

Competitive Strategy Analysis and Formulation of Selected Strategy Alternatives Through the Blue Ocean Strategy Approach at PT XYZ

Heni Martanti, Ratri Wahyuningtyas

Universitas Telkom, Indonesia

E-mail: heni.m.tanti@gmail.com, ratriwahyu@telkomuniversity.ac.id

*Correspondence: heni.m.tanti@gmail.com

KEYWORDS

blue ocean strategy;
product innovation; dairy
processing industry

ABSTRACT

PT XYZ is a dairy manufacturing company in an industry that has high competition. Products from PT XYZ are not satisfactory even though the price is competitive, so they often do not reach sales and revenue targets. This research aims to find out the internal and external conditions of PT XYZ and formulate the right strategy to compete in the market. This study uses a qualitative method with a case study approach, collecting primary data through interviews, questionnaires, and observations, as well as secondary data from company literature and other sources. Data analysis was carried out using various matrices such as IFE, EFE, IE, SWOT, and QSPM, as well as blue ocean strategies for the implementation of the right strategy. The results of the study show that the IFE matrix score is 2.607 and the EFE matrix score is 3.435, so that the position of PT XYZ on the SWOT diagram in quadrant II. From the results of the SWOT matrix, the company has 11 alternative strategies, including 4 SO strategies, 2 ST strategies, 3 WO strategies, 2 WT strategies. An alternative strategy that is the main priority based on the evaluation of the QSPM matrix is product innovation. The recommended strategy for PT XYZ to face competition is to innovate products. By developing new dairy products that have added value or new variants, PT XYZ can differentiate itself from competitors in the dairy market.

Attribution- ShareAlike 4.0 International (CC BY-SA 4.0)



Introduction

The milk processing industry in Indonesia currently still does not have enough capacity to compete with the world's leading milk-producing countries, especially in terms of quality, quantity, marketing, and price (Khoirina Tifani, 2011). This condition causes local brands to be less in demand compared to imported milk brands, where currently Indonesia is facing a deficit in milk production up to 70% to meet the raw material needs of the Milk Processing Industry (IPS). This situation occurs because domestic milk production is only around 350 million liters out of the total demand of 1.3

billion liters. The inadequacy of raw materials in meeting the national demand for milk has an impact on the fierce market competition in the dairy industry in Indonesia (Rachami et al., 2018).

Intense competition in the fresh milk and processed products business, both from domestic and international markets, has left the business caught up in stiff competition in Indonesia's dairy milk processing sector, which is often referred to as the "red sea". The fierce competition in this industry results in the dairy milk processing sector being in the red ocean industry due to the many brands of processed milk circulating in the Indonesia market (Hamdilah et al., 2021). Here are the top 5 brands of processed milk products available in Indonesia, namely PT. Nestle Indonesia, PT. Greenfield Indonesia, PT. Ultrajaya Milk Ind & Trad Co, PT. Cisarua Mountain Dairy (Cimory), and Cow Milk Karunia. In addition, there are also companies that produce yogurt and cheese such as PT. Yummy Food Utama and PT. Bukit Baros Cempaka.

According to the Central Statistics Agency (BPS) (2024), fresh milk production in Indonesia has changed from 2021 to 2023. Several provinces such as North Sumatra and East Java showed quite significant production. East Java Province recorded the highest production with 530,426.5 tons in 2021, although it had declined in 2022. The total national production reached 946,388.2 tons in 2021 and decreased slightly in the following years. Fierce competition puts the industry in a red ocean zone, which requires marketing teams to execute effective strategies to stay competitive in the market. Some of the reasons why a dairy product brand can lose competition include lower production, poor quality, selling prices from local cattle farms that are not competitive, and less attractive packaging designs. In addition, even though the dairy industry is already in the red ocean, PT XYZ's sales team does not always achieve their targets. Throughout 2020, PT XYZ only achieved the sales target eight times, and in 2021-2023 it only reached the target nine to ten times. Therefore, dairy processing companies need to look for innovations to keep their products competitive in the market. Many innovations have been made in the development of food products. In the dairy industry, innovation is needed to address poor quality issues, which lead to dairy products being rejected by KUD, collectors, and end consumers. One strategy to minimize these losses is to continue to develop value-added dairy products that have a longer shelf life.

A number of innovations in the processing of dairy products at the farmer level have been developed continuously, such as processed crackers from milk, tofu from milk, dodol from milk, caramel from milk, and so on. The purpose of the innovation is to increase the value of milk benefits as a source of animal protein and expand the value of public consumption of dairy products. Innovation risk includes the chance of events that can cause losses and impacts (Septiani et al., 2013). (Faizin et al., 2023) also explained that product innovation is urgently needed to increase product competitiveness in the market. One of the functions of product innovation is so that products can escape from the red ocean zone and compete in the blue ocean zone. Blue Ocean Strategy (BOS) is a breakthrough in the company's strategy to get out of the red ocean zone. Based on Adicandra's (2017) research on PT. ILFA, innovation has an important role in increasing selling value and placing the company in the blue ocean zone. This helps to build a new market share that has not been touched by competitors and improve product quality so that consumers have full confidence in PT. ILFA.

According to Hamdilah et al. (2021), the dairy milk processing industry in Indonesia includes companies such as PT. Nestle Indonesia in Pasuruan and PT. Ultrajaya Milk Ind & Trad Co in Bandung for pure and pasteurized milk products, PT. Yummy

Food Utama in Jakarta and PT. Queen Bandung for yogurt, and PT. Bukit Baros Cempaka in Sukabumi and PT. Kraft Ultrajaya Indonesia in Bandung for cheese. This fierce competition puts the industry in the red ocean zone, requiring an effective marketing strategy so that companies are not inferior to the competition. Nugroho et al. (2011: 72) identified several factors that cause dairy product brands to lose competition, such as inferior production quantity, poor quality, selling prices of local farms that are less competitive, and unattractive packaging designs. In addition, the Internal Data of PT. XYZ (2024) shows that this company produces various variants of packaged milk flavors such as pillows and bottles, including brand A with chocolate flavor and brand B with strawberry and orange flavor.

PT XYZ as a manufacturer that produces and markets various types of dairy products only consists of bottled milk and pillow milk. Based on information by the marketing manager, it is known that in the implementation of this marketing there are still problems in marketing and brand awareness, where products from PT XYZ are still not well known by the public. This has an impact on the lack of competition of PT XYZ's products compared to similar competitors, so this also has an impact on the company's sales and income. Several examples of similar competitors have made a lot of innovations, both in terms of choice of flavor variants, nutritional value, and product variety, for example Cimory brand milk which produces many innovations in flavor choices in its boxed milk products (Cimory Official Website, 2023). Then Ultra Milk milk box products that have a fresh milk content of up to 90% (www.ultrajaya.co.id). This shows that PT XYZ dairy products do not seem to have advantages in terms of taste, composition or benefits. The advantage that it has is only in terms of cheaper prices than its competitors, where price competition is the main picture of the business is still in the red ocean zone, so this shows that PT XYZ is still less innovative in producing its products and does not have an attraction that distinguishes its products from products from other brands.

Literature Review

Chris and Keith (2012) state that the term "strategy" comes from the Greece language which refers to "general art" or "commander's art," a method to achieve a goal or win something, combining science and art in utilizing resources such as politics and economics (Adam, 2021). Strategy is defined as the setting of the company's long-term key goals, action planning, and allocation of necessary resources. Mintzberg identifies five strategic management frameworks: planning, pattern, positioning, perspective, and game-tactics (Maghfuroh et al., 2022). (Wheelen & Hunger, 2012) emphasize that competitive strategy, or corporate strategy, aims to improve a company's competitive position in its industry, includes offensive or defensive actions to gain a safe position against competitors, and includes strategies such as cost leadership or differentiation (Porter, 1993). To implement this strategy, companies must decide on the products to be produced, the mode of distribution, and the target market, based on their unique assets and industry, resulting in four strategic options: low-cost strategy, product differentiation, cost focus, and differentiation focus. Strategy management is the art and science of formulating, implementing, and evaluating decisions across disciplines to achieve company goals, involving the stages of strategy formulation, implementation, and evaluation (David, 2013). Strategy formulation includes three stages: input, matching, and decision, using tools such as external and internal factor evaluation matrix, SWOT matrix, and quantitative strategic planning matrix (David, 2011).

The blue ocean strategy is a way to create a new niche market that has not been touched by competitors, so that competition becomes irrelevant because the rules of the

game will be changed (Miati & Setiawan, 2022). Blue Ocean Strategy (BOS) is a business approach that aims to master untapped and uncontested market spaces, or in other words, BOS is a strategy that uses tools and frameworks to create value innovation. According to Shafiq (2017), the characteristics of the blue ocean strategy include building new market spaces, creating healthy competition, capturing and creating new opportunities, regardless of price value perception, and prioritizing efficient corporate systems while avoiding price wars. This approach was developed by W. Chan Kim and Renee Mauborgne, professors at INSEAD (Kasali, 2010). This strategy focuses on increasing sales through product innovations that are different from those already on the market. According to Kim and Mauborgne (2017), the blue ocean strategy focuses on understanding consumer behavior and new market opportunities, freeing itself from competition by creating new markets, and making existing markets irrelevant. Kim & Mauborgne (2010) explained that there are nine key aspects of the Blue Ocean Strategy theory, including the results of a decade of research, efforts to create uniqueness and affordability, and methodologies and tools to create new markets.

According to the Glossary of Statistical Term in (Wawan, 2015), product innovation refers to the development of new products or services, as well as an increase in the use of a company's products or their characteristics that are recognized as having good quality. Product innovation can be in the form of improvements in technology, hardware, software, ease of use, or other functional features. Kotler and Amstrong in Wawan et al. (2015) state that product innovation is related to three main features: product features that differentiate a company's products from its competitors, product design and design that affect performance and functionality, and product quality that includes durability, reliability, and precision. Product innovation is an interesting new idea that can be developed and improved to meet the needs and desires of consumers, thus encouraging buying interest that is expected to be converted into a purchase decision (Setiadi, 2003).

Based on Law of the Republic of Indonesia Number 3 of 2014 concerning Industry, industry is all forms of economic activities that process raw materials and utilize industrial resources so as to produce goods that have added value or higher benefits (Putra, 2017). Industry includes the business or activity of processing raw materials or semi-finished goods into finished goods that have added value, so as to generate profits. The process of industrialization allows people to face transformations in various areas of life, increasing the dignity and dignity of their lives as social beings in the midst of existing changes and challenges (Defriza et al., 2022). The dairy industry includes the production and processing of milk from livestock to ready-to-consume products (Taufik, 2019). The industry has bright prospects due to the importance of milk as a staple for all age groups, with a variety of products such as food, beverages, cheese, butter, and yogurt available in the market. Milk is known to have significant health benefits, especially for children, and consuming two glasses of milk daily can reduce the risk of osteoporosis in old age. The demand for milk at the national level reaches 4 to 6 million liters every day, making the opportunities for the dairy processing industry in Indonesia very promising with increasing population growth (Sanny, 2011).

According to David (2013), the internal analysis process requires the participation of employees and managers in identifying the company's strengths and weaknesses. This analysis requires information related to management, marketing, finance and accounting, production and operations, research and development (R&D), and management information systems (MIS). Conducting internal audits is an important way to improve

communication within an organization, with each department contributing to determining the company's strengths and weaknesses. Management is based on five main tasks: planning, organizing, motivation, recruitment, and supervision, which helps organizations harness strengths and reduce weaknesses. Marketing and sales are the processes of identifying, creating, and satisfying consumer needs, as well as converting prospects into customers through bidding and negotiation. Financial condition is often considered the best measure of a company's competitive position, with liquidity, leverage, working capital, profitability, and cash flow being key factors. Production and operations include all processes that convert resources into goods and services. Research and development helps companies survive in the industry by developing superior products. Management information systems (MIS) improve the efficiency of companies by collecting and presenting information for business purposes. Digital transformation is also impacting the strengths and weaknesses of companies, with new technologies improving the customer experience and streamlining operations (Warner & Wäger, 2019).

The external environment of a company can affect the company's policy and action choices, organization, and internal processes. External analysis aims to find out the profitable opportunities for the company and the risks that must be anticipated. An analysis of the external environment helps identify the most important factors for a company's success in developing a strategy to capitalize on external opportunities and minimize the risk of disruptive events (Pearce & Robinson, 2008). According to David (2013), the purpose of an external audit is to identify various opportunities that the company can take advantage of and threats that the company can avoid. Companies must be able to respond to these factors by formulating strategies to take advantage of opportunities or avoid potential threats. External audits are focused on detecting unexplained trends and events. The factors that affect external forces can be divided into five categories: economic, social, cultural, demographic, and environmental, political, governmental, and legal, and technological. Economic factors affect the potential attractiveness of various strategies, such as domestic interest rate hikes. Changes in social, cultural, and environmental variables have a significant impact on products, services, markets, and customers. Outside analysis also includes changes in laws, tax rates, and political lobbying that can have a significant impact on companies. Technology, such as the internet, has changed the product development process and created new opportunities and threats to consider when formulating policies.

SWOT analysis is an evaluation method that aims to identify the strengths, weaknesses, opportunities, and threats of the company, which are crucial to achieving business success (Rangkuti, 2015). According to Pearce and Robinson (2007), SWOT is an acronym that includes internal strengths and weaknesses, as well as external opportunities and threats in the corporate environment. The application of this analysis leverages strengths and opportunities while mitigating weaknesses and threats, assuming that an effective strategy optimizes these factors (David, 2013). The four main strategies resulting from the SWOT analysis include SO (Strength-Opportunity), WO (Weakness-Opportunity), ST (Strength-Threat), and WT (Weakness-Threat) strategies, which are designed to utilize or overcome internal and external factors, respectively. The SWOT matrix is used to combine external opportunities and threats with internal strengths and weaknesses, essential for product innovation that fits the blue ocean market. The IFE and EFE Matrices, according to David (2013), help evaluate the main internal strengths and

weaknesses and external opportunities and threats, while the QSPM Matrices allow the assessment of critical factors to determine objective alternative strategies.

Strategy implementation, according to Wheelen & Hunger (2012), is a series of important actions and decisions to implement a strategic plan, which includes the development of plans, budgets, and procedures to achieve goals, plans, and policies. Although it is often considered a step after the formulation of a strategy, implementation is an integral part of strategic management, so these two processes should be seen as two sides of the same coin. Implementation includes the development of a plan to form a new organization, a budget for allocating funds to new activities, and procedures for handling daily details. The three main components in the implementation of the strategy are the program, which describes the actions or measures to achieve the long-term plan, such as restructuring or internal cultural change; budget, which is the final test of the feasibility of the strategy after careful calculation of its implementation plan; and procedures, or SOPs, which describe the activities that need to be completed to execute the plan, and should be updated according to changes in technology and policies.

Research Methods

The methodology of this study uses a descriptive qualitative approach with the characteristics of a case study, where the researcher does not intervene in the data and focuses on the organizational analysis unit in the context of cross section time. The research aims to present information in the form of field notes, interview results, and other documents, and is carried out under natural conditions. The applied case study method provides an in-depth investigation of social units in a given period, with data collection through interviews, observations, and audiovisual materials. In addition, this study uses a mixed approach with purposive and snowball data collection techniques, as well as inductive data analysis. The focus of the research is on the manufacturing company PT XYZ in the city of Bandung, with the aim of identifying phenomena and problems to produce product innovation strategies through the SWOT and QSPM matrix, as well as involving department managers in strategy analysis.

In this study, data was collected through interviews, observations, questionnaires, and documentation to obtain relevant information. Primary and secondary data are used to analyze internal and external factors of PT XYZ and formulate product innovation strategies. Qualitative research is considered valid if it meets four criteria: credibility, transferability, dependability, and confirmability. Credibility ensures that data from PT XYZ is trustworthy, while transferability assesses whether the results of the study can be applied in other contexts. Dependability evaluates the quality of the research process, and confirmability ensures data and interpretation are supported by the available material. The data analysis technique in this study involves three stages: Input Stage (IFE and EFE Matrix), Matching Stage (IE and SWOT Matrix), and Final Stage (QSPM Matrix). The blue ocean strategy in this study serves as a solution from the results of the QSPM analysis. This analysis method includes steps to delete, improve, reduce, and create. These steps are suitable for formulating strategies found from previous QSPMs.

Results and Discussions

Table 1. Characteristics of Respondents

It	Initials	Code	Verbatim Code	Position	Reason
1	BW	N1	V1	General Manager	To search for internal and external information of PT XYZ.
2	FP	N2	V2	Financial Manager	To search for internal and external information of PT XYZ.
3	EN	N3	V3	Sales and Marketing Manager	To search for internal and external information of PT XYZ.
4	RP	N4	V4	Production and Operations Manager	To search for internal and external information of PT XYZ.
5	AW	N5	V5	HR Manager	To search for internal and external information of PT XYZ.
6	YR	N6	V6	Procurement Manager	To search for internal and external information of PT XYZ.
7	DJ	N7	V7	Local Dairy Farmer Organizer	To search for external information of PT XYZ.
8	IK	N8	V8	Sales Manager of dairy packaging supplier	To search for external information of PT XYZ.
9	DW	N9	V9	Retail Store Owner	External parties - regular consumers of PT XYZ
10	SR	N10	V10	Retail Store Owner	External parties - regular consumers of PT XYZ

In this study, the table of respondent characteristics showed that there were ten individuals with various positions involved, such as General Manager, Financial Manager, and Sales and Marketing Manager, all of whom aimed to seek internal and external information of PT XYZ. Other respondents included Production and Operations Managers, HR Managers, Procurement Managers, as well as external parties such as local dairy farmer organizers and retail store owners who are regular customers of PT XYZ. This method involves using initials and codes to maintain the confidentiality of respondents' identities, which is a common practice in research to protect the privacy of the individuals involved (Source: PT XYZ Internal Data, 2024).

Results of Analysis of PT XYZ's Strengths and Weaknesses

Table 2. Results of Analysis of Strengths and Weaknesses of PT. XYZ

Variable	Strength	Debilitation
Management	1. Good organizational structure	1. No product innovation yet
	2. Have employees who are skilled in their field	2. The strategy used today is not strong enough
		3. The resulting product is not satisfactory
Marketing and Sales	3. Marketing reach is quite wide	4. Sales teams don't always hit targets
	4. Have a good image in the eyes of consumers	

Finance	5. Revenue does not always reach the target
Production/Operations	5. Smooth supply of raw materials 6. Adequate production capacity 7. Good product standardization 8. Qualified production tools
Research and Development	6. No product development or product innovation plan yet
Management Information Systems	9. The system is integrated with the internet 10. Production and sales recording has been integrated with the system/internet
Digital Transformation	11. Already undergoing digital transformation

Based on the data in Table 2 regarding the results of the analysis of the strengths and weaknesses of PT. XYZ, the company has several significant strengths such as a good organizational structure, skilled employees, as well as a wide marketing reach. In addition, PT. XYZ has carried out a digital transformation accompanied by an integrated management information system. However, there are weaknesses that need to be considered, such as a lack of product innovation and a strategy that is not strong enough. The company's sales and revenue teams have also not always reached targets, which indicates the need for improvements in marketing, finance, and product innovation. Overall, despite having a strong foundation, PT. XYZ needs to focus on developing product innovation and improving business strategies to increase competitiveness.

IFE Matrix Results

Table 3. IFE Matrix Results

It	Dominant Internal Factors	Informant						Sum	Rank	Weight	Weight x Rating
		N1	N2	N3	N4	N5	N6				
1	Good organizational structure	4	3	3	3	3	3	19	3,17	0,048	0,152
2	Have employees who are skilled in their field	4	4	4	4	4	3	23	3,83	0,056	0,214
3	The reach of marketing is quite wide	4	4	3	3	4	3	21	3,50	0,064	0,224
4	Have a good image in the eyes of consumers	4	3	3	3	3	3	19	3,17	0,056	0,178

Formulation of Blue Ocean Strategy To Improve The Ability To Implement Product Innovation Strategy PT XYZ

5	Smooth supply of raw materials	4	4	4	3	4	3	22	3,67	0,064	0,234
6	Adequate production capacity	4	4	4	3	4	3	22	3,67	0,064	0,234
7	Good product standardization	4	3	3	3	3	3	19	3,17	0,064	0,202
8	Production tools are qualified	4	4	3	3	3	3	20	3,33	0,064	0,213
9	The system is integrated with the internet	3	3	3	3	3	3	18	3,00	0,064	0,192
10	Production and sales recording has been integrated with the internet	4	3	3	3	3	3	19	3,17	0,064	0,202
11	Already doing digital transformation	4	3	3	3	3	3	19	3,17	0,056	0,178
Total Strength Score											2,223

It	Dominant Internal Factors	Informant						Sum	Rank	Weight	Weight x Rating
		N1	N2	N3	N4	N5	N6				
1	No product innovation yet	1	1	1	1	1	1	6	1,00	0,072	0,072
2	The strategy used today is not strong enough	2	2	2	2	2	2	12	2,00	0,048	0,096
3	The resulting product is not satisfactory	1	1	1	1	1	1	6	1,00	0,072	0,072
4	Sales teams don't always hit targets	1	1	1	1	1	1	6	1,00	0,072	0,072
5	Revenue doesn't always reach targets	1	1	1	1	1	1	6	1,00	0,072	0,072
Total Weakness Score											0,384
Overall Total											2,607

Based on the table above, it can be seen that the total score of the IFE MATRIX PT XYZ is 2.607 which is classified as a strong internal. This means that the company is

able to respond and utilize its strengths to run a business. From the table, it can be seen that the biggest strength that PT XYZ has is the smooth supply of raw materials and adequate production capacity, with a score of 0.234 each, while the biggest weakness with a score of 0.072 each is that it does not have product innovation, the products produced are not satisfactory, the sales team does not reach the target and the revenue does not always reach the target.

PT XYZ's external environment analysis was carried out to understand the opportunities and threats faced, based on interviews and observations. Competition between similar companies shows that PT XYZ has added value such as competitive product prices, but faces fierce competition in the dairy industry. The entry of newcomers is difficult because it requires large capital, even though the government supports the dairy industry, including PT XYZ. Substitution products are widely found in the market, becoming a threat to companies. The strength of the supplier's bargaining position shows that although the suppliers are quite numerous and supportive, they can affect the price of PT XYZ's products. On the other hand, the strength of consumers' bargaining position is quite high because they can affect prices, even though the price of similar dairy products in the market is higher and PT XYZ has loyal consumers and a good image. Based on this analysis, PT XYZ's opportunities include product added value and supplier support, while threats consist of stiff competition, the abundance of substitute products, and the influence of suppliers and consumers on prices.

EFE Matrix Results

Table 4. PT XYZ EFE Matrix Results

It	Key External Factors	Informant						Sum	Rank	Weight	Weight x Rating
		N1	N2	N3	N4	N5	N6				
1	Has added value to the product compared to competitors	4	4	4	4	4	4	24	4,00	0,082	0,328
2	Requires a large amount of capital to enter this industry	3	3	4	3	3	4	20	3,33	0,061	0,203
3	The role of the government in the dairy industry	2	2	2	2	3	3	14	2,33	0,071	0,165
4	Suppliers provide full support	4	4	4	3	3	3	21	3,50	0,071	0,245
5	There are quite a lot of suppliers in this industry	3	4	3	4	3	4	21	3,50	0,092	0,322
6	The price of similar milk products in the market is higher	4	4	4	4	4	4	24	4,00	0,092	0,368

Formulation of Blue Ocean Strategy To Improve The Ability To Implement Product Innovation Strategy PT XYZ

7	Loyal consumers and good image in the eyes of consumers	4	4	4	4	3	3	22	3,67	0,092	0,337
Total Chance Score										1,968	
It	Key External Factors	Informant						Sum	Rank	Weight	Weight x Rating
		N1	N2	N3	N4	N5	N6				
1	Fierce competition in the dairy industry	3	3	4	3	4	4	21	3,50	0,082	0,287
2	The influence of price competition with competitors	3	3	3	4	4	4	21	3,50	0,092	0,322
3	The number of substitution products in this industry	4	3	4	4	4	4	23	3,83	0,092	0,352
4	Suppliers can influence prices	3	3	3	2	2	3	16	2,67	0,082	0,219
5	Consumers can influence prices	3	3	3	3	4	3	19	3,12	0,092	0,287
Total Threat Score										1,467	
Overall Total										3,435	

Based on the table above, it can be seen that the total matrix score is 3,435 which is included in the category of strong internal positions because the opportunity value is greater than the threat. Based on the EFE matrix, it can also be seen that the biggest opportunity owned by PT XYZ is a suitable and competitive price with a score of 0.368. Meanwhile, the biggest threat is the large number of substitution products in this industry with a score of 0.352.

PT XYZ's external factors analysis identifies several opportunities and threats affecting the company. The main opportunities for PT XYZ include the added value of products compared to competitors, the large capital need to enter a profitable industry for PT XYZ, government support in the dairy industry, as well as full support from a considerable number of suppliers, allowing PT XYZ to not depend on a single supplier. In addition, the higher price of similar dairy products in the market provides an opportunity for PT XYZ to increase sales, and a good image and loyal consumers provide additional benefits. However, the threats that PT XYZ must face include fierce competition in the dairy industry, the influence of price competition with competitors, the large number of substitute products available, and the ability of suppliers and consumers to influence market prices, all of which require effective management strategies.

SWOT Matrix Results

Table 5. Results of the SWOT PT XYZ Matrix

Internal Factors	Strength	Weakness
	1. Good organizational structure 2. Have employees who are skilled in their fields 3. The marketing reach is quite wide 4. Have a good	1. No product innovation yet 2. The strategy used today is not strong enough 3. The resulting product is not satisfactory 4. Sales teams don't

<p>External Factors</p>	<p>image in the eyes of consumers5. Smooth supply of raw materials6. Adequate production capacity7. Good product standardization8. Production tools are qualified9. The system is integrated with the internet10. Production and sales records have been integrated with the internet11. Already doing digital transformation</p>	<p>always hit targets5. Revenue doesn't always reach targets</p>
<p>Opportunity</p>	<p>SO Strategy</p>	<p>WO Strategy</p>
<p>1. Has added value of the product compared to competitors2 . It requires a large amount of capital to enter this industry3. The role of the government in the dairy industry4. Suppliers provide full support5. There are quite a lot of suppliers in this industry6. The price of similar milk products in the market is higher7. Loyal consumers and good image in the eyes of consumers</p>	<p>- Utilize the expertise of skilled employees and qualified production tools to develop new products or improve existing products with significant added value compared to competitors. (S2, S3, S5, S7, S8, O1, O4,O6) Product Innovation - Leverage a wide marketing reach and a good image to access the huge capital needed to enter the industry. This can be done through increased production capacity, geographical expansion, or investment in product innovation. (S3, S4, S6, O2, O4, O6, O7) External Financing - Strengthen good relationships with raw material suppliers to ensure smooth and secure supply. It will support good product standardization and competitive price. (S5, S7, O1, O4, O6) Supply Chain Management - Utilizing an internet-integrated system to improve efficiency in production record-keeping, sales, and supply chain management. This can improve the response to market demand and strengthen relationships with consumers. (S4, S9, S10, S11, O4, O7) Operational Digitalization</p>	<p>- Taking advantage of the opportunity to have added value of products compared to competitors to overcome weaknesses in product innovation. Focus on developing new products or improving more satisfactory products to meet market expectations. (W1, W3, O1, O4, O6, O7) Product Differentiation - Use appropriate and competitive pricing as a strategy to attract more consumers. This can strengthen good relationships with consumers and increase sales and revenue. (W5, O6, O7) Market Penetration - Focus on opportunities for good relationships with consumers to motivate and develop the sales team. Provide the necessary training and support to help them achieve their sales targets consistently. (W4, W5, O7) Sales Team Development</p>
<p>Threat</p>	<p>ST Strategy</p>	<p>WT Strategy</p>
<p>1. Fierce competition</p>	<p>- Leverage the expertise of skilled employees to develop innovative products that</p>	<p>- Conduct intensive research and development to overcome weaknesses in product innovation</p>

Formulation of Blue Ocean Strategy To Improve The Ability To Implement Product Innovation Strategy PT XYZ

in the dairy industry	differentiate themselves from competitors. For example, dairy products with added value or new variants that can attract market attention.	by involving all relevant departments (R&D, marketing, sales and production) and then conduct product trials before launch.
2. The influence of price competition with competitors	(S2, S9, T1, T2) Product Innovation - Use a wide marketing reach to introduce new products that can address the threat of substitute products. For example, dairy products with additional content or those marketed for new market segments.	(W1, T1, T3) Product Innovation - Revitalize marketing and sales strategies to overcome weaknesses in achieving sales and revenue targets, as well as facing fierce competition in the dairy industry. Conduct an in-depth evaluation of existing marketing strategies.
3. The existence of substitution products in this industry	(S3, S4, T3, T5) Market Expansion	(W4, W5, T1) Marketing & Sales Revitalization
4. Suppliers can influence prices		
5. Consumers can influence prices		

Based on table 5, it can be seen that the SWOT matrix produces 11 alternative strategies consisting of 4 SO strategies, 2 ST strategies, 3 WO strategies, and 2 WT strategies. To obtain alternative strategies that are suitable for PT XYZ, it can be further analyzed using the QSPM matrix and select some of the most potential or effective strategies to implement. The S-O strategy includes leveraging employee expertise in product innovation, using marketing reach for external financing, strengthening relationships with suppliers for supply chain management, and improving operational efficiency through digitalization. The S-T strategy includes product innovation to face competition and market expansion to overcome substitution products. The W-O strategy focuses on product differentiation and market penetration at competitive prices, as well as the development of sales teams to leverage good relationships with consumers. The W-T strategy involves product innovation with intensive research and development, as well as the revitalization of marketing and sales strategies to overcome fierce competition. By implementing these strategies, PT XYZ is expected to increase its competitiveness, sales, and long-term profitability.

QSPM Results

Based on the results of the research, QSPM begins by detailing internal factors, which include strengths such as a well-structured organization, skilled employees, and extensive marketing reach. These factors are compared to various alternative strategies, such as product innovation (SO-Product Innovation), external financing (SO-External Financing), and supply chain management (SO-Supply Chain Management). Each strategy is evaluated for its suitability to internal strengths and weaknesses, such as the lack of product innovation and the inadequacy of the current strategy. The QSPM quantitatively evaluates this conformity, where Strategy 1 (SO-Product Innovation) receives the highest total attractiveness score, suggesting that this strategy may best leverage internal strengths and address weaknesses.

It then considers external factors, listing opportunities such as government support and supplier support, as well as threats such as stiff industry competition and price pressures. This analysis extends to additional strategies, such as operational digitalization (SO-Operational Digitalization) and market expansion (ST-Market Expansion), by

evaluating how well they capitalize on external opportunities or mitigate threats. Here, Strategy 5 (ST-Product Innovation) scored high, indicating that innovation is aligned with external conditions, such as consumer loyalty and competitive pressures. This shows that a focus on innovation can help companies maintain a competitive advantage and navigate market dynamics effectively.

Finally, QSPM provides a comprehensive assessment across a wider range of strategies, including differentiation (WO-Product Differentiation) and marketing and sales revitalization (WT-Marketing & Sales Revitalization). This holistic view integrates internal and external analysis to recommend strategic direction. In particular, Strategy 11 (WT-Marketing & Sales Revitalization) achieved one of the highest total scores, highlighting its potential effectiveness in improving market position and revenue growth. This suggests that, while product innovation remains important, the revitalization of marketing and sales efforts can significantly contribute to addressing current challenges and capitalizing on the opportunities available. This multifaceted approach ensures that organizations can adapt and thrive amid changing internal capabilities and external market conditions.

Results of Alternative Strategies

Table 7. Alternative Strategy Order

It	Strategy	STAS	Information
1	Strategy 5 (ST-Product Innovation)	4,903	Development of innovative products that differentiate from competitors.
2	Strategy 11 (WT-Marketing & Sales Revitalization)	4,888	Revitalize marketing and sales strategies to overcome weaknesses in achieving sales and revenue targets, as well as facing fierce competition in the dairy industry. Conduct an in-depth evaluation of existing marketing strategies.
3	Strategy 1 (SO-Product Innovation)	4,747	Developing new products or improving existing products with significant added value compared to competitors.
4	Strategy 10 (WT-Product Innovation)	4,481	Intensive research and development to overcome weaknesses in product innovation by involving all relevant departments (R&D, marketing, sales and production) then conducting product trials before launch.
5	Strategy 7 (WO-Product Differentiation)	4,241	The use of opportunities to have added value to products compared to competitors to overcome weaknesses in product innovation. Focus on developing new products or improving more satisfactory products to meet market expectations.
6	Strategy 6 (ST-Market Expansion)	4,207	Use a wide marketing reach to introduce new products that can address the threat of substitute products.
7	Strategy 8 (WO-Market Penetration)	3,369	Use appropriate and competitive pricing as a strategy to attract more consumers. This can strengthen good relationships with consumers and increase sales and revenue.
8	Strategy 2 (SO-External Financing)	3,199	Leverage a wide marketing reach and a good image to access the huge capital

Formulation of Blue Ocean Strategy To Improve The Ability To Implement Product Innovation Strategy PT XYZ

			needed to enter the industry. This can be done through increased production capacity, geographical expansion, or investment in product innovation.
9	Strategy 9 (WO-Sales Team Development)	3,036	Provide the necessary training and support to help them achieve their sales targets consistently.
10	Strategy 3 (SO-Supply Chain Management)	2,659	Strengthen good relationships with raw material suppliers to ensure smooth and secure supply. It will support good product standardization and competitive price.
11	Strategy 4 (SO-Operational Digitalization)	1,452	Utilizing an internet-integrated system to improve efficiency in production record-keeping, sales, and supply chain management. This can improve the response to market demand and strengthen relationships with consumers.

Based on the results of the QSPM matrix, of the eleven existing alternative strategy recommendations, there is one alternative strategy that is prioritized, namely strategy 5 with a STAS of 4,903 greater than other alternative strategies. The product innovation strategy by utilizing the expertise of skilled employees to develop innovative products that differentiate from competitors, for example dairy products with added value or new variants that can attract market attention is the most appropriate use by PT XYZ to face competition. The results of the QSPM matrix were obtained through the analysis of the company's internal resource persons, namely the discussion of all managers of PT XYZ at the *top management level*.

Strategy Implementation

Table 8. Implementation of Alternative Strategies

It	Strategy	Information
Can be implemented in the near future		
1	Strategy 9 (WO-Sales Team Development)	Provide the necessary training and support to help them achieve their sales targets consistently.
2	Strategy 3 (SO-Supply Chain Management)	Strengthen good relationships with raw material suppliers to ensure smooth and secure supply. It will support good product standardization and competitive price.
3	Strategy 4 (SO-Operational Digitalization)	Utilizing an internet-integrated system to improve efficiency in production record-keeping, sales, and supply chain management. This can improve the response to market demand and strengthen relationships with consumers.
4	Strategy 8 (WO-Market Penetration)	Use appropriate and competitive pricing as a strategy to attract more consumers. This can strengthen good relationships with consumers and increase sales and revenue.
Cannot be implemented in the near future		
1	Strategy 5 (ST-Product Innovation)	Development of innovative products that differentiate from competitors.
2	Strategy 11 (WT-Marketing & Sales Revitalization)	Revitalize marketing and sales strategies to overcome weaknesses in achieving sales and revenue targets, as well as facing fierce competition in the dairy industry. Conduct an in-depth evaluation of existing marketing strategies.

3	Strategy 1 (SO-Product Innovation)	Developing new products or improving existing products with significant added value compared to competitors.
4	Strategy 10 (WT-Product Innovation)	Intensive research and development to overcome weaknesses in product innovation by involving all relevant departments (R&D, marketing, sales and production) then conducting product trials before launch.
5	Strategy 7 (WO-Product Differentiation)	The use of opportunities to have added value to products compared to competitors to overcome weaknesses in product innovation. Focus on developing new products or improving more satisfactory products to meet market expectations.
6	Strategy 6 (ST-Market Expansion)	Use a wide marketing reach to introduce new products that can address the threat of substitute products.
7	Strategy 2 (SO-External Financing)	Leverage a wide marketing reach and a good image to access the huge capital needed to enter the industry. This can be done through increased production capacity, geographical expansion, or investment in product innovation.

The data in Table 8 shows that PT. XYZ has a number of alternative strategies that can be implemented to support the company's growth, which are grouped by their implementation time priorities. Strategies that can be implemented in the near future focus on rapid and efficient operational development, such as training sales teams, strengthening relationships with suppliers, digitizing operations, and market penetration at competitive prices. This strategy aims to improve efficiency, strengthen relationships with consumers, and achieve sales targets. Meanwhile, strategies that cannot be implemented in the near future, such as product innovation and market expansion, require further preparation because they involve the development of new products, marketing revitalization, and the search for significant external financing. The implementation of this strategy takes longer due to its higher complexity and the need for large investments and cross-departmental coordination.

Blue Ocean Strategy's Four-Step Framework Results

The Blue Ocean Strategy's four-step framework, which consists of Remove, Reduce, Improve, and Create, is used by PT XYZ to implement a product innovation strategy. This move aims to create new market space and sustainable competitive advantage. In this study, these steps assist PT XYZ in identifying product elements that can be eliminated or reduced to reduce costs and complexity, as well as improve elements that provide added value for customers. For example, based on interviews with consumers, PT XYZ can reduce excessive sweetness in their dairy products, which is often a complaint of customers. In addition, PT XYZ can create new elements in dairy products that are not yet on the market, such as healthier product variants or innovations in packaging design. By implementing this strategy, PT XYZ can improve production cost efficiency and effectiveness, as well as develop more innovative and attractive products for consumers. This is in line with research that shows that the implementation of the Blue Ocean Strategy can help companies better deal with competition and market changes. This strategy also allows PT XYZ to remain competitive and sustainable in the long term, by creating new value that is unique to customers.

Discussion

External Internal Environmental Factors

Based on the results of interviews and observations, the analysis of the IFE and EFE matrix on PT XYZ shows that the company has 16 internal factors, consisting of 11 strengths and 5 weaknesses, as well as 12 external factors, consisting of 7 opportunities

and 5 threats. The total score of the IFE matrix is 2.607, which indicates that PT XYZ has strong internal strength, especially in terms of smooth supply of raw materials and adequate production capacity, with a score of 0.234, respectively. However, the biggest weakness is the lack of product innovation and dissatisfaction with the resulting product, with the biggest weakness score of 0.072. Meanwhile, the EFE matrix shows a total score of 3,435, putting PT XYZ in a strong internal position as the opportunities outweigh the threats. The biggest opportunity is competitive prices with a score of 0.368, while the biggest threat is the abundance of substitution products with a score of 0.352. In the SWOT matrix, PT XYZ is in quadrant II, indicating that despite the threats, the company can survive thanks to its internal strengths. The recommended strategy is to diversify products or services to take advantage of long-term opportunities, as supported by the research of (Sylvia et al., 2020).

Alternative Strategies

Based on the analysis of IFE, EFE, SWOT, and QSPM, PT XYZ has identified 11 alternative strategies that include product innovation, marketing revitalization, and market expansion. These strategies are designed to leverage the company's strengths, such as strong innovation and marketing capabilities, as well as to address weaknesses such as a lack of product innovation. In line with the research of (Puspita & Safrianti, 2022) and (Pratama et al., 2023), product innovation and marketing revitalization are expected to increase the competitiveness and sales performance of PT XYZ. This includes the development of new products, the improvement of marketing and sales strategies, as well as the utilization of market opportunities for expansion and risk reduction of substitution products. In addition, the product differentiation and operational digitalization strategy aims to strengthen PT XYZ's position in the market by offering significant added value compared to competitors. The use of external financing and effective supply chain management was also identified as an important step to support the company's growth, as supported by the research of (Kohar & Tahang, 2023) and (Tunjang, 2022). From the results of the QSPM matrix, the product innovation strategy stands out with a Total Attractiveness Score (STAS) of 4,903, making it the most appropriate strategy to help PT XYZ face the competition. This strategy is expected to improve operational efficiency, strengthen relationships with consumers, and expand market share, in line with research by (Gina & Rizkiki, 2022).

Blue Ocean Strategy's Four-Step Framework

Based on interviews with regular consumers of PT XYZ, it was found that the company's dairy products have several advantages and disadvantages. Consumers like affordable prices and practical packaging, but complain about the overly sweet taste and hope for an increase in vitamin composition and product variety. In implementing the Blue Ocean Strategy, PT XYZ can take advantage of a four-step framework that includes reducing the composition of sweeteners to reduce production costs and improve product quality according to consumer desires. In addition, the company can improve product elements that provide added value, such as improving the composition of vitamins to reach a wider market, including children. Other steps that PT XYZ can take are to create new elements in dairy products that are not yet on the market, such as variants that do not cause indigestion or innovations in more attractive and functional packaging designs. By implementing this strategy, PT XYZ can create new markets and improve production efficiency and cost-effectiveness, which will ultimately help the company remain competitive and sustainable in the long run. This is in line with research that shows that

the implementation of the Blue Ocean Strategy can help companies better deal with competition and market changes.

Conclusion

Based on the results of the interviews and analysis conducted, PT XYZ has a total score of 2,607 on the internal factor evaluation matrix (IFE), which indicates strong internal strength. These strengths include a good organizational structure, skilled employees, wide marketing reach, a good image in the eyes of consumers, a smooth supply of raw materials, adequate production capacity, and digital transformation that has been carried out. However, the weaknesses faced include a lack of product innovation, a strategy that is not yet strong, a product that is not satisfactory, and a sales and revenue team that does not always meet the target. The biggest strength is the supply of raw materials and production capacity, while the biggest weakness is the lack of product innovation and unsatisfactory product results. On the external factor evaluation matrix (EFE), PT XYZ obtained a score of 3,435, indicating a strong internal position with greater opportunities than threats. Opportunities include product added value compared to competitors, government support, good relations with suppliers and consumers, and competitive prices. The threats faced include fierce competition, the influence of prices from competitors, and the large number of substitute products. The biggest opportunity is competitive prices, while the biggest threat is the abundance of substitution products in the industry. The entry stage analysis using internal and external environment analysis, as well as the matching stage using the SWOT matrix, shows that the product innovation strategy with the highest STAS of 4.903 is the most appropriate alternative strategy for PT XYZ in facing competition. This strategy was selected based on the priority of alternative strategies resulting from the QSPM matrix, which assesses product innovation as the most effective step. After determining the product innovation strategy as the top choice, PT XYZ can use the four-step framework of the Blue Ocean Strategy to prepare for the implementation of the strategy. These steps include eliminating unnecessary components, reducing elements that do not add value, improving elements that can provide greater value to customers, and creating new elements that are not yet on the market. For example, PT XYZ can reduce the sweetness of dairy products, increase the vitamin composition, and create new healthier product variants as well as innovations in packaging design.

References

- Adam, B. (2021). Peranan Manajemen Strategi Dan Manajemen Operasional Dalam Meningkatkan Mutu Pendidikan. *Jurnal Tahdzibi: Manajemen Pendidikan Islam*, 3(2), 57–66.
- David, F. R. (2011). *Strategic management concepts and cases*. Prentice hall.
- Defriza, R., Tanjung, M. H., & Astuti, P. (2022). Pengaruh Kawasan Industri Terhadap Kondisi Sosial Ekonomi Dan Infrastruktur di Kelurahan Lubuk Gaung, Kecamatan Sungai Sembilan Kota Dumai. *Journal of Urban Regional Planning and Sustainable Environment*, 1(1).
- Faizin, N., Irawati, S., Soseco, T., & Nurjanah, N. (2023). Inovasi Produk Olahan Susu Aneka Rasa dan Warna di Desa Pagersari Kecamatan Ngantang Kabupaten Malang. *Mitra Mahajana: Jurnal Pengabdian Masyarakat*, 4(2), 85–92.
- Gina, R., & Rizkiki, A. (2022). Pentingnya Digitalisasi Dalam Meningkatkan Pendapatan Pt Astra Agro Lestari Tbk (Aali). *Jurnal Syntax Admiration*, 3(4), 560–570.
- Hamdilah, S. R. N., Maulidian, M., & Baskh, R. (2021). Pengembangan Model Bisnis Peternakan Susu Sapi Perah Melalui Perspektif Blue Ocean (Studi Kasus: Peternakan Sapi Perah Cibugary di Pondok Ranggon Cipayung Jakarta Timur). *JURNAL BIOINDUSTRI (JOURNAL OF BIOINDUSTRY)*, 4(1), 25–40.
- Kasali, R. (2010). Dkk, modul Kewirausahaan Untuk Program Stara I,(Jakarta: PT. Mizan Publika.
- Khoirina Tifani, T. (2011). *Analisa Penyebab Penurunan Daya Saing Produksi Sususapi Dalam Negeri Terhadap Susu Sapi Impor Di Industri Pengolahan Susu Dengan Metode Fault Tree Analysis (Fta) Dan Barrier Analysis*. Diponegoro University.
- Kohar, A., & Tahang, M. (2023). Pengaruh Pendanaan Eksternal dan Inovasi Produk terhadap Pertumbuhan Usaha. *Jurnal Riset dan Inovasi Manajemen*, 1(2), 206–217.
- Maghfuroh, N. L., Rouf, A., Yazid, A. A., Fitrowati, Z., & Ulhaq, M. Z. (2022). Strategi marketing door to door dalam meningkatkan pelayanan pada kspps bmt al yaman wringinputih muncar banyuwangi. *J-ESA (Jurnal Ekonomi Syariah)*, 5(2), 33–43.
- Miati, I., & Setiawan, R. (2022). Strategi Bersaing Pada Sentra Industri Anyaman Mendong Di Kabupaten Tasikmalaya. *Jmbi Unsrat (Jurnal Ilmiah Manajemen Bisnis dan Inovasi Universitas Sam Ratulangi)*, 9(3), 1708–1720.
- Pearce, J. A., & Robinson, R. B. (2008). Manajemen strategis: formulasi, implementasi, dan pengendalian. *Jakarta: Salemba Empat*.
- Porter, M. E. (1993). *Strategi bersaing: Teknik menganalisis industri dan pesaing*.
- Pratama, A. Y., Winati, F. D., Susanto, I., Haq, M. F., Santoso, T., & Alfatan, A. T. (2023). Akselerasi Revitalisasi Proses Pemasaran Dage Desa Ciberung Menuju Economic Growth and Market Expansion. *JURPIKAT (Jurnal Pengabdian Kepada Masyarakat)*, 4(3), 527–539.
- Puspita, V., & Safrianti, S. (2022). Pengaruh Inovasi Produk dan Diferensiasi Produk terhadap Keunggulan Bersaing Batik Besurek Bengkulu. *Jurnal Bisnis, Manajemen, Dan Keuangan*, 3(3), 665–673.
- Rangkuti, F. (2015). Analisis SWOT: Teknik membedah kasus bisnis. *Language*, 13(246p), 23cm.
- Sanny, L. (2011). Analisis industri pengolahan susu di Indonesia. *Binus Business Review*, 2(1), 81–87.
- Septiani, W., Maarif, M. S., & Arkeman, Y. (2013). Manajemen Risiko Inovasi Produk Olahan Susu Sapi Berdasarkan Tahapan Proses Manajemen Inovasi. *Jurnal Teknik Industri*, 3(2).

- Setiadi, N. J. (2003). Konsep dan Implikasi untuk strategi dan penelitian pemasaran. *Jakarta: Prenada Media.*
- Sylvia, R., Suarniki, N. N., & Cahayanti, D. (2020). Analisis Strategi Pencapaian Target Penjualan Rengginang UD Warna Warni Banjarmasin. *Dinamika Ekonomi: Jurnal Ekonomi Dan Bisnis, 13*(1), 128–140.
- Taufik, E. (2019). Rancangan induk industri susu: peluang dan tantangannya. *Food Review Indonesia, 14.*
- Tunjang, H. (2022). Peran Penting Manajemen Rantai Pasokan Dalam Meningkatkan Kualitas Produksi pada Pabrik Mie di Palangka Raya. *Jurnal Manajemen Sains Dan Organisasi, 3*(3), 252–263.
- Warner, K. S. R., & Wäger, M. (2019). Building dynamic capabilities for digital transformation: An ongoing process of strategic renewal. *Long range planning, 52*(3), 326–349.
- Wawan, D. (2015). *Manajemen Inovasi Untung Usaha Kecil & Mikro. Cet 2.* Bandung: Alfabeta.
- Wheelen, T. L., & Hunger, J. D. (2012). *Strategic Management and Business Policy toward global sustainability 13th ed.* Pearson Education, Inc., publishing as Prentice Hall.