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Marketing Strategy Using Porter's Five Force Model Approach: A Case Study of PT. M-150 Indonesia

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ABSTRACT

The right strategy is an absolute necessity for a company. This study aims to formulate the right marketing strategy with the Porter's Five Force approach, namely rivalry among competing firms, Bargaining power of customers, Bargaining power of suppliers, Potential development of substitutes or substitution products, and potential entry of new competitors. The research uses qualitative methods based on interviews to gather information. Interviews were conducted with the general manager, national sales manager, logistic manager, and marketing manager to ensure that the information complete. Results show that currently, PT M-150 Indonesia has a weak positioning compared to competitors' products. PT M-150 Indonesia has not been able to distribute its products to all layers of the market and M-150 products get a negative perception in society that these products will harm health. With these results, it is concluded that the right strategy to use is a strategy to create new value so that product positioning is stronger, strengthen distribution channels so that products are available in the market, besides that, socialization must be carried out by PT. M-150 Indonesia to eliminate negative perceptions of the product.

1. Introduction

The era of global competition, downsizing, growing markets, increasing compatibility technology, convergence technology communication, as well as various competitive challenges, require companies to be innovative and creative in developing strategies to win the competition (Rangkuti, 2009). Although basically every product has a competitive advantage, it is not uncommon for many products to lose competitiveness in the market because they are unable to compete with competitors (Maristia et al., 2020). The survival and success of a company depends on the company's ability to monitor and adapt to its internal and external business environment (Tan & Tan, 2005).

The improvement in Indonesia's economic growth is getting better, placing Indonesia as a feasible country to invest in, especially when Indonesia has succeeded in getting the title as an investment-worthy country. The market development in Indonesia is certainly attractive to foreign investors. One of them is Osotspa Co. Ltd. Osotspa is a Thai company whose products are energy drinks under the M-150 brand, which are sold in bottles and cans. Osotspa entered Indonesia by establishing M-150 Indonesia as a subsidiary that has been operating since 2002 and distributes energy drink products under the M-150 brand. In other words, M-150 is the holder of import rights for M-150 products in Indonesia, both in bottles and cans.

Sales is one measure of the marketing performance of a company or business unit. The low marketing performance indicates the strategy being implemented is not going well (Safitri & Fajrin, 2019). Overtime, sales of product distribution increased by ± 7% between 2017-2019 but this increase was not followed by an increase in sales to consumers which were only ± 1%. This situation results in a high pile of product stock at the distributor which indirectly results in product expiration. In the end, the product will be returned to the company in a condition that is not suitable for sale. This results in the costs incurred by the company to ensure the products on the market are still fit for consumption to increase with the return of products from distributors because the company has to pay for the destruction of products and the cost of disposing of product waste.

Therefore, the company must be able to implement the right strategy to anticipate this to mitigate bad effects in the future. Porter's Five Force Model approach is expected to identify the right marketing strategy for M-150 Indonesia to be able to increase sales of its products to the public so that it will indirectly increase company profits.

2. Literature Review

Strategy is based on change, that is, if there is no change in the global environment, any strategy need not be reformulated (Wu, et al.,2012). Porter (2007) stated strategy is the creation of a unique and valuable position, involving a different set of activities. The essence of strategic positioning is to choose activities that are different from rivals. The strategy is making trade-offs in competition, the essence of strategy is choosing what to do. The strategy is to create fit among a company's activities. The success of a strategy depends on doing many things well–not just a few – and integrating among them. David (2009) revealed that strategy is a shared medium with long-term goals to be achieved. Meanwhile. Hill & Jones (2008) mentioned strategy is a series of related actions needed by managers to improve company performance. Strategic leadership is about how to most effectively manage the strategy-making process to generate a competitive advantage where managers decide and implement strategies to gain a competitive advantage. Marketing is an Organizational Function and a series of processes of creating, communicating, and providing value to customers to manage customer relationships in a way that benefits the organization and the parties interested in the organization (Saleh, 2019). Marketing strategy according to Kotler (2012) is a marketing logic where the company hopes to create value for customers and can achieve profitable relationships with customers. A marketing strategy is a plan that describes the company's expectations of the impact of various marketing activities or programs on the demand for its product or product line in a particular target market. Companies can use two or more marketing programs simultaneously because each type of programs such as advertising, sales promotion, personal selling, customer service, or product development creates a diverse effect on demand. Therefore, a mechanism is needed that can coordinate marketing programs so that they are aligned and synergistically integrated. This mechanism is known as a marketing strategy. Generally, the best marketing opportunities are obtained from efforts to increase primary demand, while the best growth opportunities come from efforts to expand selective demand. (Kotler, 2012).

The five forces model has been one of the most influential frameworks for strategic management (Lee, et al, 2012). According to Porter, the nature of competitiveness in certain industries can be seen as a combination of five forces:

Rivalry among competing firms

Competitive rivalry refers to the strength of competition in an industry (Barutcu & Tunca, 2012). Competition between companies engaged in the same field usually has a huge impact on the design of a strategy. A strategy carried out by one company can only be successful as long as it has a competitive advantage over the competitor's company strategy.

Changes in strategy by one company can be replicated by another, such as lowering prices, improving quality, adding features, providing services, extending warranties, and improving advertising. This is a very important thing to consider because every consumer has access to information on the desired product (David, 2011). Competition in the industry tends to increase when the number of competitors increases, when competitors are more equal in size and capability, when demand for industrial products decreases and when price discounts become prevalent (Achmad, 2020)

Bargaining power of consumers

The Bargaining power of consumers can be the most important force affecting competitive advantage (Hartono, 2012). The bargaining power of buyers is seen from the high purchases from buyers in the company, the differentiation of the company's products, and whether or not there are transitional costs that will be incurred by the buyers (Ongkowijaya, 2019). When group buyers or big buyers buy in large quantities, their bargaining power is the main force affecting the intensity of competition in an industry. Competing firms may offer extended warranties or special services to gain customer loyalty whenever they encounter considerable consumer bargaining power. The bargaining power of consumers is also higher when the product purchased is standard or undifferentiated. In these cases, consumers can often negotiate a wider range of sale prices, warranty coverage, and accessory packages. The bargaining power of consumers can be a driving force that affects competitive advantage (David, 2011).

Bargaining power of suppliers

Suppliers are the businesses that supply materials & other products into the industry (Ucmak & Arslan, 2012). The Bargaining power of suppliers affects the intensity of competition in an industry, especially when supplying large quantities, a limited good substitute for raw materials, or very expensive costs for replacing raw materials. Often in the mutual interest, suppliers and manufacturers help each other with fair prices, improved quality, new service development, on-time delivery, and reduced inventory costs, thereby increasing long-term profitability for all parties (David, 2011).

Potential development of substitute products

The threat of substitutes refers to the competition that is created in the market by substitute products and when the buyer faces a choice between products that can potentially offer the same level of utility (Goyal,2020). The availability of substitute products in the market makes buyers compare the quality, performance, and price of the product with the substitute product (Yunus, 2016). In many industries, companies compete fiercely with manufacturers of substitute products in other industries. An example is a plastic packaging manufacturer that competes with a manufacturer of glass, paperboard, and aluminum cans. The high level of competition stemming from the development of substituted products is generally evidenced by the competitors' plans to increase production capacity, as well as their sales and profit growth. Competitive pressures arising from substituted products increase along with the decrease in relative prices of substituted products and a decrease in consumer switching costs. The competitive strength of substituted products is best measured by the entry into the market share that the product obtains, as well as the company's plans to increase capacity and market penetration. (David, 2011).

Potential entry of new competitors

When a new company can easily enter a certain industry, the intensity of competitiveness between companies increases. Barriers to entering the industry competition include the urgency to rapidly gain economies of scale, the need to acquire specialized technology and knowledge, inexperience, strong customer loyalty, strong brand preference, large capital requirements, lack of adequate distribution channels, government regulatory policies, regarding tariffs, lack of access to raw materials, patent ownership, undesirable locations, and potential market saturation. Despite the many barriers to entry into the industry, new companies sometimes enter the industry with higher quality products, lower prices, and substantial marketing resources. (David, 2011).

3. Methods

The research was conducted at PT M-150 Indonesia. The research method that I use is to use qualitative methods. Qualitative research descriptive is the process needed to understand human or social problems based on complexity, overview, words, reports containing information and natural occurrences (Affifudin & Sabani, 2012). The primary data collection method used is by conducting interviews with the General Manager, Logistic Manager, Marketing Manager, and National Sales Manager. According to Esterberg in the book Sugiyono (2013) an interview is a meeting of two people to exchange information and ideas through question and answer, so that meaning can be constructed in a particular topic. Data analysis is using 3 stages, namely data reduction, data presentation, and conclusion.

4. Results

Rivalry among competing firms

Based on data acquired by researchers, the energy drink market in Indonesia is dominated by 6 (six) brands of energy drinks, where Kratingdaeng is the market leader with 68% control, while M-150 only controls 13% in second place and Hemaviton in the third position with 9 %. The domination of market share by Kratingdaeng creates a very wide sales gap compared to the M-150 even though it is the second product to dominate the energy drink market. This situation forces the M-150 to determine the right strategy to increase market share to reduce Kratingdaeng's domination. Kratingdaeng is currently implementing a very large promotion, seen from the advertisement broadcast on national television and attracting several public figures to promote its products. Kratingdaeng also implemented a more tempting promotion than the one carried out by M-150, for example, if M-150 held a promotion of buy 25 cartons get 1 free carton, then Kratingdaeng held a promo of buy 12 cartons get 1 free carton. This is certainly a display of attractive bargaining power for consumers.

Bargaining power of consumers

All energy drink products on the market contain vitamins and compositions that are almost the same as each other. Currently, energy drink products have a strategy of competing to provide the cheapest price to attract consumers to the product offered. The M-150 is currently selling at Rp. 4.500 per bottle, Kratingdaeng for Rp. 7.000 and Rp. 6.000 for hemaviton products. With this price difference, consumers have the freedom to choose which products to buy. Also, the ease of obtaining goods is a matter of consideration for consumers to buy these products. From the research results, Kratingdaeng products are easier to obtain by consumers compared to M-150 products. Kratingdaeng distribution covers almost all types of distribution channels. Both general trade and modern trade, Kratingdaeng has succeeded in distributing its products. Unlike the distribution of the M-150, the M-150 product is currently more available in general trade, and only in a few minimarket outlets in certain areas. Suryanto (2016) states that if a product is not evenly distributed, it will make it difficult for people to get the product. In the long term, various kinds of difficulties in getting the product will make consumers switch to other brands.

Bargaining power of suppliers

The M-150 is an imported product from a Thai company, Osotspa, Ltd. It can be said that M-150 Indonesia has exclusive rights to the marketing and distribution of M-150 products in Indonesia. With this advantage, no other company can market M-150 products without approval by PT M-150 Indonesia. Another advantage is that PT M-150 Indonesia will not be affected by the scarcity of raw materials that often occurs and results in product scarcity on the market.

Potential development of substitute products

Energy drink products on the market do not only compete with similar products. With the negative perception by the community that energy drinks can damage health, consumers prefer other beverage products such as mineral water or isotonic water even with vitamin C products that are considered by the public to have a more beneficial impact on health. This is of course related to the current lifestyle of society that prioritizes health. Lifestyle is a behavior that reflects the real problems that exist in the mindset of customers which tend to be mixed with various things related to consumer emotional and psychological problems (Setiadi, 2019). Based on the research conducted, with the existence of negative perceptions in society regarding the impact of energy drinks, the sales of M-150 products may be more influenced by substitute products than similar products.

Potential entry of new competitors

The energy drink market can be said to be a market that has no capital or asset limitations that a company must have to market energy drink products. The biggest obstacle for newcomers is only obtaining a distribution permit from BPOM or a halal certificate from LPPOM MUI. This means that a new product must go through a series of laboratory tests to ensure that the product is safe for the community and does not deviate from the standards set by BPOM, which provides energy not less than 300 Kcal (KepDirjen POM RI No 02240/B/SK/VII/91). Regarding the halal label, the products that will be marketed in Indonesia are not obligated to have a halal certificate, it's just that as a market with a Muslim majority, products with a halal label will have a bigger market choice compared to products that are not certified with a halal label. Currently, M-150 is registered with LPOM MUI with registration number 00120063051012 and is safe for consumption with a distribution permit from BPOM SI034604541 for bottle packaging. and SI044613841 for cans.

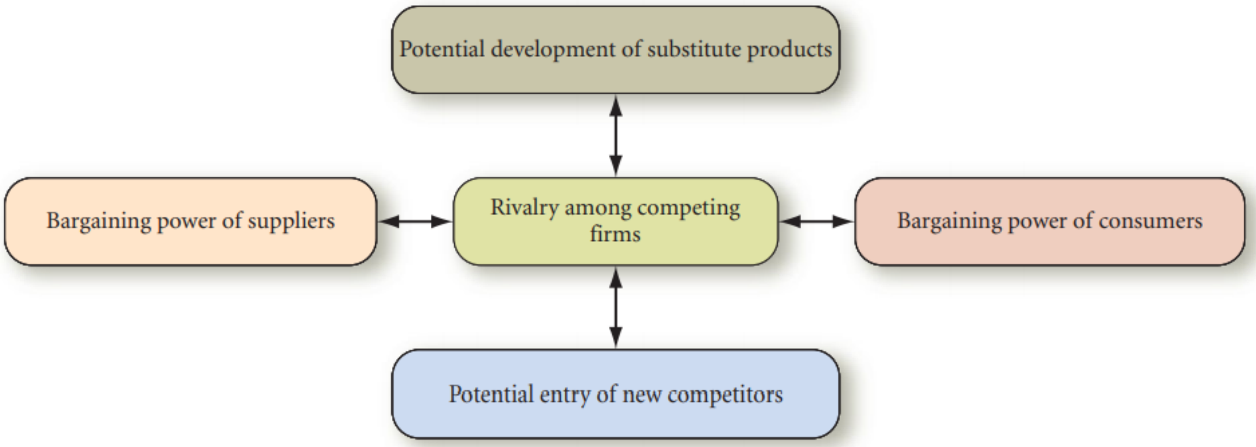

Figure 1. Porter's Five-Forces Model
Source: Fred David (2011)

5. Discussion

Based on the above analysis, marketing strategies that will be applied by M-150 Indonesia in marketing its products will determine whether the product can be accepted by the community or not. In the context of competition between similar companies, the M-150 must be able to make products that have a distinct and clear positioning from its competitors so that consumers can quickly differentiate M-150 products from competitors' products. Although currently, the M-150 offers the cheapest price, it does not guarantee consumers to choose the M-150 product for consumption. This also illustrates that consumers have great bargaining power in choosing products. Consumers will choose products that are considered to have a better impact than other products and that is what will dominate the energy drink market. Likewise, with the competition with substitute products, the image of energy drinks which is currently considered negative by the public must be changed immediately, the marketing strategy established must be able to educate the public that energy drinks do not harm the body if consumed following consumption regulations both in terms of quantity and how to consume these products. The right marketing strategy if implemented properly will also have a positive effect on the progress of the company both in the energy drink industry and in the beverage industry competition. Also, the improvement of distribution channels for M-150 products is paramount, not only to ensure the product is on the market but also as a means to sell products to all levels of consumers.

6. Conclusion

Currently, the company sets a strategy with a focus on price. This strategy proved ineffective because it failed to make the company dominate the energy drink market share and have a very wide market share gap with market leaders. The competition between energy drink companies is quite fierce, so the company must make a clear positioning to be able to make the products have a clear distinction from competitors' products. The process of improving distribution channels must be carried out immediately to ensure consumers can easily get products and prevent the absence of product stocks in the market. Negative perceptions that develop in society must be immediately eliminated, this will also have an impact on the sales of energy drinks as a whole, and M-150 products in particular. By changing people's perceptions of energy drinks, it is hoped that the energy drink market will grow larger.

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