



## **FORMULATING A BUSINESS STRATEGY TO GAIN SUSTAINABLE COMPETITIVE ADVANTAGE OF PT ASTRA INTERNATIONAL - DAIHATSU SALES OPERATIONS (AI - DSO)**

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### **Abstract**

Daihatsu cars in Indonesia are fully distributed by the management of PT Astra International through the sole agent, AI - DSO. Despite being the only agent of Daihatsu, AI - DSO is still suffering from declining sales, which can be seen from the declining sales in 2015 and 2017. Therefore, the main objective of this research is to formulate a business strategy to gain sustainable competitive advantage of AI - DSO. This research will be started with identifying the root causes of declining sales of AI - DSO. Secondly, business solution will be generated in order to improve the sales of AI - DSO. Finally, the objective of this research is also to gain sustainable competitive advantage in order to face the upcoming challenges in the automotive industry. For identifying the root causes, a business analysis was performed, which consisted of business analytical tools, such as SWOT Analysis and Fishbone Analysis. Based on business issue exploration, targeted consumers AI - DSO are still the consumers who are looking for low price and functional cars, which still needs improvement to gain competitive advantage. Based on the new STP Analysis, the proposed positioning statement of AI - DSO is "offering functional cars at low price that have good quality with trendy design". Following the proposed positioning statement, the strategy that applies both cost-driven and value driven for AI - DSO is best cost provider strategy that is both cost-driven and value-driven. Based on the ansoff matrix, market development is the most suitable strategy for AI - DSO. In delivering a proposed positioning statement followed by implementing best-cost provider strategy and market development, marketing mix frameworks that consisted of product, price, place, and promotion will be initial steps. In order to ensure the sustainability of AI - DSO, forecasting the future of AI - DSO is important and can be analyzed using a Scenario Planning.

The main objective of this research is to formulate a business strategy to gain sustainable competitive advantage of AI - DSO. This study will use the qualitative approach, where the primary data will be collected through in-depth interview and survey. The data will be analyzed by using various analytical tools, such as SWOT Analysis and Fishbone Analysis order to find the root problems. The proposed positioning statement of AI - DSO is "offering functional cars at low price that have good quality with trendy design." Following the proposed positioning statement, the strategy that applies both cost-driven and value driven for AI - DSO is best cost provider strategy that is both cost-driven and value-driven. In order to ensure the sustainability of AI - DSO, forecasting the future of AI - DSO is important and can be analyzed using Scenario Planning. Based on business analysis, AI - DSO needs to develop their market and ensure the efficiency of operational activities in order to apply cost-driven and value-driven strategy in order to gain sustainable competitive advantage.

**Keywords:** Best-Cost Strategy, Daihatsu, Market Development, Positioning, Scenario Planning.

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## 1. Introduction

The automotive industry in Indonesia is one of the important pillars in the country's manufacturing sector. Many renowned automotive companies in the world, in particular in Japan, are expanding their investment in the car manufacturing plant in Indonesia.

Astra Daihatsu Motor (ADM) is the only company that has the right to import, assemble and make Daihatsu branded vehicles in Indonesia. This company is a joint venture between PT Daihatsu Motor Company (DMC) and PT Astra International - Daihatsu Sales Operation (AI - DSO). Daihatsu are fully distributed by the management of PT Astra International through its only sole agent, AI - DSO.

Daihatsu branded vehicles that are marketed in Indonesia are Xenia, Terios, Sirion, GranMax Pick Up, GranMax Minibus, HiMax, Copen, Luxio, Ayla and Siga. Daihatsu has the slogan "Innovation for Tomorrow", which is performed through continuous improvement and never stop innovating in various fields in order to provide the best service to its customers. As the sole distributor and retailer of Daihatsu brand vehicles, AI - DSO is responsible for managing Daihatsu product distribution to the branches and dealers, and also managing after-sales services (including workshops and parts). AI - DSO has 227 sales networks throughout Indonesia, where 112 sales outlets are Astra's direct branches, which is one of the largest automotive companies in Indonesia.

As stated in the article of ASEAN Automotive Federation (2017), Daihatsu had the second largest sales in Indonesia against the competitor, Mitsubishi following the declining position into to third place, which is due to impact on the decrease in its own profit. The Figure 1.4 is Daihatsu's sales data from year to year in Indonesia.



Figure 1. Daihatsu Sales Data Trend

Adding to Figure 1, it can be seen that the sales of Daihatsu that was performed by Astra International still fluctuated, which can be seen from the declining sales in 2015 and 2017. According to Thompson, et al. (2018), in order to increase its growth, a business needs a sustainable competitive advantage, which can be started in formulating a business strategy. This business strategy aims to reduce unnecessary costs, increase profits, and to increase the competitiveness of PT Astra International - Daihatsu Sales Operation (AI - DSO) in the long term. Given many new players in the automotive industry, Daihatsu is facing tight competition. Therefore, the aim of this study is to propose a strategy in order to improve business performance and to achieve sustainable competitive advantage in the future.

## 2. Methods

### Conceptual Framework

This study used a conceptual framework called AFI Strategy Framework. According to Rothaermel (2017), the purpose of using AFI Strategy Framework is to focus on gaining sustainable competitive advantage, which enables a company to formulate strategy in order to anticipate the uncertainty in the future. AFI Strategy Framework consists of three components of strategic tasks, such as Analysis, Formulation, and Implementation.



Figure 2. Conceptual Framework

### Method of Data Collection

The method of data collection used the qualitative approach, which the collection focused on the company, such as the problems and factors that caused the problems, both internal and external factors which will be analyzed by using several analytical tools (Greener, 2008). The data consists of primary and secondary data. Primary data will be collected by using an in-depth interview with the representatives from PT Astra International. While the secondary data will be collected by literature review through books, journal and report published in internet. In addition, the quantitative data will also be collected in order to analyze the brand

awareness about Daihatsu to the consumers in Indonesia through distribution of questionnaire.

### Analysis of the Business Situation

The purpose of both external and internal business analysis is to answer whether the business competency and competitive viability in the marketplace are aligned with the business strategy and able to adapt with external situations. For presenting the data of AI – DSO, the analytical tools that will be used are business analytical tools, such as SWOT Analysis and Fishbone Analysis.

According to Rothaermel (2017), SWOT Analysis is an analytical tool that allows a company to synthesize insights obtained from internal analysis of company strengths and weaknesses (S and W) with an analysis of external, such as opportunities and threats (O and T) that might affect the company's competitive advantage for both in the present and in the future. The Table 2.11 below listed of strengths, weaknesses, opportunities and threats from AI – DSO:

Table 1. AI – DSO SWOT Analysis

	<b>Strengths</b>	<b>Weaknesses</b>
<b>INTERNAL</b>	1. Widespread locations of branches and dealers	1. Needs more product variety
	2. Products are fuel efficient	2. Design needs to be more updated
	3. Strong relationship with suppliers	3. Need more quality control to avoid defect
	4. Offering lower price than competitors	4. The use of digital media needs to be maximized
	<b>Opportunities</b>	<b>Threats</b>
<b>EXTERNAL</b>	1. Supporting national economic condition	1. Intense industry rivalry
	2. Few competitors in low to middle class segment	2. Campaign of public transportation
	3. Supporting Government actions	3. Fluctuating fuel price

a. Strengths:

- Widespread location of branches and dealers

As the sole agent of Daihatsu, AI - DSO distributors have Branches and Dealers that spread in many areas. Almost all major cities in Indonesia exist, this certainly makes it easier for customers who want to do service or make purchases.

- Products are fuel efficient

Daihatsu products are proven to be reliable in terms of fuel consumption. The fuel used is relatively more efficient compared to competitor's products, and added to the cheaper product prices is one of the advantages of Daihatsu.

- Strong relationship with supplier

In carrying out its operational process, Daihatsu works with suppliers. AI - DSO also works with accessories vendors and distribution vendors. With a strong relationship, it will facilitate the process of installing accessories and delivery units to Branches and Dealers.

- Offering lower price than competitors

Low prices are the main advantages of Daihatsu. Daihatsu vehicles on average are below the price of their competitors. With a Japanese brand that is proven to be more trusted by consumers, Daihatsu remains a cheap car that is not cheap because it has good quality.

b. Weaknesses:

- Needs more product variety

Daihatsu has not too many variants, including the MPV type Xenia and Sigra, the SUV are Terios, the LCGC is Ayla, the Commercial is Pick Up, Minibus, Blind Van, the Import are Sirion and Copen. Compared to competitors, Daihatsu types of vehicles have fewer variants.

- Design needs to be more updated

Daihatsu is not well known for its design, which can be considered as one of the weaknesses. Design Daihatsu is known to be similar to Toyota because some Toyota products are made by Daihatsu. This can be an opportunity for competitors to be superior in terms of designs that are more fashionable and updated.

- Need more quality control in order to avoid defect

In order to have low cost strategy, AI - DSO needs to pay attention to the operational process. Costs, such as the installation of accessories and distribution of units can be made more efficient in order to have every process to be carried out optimally. Therefore, AI - DSO needs more quality control in order to avoid defect products or inefficient process.

- The use of digital media needs to be maximized

Following the growth of car owners among college students, AI - DSO needs to expand their targeted consumers segments, which can be done by maximizing their marketing activities through the use of digital media.

c. Opportunities:

- Supporting national economic condition

With GDP continuing to grow, businesses in the automotive industry sector will develop. A positive national economy will increase purchasing power factor. With strong purchasing power, the automotive industry will be able to increase its growth.

- Few competitors in low-middle class segment

In the low-middle class segment in the automotive industry there are not too many. On average for industries whose investments have not been too strong will not be able to play with large volumes. While the volume is small but low-middle class will not be too much profit. Whereas Daihatsu has an opportunity to focus at the low-middle class target segment with a large volume.

- Supporting Government actions

With the support of the government, it will help to develop the automotive industry. Among them are road repairs, toll road development, expansion of parking lots, and other policies related to automotive industry.

d. Threats:

- Intense competition in automotive industry

The large number of new companies that began investing in Indonesia made competition even tighter. With the increasing number of new companies, new car brands, it will make consumers confused in making choices. If there is no distinctive

advantage that is able to target the right market, an investment of any size will not survive.

- Campaign of public transportation

Public transportation indirectly can be a threat to the automotive industry. Because the average automotive industry is personal vehicle, the presence of a public transportation campaign will limit consumers in buying vehicles. Consumers will think of switching to using public transportation as suggested by the government.

- Fluctuating fuel price

Fuel price will affect the ability of consumers to buy vehicles. Then, it will be a threat with an unstable or even rising fuel price. Not only affects consumers but also on operational costs because the distribution process and part prices depend on the fuel price.

Table 2 summarizes internal strengths and weaknesses as well as external opportunities and threats for AI – DSO and this insight will be further explored to generate alternative strategy in TOWS Matrix. The purpose of TOWS Matrix is to generate strategies in order to gain competitive advantage. TOWS Matrix consists of four strategies, such as *Strengths-Opportunities* (S-O), *Weaknesses-Opportunities* (W-O), *Strengths-Threats* (S-T), and *Weaknesses-Threats* (W-T) (Seebohm, 2014).

Table 2. AI – DSO TOWS Matrix

	<b>Strengths</b>	<b>Weaknesses</b>
	1. Widespread locations of branches and dealers	1. Needs more product variety
	2. Vehicles are fuel efficiency	2. Design needs to be more updated
	3. Strong relationship with suppliers	3. Need more quality control to avoid defect
	4. Offering lower price than competitors	4. The use of digital media needs to be maximized
<b>Opportunities</b>	<b>Strengths – Opportunities (SO)</b>	<b>Weaknesses – Opportunities (WO)</b>
1. Supporting national economic conditions	S3.O1. Expand the supply chain  S4.O2. Offer low price as the value proposition.	W2.O2. Update design to expand market segment.  W3.O2. Improve quality control to retain low price as strengths.
2. Few competitors in low to middle class segment		
3. Supporting Government		
<b>Threats</b>	<b>Strengths – Threats (ST)</b>	<b>Weaknesses – Threats (WT)</b>
1. Intense industry rivalry	S1.T1. Offer low price as the value proposition.  S3.T2. Offer fuel efficiency as the value proposition.	W1.T1. Add product variety to expand market segment.  W3.T1. Use digital media to increase brand awareness.
2. Campaign of public transportation		
3. Fluctuating fuel price		

Based on TOWS Matrix, while AI - DSO is already offering low price and fuel efficiency as the value proposition, it can be seen that AI - DSO is already implementing the low-cost strategy. Furthermore, AI - DSO is keep expanding the supply chain in order to gain high quality parts at the best price offered. Therefore, within the growing national economic conditions and the intense industry rivalry, AI - DSO needs to improve their operational activities to maintain low cost strategy, which can be done through W3.O2 and strategy, which is improving quality control to retain low price as strengths. In addition, AI - DSO also needs to expand their market segment through W1.T1. Strategy, which is add product variety to expand market segment and W2.O2, which is update design to expand market segment. Furthermore, AI - DSO needs to improve their marketing activities through W3.T1 and Strategy, which is use digital media to increase brand awareness.

The root cause and relationship in AI - DSO will be identified through Fishbone Analysis by Ishikawa (1990). Analysis of fishbone starts with current problems and fish bone layout is provided to focus on the root causes. From the fishbone analysis, the identified root problems are the cause of the current situations that need to be minimized or eliminated in order to create improvement of the current situation (Preuss, 2003).

As stated earlier there are several problems faced by AI-DSO. In this study, we will focus on the Daihatsu sales business issue, where the number of sales in the last odd year has decreased and has a direct effect to the revenue's the company. Fishbone analysis of AI - DSO will be illustrated in the Figure 3.

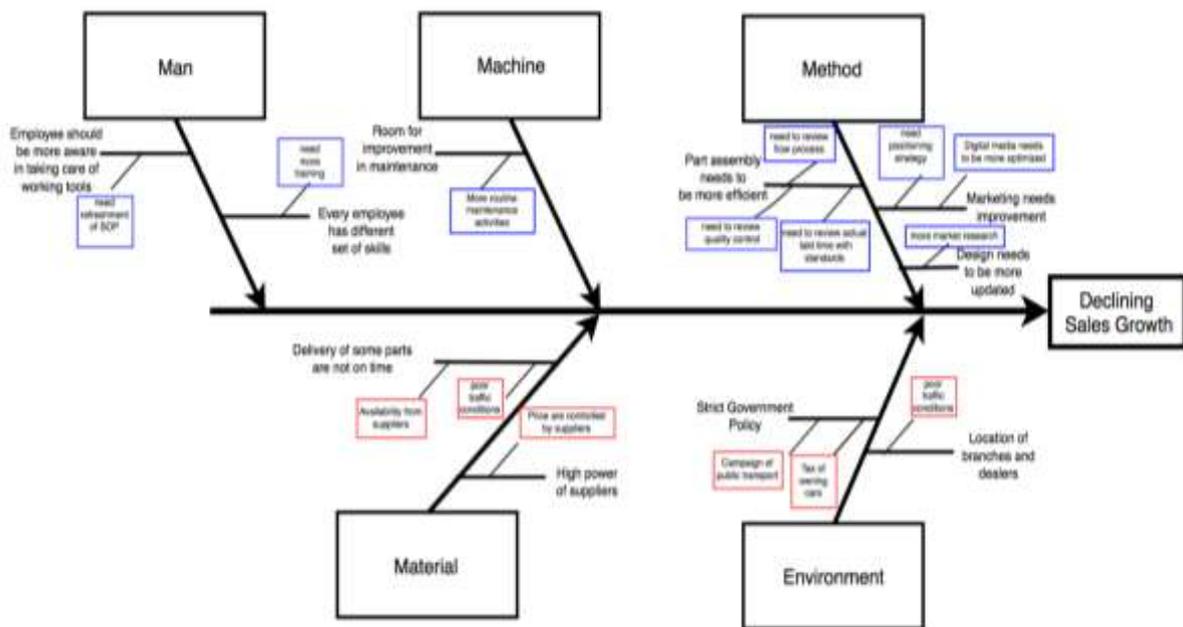


Figure 3. Fishbone Diagram AI – DSO

From the figure above, root causes in blue boxes are the causes that can be controlled in order to improve the current situation, while root causes in red boxes are the causes that are coming from external situation. Based on fishbone analysis of AI - DSO, identified the root problems that caused declining sales are:

- a. Man: employees need refreshment of SOP to raise their awareness in taking care of their working tools. Every employee needs more training that is adjusted with the required skills.
- b. Machine: needs more routine maintenance activities to prevent machine breakdown and to improve the capacity of the machine.

- c. Method: to have more efficient part assembly by keep reviewing the flow process, quality control, and take time. Furthermore, marketing activities such as market research, maximizing the use of digital media, and positioning strategy are needed in order to have more updated design and able to reach new market segment.
- d. Material: not only the price is controlled by suppliers, but also delivery of some parts is not on time, which is caused by poor traffic conditions and the availability of parts from suppliers.
- e. Environment: Government policy such as campaign of public transport and tax of owning cars might impact the sales. Furthermore, poor traffic of unit delivery to branches and dealers cause the delivery is not on time and might impact the sales.

Based on business issue exploration above, it can be concluded that despite the supporting external environment and stakeholder, AI - DSO is still experiencing declining sales which must be handled through formulating a new strategy. Currently, targeted consumers AI - DSO are still the consumers who are looking for low price and functional cars, which still needs improvement in order to gain competitive advantage. In order to face the tight competition in automotive industry, AI - DSO needs to formulate a new strategy in order to reach new market segments, such as update their new design and features, and also maximizing marketing activities through the use of digital media. Furthermore, this new strategy should also be able to maximize the operational activities to maintain the low-price strategy of AI - DSO.

### 3. Results and Discussion

AI - DSO is currently facing with the declining sales growth that impact the company profits. Based on the conclusion of business issue exploration, AI - DSO needs to formulate a new strategy in order to reach new market segments and also maximizing the operational activities of AI - DSO in order to improve the current situation and gain sustainable competitive advantage.

#### Segmenting, Targeting and Positioning

Currently the positioning statement of AI - DSO is “offering functional cars at low price”, which needs to be enhanced in order to increase the competitiveness of AI - DSO. In this proposed STP Analysis, demographic segment that is more measurable than behavioral and psychographic segments in order to identify consumer segments more clearly. The demographic segment consists of age and occupation. While personal motivation will be added into behavioral segmentation in order to identify the needs and wants of the consumers. In order to have strong STP Analysis, the segmentation will be based on survey of respondents who know AI - DSO, which is an evidence-based findings based on the needs and wants of the consumers.

The table below explains proposed targeted consumer segments of AI - DSO, and by focusing on the target market, the company is able to create effective and efficient marketing strategies to target the segment.

Table 3. Table of Targeted Consumer Segments

Segmentation	Criteria	Attributes
Demographic	Age	26 years old – 35 years old
	Occupation	Student, Employee, Entrepreneur
Behavioral	Personal motivation	Product-value Susceptibility to Change
	Purchasing Behavior	IDR 100,000,000,- until IDR 200,000,000,-
Psychographic	Buying value	People who buy cars primarily for economy
		People who want to buy the best product they can find for their money

Based on the new segmenting and targeting process according to survey, the proposed positioning statement of AI - DSO is “offering functional cars at low price that have good quality with trendy design”. This new positioning statement is delivering a message to the new targeted consumers that the value proposition of AI - DSO is not only about low price and functional value, but also their quality and design. In order to deliver this new positioning statement to the targeted consumers, AI - DSO needs to improve their marketing activities, update their design, and ensuring the efficiency of operational activities to maintain the low price as the current strengths.

### **Porter Five Generic Strategies**

Porter Generic Strategies consist of competitive strategies that a company will choose in order to compete in the markets against the rivals and gain sustainable competitive advantage (Thompson, et al., 2018). Following the proposed positioning statement, the strategy that applies both cost-driven and value driven for AI - DSO is best cost provider strategy that is both cost-driven and value-driven. The cost driven can be made through effective and efficient operational activities. Furthermore, the value-driven also needs to be implemented in order to provide high quality products.

### **Ansoff Matrix**

One of the strategies in Ansoff Matrix is market development, which is an attempt to increase growth by selling the existing products and services to the new markets. The purpose of market development is different from market penetration with the purpose of increasing sales, where the purpose of market development is to increase the overall growth of the business, due to the additional buyers from different segments. Therefore, market development is the most suitable strategy for AI - DSO. This is due to the fact that based on the proposed STP Analysis, AI - DSO has the potentials to reach new consumers segments. Furthermore, based on the in-depth interview, market penetration strategy that is already applied by AI - DSO needs improvement due to intense industry rivalry among existing competitors that are offering the same products to the similar markets. In order to carry out the market development strategy, AI - DSO needs to implement different sales channels and apply marketing mix strategy. The purpose of market development is to enable AI - DSO in targeting new consumer segment by offering the existing products. Furthermore, the products that are going to be offered needs to maintain their low price and quality by ensuring the efficient and effective operational activities. In addition, despite the existing products, AI - DSO also needs to update their designs and features in order to meet the expectations of new consumer segments.

### **Marketing Mix Strategy**

In delivering proposed positioning statement followed by implementing best-cost provider strategy and market development, marketing mix frameworks that consisted of product, price, place, and promotion will be an initial step.

#### **a. Product**

- 1) AI - DSO must maintain fuel efficiency in their products and offering fuel efficiency as their value proposition in the promotional message to the potential or existing buyers.
- 2) AI - DSO needs to enhance their research and innovation activities in order to offer the consumers with distinctive design, features, and attributes.

#### **b. Price**

- 1) AI - DSO also needs to maintain the efficient operational activities and supply chain in order to ensure that despite the product development, Daihatsu is still able to offer good quality cars at low price.

- 2) Furthermore, it is necessary for AI - DSO to do a market research in order to identify the needs and wants of the customers in purchasing cars despite the low price.
- c. Place
- 1) For the long-term strategy, it is necessary to evaluate urban cities that have the largest population as potential markets in order to expand to the places that are even in rural areas. This is due to the fact that targeted consumer segments are coming from low to middle class, which are not only located in urban areas but rural areas as potential targets for market expansion.
- d. Promotion
- 1) Within the growing market of younger consumer segments, AI - DSO needs to maximize the use of digital media in the marketing activities in order to not only attracting younger customers, but also provide an efficient way to reach new market segments.
  - 2) Customer loyalty needs to be improved by providing satisfaction through better quality, services and communication, and developing a good brand image.
  - 3) Furthermore, it is important for AI - DSO to ensure their workforces are supporting the brand image of Daihatsu through training, performance evaluation, and incentives.

### **Scenario Planning**

The business solution of improving the sales growth of AI - DSO is done by formulating new strategy. However, the current proposed strategy may not be effective in the future due to rapid market growth and other uncertainties in the external environment. In order to ensure the sustainability of AI - DSO, forecasting the future of AI - DSO is important and can be analyzed using Scenario Planning.

Therefore, four plausible scenarios for AI - DSO are:

- a. Doomsday – Customer needs are constantly changing, and followed by technology that is always evolving. If company is not adapted with these changing needs and evolving technology, they will have an impact on declining growth.
- b. Growth – Technology is growing rapidly but may not be relevant to the customer needs. This is due to wide variety of customers needs in the automotive industry, such as products with economical fuel, attractive designs, guaranteed quality, and ease of service and high resale price.
- c. Defensive – in order to meet customer needs, marketing strategy needs to be combined with efficient technological support in order to offer high value of products at low price.
- d. Deliberative – Products that meet customer needs and are supported by advanced technology that supports effective and efficient operational activities, which will enable the company to achieve sustainable growth.

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