

Strategic Competitiveness Study of Alkaline Drinking Water at Bogor, West Java

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Abstract: Alkaline drinking water or drinking water pH 8+ works not only to relieve thirst but also provides other health benefits. The research objective was to identify internal and external factors of alkaline drinking water products from PT. KLM, which is a drinking water company in Bogor, West Java, uses a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis of several factors to determine PT KLM's business strategy in facing industrial competition. The results of the SWOT and IFE EFE analysis show that strengths and opportunities have a greater score than weaknesses and threats. On internal factors, strength has a score of 2.13 and weaknesses with a score of 1.99 so that the x value is 0.14. External factors, the opportunity to get a score of 2.17 and the threat of a score of 1.90, so that the y value is 0.27. Judging from the x and y points (0.14, 0.27), the position is in quadrant I, namely aggressive growth. The implementation steps of the aggressive growth strategy are to penetrate the market, develop the market through promotional media and improve the quality of machines.

Keywords: SWOT Analysis, EFE Matrix, IFE Matrix, aggressive growth, alkaline drinking water

1. Introduction

Competition in the business world today is very tight. This causes the company to renew creative and innovative strategies. All products produced must be in accordance with the needs and lifestyle of modern society today. One of the factors affecting the increasing human need is the modernization of life and public awareness. In addition, other factors such as the development of science and technology also play an important role in increasing demand, especially in the health sector.

In 2014, PDRB (Gross Regional Domestic Product) per capita based on the current price of Bogor Regency is estimated to reach 23.75 million rupiah and in the following years, this value has increased until in 2018 it reached 33.90 million rupiah. PDRB per capita based on the current price of West Bogor Regency in 2014 is estimated to only reach 8.98 million rupiah and continues to increase until in 2018 it reaches 14.85 million rupiah..

There are about 500 companies engaged in the AMDK industry, where they are fragmented into small-scale and local companies. However, large-scale companies dominate the national AMDK market. According to Goldman Sachs research, Aqua from the Danone Group controls 46.7% of the bottled water market share, followed by TirtaBahagia (Club) 4%, Tangmas (2 Tang) 2.8%, PT Santa Rosa Indonesia (Oasis) 1.8%, TriusahaMitraraharja (Super O2) 1.7%, and SinarSosro (Prima) 1.4%.

Based on these conditions, PT. KLM does not want to produce ordinary bottled drinking water and chooses to make product innovations, namely high pH drinking water or commonly known as pH 8+ or alkaline water, which functions not only to relieve thirst but also provides other benefits and begins to educate the public about a healthy lifestyle. better and healthier as well as providing services

in the provision of clean, healthy and quality drinking water.

PT. KLM has started to educate the public about a better and healthier lifestyle and provide services in the provision of clean, healthy and quality drinking water. Product innovation carried out by PT. KLM, one of which makes high pH drinking water products or commonly known as pH 8+ or alkaline water, which functions not only to relieve thirst but also provides other benefits. The health benefits of alkaline water have been recognized by the Korean and Japanese governments as a drink that can improve abnormal intestinal fermentation, chronic diarrhea, hyperacidity in the stomach and dyspepsia. It was reported that water intake is ionized by alkaline immune system, and improves diabetes.

Quoting data from Zentih Global in 2018, the trend of alkaline water sales has increased from 2013 by 18% or worth 631 million USD with a consumption value of 521 billion liters. This increasing trend will continue until it reaches 1 billion USD. This increasing trend also occurs in Indonesia, as evidenced by the large number of alkaline water products circulating in the market [1].. The following is a list of alkaline drinking water products circulating in Indonesia

Table 1: List of alkaline drinking water in Indonesia

| Product Name | Company |
|----------------|--------------------------------|
| Total 8+ | PT. Tirtamas Lestari, Sukabumi |
| Pristine 8+ | Super Wahana Tehno, Bogor |
| Liquo 8 | Indotirta Sejuk Abadi, Bogor |
| Indomaret pH8+ | Indomarco Prismatama |

Of the various competitors, the alkaline water product with the TOTAL 8+ brand is the market leader in the bottled water segment with sales of 301 billion rupiah a year in 2015 and in 2016 decreased to 296 billion rupiah, then in 2017 sales decreased by around 262 billion rupiah. This is

due to weakening market demand due to the impact of the decline in the macro economy, including the inflation rate and unstable economic activity. [2]

PT KLM's alkaline drinking water in the last three years has relatively little sales average, around 49% compared to its competitors 'Total 8+'. With the existence of a large enough market potential accompanied by the people's need for drinking water which continues to increase along with the population growth, and the lifestyle of modern people who prefer practical and hygienic products as well as few competitors, PT. KLM with its alkaline drinking water product has an opportunity to increase its market share. To achieve this goal, it is necessary to be supported by determining the right strategy in developing the market share of the product and its sales value. Starting from this, the researcher wants to create a business strategy to increase sales so that PT. KLM has the same business opportunities as its competitors' products.

2. Literature Review

The planning method used to identify and sort out external factors, namely opportunities and threats and internal factors, namely the strengths and weaknesses that exist within the company. [3]

The EFE (External Factors Evaluation) matrix can be done by determining the total score on an external environmental analysis. The determination of the score in the analysis of the external environment is obtained from the multiplication of the weight and rating. [4]

The IFE (Internal Factors Evaluation) matrix is done by determining the total score on the internal environmental analysis. The determination of the score is obtained from the multiplication of weight and rating. [5]

In conducting an analysis of industry and competition, a company can use a combination of five strengths (Porters Five Forces Analysis), namely: industrial competition, substituted products, threats of new entrants, bargaining power of buyers, and bargaining power of suppliers. [6]

Various alternative strategies can be formulated based on a SWOT matrix analysis (Strengths, Weaknesses, Opportunities, Threats). The advantage of this matrix is that it makes it easier to formulate strategies based on a combination of internal and external factors. The four main strategies suggested are SO, WO, ST and WT. This analysis uses data that has been obtained by the IFE and EFE matrices previously. Results of the SWOT analysis matrix (Strengths, Weaknesses, Opportunities, Threats). [7].

3. Problem Definition

With the existence of a large enough market potential accompanied by the people's need for drinking water which continues to increase along with the population growth, and the lifestyle of modern people who prefer practical and hygienic products as well as few competitors, PT. KLM with its alkaline drinking water product has an opportunity

to increase its market share. To achieve this goal, it is necessary to be supported by determining the right strategy in developing the market share of the product and its sales value

4. Methodology

This research is a descriptive quantitative research by exploring information related to internal and external factors of the company by interviewing and Focus Group Discussion (FGD) as well as surveys using a questionnaire. The data analysis method used in this research is SWOT analysis, IFE matrix and EFE matrix, to determine an effective business strategy. The population in this study is the management of PT. KLM and the alkaline drinking water consumers of PT. KLM in Bogor, West Java.

The sample is part of the number and characteristics of the population. The sample in this study amounted to 40 respondents consisting of 7 respondents from the management of PT. KLM with purposive sampling technique in which respondents were selected based on the assessment of the researcher that the respondent was the most appropriate party to be the research sample and 40 respondents from consumers of PT KLM's alkaline drinking water products were randomly selected.

The tools used in this research were Microsoft Excel calculators and data collection sheets, while the materials used were data from interviews, FGDs and questionnaires with respondents. The inclusion criteria in this study are consumers who live in Bogor Regency, West Java and have consumed alkaline drinking water from PT. KLM at least 2 times, while the exclusion criteria in this study were never consuming alkaline drinking water. PT. KLM and knowing the alkaline drinking water of PT. KLM but never consumed it. The author conducted research by taking the research object in the bottled alkaline drinking water factory located in Bogor, West Java. The research was conducted from May to September 2019.

Sources used in data collection in this study are primary data obtained by conducting FGDs and questionnaire surveys submitted to each respondent and secondary data which is supported by several reports from outside the company as well as through print and internet media.

5. Results of Research

a) SWOT analysis

Table 2: External factors for drinking water PT. KLM

| NO | Opportunity | Number | Rating |
|----|--|--------|--------|
| 1 | The political situation does not affect people's purchasing power for products | 40 | 4.00 |
| 2 | Companies can seize opportunities from shifting people's lifestyles as a basis for innovation | 40 | 4.14 |
| 3 | Increasing production capacity and technology is needed by companies to meet market needs and innovate | 40 | 4.00 |
| 4 | The price and contents of the product are cheaper than other products with less content | 40 | 4.00 |

| No | Threat | Number | Rating |
|----|---|--------|--------|
| 1 | Government regulations become an obstacle in launching products | 34 | 4.00 |
| 2 | The number of products from large companies can affect the competitive level of the product | 29 | 4.00 |
| 3 | The purchasing power of consumers is influenced by price or other benefits obtained | 34 | 4.17 |
| 4 | The increase in raw materials has an impact on the number of sales because there will be an adjustment in the selling price | 40 | 4.29 |

Based on the respondents' answers in table 2., the best indicator that shows opportunities is that the company can seize opportunities from shifting people's lifestyles as the basis for innovating with a rating of 4.14 and the threat is that the increase in raw materials has an impact on the number of sales because there will be an adjustment in selling prices with a rating of 4.29.

Table 3: Internal factors for drinking water PT. KLM

| No | Strength | Number | Rating |
|----|--|--------|--------|
| 1 | Alkaline drinking water products of PT. KLM has other functions than ordinary mineral water | 40 | 4.29 |
| 2 | Financial conditions are in good condition and the company is still able to make product innovations | 40 | 4.00 |
| 3 | The company puts forward a pricing strategy to get consumers | 40 | 4.14 |
| 4 | The production facilities are good enough and able to meet market demand | 40 | 4.00 |
| 5 | Alkaline drinking water products of PT. KLM is not easily damaged | 40 | 4.10 |
| 6 | Halal regulations and guarantees are listed on the packaging | 40 | 4.15 |

| No | Weakness | Number | Rating |
|----|---|--------|--------|
| 1 | Promotion facilities are still lacking, to introduce the product and its benefits to the public | 40 | 4.29 |
| 2 | Machine trouble affects productivity | 40 | 4.00 |
| 3 | High employee turnover | 34 | 4.17 |
| 4 | Product distribution is not evenly distributed | 40 | 4.14 |
| 5 | The design of the shape and color of the packaging for PT. KLM is less attractive | 40 | 4.14 |
| 6 | Products are difficult to find in traditional and modern markets. | 30 | 4.00 |

Based on the respondents' answers, the best indicator that shows strength is the alkaline drinking water product of PT. KLM has another function from ordinary mineral water, namely it can improve health for those who drink it regularly with a rating of 4.29 and the disadvantage factor is the lack of promotional means, to introduce the product and its benefits to the public with a rating of 4.29.

a) EFE (External Factors Evaluation) Matrix

Table 4: PT KLM Drinking Water EFE Matrix

| No | Opportunity | % | Rating | Score (B*R) |
|------------------|---|-------------|--------------|-------------|
| 1 | The political situation does not affect people's purchasing power for products | 0.12 | 4.00 | 0.54 |
| 2 | Companies can seize opportunities from shifting people's lifestyles | 0.14 | 4.14 | 0.56 |
| 3 | Increased production capacity and technology | 0.14 | 4.00 | 0.54 |
| 4 | Product prices are cheaper than other products | 0.14 | 4.00 | 0.54 |
| Sub-Total | | 0.53 | 16.14 | 2.17 |
| Threat | | | | |
| 1 | Government regulations become an obstacle in launching products | 0.12 | 4.00 | 0.46 |
| 2 | The number of products from large companies can affect the competitive level of the product | 0.10 | 4.00 | 0.38 |
| 3 | The purchasing power of consumers is only affected by price | 0.12 | 4.17 | 0.48 |
| 4 | Increase in raw materials | 0.14 | 4.29 | 0.58 |
| Sub-total | | 0.47 | 16.46 | 1.90 |
| Total | | 1.00 | 32.60 | 4.08 |

In table 4, the results of the EFE matrix calculation, the external factor that becomes the biggest opportunity is that the company can seize the opportunity from a shift in people's lifestyle of 0.56 and a weight of 0.14 because people start to consume a lot of bottled water because of its practicality and their belief that bottled water is a hygienic drink. and classified as high.

b) IFE (Internal Factors Evaluation) Matrix

Table 5: PT KLM Drinking Water IFE Matrix

| No | Strength | % | Rating | Score (B*R) |
|------------------|---|-------------|--------------|-------------|
| 1 | Alkaline drinking water products of PT. KLM has other functions than ordinary mineral water | 0.09 | 4.29 | 0.37 |
| 2 | The financial condition is quite good | 0.09 | 4.00 | 0.34 |
| 3 | The company puts forward a pricing strategy to get consumers | 0.09 | 4.14 | 0.36 |
| 4 | The means to produce are good enough and meet market demand | 0.09 | 4.00 | 0.34 |
| 5 | Alkaline drinking water products of PT. KLM is not easily damaged | 0.09 | 4.10 | 0.35 |
| 6 | Halal regulations and guarantees are listed on the packaging | 0.09 | 4.15 | 0.36 |
| Sub-total | | 0.52 | 24.68 | 2.13 |
| Weakness | | | | |
| 1 | Less promotional means | 0.09 | 4.29 | 0.37 |
| 2 | Machine trouble affects productivity | 0.09 | 4.00 | 0.34 |
| 3 | High employee turnover | 0.07 | 4.17 | 0.31 |
| 4 | Product distribution is not evenly distributed | 0.09 | 4.14 | 0.36 |
| 5 | The design of the shape and color of the packaging for PT. KLM is less attractive | 0.09 | 4.14 | 0.36 |
| 6 | Products are hard to find on the market | 0.06 | 4.00 | 0.26 |
| Sub total | | 0.48 | 24.74 | 1.99 |
| TOTAL | | 1.00 | 49.42 | 4.12 |

The calculation results of the IFE matrix, the internal factor which is the biggest strength is that the product has other functions than ordinary mineral water. with a score of 0.37 and a weight of 0.09 where besides being able to overcome

thirst, the product also has benefits for body health. Meanwhile, the internal factor which is the biggest weakness is the lack of promotion means to introduce the product and its benefits to the public with a score of 0.37 and a weight of 0.09. This is due to the lack of advertisements both through print and electronically and the lack of socialization to the public about the benefits of the product.

c) Industrial Environmental Analysis

Industry Competition. The level of competition in the health drink industry is still not very high. One of the famous brands is Total 8+. Alkaline drinking water products of PT. KLM, which is a new industry, has become a market follower because in terms of technology, production quantity and product variation, it has not been able to compete with competing companies that have previously been involved in this industry.

Substituted product. A substituted product is a substitute product if the desired or needed product is not available. With the availability of many substitute products, the alkaline drinking water product of PT. KLM must really pay attention to quality, price and ensure the availability of its products in order to meet consumer needs so that consumers do not switch to other brands.

Threats of new entrants. There are still a few newcomers to alkaline drinking water products, one of the reasons is due to difficult water sources, limited technological knowledge and inaccessible procurement of machines to produce these products.

Bargaining power of buyers. With the increasing number of competitors and substitute products, consumers will be more prone to move to other products. For this product itself, there are several products that produce it, thus making the bargaining power of buyers an important factor that must be considered in order to develop products to continue to meet consumer demand and satisfaction.

Bargaining power of suppliers. Alkaline drinking water products of PT. KLM itself has formed partnerships with several suppliers of packaging materials, while the raw materials are obtained from its own water sources around the factory. To control the price increase for packaging materials, PT KLM applies a multivendor system so that each packaging material used is not supplied by one vendor and ensures a competitive environment for packaging supply companies.

d) SWOT matrix

Internal factors have strengths with a score of 2.13 and weaknesses with a score of 1.99 so that the x value is strength minus weakness, namely $2.13 - 1.99 = 0.14$. Whereas on the external, the chance of getting a score is 2.17 and higher than the threat which gets a score of 1.90, so the y value is the score. opportunities minus threats, namely $2.17 - 1.90 = 0.27$. The coordinates are shown by the point (x; y) which is (0.14; 0.27) shown in Figure 1.

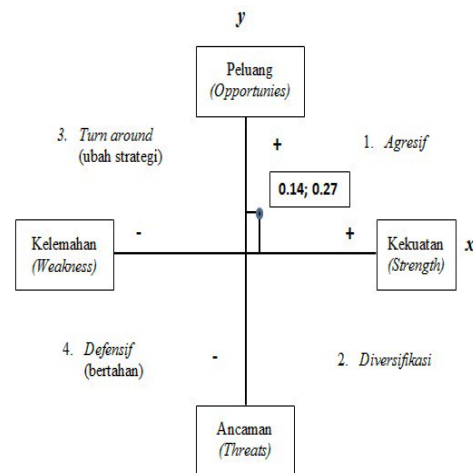


Figure 1: SWOT diagram

By looking at these results, it can be seen that opportunities and strengths have a greater score than threats and weaknesses, the company's position is in quadrant 1, namely the aggressive growth strategy (Growth oriented strategy). This position is very profitable because the company has the strength and can take full advantage of existing opportunities. Companies need to carry out market penetration, market development, product development that focuses on increasing the number of sales force, increasing spending on advertising, offering extensive sales promotion products or multiplying marketing efforts through improving services to all customers more effectively through expanding distribution.

6. Conclusions

Based on the results of the analysis, it can be concluded as follows.

The results of interviews, FGDs and questionnaires, found that the external factor with the greatest opportunity is that the company can capture the shift in people's lifestyles as a basis for innovating with a rating of 4.14 and the biggest threat, namely the increase in raw materials has an impact on the number of sales because there will be a price adjustment with a rating of 4.29 while the factor internal product with the greatest strength, namely the alkaline drinking water product of PT. KLM has other functions that can improve health compared to ordinary mineral water with a rating of 4.29 and the company's biggest weakness is that there is still a lack of promotion facilities, to introduce products and their benefits to the public with a rating of 4.29. The results of the SWOT and IFE EFE analysis show that internal factors have strengths with a score of 2.13 and weaknesses with a score of 1.99 so that the x value is $2.13 - 1.99 = 0.14$, while external factors, the chance of getting a score of 2.17 and the threat of getting a score of 1.90, so that the y value is 0.27. Judging from the points x and y (0.14; 0.27) the company's position is in quadrant 1, which is an aggressive growth strategy. The implementation of the company's strategy needs to penetrate the market, develop the market, improve the quality of machines and production sites as well as monitor price competition by increasing the number of sales personnel and offering extensive sales promotion products

or multiplying marketing efforts by improving services to all customers more effectively. through expanding distribution.

7. Scope of the Future

The company must implement the priority strategy that has been obtained from the analysis results. The implementation step of the SO Strategy (aggressive growth) which will be applied at PT. KLM is market penetration carried out by the warehouse and logistics department by increasing the product delivery fleet, maximizing storage space as a warehouse and increasing better service and equitable delivery.

Developing the market through media promotions carried out by the marketing department by publishing advertisements in both print and electronic media, adding sales personnel, increasing the frequency of product promotions, improving services to all customers, providing funds for education to the public and monitoring price competition and improving machine quality and place of production and supervising product quality to be carried out by the Quality Control Department, as well as maintaining the volume of products per package.

PT. KLM needs the right strategy so that its products can compete in the market. Economic conditions are one of the important factors that must be considered in strategic planning and corporate decision making. The potential for selling alkaline drinking water in Bogor still has a very big opportunity at competitive prices.

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