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MARKETING STRATEGY OF PETROKIMIA GRESIK NON-SUBSIDIZED NPK FERTILIZER TO WIN MARKET COMPETITION

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Abstract: *PT Petrokimia Gresik is faced with a very fast changing business environment (turbulence). The global economic slowdown coupled with a decline in international commodity prices led to lower prices for imported fertilizers. The government began decreasing the amount of subsidized fertilizer each year. This reduction in allocation is a warning that the government will completely revoke the fertilizer subsidy. With the reduction in subsidies, there will be a potential non-subsidized NPK market, thereby attracting the interest of competitors in the private sector. Changes in the business environment provide opportunities as well as threats for PT Petrokimia Gresik to realize its vision. The study uses internal and external analysis to identify the factors that have the most potential to influence the achievement of company goals. The research explores information directly from sources using the interview method (in-depth interview). This study aims to find the company's strategic position according to the internal external (IE) matrix concept and provide recommendations for strategy formulation with the diamond concept. The results showed that the strategic position of PT Petrokimia Gresik was hold and maintain. The strategy that can be developed by the company is an intensive strategy, namely developing existing products and developing markets by penetrating the market into the plantation sector. In addition, the company's business strategy was formulated based on the concept of a diamond strategy including arena, vehicle, differentiators, staging, and economic of logic.*

Keywords: *Business Strategy, Internal External Analysis, Strategic Positioning, Diamond Strategy*

1. Introduction

In 2022, the allocation of NPK fertilizer subsidies has decreased compared to the previous year, and according to a letter from the Ministry of Agriculture regarding the Recommendation of the Committee IV of the House of Representatives for improving the management of subsidized fertilizers, by July it will reduce the types of fertilizers which originally consisted of 5 types of fertilizers (Urea, NPK, ZA. SP-36, Petroganik) will be reduced to 2 types of fertilizers, namely Urea and NPK (PT. Pupuk Indonesia, 2018). This is actually a signal for fertilizer producers that the government will plan to divert fertilizer subsidies into other forms (Basuki &

Prawoto, 2017). Taking into account the fact that the distribution of subsidies is being reduced on an annual basis, this indicates that there will be an increase in the sales limit for fertilizers that are not being subsidized. The increase in the sales target of non-subsidized fertilizers has the potential to increase company revenues and profits due to higher product margins compared to subsidized fertilizers because the prices offered to consumers are not limited by HET regulations from the government (Javed, 2019). Most of the non-subsidized market in Indonesia, amounting to 89%, is dominated by the private sector, while PT Pupuk Indonesia (Persero) is only able to fulfill 11%. Based on BPS data for 2021, NPK imports in Indonesia came from Russia (51%), Norway (17%), Malaysia (15%) and others (16%).

PT Petrokimia Gresik continues to increase sales of non-subsidized fertilizers. According to data from the Admin and Sales Department, currently Petrokimia Gresik offers easy access to online transactions through the company's marketplace, namely Petromart. This innovation has succeeded in increasing online retail sales. Through this strategy, the realization of sales of non-subsidized fertilizers has also increased, especially Phonska Plus in 2020 which increased significantly compared to the previous two years. Until the end of 2020, it is predicted that Phonska Plus sales will increase by 50% compared to the previous year. For this reason, NPK Phonska Plus is now strengthening its positioning among Indonesian farmers. By the end of 2020, the company is again targeting to become the market leader in the non-subsidized fertilizer sector, especially NPK with its flagship product Phonska Plus. Based on a Kadence survey, in 2019, Phonska Plus which was launched in 2017 has become the market leader in the non-subsidized NPK-made fertilizer market with a market share of 27% to become the market leader, as well as market expansion to the export market. According to Petrokimia Gresik's internal sales data in 2022, there are 9 million tons of subsidized fertilizer, and 1.8 million tons of non-subsidized fertilizer. This subsidized fertilizer allocation figure is predicted to be lowered in 2023 to 6 million tons, of which the rest will be diverted to non-subsidized fertilizers, so that by 2025, non-subsidized fertilizers are projected to reach 10.8 million tons.

Farmers are currently faced with various choices of fertilizers that can be used as inputs in farming to produce high yields from their agricultural businesses (Chandler Jr, 1969; Day & Wensley, 1988). The fertilizers chosen by farmers are usually those that have complete nutrients, namely NPK fertilizers. Farmers' considerations in buying NPK fertilizers, apart from being complete with nutrients, are also due in terms of affordable prices compared to the choice of single fertilizers. The results of a market survey conducted by PT Petrokimia Gresik on farmers show several choices of NPK fertilizers that are widely used by farmers. Each of these fertilizers has its own charm, especially in terms of products, prices and promotions provided by each producer.

The production capacity of NPK fertilizer at PT Petrokimia Gresik reaches 3.67 million tons per year. NPK fertilizer is one type of inorganic fertilizer that is in demand by consumers and is a complete compound fertilizer containing nitrogen (N), Phosphate (P) and Potassium (K) nutrients. With this compound fertilizer product, the application of fertilizer doses used by farmers can be carried out in a balanced and efficient manner. The aim is to increase crop productivity when compared to the use of single fertilizers. In general, fertilizers can be classified into 2 (two) types, namely organic and inorganic fertilizers. Organic fertilizers function to restore soil fertility, while inorganic fertilizers serve as providers of nutrients for plant growth. Both aim to increase crop productivity so that maximum yields can be achieved.

The existence of a large market potential, especially for NPK products, attracts the interest of investors in the private sector. Private sector business actors have gradually begun to invest in the development of new factories (Porter & Advantage, 1985). This is marked by the emergence of new NPK fertilizer factories in Gresik and outside Gresik. The variety in the availability of private fertilizers at the kiosk level shows that there has been an increase in the production capacity of private producers for NPK fertilizer which in 2019 amounted to 2,737 million tons per year, increasing to 3,273 million tons per year in 2021 (an increase of 536,000 thousand tons). According to Pearce and Robinson (2008) new entrants will bring new capacity, a desire to seize market share, and often substantial resources.

The increasing competition in the fertilizer business in Indonesia puts great pressure on the sales performance of PT Petrokimia Gresik, especially in the non-subsidized fertilizer segment, where competition does not only come from fellow members of Holding PT Pupuk Indonesia but also from domestic private fertilizer producers and imported fertilizer products. The downward trend in market share, especially for NPK products, from the previous 28.8% in 2019 to 18.9% in 2021.

There is a downward trend in market share, as well as increasing competition in the domestic fertilizer business, both from fellow Holding members of PT Pupuk Indonesia and private fertilizer producers as well as the threat of entry of imported fertilizers with lower prices, PT Petrokimia Gresik needs to anticipate in order to maintain its competitiveness and can win the business competition. With increasingly fierce competition, companies are required to formulate appropriate strategies using their internal strengths and also to explore external opportunities to improve internal weaknesses as well as respond to external threats from their business environment.

Analysis of some of these environmental elements is very much needed by industry-based organizations because the environment will continue to change, so organizations must achieve a balance in order to make organizational changes that are right on target in order to maintain the performance of the company (Romadhon, 2022).

Athapaththu (2016) asserts that in order to determine the mission and goals of the organization, it is very important to understand the current situation and the types of obstacles that the company has to face from the existing environment. Through successful strategy implementation, the organization can realize its mission and goals. Hence, companies must know about strategic planning and strategic management. Strategic planning which requires a lot of strategic thinking is one of the most important management tools that helps managers to identify priorities and determine the main actions needed to realize the mission and goals of the organization. Nowadays strategic management has become one of the main topics in organizational management because of the dynamic business environment. For this reason, this research covers the concept of strategy, strategic planning, strategic thinking, strategic management and the importance of strategic management for non-subsidized NPK sales in winning the retail market in Indonesia with so many consumers.

2. Literature review

2.1. Environmental Analysis Using Porter's Method

Robinson & Pearce II (2013) proposed the five forces module as a tool to analyze the competitive environment of the industry. The competitive state of a firm or product in an industry depends on the five basic competitive forces exhibited. The five competitive forces are:

1) Threat of New Entrants

A company will be interested in entering an industry if the industry offers high profits. On a macro level, with the entry of new players in the industry, the competition will become tougher which in the end can lead to a decrease in profits received for all companies. Some of the internal factors that affect the ease or difficulty of entering an industry are economies of scale, product differentiation, capital requirements, switching costs, access to distribution channels, unprofitable costs independent of scale, government policies, and technological developments (Desrochers & Sautet, 2004).

2) Threat of Substitute Products (Substitution)

Substitute goods or services are goods or services that can replace similar products. The existence of substitute products or services will limit the amount of potential profit that can be obtained from an industry. The more attractive the alternative prices offered by substitute products, the tighter the restrictions on the profits of an industry. Substitute products that need great attention are products that have a tendency to have a better price or quality than industrial products or are produced by high-profit industries (Iskandar, 2019).

3) Strength or Bargaining Power of Buyers

The bargaining power of buyers in the industry plays a role in pushing prices down, as well as providing offers in improving quality or more services, and making competitors compete with each other (Sukmadinata, 2007).

4) Strength or Bargaining Power of Sellers

Suppliers or sellers can use bargaining power against buyers in the industry by raising prices or lowering the quality of the products or services purchased. Conditions that make a supplier's position strong tend to resemble those that make a buyer strong.

5) Competition Between Competitors in the Same Industry

According to Porter, competition between competitors in the same industry is the center of competitive power. Competitors in this case are players who produce and sell similar products, which will compete for market share. The higher the level of competition between companies, the higher the industry's profitability, but the company's profitability may decrease (Rangkuti, 2018; Rustamblin et al., 2013).

2.2. SWOT analysis

To evaluate the condition of the company as a whole, it is necessary to analyze whether the company's fundamentals are good enough to be able to capture business opportunities while being able to withstand external threats (Suyanto, 2007; Syahril & Bachtiar, 2016). SWOT analysis is a useful method for analyzing internal capabilities in the form of strengths and weaknesses of the company as well as external factors consisting of opportunities and threats to the company's future (Rangkuti, 2014).

1) The Internal Factor Evaluation (IFE) Matrix

The Internal Factor Evaluation (IFE) Matrix summarizes and evaluates the main strengths and weaknesses in the functional areas of the business, and provides a basis for identifying and evaluating the relationships between these areas. Intuition assessment is needed to build an Internal Factor Evaluation (IFE) Matrix. A good understanding of the factors under consideration is more important than the actual numbers.

2) The External Factor Evaluation (EFE) Matrix

External Factor Evaluation (EFE) Matrix enables companies to analyze and evaluate economic, social, cultural, demographic, environmental, political, government, legal, technological and competitive factors. Regardless of the number of key factors in the form of opportunities or threats that are calculated into the External Factor Evaluation (EFE) Matrix, the maximum number of weighted values is 4.0 while the minimum number is 1.0.

3) The Internal-External (IE) Matrix

Internal-External (IE) Matrix consists of 9 cells and is divided into 2 dimensions. The total IFE weighted score lies on the horizontal axis, while the total EFE weighted score lies on the vertical (vertical) axis. In addition, the Internal-External (IE) Matrix is also divided into three different areas as shown in Figure as follow.

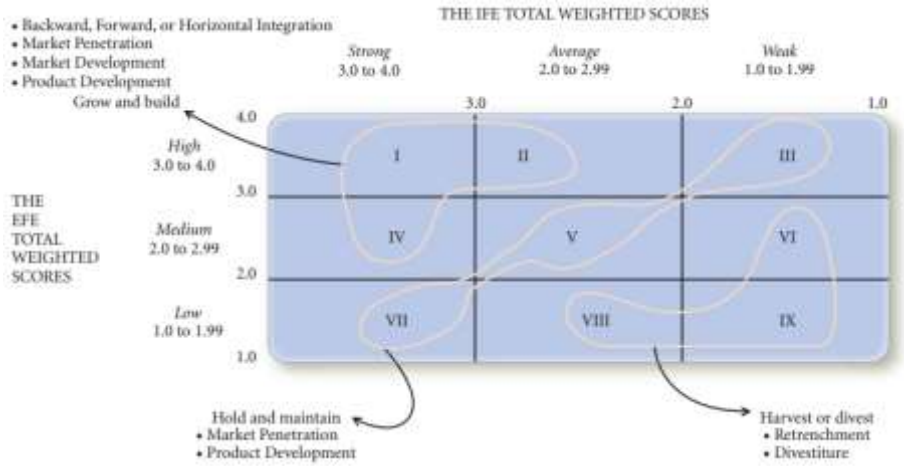

Figure 1. The Internal-External (IE) Matrix
Source: (David, 2011)

Information:

1. Horizontal (X) axis is the axis that describes the IFE (Internal Factor Evaluation) weight score where the further to the left the greater the score, but is limited by 3 areas of the same width, namely: scores of 1.00 to 1.99 for weak areas, 2.00 to 2.99 for the average region and 3.00 to 4.00 for the strong region.
2. The vertical axis (Y) is the axis that describes the weighted score of EFE (External Factor Evaluation) where the higher the value, the greater the score, but is limited by 3 regions of the same width, namely scores of 1.00 to 1.99 for the low region, 2.00 to 2.99 for the middle region, and 3.00 to 4.00 for the high region.
3. Cells I, II, IV are options for the "Growth and Build" strategy, meaning that if the meeting of EFE and IFE scores on the Horizontal and Vertical axes is located in that area,

the choice of strategy used is an intensive strategy whose strategy can use market penetration, market development, product development or integrative strategy using a backward, forward or horizontal integration strategy.

4. Cells III, V and VII are options for the "Hold and Maintain" strategy, meaning that if the meeting of the EFE and IFE scores on the horizontal (X) and Vertical (Y) axes is located in that area, then the choice of strategy used is market penetration and product development strategies.
5. Cells VI, VIII and IX are the choice of the "Harvest or Divest" strategy, the meaning is that if the meeting of the EFE and IFE scores on the horizontal (X) and Vertical (Y) axes is located in that area, the choice of strategy used is retrenchment or divestiture.

4) Strategy Diamonds

The Diamond Strategy is an analytical framework for the formulation or design of a strategy introduced by Hambrick & Fredrickson (2005) which includes five interrelated strategic elements in this framework, namely: Arenas, Vehicles, Differentiator, Staging, Economic Logic. The diamond strategy is a concept that answers concerns about the formulation of a good, comprehensive or comprehensive, integrative strategy, by covering the basic aspects of the strategy (Vlados, 2019).

3. Research Method

This study focuses on a qualitative research approach. The researcher focuses and has a goal to see, observe, and analyze the quality of sales reports. In other words, researchers will focus on a particular unit so that they can review in detail and in depth and focus on being able to produce good research (Satori & Komariah, 2009). The researcher as the subject will be the instrument in this research. The research approach used in this study is descriptive analysis, in an effort by researchers to analyze events or phenomena obtained while in the environment or research object (Tripomo, 2005; Yin, 2008). PT Petrokimia Gresik is the location of this research. The author's consideration in using the subject of this research is because PT. Petrokimia Gresik is one of the producers of quality NPK.

The data analysis technique was carried out by collecting data obtained based on several sources of information from the Marketing Administration Department of PT Petrokimia Gresik. There are 3 (three) ways to obtain the necessary data, namely by observing the company as an object, conducting interviews with sources (informants) who are closely related to the research topic, and documenting things that are indicated as supporting interview and observation data.

Data collection activities used in this study are qualitative data in the form of information either orally, in writing or in documents. This study uses the following data:

a. Report on the realization of non-subsidized NPK sales for 2020-2021
b. Non-subsidized NPK production data for 2020-2021
c. Non-subsidized NPK sales data for competitors for 2020-2021
d. Non-subsidized NPK sales projection report for 2023-2025
e. Sales distribution data per region in Indonesia
f. Budget and sales work plan prepared by the Marketing Administration Department of PT Petrokimia Gresik.

g. Data related to general information of PT Petrokimia Gresik which includes organizational structure,

3.1. conceptual framework

The research begins by conducting an external evaluation in the form of industrial analysis and environmental forecasting analysis using the 5 forces method to look for external key factors that have the potential to have an impact, especially in the non-subsidized fertilizer industry environment. The research also analyzes market and consumer trends to determine consumer preferences and the development of the non-subsidized fertilizer market in Indonesia as well as analyze the company's competitors. The external key factors are then categorized into opportunities and threats.

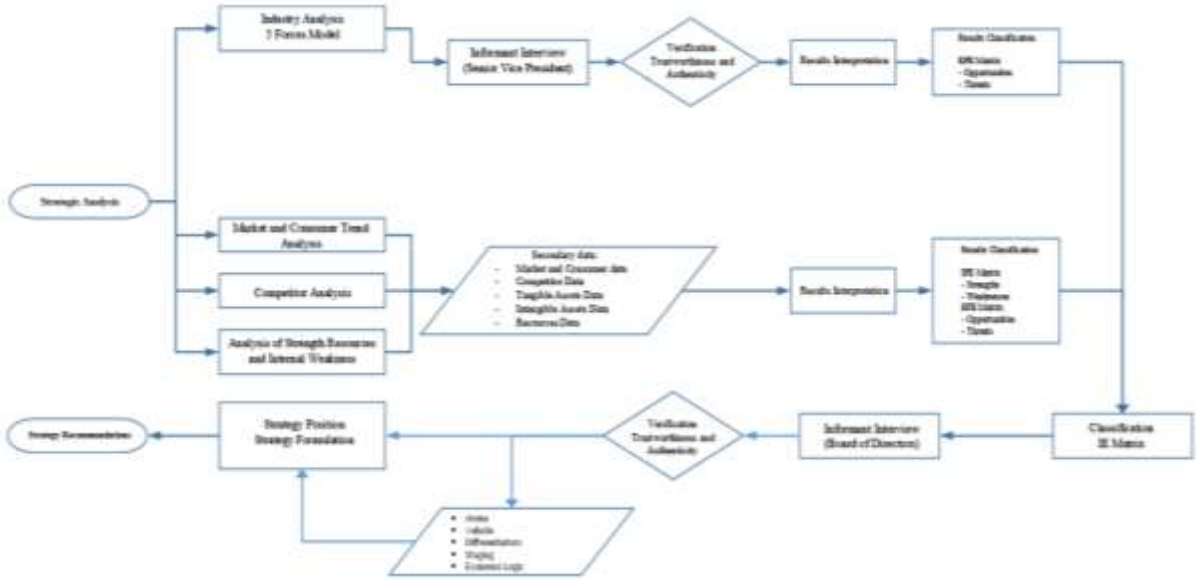

Figure 2. Conceptual Framework of Research Analysis

4. Results and Discussion

4.1. Internal Factor Evaluation Matrix

Based on the results of the Analysis of Internal Resources, Strengths, and Weaknesses, PT Petrokimia Gresik's internal strategic factors have the most influence on the company's competitive advantages in the fertilizer industry. These factors are then classified into two groups, namely strengths and weaknesses. A factor is classified into strengths if the factor is owned or able to be carried out relatively well by the company when compared to existing and potential competitors. On the other hand, if these factors have not been carried out properly or the company does not have the capacity to do so, while competitors can and have this capacity, they are classified into a group of weaknesses.

After being identified and grouped, the next step is giving ratings and weights. The ranking and weighting were carried out by resource persons, namely the Director of Operations and Production of PT Petrokimia Gresik. Scoring weights ranged from 0.0 (not important) to 1.0 (very important) for each factor. The weight assigned to each factor indicates the relative

importance of the factor to the company's success in the fertilizer industry (industry based). While the rating ranges from 1 to 4. The rating value indicates whether the factor indicates a major weakness (rating=1), or a minor weakness (rating=2), a minor strength (rating=3), or a major strength (rating=4). Strengths must get a rating of 3 or 4 while weaknesses must get a rating of 1 or 2. The results of the rating and weight assessment are formulated in multiplication so that a weighted score is obtained.

Table 1. Internal Factor Evaluation Matrix of PT Petrokimia Gresik

	Key Internal Factors **Strengths**	**Weight**	**Rating**	**Weighted Score**
1.	Supporting facilities a. Dock facilities with independent shipping in and shipping out, equipped with complete loading and unloading equipment facilities. b. Have a supporting utility unit to meet the needs of water, steam, and electricity independently.	0.120	3.5	**0.42**
2.	Using an information management system based on Strategic IT, namely an ERP system in the form of a SAP application that has been recognized and widely used by many international companies.	0.010	3	**0.03**
3.	The human resource development management system uses a competency-based model, namely corporate competence, core soft, and core hard competency.	0.005	3	**0.015**
4.	Management's high commitment to competency development and training programs can be seen from the trend of increasing budget allocations.	0.005	3	**0.015**
5.	Using performance-based compensation management (SMK) to encourage productivity and professionalism.	0.010	3	**0.03**
6.	Production facilities for various types of fertilizers, both single and large compounds: a. Total fertilizer products are 4.4 million tons per year (the NPK fertilizer production capacity of 2.7 million tons per year is the largest in Indonesia). b. Non-fertilizer products total 3.29 million tons (the only producer of sulfuric acid and phosphoric acid in Indonesia).	0.200	3	**0.6**
7.	The distribution network is spread across the big islands of Indonesia, supported by 10 distribution centers, 268 buffer warehouses, 622 distributors, and 30,199 authorized retail kiosks.	0.140	4	**0.56**
8.	PT Petrokimia Gresik's investment budget commitment continues to experience a significant increase, accompanied by a fairly high investment realization achievement every	0.050	3.5	**0.175**

	year, reaching above 90%.			
9.	The company's health rating of "idAA" guarantees convenience for investment financing from banks.	0.080	4	**0.32**
10.	PT Petrokimia Gresik has a research division equipped with complete facilities and infrastructure for research on variants of inorganic and organic fertilizers as well as the development of probiotics for livestock and fisheries, food plant seeds and horticulture, as well as processing plant products.	0.005	3	**0.015**
11.	For imported raw materials, PT Petrokimia Gresik has a realistic long-term and multi-source contract cooperation	0.100	4	**0.4**
Key Internal Factors Weaknesses		**Weight**	**Rating**	**Weighted Score**
1.	Some factories have a technical and technological age that is more than 30 years old, making them less efficient.	0.070	1	**0.07**
2.	More than 50% employee profile is over 50 years old and 65% of employees will retire in 2020.	0.025	2	**0.05**
3.	Debt to equity ratio which is quite large, namely 289%, has an impact on the high interest expense.	0.015	2	**0.03**
4.	Revenues from probiotic innovation products for livestock and fisheries as well as food crop seeds and horticulture are still not optimal.	0.005	2	**0.01**
5.	The average fertilizer production capacity utilization rate of 93% is close to the maximum limit.	0.050	1	**0.05**
6.	Environmental performance assessment (Proper) of PT Petrokimia Gresik at blue level.	0.040	1.5	**0.06**
7.	Term of payment to partners is selective and strict so that it is less flexible and becomes a capital burden for distributors.	0.010	2	**0.02**
8.	The current NPK fertilizer technology has not been able to produce NPK fertilizers with high N levels.	0.020	1.5	**0.03**
9.	The most dominant receivable ratio is subsidized receivables, which is more than 70% of total receivables.	0.010	2	**0.02**
10.	More than 75% of the company's revenue comes from one source, namely the assignment of PSO to sell subsidized fertilizers.	0.030	1.5	**0.045**
Total		**1**		**2.97**

4.2. External Factor Evaluation Matrix

Based on the results of external analysis in the form of market and consumer trend analysis, analysis of business environment conditions, and analysis of the 5 forces porter industry as well

as competitor analysis, it is found that PT Petrokimia Gresik's external strategic factors have the most influence on the fertilizer industry. These factors are then classified into two groups, namely opportunities and threats. An external factor is classified into opportunities if it is considered to have a positive impact on the company's outcome, especially in the fertilizer industry. On the other hand, if these external factors are considered to be potential threats and have a negative impact on company outcomes, especially in the fertilizer industry, they are classified into threats.

After being identified and grouped, the next step is ranking and weighting. The ranking and weighting were carried out by resource persons, namely the Director of Operations and Production of PT Petrokimia Gresik. Scoring weights ranged from 0.0 (not important) to 1.0 (very important) for each factor. The weight assigned to each factor indicates the relative importance of the factor to the company's success in the fertilizer industry (industry based). While the ratings range from 1 to 4. The rating value indicates how effective the company's current strategy is in responding to these factors, where 4 = superior company response, 3 = above average company response, 2 = standard company response, and 1 = poor company response. The rating is based on the effectiveness of the company's strategy (company based). The results of the rating and weight assessment are formulated in multiplication so that a weighted score is obtained.

Table 2 External Factor Evaluation Matrix of PT Petrokimia Gresik

	Key External Factors Opportunities	**Weight**	**Rating**	**Weighted Score**
1.	The trend of GDP growth for horticulture, food and plantation crops is quite fast, on average 1.7%, 2.1% and 5.18% respectively in the last 5 years	0.050	4	**0.2**
2.	The growth of paddy harvested area outside Java is 1.76%/year, higher than Java which is only 0.2%/year in the last 5 years	0.040	1	**0.04**
3.	The Ministry of Agriculture's rice field printing program totals 1.165 million hectares for 2017-2021	0.030	1.5	**0.045**
4.	The trend of growth in consumption of compound fertilizers, especially NPK fertilizers, which is quite high on average 6.5% in the last 5 years	0.100	4	**0.4**
5.	The projection of Indonesia's future economic growth which is stable in the range of 5.1 – 5.3% is mainly driven by the consumption sector >50% supported by an increasing population which is estimated to reach 296 million people in 2030	0.020	3	**0.06**
6.	Enactment of Regulation of the Minister of Industry of the Republic of Indonesia Number 08/M-IND/PER/2/2014 concerning the obligation for imported fertilizers to apply SNI & Regulation of the Minister of Finance of the Republic of Indonesia Number 6/PMK.010/2017	0.040	4	**0.16**

	concerning the imposition of import duty rates on imported fertilizers of 5 %			
7.	The government's commitment to give priority to gas supply for local consumption, especially the fertilizer industry as a strategic industry and competitive pricing through the Minister of Energy and Mineral Resources No. 40 of 2016	0.080	4	**0.32**
8.	Gasification technology can be used to produce fuel gas and synthesis gas as an alternative to gas fuel supply	0.010	2	**0.02**
9.	The role of holding fertilizers can increase bargaining power, especially in obtaining raw material supplies at more competitive prices	0.050	3.5	**0.175**
10.	There are no substitute products for inorganic fertilizers that have equivalent functions and productivity and the trend of developing complementary products for inorganic fertilizers in the form of organic fertilizers to increase agricultural productivity	0.080	4	**0.32**
Key External Factors **Threats**		**Weight**	**Rating**	**Weighted Score**
1.	Trends of socio-cultural change: - The trend of consumption of single fertilizers has decreased in the last 5 years. - The conversion of agricultural land is quite high, reaching 100 thousand ha per year for housing and industrial needs - The trend of declining agricultural sector workers is an average of 1.49% in the last 5 years, the largest is precisely in the productive age of 15-29 years with an average decline of 3.41%.	0.070	1	**0.07**
2.	Changes in the fertilizer subsidy scheme policy from indirect subsidies to direct subsidies through the use of farmer cards which will start tentatively in 2022.	0.120	4	**0.48**
3.	Imported NPK fertilizer using nitrate-based technology has better physical characteristics and homogeneity than the sulfate-based NPK fertilizer owned by PT Petrokimia Gresik.	0.020	3	**0.06**
4.	The tighter the threshold/quality standard for waste disposal required by the ministry of the environment.	0.030	2	**0.06**
5.	The downward trend in world commodity prices has caused imported fertilizer prices to be cheaper, fertilizer prices are strongly influenced by international raw material prices.	0.050	2.5	**0.125**
6.	Customers are price sensitive, customer loyalty is strongly influenced by price changes in the market.	0.020	3	**0.06**

7.	Suppliers have high bargaining power in determining supply, negotiation, and selling prices. The supply of raw materials, especially P and K elements, depends on the availability of natural resources located abroad (imports).	0.070	1.5	**0.105**
8.	Suppliers have the ability to carry out forward integration, namely entering the fertilizer business (ex: Jordan Phosphate Mines Company).	0.040	2	**0.08**
9.	Industrial sector customers, especially plantations, have carried out backward integration by building fertilizer production facilities independently (Wilmar, Astra, Agribert, Saraswanti, Makin, etc).	0.040	3	**0.12**
10.	Low customer switching costs, fertilizers contribute to the average total cost below 15 - 20% for food crops and horticulture and 10-15% for food crops of the total production costs.	0.030	1	**0.03**
11.	The threat of new entrants is quite high considering the ease of access to raw materials, technology, and location	0.010	3	**0.03**
Total		**1**		**2.96**

4.3. Internal External (IE) Matrix Analysis

After performing calculations using the Internal Factor Evaluation (IFE) and External Factor Evaluation (EFE) methods, it can be seen that the company's internal factors which include strengths and weaknesses have a weighted score of 2.97 which comes from the average sum of all internal factors. Meanwhile, external factors which include opportunities and threats have a weighted score of 2.96 which is the average sum of all external factors.

From the results of the IFE and EFE calculations, it can be seen that the strategic position of PT Petrokimia Gresik in the Internal External (IE) Matrix is located at coordinates (X; Y) 2.97; 2.96 in cell V. The strategic position in cell V is included in the Hold and Maintain category.

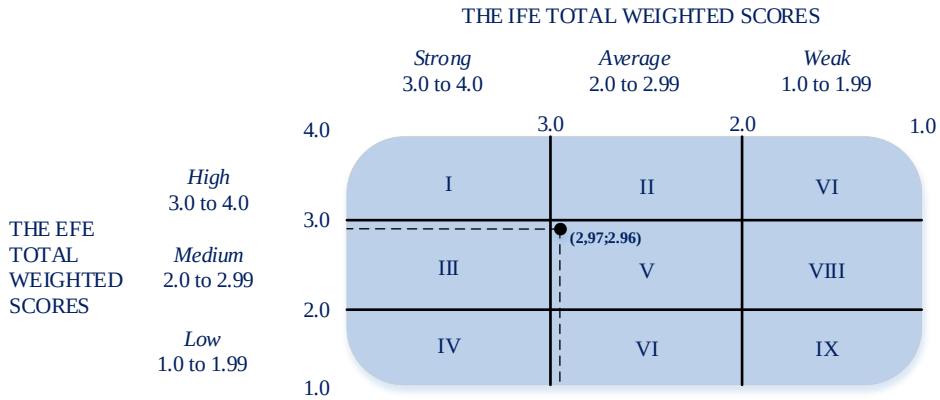

Figure 3. Internal External (IE) Matrix of PT Petrokimia Gresik

During the interview, the Director of Operations and Production of PT Petrokimia Gresik provided an overview of the company's strategic position: "we are trying to see what room for

improvement we still have, how we can increase our competitive advantage in comparison to others, and the efficiency of all kinds" (Jatiningsih, interview, 17 May, 2022). She explained that PT Petrokimia Gresik's current carrying capacity is becoming increasingly constrained. The company's resources, primarily land, infrastructure, and sources of raw materials, are currently diminishing, making it difficult for businesses to grow physically. Further, she said that "For me, the carrying capacity of the Petrokimia Gresik is becoming increasingly limited". Supportive infrastructure, land, and raw material resources. The point is that if Petrokimia Gresik wants to grow again in terms of adding new projects, it is not the current era for that to occur (Jatinigsih, interview, 17 May, 2022).

The results of the Internal Factor Evaluation (IFE) analysis of the company's weaknesses illustrate the inadequate supporting capacity of this infrastructure. The results of the evaluation indicate that the company's primary weaknesses are at least two factors: factories that are more than 30 years old and a high production capacity utilization rate of 93%. Thus, PT Petrokimia Gresik can increase sales in an effort to increase company profits by modernizing or constructing new factories. However, this contradicts land restrictions. 98 percent of the 450 hectares of land owned by PT Petrokimia Gresik have been utilized. Meanwhile, because PT Petrokimia Gresik is situated in the center of Gresik, the surrounding area is a residential neighborhood, making it impossible for the company to construct a new factory there. Therefore, another option is to construct factories outside of the area. However, this is not always possible due to the substantial investment required. Building a factory in a new location necessitates the construction of supporting infrastructure, such as roads, docks, and warehouses, as well as utilities, such as water, electricity, and steam.

The results of the External Factor Evaluation (EFE) analysis indicate that PT Petrokimia Gresik has a weak bargaining position with regard to the supply of raw materials, particularly P and K elements, which are highly dependent on imports. As stated by a resource person, Director of Operations and Production of PT Petrokimia Gresik, that "so for me now when we talk about the increasing demand for NPK, whether we will take it all or not remains to be seen. Hence, it is depended on carrying capacity, since land is limited, we must discuss upstream, and the beauty of Petrokimia Gresik is its integration" (Jatiningsih, interview, 17 May, 2022).

In light of these factors, the optimal strategy for the Hold & Maintain position is to employ an intensive strategy. This strategy demonstrates the company's efforts to gain a competitive edge through the expansion of existing products and markets.

PT Petrokimia Gresik possesses a significant amount of capital for the development of existing products, namely a research division with complete facilities that is the largest research division among the holding's other fertilizer factories. The introduction of Phonska Plus fertilizer is one of the concrete steps that PT Petrokimia Gresik has taken in order to develop its existing products. This product is a modification of an existing product, Phonska fertilizer, which has been on the market since 2000 and has therefore reached maturity in its product life cycle. From 2012 to 2020, Phonska fertilizer sales remained between 2.3 and 2.5 million tons annually, and there were no new distribution channels in the food crop segment. Phonska Plus product was introduced as a response to market demands, particularly in the segment of food farmers who desire high-quality, cost-effective products with high productivity.

PT Petrokimia Gresik must continue to research and develop its products in the future to meet the rising demand for increasingly diverse fertilizers among consumers (demand). NPK

fertilizer is a compound fertilizer that can be produced with location-specific properties (adjusted to soil nutrient status) and doses that correspond to the soil nutrient status of a specific region. Given the variety of plant species and soil characteristics in Indonesia, the potential for such customization is substantial.

So far, the majority of compound fertilizers sold by PT Petrokimia Gresik contained 15-15-15 N, P, and K, respectively. This fertilizer is specifically standardized to meet the needs of farmers in the government-subsidized food crop sector. In order for the plantation industry, particularly oil palm plantations, to import NPK fertilizer to meet its needs. Along with the government's plan to modify the fertilizer subsidy scheme, PT Petrokimia Gresik will have the opportunity to enter the plantation sector, which has not been fully exploited to date. For this reason, market penetration is required to implement an existing market development strategy. Companies hope that by entering the plantation sector, which has more demanding characteristics than the food crop sector, they will be able to sell fertilizers at higher prices and generate greater profits.

In an effort to penetrate the plantation sector market, PT Petrokimia Gresik possesses strong capital, including economies of scale of production capacity (economics of scale), variety of production (economics of scope), and fertilizer production technology with the advantage of operating flexibility, allowing it to produce a wider range of fertilizer formulas. PT Petrokimia Gresik has a fertilizer factory with a total capacity of 4.4 million tons per year, with the largest NPK fertilizer production capacity in Indonesia at 2.7 million tons per year. In addition, PT Petrokimia Gresik is the sole producer of phosphoric acid in Indonesia and also produces urea. As is common knowledge, Urea and Phosphoric Acid being two primary ingredients in NPK fertilizers that contribute N and P elements. Consequently, PT Petrokimia Gresik relies on imports for all of its supplies, as it cannot produce all but one element, namely K. Additionally, PT Petrokimia Gresik operates four NPK factories utilizing Steam Fusion Granulation technology. This facility's operational flexibility allows it to produce a wider variety of fertilizer formulations. PT Petrokimia Gresik possesses a sufficient competitive advantage to be able to compete in the plantation industry, as a result of its strong research & development and the advantages of economies of scale, economies of scope, and technology with operating flexibility.

4.4. Business Strategy Formulation

The formulation of PT Petrokimia Gresik's business strategy is carried out according to the Hambrick and Fredrickson strategy model using elements of the diamond strategy. Table 3 shows a summary of the elements of PT Petrokimia Gresik's diamond strategy based on the results of the analysis and interviews with interviewees that have been conducted previously.

Table 3. Summary of PT Petrokimia Gresik's Diamond Strategy Elements

	ELEMENTS OF STRATEGY	DESCRIPTION
1.	***ARENA*** *Where will be active (and with how much emphasis)?*	
a.	*Which product categories?*	Compound Fertilizer
b.	*Which market segments?*	Food Crops Sector

		Plantation Sector
c.	*Which geographic areas?*	Java and Outside Java
d.	*Which core technologies?*	Phosphate base
e.	*Which value creation stage?*	Manufacturing or production Distribution
2.	***VEHICLE*** *How will we get there?*	
a.	*Licensing or Franchising?*	Petromart
b.	*Internal Developments?*	*Operational excellence*
3.	***DIFFERENTIATORS*** *How will we win?*	
a.	*images?*	Social & Environmental Good product quality
b.	*Customizations?*	Market Oriented Fertilizer Formula
c.	*Price?*	*Affordable*
d.	*styling?*	*attractive*
e.	*Product Availability?*	Right quality, right quantity, right type, right place, right time, right price
4.	***STAGING***	
a.	*What will be our speed and sequence of moves?*	*Operational Excellence* Petromart. network development
5.	***ECONOMIC OF LOGIC***	
a.	*How we will obtain our returns?*	*Best cost strategy*

5. Conclusion

5.1. Conclusion

Based on the results of the analysis and discussion that has been carried out, the conclusions that can be drawn from this research are:

1) The strategic position of PT Petrokimia Gresik based on the Internal External (IE) Matrix analysis is at coordinates (X; Y) 2.97; 2.96 in cell V area. Thus, the strategic position of PT Petrokimia Gresik is Hold and Maintain.
2) In accordance with the strategic position, namely Hold and Maintain, the marketing strategy that can be developed by PT Petrokimia Gresik in order to win business competition as well as to win the market is an intensive strategy.
3) Intensive strategies that can be developed by PT Petrokimia Gresik include:
   a. Carry out existing product development, namely by making new development breakthroughs for existing products, namely Phonska fertilizer which has been circulating since 2000 so that it has entered a period of maturity in its life cycle. The product development is intended to meet the increasingly diverse and complex (demand) market demands according to the different needs of each market segment. In addition, product development is also important to maintain market share from competitors so that consumers are still interested in buying by offering new benefits from existing products.

b. Develop market (market development) by penetrating the market into the plantation sector. Market penetration is carried out to maximize the potential of the company in the form of economies of scale, economic of scope, and technology (operational flexibility) owned by PT Petrokimia Gresik as well as to capture the opportunities in this sector which are quite large. The plantation sector had the highest growth rate of 5.18% compared to other crop sectors, namely food and horticulture, which were only 2.1% and 1.7% for the last 5 years. This sector also has the third largest market potential with a total demand for NPK fertilizer of 2.2 million tons in 2017, where in that year the demand for the food crops sector and the horticultural crop sector was 4.3 million tons and 2.9 million tons, respectively.

4) Based on this intensive strategy, strategic elements are formulated based on the diamond strategy concept from Hambrick & Fredrickson as follows:

a. Arena

PT Petrokimia Gresik is more focused on producing fertilizers in the compound fertilizer category, namely NPK, rather than single fertilizers (N, P, or K only). The market segments targeted by the company are the food crop sector and the plantation sector. In marketing its products, the company will not only depend on its market on the island of Java, but will also develop a marketing network outside the island of Java, especially Kalimantan and Sulawesi, which have quite high growth outside the plantation area, averaging 5.46 %/year. In accordance with the targeted market segment, PT Petrokimia Gresik will focus on developing appropriate technology, namely Phosphate-based and having high operating flexibility to meet the needs of fertilizer formulas from various market segments.

b. Vehicle

In the manufacturing sector, with all the existing limitations, PT Petrokimia Gresik focuses its efforts by carrying out operational effectiveness in all business processes with the hope that the average cost per unit of the same product can be lower than competitors or in other words perform similar activities better than competitors.

Meanwhile in the distribution sector, in an effort to develop its direct distribution network (Petromart) PT Petrokimia Gresik can use the licensing or franchising model by cooperating with kiosks to become company partners.

c. Differentiators

To be able to win the competition in the fertilizer business, PT Petrokimia Gresik uses elements that are able to make a difference compared to competitors. From the image element, as a chemical company PT Petrokimia Gresik will continue to maintain the company's image by continuously building a harmonious balance between commercial/profit, social, and environmental interests, one of which is through the company's participation in the company's performance rating assessment program in environmental management (Proper) and corporate social responsibility (CSR) programs. In addition, a good product quality image in terms of the physical appearance of fertilizers, the suitability of nutrient content, and benefits for plant growth and production are the company's top priorities to ensure customer satisfaction. PT Petrokimia Gresik uses market-oriented production technology in the sense of having operating flexibility in an effort to meet the various fertilizer needs according to market segmentation. For

product packaging, the company ensures that product packaging is kept attractive and easily recognizable by consumers, provided that the main function of the packaging can be achieved. The distribution network system of PT Petrokimia Gresik ensures the availability of fertilizer in the market according to the right 6 (six) principles, namely the right type, the right quantity, the right quality, the right price, the right time and the right place. The company ensures that product packaging is kept attractive and easily recognizable by consumers with a record that the main function of the packaging can be achieved. The distribution network system of PT Petrokimia Gresik ensures the availability of fertilizer in the market according to the right 6 (six) principles, namely the right type, the right quantity, the right quality, the right price, the right time and the right place. The company ensures that product packaging is kept attractive and easily recognizable by consumers with a record that the main function of the packaging can be achieved. The distribution network system of PT Petrokimia Gresik ensures the availability of fertilizer in the market according to the right 6 (six) principles, namely the right type, the right quantity, the right quality, the right price, the right time and the right place.

d. Staging

The first concrete step that needs to be taken by PT Petrokimia Gresik is to implement operational effectiveness in all of its business processes. This is done by implementing best practices in all lines of business processes, whether in production, marketing, distribution, sales, even supporting units, and so on. At the same time, PT Petrokimia Gresik has gradually developed its direct distribution network system through Petromart outlets so that it can reach at least every district in East Java.

e. Economics of Logic

PT Petrokimia Gresik uses a best-cost-based strategy to be able to get returns according to shareholder expectations. This strategy is in accordance with the advantages that the company has in terms of economies of scale and economics of scope. This strategy focuses on the company's efforts to be able to provide affordable prices for its target market segment in the food crop sector and plantation sector while still emphasizing the quality of fertilizer products that are good in terms of the physical appearance of fertilizers, suitability of nutrient content, and benefits for growth and production plants so as to provide satisfaction for its customers.

5.2. Managerial Implications

1) In order for the strategy to be executed properly, PT Petrokimia Gresik needs to translate the company's vision, mission, and strategy into measurable strategic initiatives. Companies need to make a strategy map as a tool to describe strategic goals and measures of success to all elements of the company's work units that are built based on the balanced scorecard (BSC) structure. This is important and serves as a guideline for all elements of the work unit so that it can be aligned with the company's business strategy as well as synergize to achieve company goals.
2) Competitor analysis produces competitor mapping that the company can use to determine strategic steps against its competitors.

a. The results of competitor analysis show that private fertilizer companies such as PT. Sentana Adidaya Pratama (SADP) Wilmar Group, PT Agri Timur Mas (Agrifert Malaysia Group), PT Saraswanti Anugerah Makmur (Saraswanti Group), PT Hanampi Sejahtera Kahuripan (Makin Group) have a low degree of market commonality and resource similarity so they are ideal targets. The strategic step of PT Petrokimia Gresik to penetrate the market into the food crop sector is the right thing. The private company is unlikely to respond to this strategic move.
b. Meanwhile, PT Yara Indonesia (Yara International ASA Group) has a fairly high degree of resource similarity. If PT Petrokimia Gresik takes a strategic step by penetrating the horticultural crop market sector, then PT Yara Indonesia (Yara International ASA Group) has a tendency to be able to respond to this strategic step. Thus, the company's decision to focus on the food crops and plantation crops sector is the right one.

5.3. Operational Implications

In line with PT Petrokimia Gresik's steps to implement operational excellence in all of its business processes, the company needs to evaluate its value chain and supply chain in order to be able to provide more added value while being expected to reduce costs so that company operations can be more efficient.

Resource analysis shows that there are no resources that meet the VRINE criteria so that they have not been able to produce sustainable competitive advantages. PT Petrokimia Gresik needs to optimize its resources and capabilities in order to be able to produce better performance than the industry average.

5.4. Theoretical Implications

This research produces theoretical implications that support and strengthen the theory put forward by M Porter that operational excellence is not enough to win the competition. The company must have a unique and valuable positioning. PT Petrokimia emphasizes that operational excellence is a very important capital in an effort to win the competition in the fertilizer business business. PT Petrokimia Gresik also has a clear strategic positioning based on needs-based positioning, namely consumers in the food crop sector and the plantation sector, who have different needs.

5.5. Suggestion

This research is only the first step in formulating corporate strategy at the business strategy level. In order for the strategy to be implemented properly, it is necessary to carry out further research to formulate strategies at the functional level in accordance with the company's functional activities in the fields of operations, marketing, sales, human resource management and others. In addition, in connection with PT Petrokimia Gresik's long-term plan to expand its business by diversifying into the agronomic base industry, it is necessary to conduct further research to examine the company's strategy at the corporate level.

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