year 2017. The delay in the granting of new licenses for primary forests and peatlands are stipulated in the following areas: 1) conservation forest, protected forest; 2) production forest (limited production forest, regular production forest, convertible production forest); 3) other usage areas as indicated in the Indicative Map of New License Delay (Ministry of State Secretariat 2017).

The extension of the moratorium limits the palm businessmen not to expand new land for newly planting. This inevitably impacts on the decrease in demand of national OPPM, particularly in PPKS.

2) Number of producers in OPPM industry.

By 2016, there are additional manufacturers of OPPM from 7 producers to 11 producers. The large number of producers of OPPM caused a change of condition from over demand to over supply. The phenomenon of over supply makes the intensity of competition in this industry is getting higher. National OPPM producers should concentrate more on gaining market share within the industry. Every

manufacturer should be able to get consumer loyalty so that it may still exist in an increasingly competitive industry.

As previously mentioned, the decline in OPPM sales is a problem for PPKS that relies on the sale of OPPM as the main source of funding. Therefore, an effort is needed to increase OPPM sales. Currently, increased business competition and limited market share force PPKS to seize the market share of competitors in order to increase its sales. According to Pleshko LP and Richard AH (2012), the market share of a company depends heavily on the number of suitable marketing strategies. Based on the above explanation, it is necessary to conduct a research to formulate the proper marketing strategy for PPKS in order to increase OPPM sales.

Based on the problem formulation, the obtained study objectives are as follows:

- 1) Analyze the condition of competition and PPKS position in national Oil Palm Planting Materials industry.
- 2) Identify and examine the external factors and internal factors that heavily influence on Oil Palm Planting Materials sales in PPKS.
- 3) Make alternative marketing strategy in PPKS.
- 4) Choose the proper priority marketing strategy of Oil Palm Planting Materials, so as to increase Oil Palm Planting Materials sales in PPKS.

## 2. Data

The data used in this study are primary and secondary data. Primary data were obtained through in-depth interviews with six PPKS-expert respondents, while secondary data were obtained from literature, books, internet, and go public financial statements.

## 3. Methodology

The study was conducted by using descriptive method. The descriptive method aims to describe the nature of something that takes place during the research and to check the causes of a particular symptom (Umar 2005).

The stages of data analysis performed in this study can be described as follows.

- 1) Analyzing the competition of the OPPM business industry by using Porter's Five Forces analysis approach
- 2) Analyzing external macro environment of PPKS using PEST (Political, Economic, Social, and Technology) analysis framework.
- 3) Analyzing the internal environment using the marketing mix (7P).
- 4) Creating an IE matrix (mapping the company position)
- 5) Creating a SWOT analysis of alternative strategies
- 6) Formulating priority strategies using Analytic Network Process (ANP) with software super decisions.

## 4. Results

### 4.1 Analysis of Industrial Competition Using Porter's Five Forces Analysis

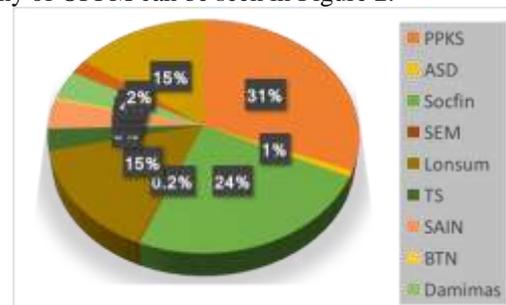
Porter's five competitive forces analysis is used to assess the intensity of competition, the profit potential or profitability of the industry, and to assess whether or not the national OPPM industry is attractive. Assessment results of the competition intensity of national OPPM industry can be seen in Table 1.

**Table 1:** Assessment Results of Competition Intensity of National OPPM Industry

Parameter	Score	Intensity of Competition	Rank
1. The threat of new competitors	2.424	Medium	4
2. Bargaining power of suppliers	2.437	Medium	3
3. Bargaining power of buyers	2.547	Medium	2
4. Product substitution	1.409	Low	5
5. Competition among similar companies	2.923	Medium	1
Total	2.348		

Based on Table 1, the intensity of industry competition is classified as the medium category with an average score of 2.348. This value indicates that the industry has a good profitability. In addition, this value shows that each company is also still possible to increase its market share. The analysis also shows that companies in this industry are not under pressure. This can be seen from the results of the analysis which reveal that OPPM environment is still in a position to benefit the company. For example, difficult entry barriers for new arrivals, the availability of suppliers and many buyers, and substitute products that are not yet available make each company in the industry needs to think about how to have core competency against similar companies. In general, PPKS and other industry members will face the strongest intensity of competition among similar companies with a score of 2.923. This is due to a large number of companies competing to gain market share in the industry.

The amount of market share owned by each provider company of OPPM can be seen in Figure 2.



**Figure 2:** The market share of national OPPM provider in 2016

Figure 2 shows that PPKS has 3 potential competitors, namely PT Socfin Indonesia (24%), PT London Sumatera (15%), and PT Tunggal Yunus Estate (15%). PPKS should provide new product innovations and marketing strategies in accordance with customer needs to remain a market leader in the OPPM industry.

**4.2 External Environmental Analysis of PPKS**

External environment analysis of a company is performed to find out how much the macro external environment (Political,

Economic, Social, and Technology) affect the company in decision making. The results of external environmental analysis of PPKS can be seen in Table 2.

**Table 2: The Results of External Environmental Analysis of PPKS (EFE Matrix)**

No.	Strategic External Factor	Opportunity/ Threat	Weight	Rating	Score
<b>POLITICAL</b>					
1	Political stability and internal security	Threat	0,009	3	0,027
2	<b>Moratorium on the opening of oil palm land</b>	<b>Threat</b>	<b>0,167</b>	<b>4</b>	<b>0,668</b>
3	Constitution no. 32 of 2004 on regional autonomy	Threat	0,008	3	0,024
4	Legal certainty of land rights	Threat	0,025	4	0,100
<b>ECONOMY</b>					
5	Global economic crisis	Threat	0,067	3	0,201
6	Unstable commodity prices (CPO)	Threat	0,103	3	0,309
7	Unstable world oil prices	Threat	0,078	3	0,234
8	Unstable rupiah exchange rate against foreign currency	Threat	0,048	3	0,144
9	Low national economic growth ( $\leq 5.7\%$ )	Threat	0,055	3	0,165
10	Increased labor and production input costs	Threat	0,011	4	0,044
<b>SOCIAL and CULTURE</b>					
11	Community and customary land tenure conflicts	Threat	0,027	3	0,081
12	Improved public education level	Opportunity	0,027	3	0,081
13	Increased number of unemployed	Threat	0,007	2	0,014
14	Socio-cultural disparities between local communities and migrants.	Threat	0,010	3	0,030
<b>TECHNOLOGY</b>					
15	Development of information and communication technology	Opportunity	0,066	3	0,198
16	More efficient system technology	Opportunity	0,070	4	0,280
17	Adaptive and environmentally friendly biotechnology for marginal land	Opportunity	0,085	3	0,255
18	Mandatory use of biodiesel	Opportunity	0,030	4	0,120
19	<b>Increased diversification of downstream products</b>	<b>Opportunity</b>	<b>0,106</b>	<b>3</b>	<b>0,318</b>
<b>Total Score</b>			1.000		<b>3.293</b>

Based on the results of interviews with experts, it was obtained 19 external factors that affect the sale of OPPM in PPKS. In general, the increasing diversification of downstream products with a score of 0.318 is an external factor that provides the most powerful opportunities for PPKS. Increased diversification of downstream products of oil palm shows more diverse products produced from oil palm raw materials, such as biofuel products used for electricity and transportation purposes (PP No. 22 of 2017). Therefore, the producers of oil palm downstream products need more raw materials to meet the needs of consumers. Such opportunities should be utilized well by the company, because demand for oil palm raw materials is directly proportional to the demand for superior oil palm planting materials, so as to meet all market demand. While the moratorium on the land clearing of oil palm with a score of 0.668 is an external factor that provides the most powerful threat to PPKS. The total area covered by the moratorium is 22.5 million ha which consists

of 7.2 million ha of primary forest, 11.2 million ha of peatlands and 4.1 million ha are not included in both

categories (Murdiyarto *et al.* 2011). The existence of the moratorium, making the palm businessmen can not expand the new land for newly planting. This causes a decrease in PPKS OPPM demand.

Based on EFE analysis, it is known that PPKS has been responsive to opportunities and threats with EFE value of 3.293.

**4.3 Internal Environmental Analysis of PPKS**

Internal environment analysis of the company leads to the internal environment analysis in product marketing so that the approach used to measure the internal performance of PPKS in this study is marketing mix analysis (Rangkuti 2015). Through this approach, it is expected that corporate marketing activities which will be the strengths and weaknesses of the company can be known, thus it can be revealed the core competency of the company that can be used as one factor of alternative strategies. The result of marketing mix analysis of PPKS can be seen in Table 3.

**Table 3: The Results of Marketing Mix Analysis of PPKS (IFE matrix)**

No.	Strategic Internal Factors	Status	Weight	Rating	Score
<b>Product</b>					
1	<b>Product innovation</b>	<b>Major Power</b>	<b>0.117</b>	<b>4</b>	<b>0.468</b>
2	Development of technology	Major Power	0.055	4	0.220
3	Product treatment	Minor Weakness	0.035	2	0.070
4	Availability of production facilities and infrastructures	Minor Power	0.104	3	0.312
<b>Price</b>					
5	Price fixing	Minor Weakness	0.018	2	0.036

	Place and distribution				
6	Outlet opening and closing	Major Power	0.041	4	0.164
7	Speed in serving customers	Minor Power	0.039	3	0.117
8	Distribution of oil palm planting materials to customers	Minor Power	0.075	3	0.225
9	Hours of service	Minor Weakness	0.034	2	0.068
	<b>Promotion</b>				
10	Promotion activities	Major Power	0.038	4	0.152
	People				
11	<b>Experts</b>	Major Power	<b>0.084</b>	<b>4</b>	<b>0.336</b>
12	Training and service development	Minor Power	0.041	3	0.123
	<b>Process</b>				
13	<b>After-sales service</b>	Minor Power	<b>0.091</b>	<b>4</b>	<b>0.364</b>
14	<b>Order scheduling</b>	<b>Minor Weakness</b>	<b>0.072</b>	<b>2</b>	<b>0.144</b>
15	<b>Cooperation system</b>	<b>Minor Weakness</b>	<b>0.060</b>	<b>2</b>	<b>0.120</b>
	Physical Environment				
16	The physical condition of the marketing office	Minor Weakness	0.097	3	0.291
	<b>Total Score</b>		<b>1.000</b>		<b>3.210</b>

Based on Table 3 above, the critical success factor shows that product innovation is 0.468, after-sales service is 0.364, and the availability of experts is 0.336, thus these are considered as the strengths of PPKS. Meanwhile, the order scheduling and system of cooperation are 0.144 and 0.120, respectively, which are the weaknesses owned by the PPKS.

Product innovation with a score of 0.468 is the most influential power of the company. Unlike its competitors, PPKS as an institution that concentrates on research activities has the advantage to remain able to perform innovations of OPPM products in accordance with what is required by consumers. This can be demonstrated by the large number of varieties of OPPM offered to consumers. Liwang (2011) states that the varieties of OPPM offered by PPKS to the consumers is more than varieties of OPPM offered by two other competitors namely PT Socfin Indonesia and PT London Sumatra. PPKS already has 11 varieties of OPPM, where each of these varieties has its own advantages and can be used in various land conditions. Meanwhile, PT Socfin Indonesia only has two varieties of OPPM, and PT London Sumatra only has four varieties of OPPM. In addition to varieties that can fit in various land conditions, in order to meet current consumer needs, PPKS is also performing innovations in providing OPPM to be resistant to stem rot disease caused by *Ganoderma boninense*, where some competitors still do not provide it. The *ganoderma*-resistant OPPM variety (DXP540 NG) will be sold commercially in 2018.

Furthermore, the strength of the company comes from the after-sales service. PPKS is the first OPPM provider to apply the concept of after-sales service to the customers. Unlike its competitors, the type of after-sales service offered by PPKS is not only in the form of consultancy services in the marketing offices or via communication media, but it goes directly to the field to know the actual field condition and gives direction to the consumers how to gain the optimal result of OPPM products. Compared to its competitors, PPKS has the completeness and greater number of experts to strengthen its after-sales service program.

Subsequently, the next most important company strength is the availability of experts. PPKS has experts consisting of researchers who are competent in their field. The number and completeness of experts owned by PPKS is quite large

compared with two main competitors (60 people). The expertise is one of the company's strengths that can make the company to be superior compared to its competitors. Because the presence of experts can make it easier for consumers to consult if there are problems related to OPPM products. In addition, competent experts can make innovations which make the company's product can outperform its competitors. The presence of experts is also very influential on consumer confidence over products released by the company.

Order scheduling is a minor weakness of PPKS with the highest score. This is because PPKS still use manual way for scheduling OPPM orders causing frequent unavailability of product. Currently, in addition to product quality, consumers are also considering product availability. Based on the above explanation, good order scheduling is needed by PPKS to maintain customer loyalty.

Cooperation system is the second minor weakness for PPKS. This is due to PPKS has formed cooperation with 29 franchise companies, however, based on corporate data in 2016, the sales result of this franchise system is only about 14% of the total sales.

Overall, the score of the internal factor of PPKS amounted to 3.210. This shows that PPKS is able to optimize the strengths and solve existing weaknesses. The total IFE value is 3.210 and the total EFE value is 3.293 are then incorporated into the Internal External Matrix (IE) to find out the company's position as the initial adjustment stage before performing the SWOT analysis. PPKS position is in the quadrant I (growth and build strategy) in the IE matrix. The initial strategy for the company's position is to emphasize intensive strategy (market penetration, market development, and product development).

#### 4.4 Alternative Marketing Strategy of PPKS Based on SWOT Analysis

After analyzing the internal and external factors of the company, it is also known that the company's position through the Internal External (IE) matrix, hence the next step is to conduct a SWOT analysis to obtain alternative strategy. In this study, the SWOT analysis is used as an advanced tool of the IE matrix in formulating a more specific strategy, in other words, the existing strategy on the SWOT matrix

should be in accordance with the strategy recommended in the IE matrix (growth and building strategy). SWOT matrix may clearly illustrate how the opportunities and threats faced by PPKS, thus PPKS can adjust the strengths and

weaknesses to form a strategy. The following alternative PPKS strategies are resulted on the SWOT matrix (Table 4).

**Table 4: SWOT Analysis**

<b>INTERNAL</b>	<b>Strengths (S)</b> 1. Outlet opening and maintenance 2. Experts 3. After-sales services 4. Promotional activities 5. Training and service development 6. Speed in serving customers 7. Development of technology 8. Distribution of OPPM to customers 9. Availability of production facilities and infrastructures 10. Product innovation 11. The physical condition of the marketing offices	<b>Weaknesses (W)</b> 1. Price fixing 2. Product treatment 3. Oorder scheduling 4. Hours of service 5. Cooperation system
<b>EKSTERNAL</b>		
<b>Opportunities (O)</b> 1. Mandatory use of Biodiesel (B15) 2. The development of information and communication technology 3. More efficient technology production system 4. Better community education level 5. The need for environmentally friendly and adaptive biotechnology for marginal areas	1. Fulfilling the target market demand using appropriate technology (S2, S7, S9, O1, O3, O5, O6) 2. Providing excellent products according to market needs (positioning product) (S2, S7, S9, S10, O1, O2, O4, O5, O6) 3. Expanding the activity 4. Promoting through online media (such as Instagram and Facebook), Conducting talk shows for the oil palm community in the regions, promoting directly to consumers who come to buy OPPM or other PPKS products, or by publishing scientific journals open to the general public (S3, S4, S5, O2, O4) 5. Expanding marketing systems with spot marketing patterns in several areas (S1, S5, S8, S9)	1. Building a stocking management system that is able to provide OPPM anytime (W3, O1, O3, O5, O6) 2. Providing special treatment to OPPM products to improve performance. For example: Ganofend Biofungicide to avoid G. boninense (W2, O1 O4, O5) 3. Expanding cooperation (franchise) system with companies located in potential areas to develop oil palm plantations (W5, O2, O5, O6) 4. Developing online service systems for product consulting and initial order (W4, O2, O4)
<b>Threats (T)</b> 1. President instruction no. 10/2011 on land clearing for oil palm plantation 2. Constitution no. 32 of 2004 on regional autonomy 3. Legal certainty of land rights 4. Global economic crisis 5. Unstable commodity prices 6. Unstable world oil prices 7. Unstable rupiah exchange rate against foreign currency 8. Low national economic growth ( $\leq 5.7\%$ ) 9. Increased labor and production input costs 10. Community and customary land tenure conflicts 11. Increased number of unemployed 12. Socio-cultural disparities between local communities and migrants. 13. Competition among similar companies	1. Improving the target market in the segment of smallholders (S1, S2, S3, S4, S8, T1, T2, T3, T9, T10) 2. Improving services and provide benefits as an attraction for customers (S2, S3, S5, S6, S7, S11, T13) 3. Focus on superior products and aggressive in conducting promotional activities (S2, S7, S9, S10, T13)	1. Establishing promotional cooperation with local plantaion department and seed supervisor (W5, T1, T2, T12)

Based on the results of the SWOT analysis, there are 12 alternative marketing strategies for the company which then pursued into 5 alternative marketing strategies due to there are several alternatives that have the same purpose. The five alternative strategies are as follows.

**1) Positioning Product Strategy (Alternative 1)**

The strategy is done by providing products in accordance with market needs currently, optimizing research activities

by company experts, using appropriate technology, and improving treatment products. By providing products in accordance with market needs, the company may apply the positioning product strategy to build the good image, position, and meaning of the product in the minds of the target consumers. (SO2, WO2, WO3)

**2) Targeting Strategy (Alternative 2)**

Increasing the target market to smallholder farmers can be done by expanding spot marketing in potential areas. As we have seen, a moratorium on land restrictions for oil palm plantation causes the number of OPPM demands for newly planting needs to decrease. However, this moratorium does not apply to community plantation forest. Therefore, marketing strategy to increase the target market in the level of smallholder farmers in potential areas is considered quite

prospective. Moreover, the plantation area is more than 40% of the Indonesian oil palm plantation area (Ditjenbun 2015). In addition, 78% of smallholder plantations in Indonesia use uncertified OPPM (IFC 2013), thus the targeting strategy in the level of smallholder farmers is considered appropriate. Currently, market expansion to eastern parts of Indonesia such as Papua and Sulawesi is also worth noting, as future plantation expansions will be carried out in the area. (SO4, WO4, ST1, WT1)

**3) Promotion Strategy (Alternative 3)**

Enhancing promotional activities is done not only in conventional ways (web, brochures, magazines, etc.), but has begun using social media such as creating Instagram and Facebook accounts to deliver product information, doing talk shows for the oil palm community in the regions, conducting direct promotion to consumers who come to buy OPPM or other PPKS products, more actively become speakers at various events, or by publishing scientific journals to the general public. (SO3, ST3, WT1)

**4) Production Improvement Strategy (Alternative 4)**

The strategy is done by improving production system of OPPM. The strategy is an indirect marketing strategy. A good production system will impact on the supply of OPPM in accordance with market needs. (SO1, WO1)

**5) Service Quality Strategy (Alternative 5)**

The strategy is done by improving service quality as an attraction for customers, arranging order scheduling method in order to avoid scheduling errors that will harm the company or consumer later, providing online sales system of OPPM, developing online service system for product consultation, and developing after-sales service. (ST2, WO4).

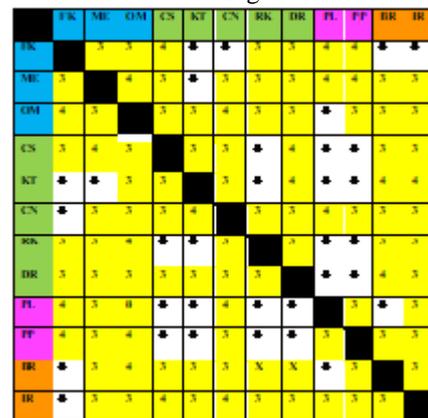
**4.5 Selection of Marketing Strategy of OPPM in PPKS Using Analytic Network Process (ANP)**

Selection of marketing strategy priority of OPPM in PPKS is done to obtain main strategy that really needed by company to face the competition in industry today. The selection of marketing strategy priority of the company is performed using ANP analysis. The ANP structure is used to select alternative strategies based on the marketing strategy criteria used by Wu *et al.* (2009). The criteria of marketing strategy based on Wu *et al.* (2009) can be seen in Table 5.

**Table 5:** Marketing Strategy Criteria based on Wu *et al.* (2009)

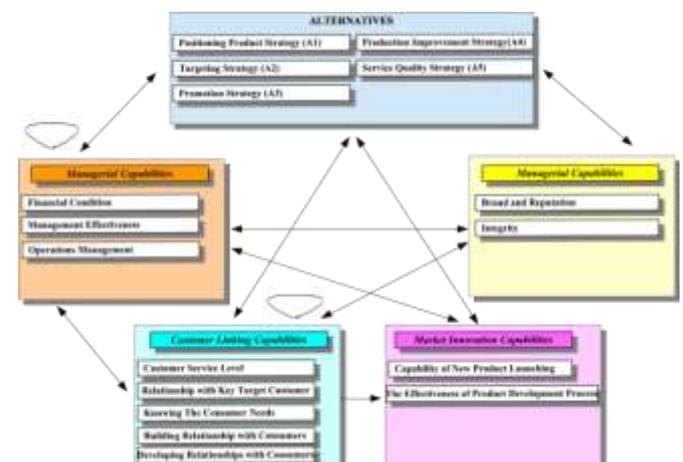
Criteria	Attribute
<i>Managerial Capabilities</i>	Financial Condition (FK)
	Management Effectiveness (ME)
	Operations Management (OM)
<i>Customer Linking Capabilities</i>	Customer Service Level (CS)
	Relationship with Key Target Customer (KT)
	Knowing the Consumer Needs (CN)
	Building Relationships with Consumers (RK)
	Developing Relationships with Consumers (DR)
<i>Market Innovation Capabilities</i>	Capability of New Product launching (PL)
	The Effectiveness of Product Development Process (PP)
<i>Reputational Assets</i>	Brand and Reputation (BR)
	Integritas (IR)

The criteria of marketing strategy is then sought for its relationship, both inner dependence relationship and outer dependence. The determination of interdependence relationship is done by making a questionnaire based on the results of research conducted by Kasirian and Yusuff (2009). The recapitulation result of interdependence relationship between criteria can be seen in Figure 3.



**Figure 3:** Recapitulation result of interdependence relationship between criteria

Based on the interdependence relationship between the above criteria, ANP model can be made as seen in Figure 4.



**Figure 4:** ANP model for selection of PPKS marketing strategy

Based on the opinion of experts, there is interconnectedness between the four criteria of marketing strategies. This

indicates that performance of each criterion may affect the performance of other criteria. Particularly for the criteria of managerial capabilities and customer linking capabilities, there are interconnections between the sub-criteria. Experts also point out that there is interconnectedness between the four criteria of marketing strategies against the selection of alternative strategy and vice versa. This shows that the selection of PPKS marketing strategy priority is influenced by the four criteria. The interconnectedness between the four criteria of the marketing strategy and the alternative strategy is then assessed by pairwise comparisons, which in turn will result in PPKS marketing strategy priority (Figure 5).



**Figure 5:** Marketing strategy priority of PPKS

Figure 5 shows that positioning product strategy with a value of 0.091276, followed by a quality service strategy with a value of 0.081756 are the marketing strategy priority of PPKS. Selection of positioning product as PPKS marketing strategy priority is based on current condition. The existence of a moratorium released by the president in 2011 related to the expansion of the oil palm area forces the planters should take alternatives using marginal land for expansion of the plantation area. This affects the OPPM product to be used. Currently, traded OPPM products are largely unable to adapt to marginal land conditions. Therefore, the innovation of OPPM products according to market needs is a priority for PPKS to increase its sales. In addition to OPPM that can adapt on marginal land, the company can also develop OPPM products with high productivity. This is due to the difficulty of getting land for expansion, the use of OPPM with high productivity in existing land is considered more effective to help companies gaining profit. At present, the average productivity of Crude Palm Oil (CPO) produced by national OPPM products reaches 7.5 tons/ha/year. PPKS stated that in 2018, it will be performed innovations to produce OPPM with average productivity of CPO reach 10 ton/ha/year. If this can be realized, it can be ascertained that consumers will be interested to buy OPPM in PPKS, which will later impact on increasing OPPM sales.

OPPM products that are resistant to pests and diseases also need to be developed by PPKS. This is because maintenance costs take a large part of the operational costs that must be spent by the company. The operational costs of the maintenance of the five palm oil companies can be seen in Table 6.

**Table 6:** Operational Costs for the Maintenance of Oil Palm Plantations in Five Big Companies

No	Company Name	Maintenance operational costs (of total load costs)
1	Astra Agro Lestari	26.7%
2	Eagle High Plantation	14.8%
3	Gozco Plantations	33.6%
4	London Sumatera	12%
5	Salim Iyomas Pratama	17.9%

By the presence of pests and diseases-resistant OPPM, it may help the company to reduce its maintenance costs. If PPKS can innovate the product according to market requirement as previously mentioned, it can be assured that there will be positioning product that will affect the increase of OPPM sales in PPKS.

In addition to positioning product, service quality also includes to priority marketing strategy that should be done by company. This can be seen from the differences in the range of weight values that are not too far between the two strategies (0.091276 and 0.081756). Good service quality will create consumer loyalty which will result to increase in OPPM sales of OPPM.

Order scheduling is one type of service that should be improved. Because currently, in addition to adaptive superior products in various types of land, OPPM consumers (not only in PPKS) also require the availability of ready-made OPPM products. PPKS experienced problems in order fulfillment, particularly during the growing season, where the average order came through the company's production capacity. Therefore, the activities of the company should be supported by a good scheduling method. So far, PPKS only use manual method, where OPPM is produced based on orders from 6 months earlier. This makes the OPPM product unavailable to customers who suddenly need OPPM. Therefore, the company needs to conduct the preparation of order scheduling to avoid the problems of order fulfillment. The preparation of scheduling orders can be done by planning of replanting for companies partners. Thus, PPKS can precisely arrange the order scheduling for the replanting needs of the partner companies. The second way that can be done by PPKS is to educate smallholders to conduct order scheduling from six months earlier.

Improving the quality of service also needs to be considered on the aspect of consumer convenience in knowing information related products offered by PPKS, also in ease of buying and selling products. The development of online service system is one of the things that can be done by PPKS to facilitate consumers in conducting product consultation and buying and selling activities. The stages should be done by PPKS for the development of online service system are reactivating and improving the online sales service system owned by the company (MY SAWIT), developing existing features in MY SAWIT service system such as adding online product consulting services and experts, providing information related to MY SAWIT service system to PPKS's customers, and providing training on how to use MY SAWIT application on certain consumers.

Development of after-sales service is also one of the ways that can be done by PPKS to improve the service quality of

the company. The stages can be done to develop after-sales services are expanding after-sales service in the sense that after-sales service is not only applicable to consumers who purchase OPPM more than 100,000 items but also applies to consumers who make purchases below that amount. As for after-sales service for consumers who buy below 100,000 items, after-sales service can be done through call center or directly come to the company. The second thing a company can do is creating a special division for after-sales service. The two priority strategies are then matched to the competition on the results of industry analysis that has been done before. Competition is dominated by similar companies to create a strategy that should be done by PPKS in order to grab the market share of competitors. Currently, these two priority strategies are considered to be very suitable to help the company to be superior to its competitors. All three alternatives can be made in the future.

## 5. Conclusions

Based on the result discussions, it can be concluded that:

- 1) The intensity of OPPM industry competition is in a moderate category with the average score of 2.348. This value indicates that the industry has good profitability and also shows that companies in this industry are not under pressure. The parameter that heavily affects the intensity of competition in the industry is competition between similar companies. PPKS itself still has the largest market share in the national OPPM industry.
- 2) Increased diversification of downstream products is an external factor that provides the strongest opportunities for OPPM sales in PPKS, while a moratorium on the land clearing of oil palm is an external factor that poses the strongest threat to OPPM sales in PPKS. Meanwhile, product innovation and after-sales service are critical success factors and strengths of PPKS, whereas order scheduling and cooperation system are the main weaknesses of PPKS.
- 3) There are 5 alternative marketing strategies resulted from 12 alternative marketing strategies which have been formulated by using SWOT analysis, namely positioning product strategy, targeting strategy, promotion strategy, production system improvement strategy, and service quality strategy.
- 4) Selection of PPKS marketing strategy priority using ANP analysis indicates that the main strategies that are suitable for increasing the OPPM sales of the company are positioning product and service quality strategies.

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## Author Profile



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