

Implementation of Swot Analysis in Determining Strategy at PT HAN

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Abstract

The expedition industry has been experiencing rapid growth because of the increase on purchase online that generates higher demand on distribution services. PT HAN operating in the industry is however has experienced a continuous sales decline. This research is aimed at determining effective strategy for PT HAN to increase its sales. Interview with the key informants in the company was to explore the information on strategy formulation. A list of questions formed according to the strategy formulation process in strategic management was prepared as guidance. The interview transcription was the data to be analyzed using SWOT matrix to identify alternative strategies that are effective for the company to increase its sales. This alternative strategies resulted are to implement home services, to increase the number of branches, to rejuvenate the armadas, to regenerate the business, and to create a tracking system. It is estimated that the company can grow the business by implementing the strategies.

Keywords: expedition industry, strategy planning, IFE matrix, EFE matrix, SWOT matrix.

INTRODUCTION

Strategy is important for a company to continuously grow its business as it indicates a long-term plan to deal with the competitive environment directed to achieve the company goals (Pearce II & Robiinson, 1997). It is the most important and primary tool that determines the success of a company in particularly a competitive environment. It can direct the company to be superior to the competitors.

An expedition company must create strategies for being able to deliver superior services to the competitors. It is a vital business in the distribution channel as its services are

expected to accelerate and facilitate the distribution of goods from sellers to buyers. Its role has been becoming significant in the era in which online transactions are growing in numbers. The expedition service facilitates the delivery of the purchased goods from sellers to buyers who do not meet each other directly. It is however required to meet the standards in each distribution process starting from the production, collection, distribution, retail, and end users (Arif, 2020).

PT HAN is a company providing expedition services. It sends packages from a city to another that are managed from 12 branches and 23 agents spread across the islands of Java and Bali. The branches are in Jakarta, Bekasi, Bogor, Cirebon, Semarang, Tegal, Pekalongan, Kudus, Ungaran, Purwokerto, Magelang, Solo, Yogyakarta, Jember, Malang, Surabaya, Sidoarjo, and Denpasar. The basic duty of branches and agents is to receive packages and deliver them to the destined address. A branch distributes packages to agents according to their area of responsibility. On the other way, an agent must sent the packages received from the customers in their offices must be directed to the branch having responsibility to the area in which the agent operates before the packages are distributed to the relevant agents. In addition to delivery services, PT HAN also provides rent of maximum 12-ton box trucks and 25-35 ton open pickup trucks. Customer satisfaction has become the company's concern.

The company's revenue had been continuously increasing during 2014-2019. However, it experienced decrease in the revenue in the year 2020 to 2022 by respectively 24%, 0.9%, and 17.67%. The number indicates the influence of the Covid-19 pandemic reflected in significant drop of the revenue and the ability of the company to sustain the business indicated by lower drop of the revenue. During the pandemic, the company did not lay off the employees and did not reduce their salary. This was to show its concern to the employees and their

family's life. Even though the company had decided to be financially independent since 2016, it had to take bank loans in 2020 to cover the operational costs including the salary.

PT HAN had implemented several actions since the start of the Covid-19 pandemic by for example offering free pick-up service, collaborating with business clients by offering special price, lowering the price per kilo, giving out promotional materials such as glasses to restaurants in each city it operates, improving the company's internal system, and installing GPS on every truck it has. In 2022, PT HAN optimized the use of digital marketing by updating the company's website for promotion and communication media to consumers, increasing popularity on Google Search so that more consumers know about the company, and using social media more actively. These actions had not yet been able to bring up the revenue to the level as those before the pandemic.

In addition, the competition had becoming fierce. The competitors such as Kobra Express, Indah Kargo, and Dakota Kargo had competed in offering very low price even though it destroyed their profit margins. The threat also came from JNE, JNT, Sicepat, and Paxel. They providing services for delivering small packages entered to the cargo business in which PT HAN has been operating. The intense competition urge PT HAN to have strategy that can make the company to have superiority to the competitors. This study aims to determine effective strategy that enables PT HAN to provide better service than the competitor and to leverage the revenue.

The results can be the insights for the management of PT HAN on the possible strategies to be implemented for leveraging the business. They may also be alternative for other similar companies to consider the strategies for their choice.

LITERATURE REVIEW

A successful company usually has good, focused, and precise strategy according to the conditions the company is facing (Rangkuti, 2008) including the competition. Competition significantly influences the success of a business as it determines feasibility of the company's actions contributing to its performance such as innovation, cohesiveness, and good implementation. Competitive strategy directed to find competitive position that benefits the company in the competitive industry aims to build favorable and sustainable position against the power determining the rivalry of the industry (Porter, 1998). It can help in reversing ineffective or doubtful choices to be beneficial ones and in considering the benefits of strategic choices. A company can choose the right one among the four possible choices to compete with others in the industry. The choices cover integrative strategy, intensive strategy, diversification strategy, and defensive strategy (David & David, 2018).

Strategic planning leads to customer satisfaction and thus becomes the focus on managing the company. It is necessary to choose the right strategy to be implemented in a company for it can survive and grow. Strategic planning consists of three important stages: strategy formulation, strategy implementation, and strategy evaluation (Solihin, 2012).

The strategy formulation process consists of three stages: input stage, matching stage, and decision stage (David & David, 2018). In the first stage, the strategist identifies the basic information needed to form an external factor evaluation matrix (EFE matrix) and an internal factor evaluation matrix (IFE matrix). The EFE matrix consists of opportunities that can benefit the company and threats that can harm the company. The opportunities and threats can come from the external factors such as political, economic, social, technological, environmental, and legal conditions. Meanwhile, IFE covers the company's strengths and weaknesses in terms of management, marketing, finance, human resource, and operations.

The matching stage aims to generate viable alternative strategies. The alternatives are achieved by creating viable alternative strategies by aligning internal and external factors. The match between internal and external factors is an important success factor and is the key to effectively creating suitable alternative strategies. There are several strategic tools available to create alternative strategies. One of them is the strengths-weaknesses-opportunities-threats (SWOT) matrix. Using SWOT matrix, managers can use the potential to maximize strengths and opportunities while minimizing weaknesses and threats (Cahyawati et. al., 2016). The matrix produces four types of strategies, namely SO (strengths-opportunities) strategy, which leverages a company's internal strengths to take advantage of external opportunities; WO (weakness-opportunity) strategy, which is used to improve internal weaknesses based on existing external opportunities; ST (strength-threat) strategy, which uses the company's internal strengths to avoid or reduce the impact of external threats; and WT strategy (weaknesses-threats), in which the company will carry out a defensive strategy to reduce internal weaknesses and avoid external threats.

The decision stage is aimed at selecting a strategy based on the results of the input stage and the matching stage. The strategy is considerably effective as it has already taken into account the internal and external conditions affecting the business.

METHODS

Interviews was used to explore information from the five key informants covering director/leader, operational manager, financial manager, marketing manager, and HRD manager. Before the interview, an appointment was made with each informant. The interviews were conducted individually for each informant in the company office, was recorded using a

cell phone, and took approximately one hour each. A list of questions was prepared as a guide for the interview so that there was no information is missed.

Each interview was transcribed and then was coded (Agustini, 2013) into strengths, weaknesses, opportunities, and threats. Then the results were conveyed back to the five informants for confirmation. If there were no correction, they were then asked to give their valuation in relation to weight and rating of each factor identified as strengths, weaknesses, opportunities, and threats following (David & David, 2018). The weight valued 0.0 to 1.0 was assigned respectively by each manager. The rate was assigned in a discussion between the five informants. They put rate for each factor indicating strengths and weaknesses by assigning 1-4 in which 4 = strong response (above average) – major strength; 3 = average response – minor strength; 2 = less strong response (below average) – minor weakness; and 1 = response is very small / weak (poor) - major weakness. Meanwhile, factors indicating opportunities and threats were assigned 1 – 4 in which 4 = strong response (above average) – high odds; 3 = average response – low chance; 2 = less strong response (below average) - moderate threat; and 1 = very small/weak response (poor) – strong threat.

The next step is to multiply the weight with the rate of each factor to get the weighted score of each factor. The sum of the weighted scores was then calculated. It must be 1.0 - 4.0 and the average is 2.5. The sum of the weighted scores of opportunities and threats to know effectiveness of the company's strategies in optimizing the opportunities and in minimizing the threats. If the calculated score is more than 2.5, it indicates strong, otherwise is weak. The total weighted score of strengths and weaknesses indicates how strong or weak the company against the competitors. If the score more than 2.5, it indicates that the company has a strong internal position, otherwise it is internally weak.

The result on the external and internal analysis was matched using a SWOT matrix. Here, the opportunities and threats from the external condition as well as the strengths and weaknesses from the internal condition were matched each other to know strategies that can be classified into four types (Cahyawati, Sulistyarini, & Swara, 2016): SO strategy (strengths-opportunities) which leverages a company's internal strengths to take advantage of external opportunities; WO (weaknesses-opportunities), which is used to improve internal weaknesses based on existing external opportunities; ST (strengths-threats), which uses the company's internal strengths to avoid or reduce the impact of external threats; and WT (weakness-threat) in which the company carries out a defensive strategy to reduce internal weaknesses and avoid external threats. The alternative strategies were selected according to its contribution to achieve the company's goals.

RESULTS

External Environment Analysis

The interview revealed that majority of the consumers are loyal. PT HAN has served several large companies in Indonesia such as Lock & Lock, Matahari Dept Store, Rider, House of Donatello, Elizabeth, Shoes Buccheri, Ardiles Shoes, Gramedia, Ando, Indomarco and Duniatex for about 15-20 years. This indicates that they are loyal consumer to PT HAN. The size of the business consumers also indicates that PT HAN gains market share that is relatively high. In addition, the demand on the expedition services is growing due to the increase on online shopping and the development of the e-commerce market in Indonesia.

On the other hand, PT HAN encounters increasing competition. The competitors are those engaged in the expedition services in especially large-sized goods such as boxes and sacks. Several others such as JNE and JNT have started to explore cargo packages in which

PT HAN has been in it. The new comers offer the services at competitive prices, have considerably good service quality, and apply a completely digitalized system. The management of PT HAN remains committed to having superior services than its competitors by for example providing free pick-up service, offering competitive prices, and maintaining on-time delivery.

Table 1 presents opportunities and threats faced by PT HAN in which each was weighted almost equally. The opportunity factors were given a rate of 4, which means that there are opportunities that most likely to be implemented at PT HAN. The threat factors were given a rate of 2 on average, which means that the factors are not a big threat for PT HAN. The total weighted score resulted in 2.84 (above 2.5) which indicating that PT HAN's ability to respond to the external conditions is strong. It can be stated that PT HAN is able to face or respond to the existing external conditions by taking advantage of the existing opportunities and avoiding the threats faced by the company.

Table 1. EFAS Matrix

No	Factor	Weight (W)	Rate (R)	Weighted Score (W x R)
Opportunity				
1	Large market share	0.16	4	0.62338
2	Increasing online-based business	0.18	4	0.72727
3	Increasing customer loyalty	0.17	4	0.67532
Threat				
1	Fierce competition between expeditions	0.17	2	0.33766
2	Many new expeditions engaged in cargo packages	0.17	1	0.16883
3	Other expeditions have promotions and lower prices	0.16	2	0.31169
Total		1.00		2.84416

Internal Environment Analysis

Table 2 presents the strengths and weaknesses identified from the interviews. According to the informants, PT HAN serves the customers in a friendly, courteous manner, with the aim to make consumers happy. This is considered as the strength of the company. Friendly service is very important to build a good relationship between the company and its customers, can increase customer satisfaction, build customer loyalty, and enhance the company's image.

The competitive prices offered by PT HAN is considerably the company's strength. In accordance to the reasonable package price per kilo, PT HAN does not give sales promotion like those done by JNE Cargo and JNT Cargo. In addition, PT HAN also had advantages over other competitors on its free pick-up service that other competitors did not have. The competitors charge an additional fee of Rp50,000. The pick-up service fee is included in the package delivery fee aiming to increase the customer loyalty.

On-time delivery is noticeably the strengths as it is important for customers and thus can create customer trust and satisfaction. Timely delivery is also very important to maintain the company's reputation. If there are problems that cause late delivery, PT HAN will definitely notify the customer or recipient and provides an adequate solution.

In addition, PT HAN relies on the SOP (Standard Operating Procedure) in providing its services. Well implementation of the SOP assists the company in carrying out its operations effectively and efficiently and minimize errors and losses that occur. This also results in customer trust and satisfaction.

The next strength is PT HAN's ability to survive and develop the business in the long term even in the difficult or dynamic situations. PT HAN has been established since 1996 and

it was able to survive during the Covid-19 pandemic and still exists until now. The ability to survive is significantly important for business continuity.

Table 2. IFAS Matrix

No	Factor	Weight (W)	Rate (R)	Weighted Score (W x R)
Strength				
1	Friendly service to customers	0.09	4	0,375
2	Competitive prices	0.08	3	0,243
3	Free pick-up service	0.09	3	0,262
4	On time (fast) delivery	0.09	4	0,338
5	Well-run SOP	0.08	3	0,244
6	Firm survivability	0.08	3	0,225
Weakness				
1	Few branches	0.08	2	0,150
2	Lack of rejuvenation of armadas	0.08	1	0,075
3	Lack innovation of the human resources	0.09	1	0,088
4	Lack of sales promotion	0.08	2	0,163
5	Manual payment system	0.09	2	0,188
6	No tracking system	0.08	2	0,150
Total		1.00		2.5375

In addition to strength points, PT HAN also has several weaknesses. PT HAN has 12 branches and 23 agents, the number is arguably less than those of other competitors. There has been only one branch in the city in which its headquarter is located and the headquarter office is located in a less strategic location that causes limitations in increasing market share in a wider area. This thus makes the company could not compete with other companies that have a wider range of market share.

The large number of armadas that are lack of rejuvenation is the weakness identified by the informants. The armadas are relatively old and have not been updated or renewed regularly. Such conditions can cause several problems: (1) higher safety risks due to technical failures that could lead to accidents or other incidents; (2) higher maintenance costs for

maintaining and repairing costs of old armadas than those for newer ones; and (3) poor efficiency in terms of fuel and performance of the under-rejuvenated armadas.

Another weakness relates to the human resources. Since they have entered on average retirement age (55-60 years old), they are more likely to do the routines and are unable to create new ideas or make significant changes. They are lack of innovations.

PT HAN is also lack in doing promotion. The promotion conducted was by distributing glasses and calendars to several busy restaurants in the cities it has its presence. This kind of promotion limits people to know about the company.

PT HAN still uses a manual system in carrying out its operations. This has created problems such as manipulation of package receipts and difficulty in tracking and recording the transactions made with cash. In addition, PT HAN has no tracking system and the tracking is conducted manually using WhatsApp to the Headquarter. This causes difficulties for consumers to track their goods compared to other competitors that already use digitalized system.

Referring to table 2, it can be noted that the strengths and weaknesses of PT HAN weighted relatively the same and are considerably minor strengths (majority of rate 3) and minor weaknesses (the rate is 2). The calculation of weighted score results in 2.53 indicating PT HAN is in a strong position.

Alternative Strategies

Matching the external and internal conditions results in the alternative strategies presented in table 3. This creates seven alternatives strategies for PT HAN. If it is possible, the company can implement all the strategies or otherwise choose some that are considered as effective according to the conditions faced by the company.

Table 3. SWOT Matrix

	<p>Strength (S)</p> <ol style="list-style-type: none"> 1. Friendly service to customers 2. Competitive prices 3. Free pick up service 4. On-time (fast) delivery 5. Well-run SOP 6. Firm survivability 	<p>Weakness (W)</p> <ol style="list-style-type: none"> 1. Few branches 2. Lack of rejuvenation of armadas 3. Lack innovation of the human resources 4. Lack of sales promotion 5. Manual payment system 6. No tracking system
<p>Opportunity (O)</p> <ol style="list-style-type: none"> 1. Large market share 2. Increasing online-based business 3. Increasing customer loyalty 	<p>SO Strategy</p> <p>Home service (free pick up service, on-site packaging, and on-site payment) (S2,S3,O1,O3)</p>	<p>WO Strategy</p> <ol style="list-style-type: none"> 1. Add branches (O1,O2,W1) 2. Rejuvenate the armadas to increase customer loyalty (O3,W2)
<p>Threat (T)</p> <ol style="list-style-type: none"> 1. Fierce competition between expeditions 2. Many new expeditions engaged in cargo packages 3. Other expeditions have promotions and lower prices 	<p>ST Strategy</p> <p>Increase quality of service (T1,S1,S4)</p>	<p>WT Strategy</p> <ol style="list-style-type: none"> 1. Create sales promotion to deal with the intense competition (T1,T3,W4) 2. Add branches (T1,W1) 3. Create tracking system (T1,W6) 4. Revive employees (W3,T1)

Discussion

This study aims to determine effective strategy that enables PT HAN to provide better service than the competitor and to leverage the revenue. The SWOT matrix matching the external and internal conditions helps in identifying the alternative strategies. They can be referred to as growth strategy and classified into two strategies: tactical and strategic ones. The tactical ones are likely short-term in their implementation, while the strategic ones are long-term actions that need resource allocation in particularly financial. Both are intended to increase the quality of service.

The tactical cover home service, increase quality of service, and create sales promotion to deal with the intense competition. These three alternatives do not need a lot resource

allocation since it can be done using the existing system and resources. They also support each other. Home service in which the company provides total service on the place of consumer. It does not charge fee for picking up the goods/packages, do packaging on the goods, and receive the payment directly on the site. This way also relates to the efforts to increase the quality of service.

The strategic ones cover adding branches, rejuvenating the armadas, creating tracking system, and reviving employees. To implement these strategies, the company needs to allocate money for investment in building branches, buying new armadas, creating and implementing tracking system, and recruiting new employees and giving appropriate salary. The impacts of these are not sudden. However, if these are implemented, quality of service will increase and profits will also be higher.

CONCLUSION

The study results in seven alternative strategies is obtained which is identical to the growth strategy by focusing on increasing the quality of service. In the short-term, the company can implement home services, increase quality of service, and create sales promotion. In the long-term, adding branches, rejuvenating the armadas, creating tracking system, and reviving employees.

The results give insights for the management of PT HAN to consider the possible strategies to be implemented for leveraging the business performance. The company can focuses on the tactical strategies first and continue to the strategic ones according to the financial condition of the company. Adding branches can be the less prioritized strategy as the service still can be provided with the existing number of branches and can be leveraged using the better armadas and system implemented. Trainings can be given to the existing employees

to fill the skill gaps and the recruitment can be conducted gradually according to the financial capability of the company.

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