

Gap Analysis between External and Internal Profile (Case Study of PT. X)

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Abstract: As a new chemical manufacturing company in the field of pulp and paper, PT. X must have strategy determination in order to synergize the strengths of internal resources and the environment at a strategic point of competition. One way of doing so is by competitive audit. This case study aimed to analyze the gap between PT. X's external profile business environment and internal profile to determine PT. X's position and level of competition in the present and decision making in the future. The approach taken based on four components which are customer, company, competitor and change as used in The Strategic Marketing Plus 2000 concept. The audit results of customers, competitors and change form an external profile called Competitive Setting Profile (CSP) whereas Alignment Company Profile (CAP) is the result of the company's audit which forms an internal profile. The negative gap between the profiles indicates that strategy, tactics, and value applied by PT. X are still lagging behind competitors.

Keywords: gap, Competitive Setting Profile (CSP), Company Alignment Profile (CAP)

1. Introduction

PT. X was established in 2011 and considered as a new manufacturer company of specialty chemicals. PT. X has a vision in the future to be a leading company in the Asia Pacific region with sustainable growth and choice of products as solutions for various industry applications by building long-term relationships with customers as well as delivering added value in terms of productivity, quality and profitability.

The pulp and paper industry in Indonesia is expected to expand with the increasing paper consumption in Asia and especially in China, the world's second largest economy. This increased consumption will lead to an intensification of global competition in the pulp and paper industry. Global pulp demand is expected to increase 2.6 percent annually to 38.9 million tons in 2025 from 24.5 million tons in 2010. During the same period, demand for pulp in China is forecast to grow 6.4 percent per year to 14.3 million tons in 2025 [1].

The pulp and paper industry consumes chemicals that are so large and growing as the growth of the paper needs itself. In addition, strict global market demands and environmental maintenance issues and minimizing the impact of excessive use of resources that could damage the environment have led to a trend to use products made from renewable sources and allow for recycling or reused in the production process. This global situation has grown in the 3R (reduce, reuse and recycle) paper industry while maintaining the quality that customers desire.

In its development, PT. X is quite successful to provide a positive performance through continuous product development with regard to market needs, core business, and resources owned. Some strategically developed products can be seen in Table 1 below:

Table 1: PT. X Product Portofolio (2016)

Year	Product
2013	- Bulky Agent - Dispersant pH 7
2014	- Dispersant pH 5 - Dispersant pH 7 - Standard Wet Strength
2015	- Dispersant pH 5 - Dispersant pH 7 - Standard Wet Strength - Modified Wet Strength - Standard Dry Strength
2016	- Dispersant pH 5 - Dispersant pH 7 - Standard Wet Strength - Modified Wet Strength - Standard Dry Strength - High Reactive Dry Strength

Medium-scale businesses or large-scale businesses are increasingly aware of the importance of sustainable development to maintain the company's performance and improve the competitiveness of companies in similar business. Competing in the conditions of modern business competition, companies are faced with increasingly unpredictable and highly dynamic business environment. Globalization poses challenges for the companies involved, but on the other hand globalization also provides opportunities for the companies operating in it. To survive and win the competition companies need to make plans for their survival by transforming existing challenges into opportunities for their business [2].

Strategic management is one crucial factor in improving the existence of an organization. According to [3] strategies are incremental and ongoing actions, and are based on the viewpoint of what future customers expect and that the formulation of competitive strategy is to connect the company with its environment. Although the relevant environment is very broad, encompassing social forces as well as economic forces, a major aspect of the corporate environment is the industry or the industries within which it

competes. For that, one way that can be done by PT. X is to conduct competitive audit.

Competitive audit is a marketing audit concept composed by Mark Plus and is an essential part of the whole concept of Strategic Marketing Plus 2000. According to [4] marketing audit is an examination of a company in a comprehensive, systematic, and independent on a regular basis. The elements involved are the environment, objects, strategies and marketing activities. Meanwhile, marketing audit on the company is important to do when the company is experiencing a decline or economic uncertainty [5]. Every company should regularly review the business environment and design strategies based on changes that occur in the business environment [6]. Therefore, by conducting a marketing audit allows PT. X to establish the company's strategy and policies that are in line with the expected turbulence.

2. Literature Review

2.1 Strategic Marketing Plus 2000 Concept

The marketing audit concept compiled by MarkPlus called competitive audit is an important part of the whole concept of Strategic Marketing Plus 2000. The initial step of this audit is to conduct an overview of the company's business environment. This review is done to get an idea of the business environment profile that affects the company and internal profile within the company. In addition, this review is also conducted to find out the company's position and the level of competition within the industry [3].

Figure 1 shows that there are three main components of Marketing Plus 2000 which are: (1) competitive setting, (2) strategy, tactic and value, and (3) implementation, which is questions concerning what, why, how, and when implementing strategy, tactics, and values.

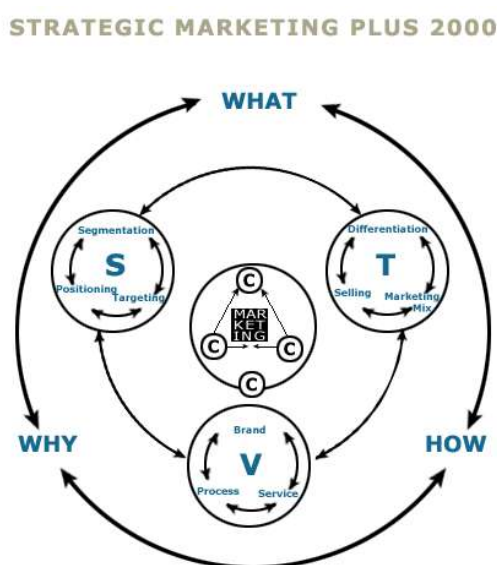


Figure 1: Strategic Marketing Plus 2000 [3]

Changes in the business environment must be taken into account in the formulation of a strategy because this change

is accelerating, complex, and unpredictable. [7] mentions that rapidly changing business environment has forced companies to continue to actively formulate strategies to gain resources in achieving competitive advantage.

A review of the business environment is done on four components termed by 4C's which are change, competitor, customer, and company. These four components influence the competitive situation. Therefore, the four components are divided into external and internal environment of the company so that competition can be understood at once to formulate the right strategy to deal with it. Audit results from customers, competitors and change will form an external profile called Competitive Setting Profile (CSP) and the audit results of the company will produce an internal profile of Company Alignment Profile (CAP).

2.2 Competitive Setting Profile (CSP)

Competitive Setting Profile (CSP) is a profile that addresses the company's external issues. The first variable of CSP is customer. Customers are individuals and households who buy goods and services for consumption. The competitive audit of Strategic Marketing Plus 2000 will see the level of customer demand based on the factors that lead to changes in customer needs, wants, and expectations. The three dimensions to be measured in a competitive audit to see customer demand are enlightened, informational, and empowered. An enlightened customer is a forward-looking, more rational customer and able to influence other customers. One of the factors influencing enlightenment is education. The customer who knows the information is the customer who has the ability to evaluate the available options due to the ease and speed of customers getting the information. The third dimension is the ability of the customer to make the decision happen [6].

The second variable of CSP is competitor. Competitors are organizations or companies in the same industry that become challenges and obstacles for the company to run its strategy. From the competitor side, there are three competitor dimensions namely: general, aggressiveness, and capability. The third variable of CSP is change. The factors reviewed are technological change, macroeconomic conditions, market dynamics, politics and government deregulation, and socio-cultural change [3].

The position of a competitive situation can be predicted between two extremes by forecasting the customer, the competitor, and the change driver. The level of competition faced this, can be categorized into 5 types of levels, namely: Stable, Interrupted, Complicated, Sophisticated and Chaos [6].

2.3 Company Alignment Profile (CAP)

Company Alignment Profile is a profile that discusses the internal problems of the company to achieve all the goals that are formulated. The Marketing Plus 2000 framework has a principle that marketing is basically not a function but the soul or philosophy of a company. The company can be

regarded as a marketing company when every employee of the company is a marketer [8].

Characteristics that can be seen from a marketing company are the ability of a company to be able to provide sustainable satisfaction to the three parties of mutual interest for the company, namely: customers, employees, and owners of the company. In CAP there are three variables that can help the company to achieve its goals. The variables are strategy, tactic, and value. The first CAP variable is strategy which is the way of delivering the idealism that is lived and practiced in the real implementation by way of determining a customer through a certain perception to be achieved. [9] provides a limitation that the strategy is a segmentation - targeting - positioning, or better known as STP.

2.3.1 Segmentation

Segmentation is how to divide the market based on certain variables which consists of a group of heterogeneous customers who share the same needs and/or similarities of characters who has the same response in spending their money [9][10][11]. Segmentation strategy has become the most important part in determining the success of a company. It showed that by segmenting the different needs and desires of customers, a company will get better returns [4][8][12].

2.3.2 Targeting

Targeting is the way a company should take to optimize a market through evaluating different segments and deciding how many segments to cover, as well as which segments to serve. To optimize a market, companies must use priority, variability, and flexibility concepts [4]. Not all segments can be attractive and profitable for the company. The two steps to targeting the market are developing a measurement of segment attractiveness and selecting the target segments [9].

2.3.3 Positioning

Positioning indicates how the business aspires to be perceived by the stakeholders in relation with the competition and the marketplace [13]. Positioning is a way of placing themselves in order to perceive the people who are in the market/segment targeted by the company. The company must be able to determine its product position on the basis of the product's unique attributes according to the specific product class. With positioning the product, then one can give the impression to the company's product compared with the product of the competitors [4].

The second CAP variable is tactic. Tactics is how the strategy is implemented in the field. In the book of art of war, Sun Tzu said that the strategy was designed by general and tactics commander in the field. Added, tactical design needs to consider the state of the field, such as topography, growing weight of plants above ground, sunlight, water and others. In Marketing Plus 2000, tactics are also adjusted to the field situation, namely the situation of competition faced.

There are three components of tactics that need to be designed, namely:

(1) Differentiation: [4] provides the definition of differentiation is the business done by the company so that the products offered have something positive difference in

the eyes of customers and different from that offered by competitors. There are four main sources a company can make differentiation, namely through product, service, people and image.

(2) Marketing Mix: According to [9], the marketing mix is a set of marketing tools that companies use to achieve their marketing objectives within the target market. Meanwhile, according to [14], the marketing mix is a blend of product strategy, distribution, promotion, and unique pricing designed to produce mutually satisfactory exchange with the intended market. The concept of Marketing Mix commonly known as 4P: Product, Price, Place, and Promotion. Marketing Plus 2000 proposes the best possible marketing mix according to the competitive situation faced. So, it's no longer just 4P whereas in price determination needs to be considered as the cost incurred by consumers. Therefore, the company should think from the buyers' side. How much cost should be spent so that consumers are satisfied with the price conformity with the benefits obtained (cost).

(3) Sales: Often regarded as the end result of all other marketing concepts. Thus, a firm can be judged how strongly in seizing the market depending on the proceeds of the sale. In sales there are three things that must be considered, namely sales organizations, sales management and sales force [8]. The sales organization determines how people in the sales department approach in offering products and building long-term relationships with customers. Sales management is in charge of organizing sales target planning, operating system and monitoring procedures and arranging customer visit programs. The task of the seller in question must meet four aspects, namely; (1) understand the company's situation, products and competition, (2) have knowledge about customers and market opportunities, (3) make presentations, offer solutions to problems, and to take care of customers, and (4) maintain relationships to create positive image.

The third CAP variable is value. In value, there is a relationship between product and price. Value comes from the difference between the benefits and costs of the product. The most important value is the perceived value, not the true value. Indeed, high objective values are easily communicated to form a high value. However, the relationship is not automatic. Perception differs from reality. Reality in the eyes of consumers is what they perceive. Therefore, in marketing, perception is reality.

There are three components that can be used to form the perception of value, namely: (1) brand, (2) service (service), and process.

3. Method of Research

This research was conducted at PT. X located in industrial area Delta Silicon 3, Cikarang Center. The research method used in this study is a survey that uses questionnaires and interviews. According to Sugiyono (2011), a survey method is used to get data from a certain place in a natural way. Respondents here are the management of PT. X is actively involved in the formulation of corporate strategy as many as

five people, namely: Managing Director, Operational Director, Accounting and Finance Manager, Marketing Manager and Production Manager.

Data processing and result analysis uses the concept of a marketing audit/competitive audit based on the Strategic Marketing Plus 2000 framework (Kartajaya, 2002). The ultimate goal of this competitive audit is to get a profile of the business environment that affects the company where the profile of the internal factors (CAP) consists of strategy, tactic and value while the profile of external factors (CSPs) consists of customers, competitors, and change driver. Scores of each dimension is calculated using standard deviation. Standard deviation is a measure of the spread, which measures how much data spread from its mean value. The smaller the data distribution the better, because it shows higher homogeneity and the data difference is not too high. It means that each respondent has the same perception and understanding of the answers given.

2.1 Calculating Competitive Setting Profile (CSP)

Competitive Setting Profile (CSP) is used to predict the competitive situation in the next five years which is seen from customer demand, competitive situation, and change driver. To be able to determine and interpret the average value of each dimension of the CSP (customer, competitor, and change driver) which includes very small, small, medium, large, or very large criteria, a scale is given by using the formula:

$$RS = (m-n) / b$$

Whereas:

RS = range of scale

m = highest value in Likert scale

n = lowest value in Likert scale

b = number of classes

Then get:

$$RS = (5 - 1) / 5 = 0.8$$

With RS = 0.8, the assessment standard is as follows:

1 - 1,8 : stable (2C)

1.8 <CSI <2.6 : interrupted (2.5C)

2.6 <CSI <3.4 : complicated (3C)

3.4 <CSI <4.2 : sophisticated (3.5)

4.2 <CSI <5.0 : chaos (4C)

2.1 Calculating Company Alignment Profile (CAP)

Company Alignment Profile (CAP) provides conclusions about the marketing undertaken by the company. The CAP is guided by the company's (S), tactic (T), and value (V) strategies at the moment. Each component consists of three variables. Interpretation of strategy, tactic, and value conducted to determine the type of marketing of PT. X.

The scale range (RS) is also used with the following rating scales:

1 - 1.8 : No Marketing (2C)

1.8 <CAI <2.6 : Mass Marketing (2.5C)

2.6 <CAI <3.4 : Segmented Marketing (3C)

3.4 <CAI <4.2 : Niche Marketing (3.5)

2.1 <CAI <5.0 : Individualized Marketing (4C)

3.3 Calculating The Gap Between External and Internal Profile

Having obtained the average value of each profile, then Competitive Setting Index (CSI) and Company Alignment Index (CAI) are obtained. The gap between CAI and CSI comparison yield three possibilities:

a) CAI > CSI. This means there is a positive gap.

b) CAI < CSI. This means there is a negative gap.

c) CAI = CSI. This is called the par situation when resulting gap is nil.

4. Findings and Discussion

4.1 External Profile (Competitive Setting Profile)

Competitive Setting Profile (CSP) audit is conducted to measure the competitive situation that will be faced by PT. X within the next five years. The external environment consists of Customer (C1), Competitor (C3) and Change Driver (C4). From Table 2, the average customer score (C1) is 3.53 so that it is on a large interpretation when viewed from the scale range of 3.4 - 4.2. This means that customer (C1) PT. X should be treated as a client (customer), which should be more attention than regular customers. While the most influential dimension of the customer aspect (C1) is informational where the average score of 4.46. This means that the customer (C1) has many options due to the increasingly sophisticated technological developments so that access to information is more easily obtainable.

Table 2: Customer (C1) Audit

C1		R1	R2	R3	R4	R5	Average	Std. Dev
Enlightened	a	3	3	3	3	2	2,8	0,4
	b	3	2	3	2	3	2,6	0,5
	c	3	3	4	3	3	3,2	0,4
Informational	a	4	4	5	4	4	4,2	0,4
	b	4	4	4	5	5	4,4	0,5
	c	4	5	5	5	4	4,6	0,5
Empowered	a	2	2	3	3	2	2,4	0,5
	b	4	4	4	4	4	4	0
C1 Average Index							3,53	0,44

Table 3: Competitor (C3) Audit

C3		R1	R2	R3	R4	R5	Average	Std Dev
General	a	4	4	5	4	4	4,2	0,4
	b	4	3	3	4	3	3,4	0,5
	c	4	3	3	3	4	3,4	0,5
	d	3	3	4	3	4	3,4	0,5
Aggressiveness	a	4	4	4	3	4	3,8	0,4
	b	4	4	4	4	4	4	0
	c	3	4	4	4	4	3,8	0,4
	d	3	4	3	4	3	3,4	0,5
Capability	a	4	5	5	5	4	4,6	0,5
	b	4	4	4	3	3	3,6	0,5
	c	3	4	4	4	4	3,8	0,4
	d	4	4	3	4	3	3,6	0,5
C3 Average Index							3,75	0,46

The average score of the competitor (C3) is 3.75 (Table 3) shows that PT. X's competitor is increasingly wild seen from

the general dimensions, aggressiveness, and capability of each competitor. The most influential dimension is the capability of a large competitor seen from the financial condition, employees, and tangible assets with the average score of 3.9.

From the aspect of change driver (C4) in Table 4, it is obtained an average score of 3.70. This means the government's technology, economy and politics are very influential in the competitive setting

Table 4: Change Driver (C4) Audit

C4		R1	R2	R3	R4	R5	Average	Std. Dev
Technology	a	4	4	3	3	4	3,6	0,5
	b	4	4	3	3	4	3,6	0,5
	c	3	4	4	3	3	3,4	0,5
Economy	a	4	5	4	5	4	4,4	0,5
	b	4	5	4	5	4	4,4	0,5
	c	4	4	3	4	4	3,8	0,4
Politik/ Government	a	3	3	4	3	4	3,4	0,5
	b	4	4	3	4	4	3,0	0,4
C4 Average Index							3,70	0,52

Competitive Setting Index (CSI) obtained from the average Competitive Setting Profile (CSP) C1, C3, and C4 is 3.61 with a standard deviation of 0.39 which indicates that all respondents have the same understanding and perception. Competition situation that happened in PT. X in a sophisticated position (3.5 C) indicating more discontinuous changes, which not only company (C2) but also competitor (C3) are shifting, but the change driver (C4) has also started to be difficult to hold due to the changes already discontinued. In this situation, the customer (C1) should be treated as a client, more than a regular customer.

4.2 Internal Profile (Company Alignment Profile)

Company Alignment Profile (CAP) contains 3 (three) elements namely strategy, tactic, and value. The respondents who fill the CAP questionnaires are the management of PT. X which only plays an active role in formulating marketing strategy that is the President Director (R1) and Marketing Manager (R3).

From Table 5 below, segmentation score is 4.0. This means that PT. X uses a behavioral strategy in which the firm views markets according to usage levels, the benefits sought, loyalty status, usage status and consumer attitudes toward the product. The score for targeting is 2.5 which means it is in the range of the scale of 1.8 - 2.6 so that the targeting firm is the suitable ones where to optimize the results of the market is to find the people who match the product target. For positioning scores, PT. X is on score 4.0. This shows that the position of PT. X is different ones which mean the company is positioning itself as a totally different company from another company.

Companies need to differentiate so that the company's products can be known clearly different from competitors' products. PT. X's score for the dimension of differentiation is 4.5. This means tactics of PT. X is customized for individual where the company differentiates the product to each

customer and this difference can happen on what to offer and how to offer.

The Marketing Mix 4C (customer solution, cost, convenience, communication) obtained by PT. X is 4.5. Marketing Mix 4C reflects the level of competition in the 4C position and the company becomes a customer driven company. PT. X provides special services to customers individually through products that meet customer needs. The products offered are oriented towards providing solutions to the problems faced by customers. Price is defined as one component of the cost (cost) that will be issued by the customer and by paying attention to the customer's ability to buy the product.

The score for selling is 3.0. This shows that selling PT. X is a selling benefit that is oriented to 3C marketing where the concept of sales focus on buyer benefits because at this time PT. X already has a strong competitor.

For brand, PT. X's score is 4.0, whereas this score is in the range of scale 3,4 - 4,2 which means the brand for PT. X is perceived quality. PT. X seeks to have its brand perceived to be of superior quality in the view of the buyer.

Table 7: Company (C2) Audit

C2		R1	R3	Average	Std. Dev
Strategy	Segmentation	4	4	4,0	0,0
	Targeting	2	3	2,5	0,5
	Positioning	4	4	4,0	0,0
Tactic	Differentiation	5	4	4,5	0,5
	Marketing Mix	5	4	4,5	0,5
	Selling	3	3	3,0	0,0
Value	Brand	4	4	4,0	0,0
	Service	2	2	2,0	0,0
	Process	2	2	2,0	0,0
C2 Average Index				3,39	0,16

The success of a business cannot be separated from the service provided to the customer. Score service PT. X is 2.0. This means that PT. X sales oriented 2.5C so sales should be able to provide added value to customers because competitors are starting to appear to take part in the same market.

The score for process is 2.0. This means the value of processes that occur at PT. X is to use inter functional team work that the company in doing it's activities always increase cooperation between functions in order to occur smooth process better.

To evaluate the implementation and strategy formulation, tactic and marketing value that has been done by PT. X, then audited Company Alignment Index (CAI). CAI scores obtained from the average C2 - Company Alignment Profile (CAP) of 3.39 are in the range of 2.6 to 3.4. This means the marketing type of PT. X is now a 3C-segmented marketing type that is marketing by grouping the market into homogeneous consumer groups, where each group can be selected as a targeted market.

4.3 Gap Analysis between External and Internal Profile of PT. X

Viewed from the value of CAI = 3.39 and the value of CSI = 3.61, then there is a negative gap between external and internal profiles with the difference score of 0.42. This shows that the strategies, tactics, and values applied by PT. X still lagging behind its competitors. Thus, PT. X must take measures to catch up with any changes that occur so that it can adapt in the face of changes that will occur in the future.

5. Conclusions

Based on competitive audit that has been done at PT. X, it can be concluded that:

(1) For external profile, the value of Competitive Setting Index (CSI) is 3.61. Competition situation that happened in PT. X is in a sophisticated position of 3.5 C which indicates a change driver (C4) that occurs is discontinuous and the competitor (C3) has become wild so it starts to be difficult to control. In this sophisticated competitive situation, customer (C1) should be treated as a client (customer), paying more attention than regular customers, (2) For internal profile, the Company Alignment Index (CAI) value is 3.39. This means the marketing type of PT. X is now a 3C-segmented marketing type that is marketing by grouping the market into homogeneous consumer groups, where each group (section) can be selected as a targeted market, (3) The gap between internal profile (CAI) and external profile (CSI) of PT. X is 0.42 where $CSI > CAI$. This shows a negative gap.

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