

CHAPTER I

INTRODUCTION

1.1 Research Background

Micro, Small and Medium (MSMEs) are one of the most important parts of a country's economy, including Indonesia. The number of Indonesian MSMEs business actors is among the highest among other countries, especially since 2020. The number of MSMEs in Indonesia will continue to experience growth from 2020, 2021 to 2023. Data from the Ministry of Cooperatives and Small and Medium Enterprises (2022) showed, there were around 8.71 million business units in 2022. The Island of Java dominates this sector, and it has been recorded that West Java became the MSMEs champion with a total of 1.49 million business units. According to the statistics provided by Pemdaprov West Java through Open Data Jabar (2023), West Java experiences a yearly average rate of 5.772.785 increase in the last six years, from 2016 to 2023.

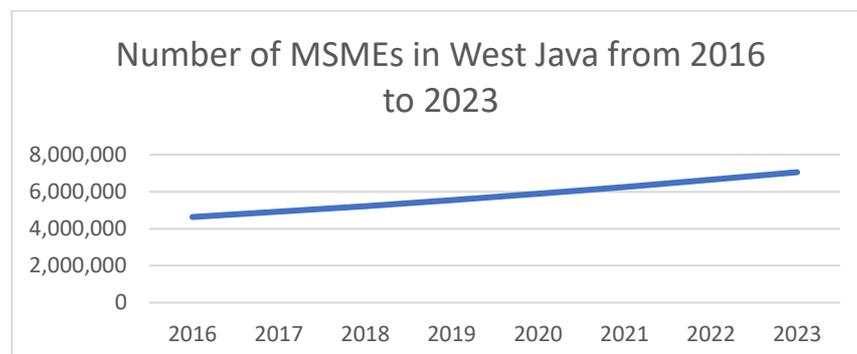


Figure 1. 1 Graph of Value from Year to Year in West Java in 2016-2023

Source: Open Data Jabar, 2022

Based on Graph of Value from Year to Year in West Java in 2016-2023, MSMEs are always described as a sector with an important role, due to most of the population having low education and living in small business activities, both traditional and modern sectors. In addition, besides playing a role in economic growth and employment, it also plays a role in the distribution of development results. During the economic crisis that occurred in Indonesia several years ago, where many large-scale businesses experienced stagnation and even stopped their activities, the Micro, Small and Medium Enterprises (MSMEs) sector proved to be more resilient in dealing with the crisis. According to Law no. 20 of 2008 concerning Micro, Small and Medium Enterprises in article 3 states that Micro, Small and Medium Enterprises aim to grow and develop their businesses in the framework of building a national economy based on a just economic democracy (Maulana et al., 2021).

One Region in West Java that has potential MSMEs is Cirebon. Cirebon has various types of leading MSMEs such as *Batik* MSMEs, processed food, rattan, processed fishery products, agricultural processed products and so on. The development of MSMEs in Cirebon has shown a significant increase from year to year.

The location of Cirebon is very strategic, which is on the route of the North Coast of Java (PANTURA) which is directly adjacent to the province of Central Java. The most congested routes are traversed by

vehicles to and from Central Java and East Java, so that the economic development in the trade sector has experienced a very significant increase.

Easy access from various transportation routes means that every weekend the Cirebon area is filled with tourists coming from outside the city. Official Data published by *Data Cirebon Kota (2023)*, incorporating sectors of culinary, fashion, education, automotive, agrobisnis, and other sectors presented the evolvement MSMEs total in Cirebon. The number of MSMEs spread across the Cirebon Regency in 2018 totaled to 2080 units and has reached 8569,671 units in 2022.

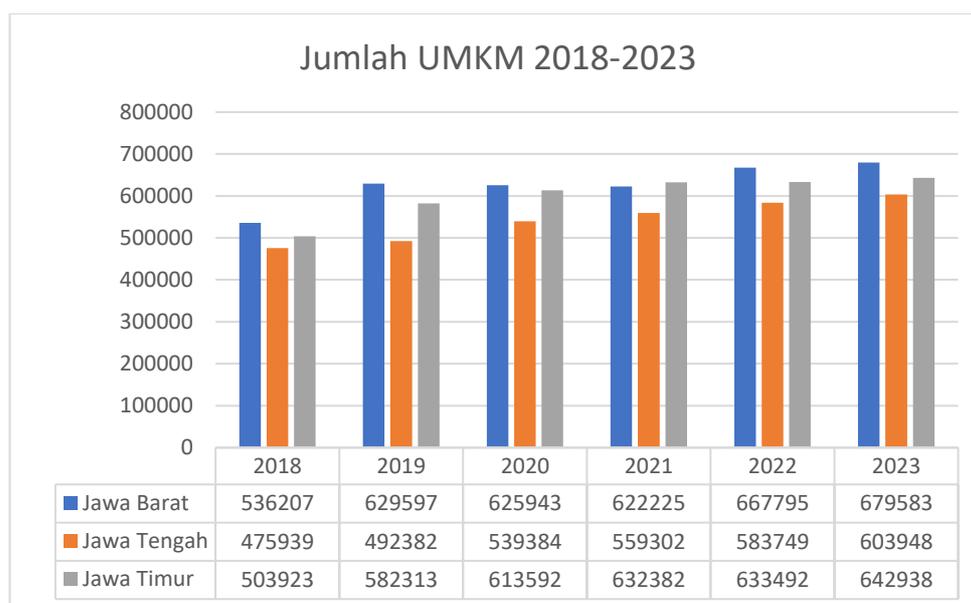


Figure 1. 2 Number of MSMEs in 3 Province of Java in 2018-2023

Source: BPS Provinsi Jawa Barat, Jawa Tengah, Jawa Timur, 2023

According to data on the growth of MSMEs in West Java, it is undeniable that the number of MSMEs continuously rise annually, but the business operations carried out by MSMEs are inextricably linked to the different hurdles that already exist. The problems of small businesses are

focused on three things, namely problems of market and product competition, problems of access to market information and problems of institutional support for small businesses (Anoraga et al., 2002). MSMEs must be capable of managing their businesses productively and effectively in an environment of escalating competition. They must also be able to provide goods and services that meet higher standards of quality than their rivals while adhering to market demands.

One specific growing Industry in West Java is the *Batik* Industry, which includes both large and small-scale producers. *Batik* is considered an important part of Indonesia's cultural heritage. The Indonesian government has recognized *Batik* as a Masterpiece of Oral and Intangible Heritage of Humanity by UNESCO in 2009. *Batik* is a part of Indonesia's identity, with different regions of Indonesia having their own unique style of *Batik* encompassing different sets of symbols and meanings.

Cirebon has a rich tradition of batik with distinctive motifs such as Mega Mendung, making it a unique center of batik culture. Cirebon also faces intense competition from other batik-producing regions, making it an interesting context for studying how Batik Salma can survive and compete through the application of strategies like Porter's Five Forces and SWOT analysis.

Cirebon was chosen as the research location due to its unique potential and characteristics among cities in West Java. As a center of trade and culture in the northern coastal region of Java, Cirebon is not only

renowned for its distinctive batik craftsmanship but also has a long history of MSME development, which significantly contributes to the local economy.

In the context of West Java, data indicates a consistent increase in the number of MSMEs over the years, reflecting the highly competitive local economy. While major cities like Bandung and Bogor may have larger numbers of MSMEs, Cirebon offers a different perspective, particularly in creative industries such as batik.

The selection of Cirebon is further supported by the presence of numerous batik artisans and MSME players involved in this sector. This makes the city an ideal location for analyzing the competitive strategies of MSMEs like Batik Salma. Additionally, Cirebon's strategic position as a trade hub connecting Central Java and West Java provides broad market opportunities while presenting unique competitive challenges for MSMEs in the area.

In addition, Cirebon's role in developing MSMEs, including the batik industry, significantly contributes to the local economy. Therefore, this study can provide valuable insights into how MSMEs in Cirebon remain competitive in the local market and tackle global challenges.

Today *Batik* has a variety of purposes including clothing, home décor, and ceremonial dresses. The presence of numerous producers indicates intense competition in the market. In order to thrive and overcome competition, manufacturers need to devise several strategies in enhancing

their products and maintaining consumer interest. By understanding consumer behavior and needs, businesses can tailor their marketing and advertising strategies to effectively communicate their value proposition and maintain a loyal customer base (Kotler et al., 2018).

Batik Salma Cirebon is a MSMEs located in Cirebon Established in 2002. Batik Salma Cirebon continuously grows, now having four different outlets in Bandung and Cirebon. With the contribution from around 40 employees at each of its outlet, they produce various kinds of modern and traditional Batik. Batik Salma has a variety of Stamp and written Batik. Batik Salma has a wide selection of batik from written batik to stamped batik, a wide range of products from batik cloth, women's clothing, men's clothing, children's clothing, accessories, and crafts. Characteristics of Batik Salma Cirebon has its own batik craftsmen to produce exclusive batik motifs available only from Batik Salma. Through its identity, Batik Salma also a further develop their own characteristics through the patterns and stitches of their products that make Batik Salma increasingly relevant to this day. This characteristic has enabled Batik Salma Cirebon to establish a unique identity in the market by providing various kinds of batik motifs typical of Batik Trusmi Cirebon. By integrating traditional designs with modern technology, Batik Salma Cirebon has successfully adapted to the changing demands of society. One of the keyways in which the company has achieved this is by offering online batik shopping, which has helped to

make its product more accessible and strengthen its competitiveness in the market.

Since its inception, Batik Salma has garnered numerous awards and accolades, showcasing its dedication to excellence and innovation. In 2004, the Forum of Independent Journalists of Central Java (FORWIJA) bestowed upon Batik Salma the prestigious "Citra Kartini Indonesia" award, lauding its contributions to national development amidst the challenges of globalization. The subsequent years saw Batik Salma's rise to prominence, with the Indonesia Record Museum awarding it the esteemed Platinum Award for its exceptional batik products. In 2013, Batik Salma's excellence was showcased at the Bazaar Ceria Paleklesia, where it secured the second-place award for the best booth. Subsequently, in 2014, Batik Salma attained the distinguished title of Gold Award Winner for Business & Company Performance, underscoring its excellence in artistic and operational realms. Notably, in 2016, the West Java Provincial Government Honored Batik Salma with the coveted "Best Batik Product Quality in Cirebon" award, further solidifying its reputation for unparalleled craftsmanship and quality. Moreover, the trajectory of Batik Salma from its origins in Trusmi to its status of international renown has been chronicled in various scholarly articles, affirming its enduring legacy and unwavering pursuit of excellence, which has been unfolding for over two decades, continually gaining momentum.



Figure 1. 3 Awards and Recognitions Attained by Batik Salma Over The Years

Source: Batik Salma, 2024

However, Batik Salma also faces significant challenges stemming from competitor imitation, the bargaining power of buyers, and technological advancements. Situated in a highly competitive tourist area with approximately 40 neighboring Batik Outlets, Batik Salma must navigate the intense rivalry among existing competitors, which creates vulnerability to design replication and threatens its market share. Furthermore, consumers have ample options, including similar designs from other batik manufacturers, posing challenges to maintaining market dominance. Overcoming obstacles is imperative for Batik Salma to sustain its competitive edge, preserve its reputation for producing high-quality batik products, and foster continued growth.

To address these challenges effectively, Batik Salma must devise competitive strategies tailored to its unique circumstances. A company's

strategy plays a pivotal role in achieving predetermined objectives, necessitating a thorough analysis of internal and external environments (Chandler, 1962). Competition demands a clear and well-defined strategy, to guide organizational efforts and remain viable amidst evolving market dynamics (Assuari, 2013). Emphazeing the importance of competitive strategy in navigating fierce competition and achieving desired outcomes, highlighting the need for strategic innovation, cultural cohesion, and effective implementation (Kuncoro, 2005). Furthermore, underscores the significance of planned competitive strategies to gain a competitive advantage, attract consumers' attention, and fortify market position (Hariadi, 2005). The importance of adopting appropriate competitive strategies to gain an edge over competitors, emphasizing the need to identify lucrative positions within the industry and devise robust responses to competitive pressures (Porter, 1980). Thus, by employing strategic analysis and adopting competitive strategies aligned with its objectives, Batik Salma can navigate the complexities of the market landscape and secure its position as a leader in the batik industry.

Porter's Five Forces Analysis provides a systematic framework for evaluating the competitive forces within an industry, making it an invaluable tool for Batik Salma to navigate its complex business environment. Given Batik Salma's position in a highly competitive market with numerous neighboring Batik Outlets and the constant threat of design

replication, understanding and mitigating these competitive pressures are paramount.

Firstly, Porter's Five Forces Analysis allows Batik Salma to assess the intensity of competitive rivalry within the batik industry. By identifying the number and strength of competitors, their strategies, and their relative market shares, Batik Salma can strategically position itself to gain a competitive advantage. Understanding the competitive landscape enables Batik Salma to differentiate its products, pricing, and marketing strategies effectively. Secondly, the bargaining power of buyers and suppliers is a critical aspect that Porter's framework evaluates. With approximately 40 neighboring Batik Outlets,

Table 1. 1 All MSME's Batik in Cirebon

No	SMES Name	Sales Volume (Unit/Year)
1	Batik Trusmi	100,000 <
2	Batik Salma	100,000 <
3	Batik Kencana	90.000 – 100.000
4	Batik Kanoman	90.000 – 100.000
5	Batik Cirebon SR	90.000 – 100.000
6	Batik Hafiyah	90.000 – 100.000
7	Batik Lia	90.000 – 100.000
8	Batik Asofa	90.000 – 100.000
9	Batik RnB	80.000 – 90.000
10	Batik Mahkota	80.000 – 90.000
11	Batik Sumber Makmur	80.000 – 90.000
12	Batik Budi Jaya	80.000 – 90.000
13	Batik Tanah Abang	80.000 – 90.000
14	Batik Gading	70.000 – 80.000
15	Batik Mega Mendung SR	70.000 – 80.000
16	Batik Sinergy	70.000 – 80.000
17	Batik Dewa	60.000 – 70.000
18	Batik Harapan Abadi	60.000 – 70.000
19	Batik Puspa	50.000 – 60.000
20	Batik Rajawali	50.000 – 60.000

No	SMES Name	Sales Volume (Unit/Year)
21	Batik Karya Abadi	50.000 – 60.000
22	Batik Putra Cirebon	50.000 – 60.000
23	Batik Arum	40.000 – 50.000
24	Batik Marwah	40.000 – 50.000
25	Batik Cempaka	40.000 – 50.000
26	Batik Dwiwarna	30.000 – 40.000
27	Batik Sari Ratu	20.000 – 30.000
28	Batik Lestari	20.000 – 30.000
29	Batik Surya	10.000 – 20.000
30	Batik Pertiwi	10.000 – 20.000
31	Batik Taman Sari	5000 – 10.000
32	Batik Nirmala	5000 – 10.000
33	Batik Anggrek	5000 – 10.000
34	Batik Putra Sukses	<5000
35	Batik Mandala	<5000
36	Batik Hidayah	<5000
37	Batik Puspa Kencana	<5000
38	Batik Pesona	<5000
39	Batik Sumber Alam	<5000
40	Batik Sari	<5000

Source: BPS Provinsi Jawa Barat, 2023

Batik Salma must assess the bargaining power of its buyers and suppliers. By understanding their negotiating power, Batik Salma can develop strategies to maintain favorable relationships and secure its position in the supply chain. Moreover, Porter's model helps Batik Salma to analyze the threat of new entrants to the market. As a long-established player in the industry, Batik Salma must anticipate and address any potential threats posed by new competitors. Understanding the barriers to entry, such as brand loyalty, economies of scale, and regulatory requirements, allows Batik Salma to fortify its position and protect its market share.

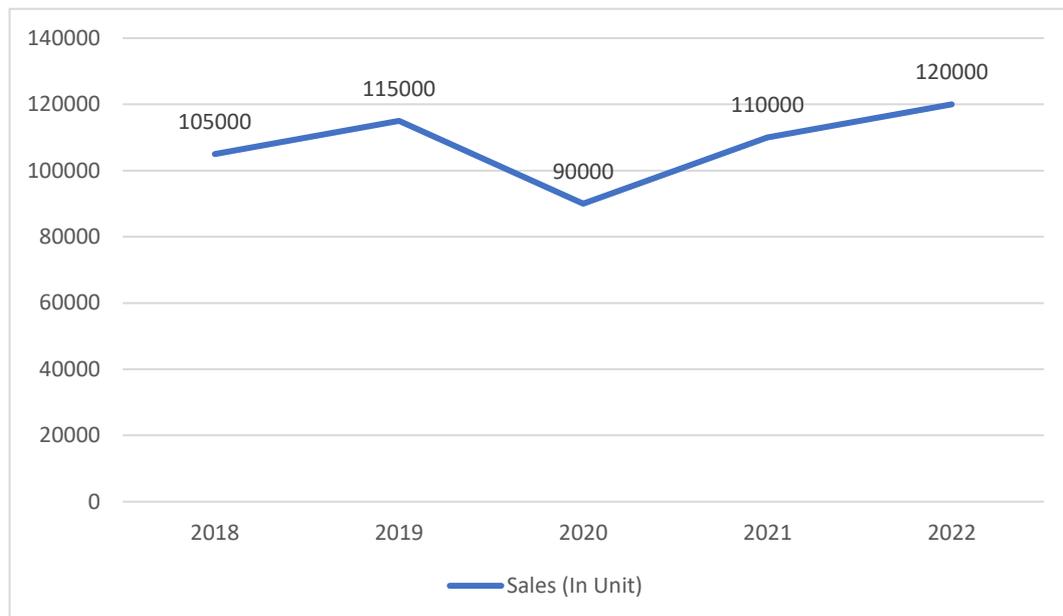


Figure 1. 4 Sales Trend Batik Salma 2018-2022

Source: BPS Provinsi Jawa Barat, 2023

Batik Salma experienced solid growth, possibly due to increased market demand or effective marketing efforts. This growth suggests that the brand was well-received and that its competitive positioning was strong at this stage. The significant decline in 2020 sales could have been caused by heightened competition, economic challenges, or disruptions impacting the industry. This drop emphasizes the need for Batik Salma to consider adopting competitive strategies that could address market resilience, such as enhancing product variety, improving customer engagement, or increasing promotional efforts to retain customers.

The substantial recovery in 2021 indicates effective adjustments, likely through revised strategies or market expansion efforts. This rebound demonstrates that Batik Salma's ability to adapt was effective in regaining

market presence, potentially by targeting new customer segments or intensifying brand recognition. The stable growth rate in 2022 suggests that Batik Salma has managed to maintain a competitive position in the market. Continued growth at this pace points to the brand's successful strategies in maintaining a loyal customer base and addressing competitive pressures.

Additionally, Porter's Five Forces Analysis enables Batik Salma to assess the threat of substitute products or services. In the batik industry, consumers have the option to purchase similar designs from other manufacturers. By identifying potential substitutes and their relative attractiveness to consumers, Batik Salma can develop strategies to differentiate its products and maintain customer loyalty.

Overall, Porter's Five Forces Analysis offers Batik Salma a comprehensive understanding of its competitive landscape, allowing the company to make informed decisions and develop effective strategies to thrive in the business world. Given the urgency of addressing competitive pressures and maintaining its market position, leveraging Porter's framework is essential for Batik Salma to sustain its competitive advantage and achieve long-term success.

Similarly, the SWOT analysis is a widely used tool in strategic management that assesses an organization's strengths, weaknesses, opportunities, and threats. This tool helps organizations to understand their internal and external environment, which allows them to make informed decisions and develop effective strategies. By conducting a SWOT analysis,

organizations can identify areas where they excel, areas that need improvement, opportunities for growth, and potential risks that need to be addressed.

Numerous scholars have emphasized the importance of the SWOT analysis as a critical strategic planning tool. For example, it is argued that SWOT analysis provides an overall framework for the organization to identify its strategic options (Wehrich, 1982). The SWOT analysis can be used to develop marketing strategies that align with an organization's internal and external environment (Kotler & Keller, 2016). Furthermore, The SWOT analysis suggest as an effective way to evaluate the potential of new products or services (Houben et al., 1999).

Compared to other analysis tools, the SWOT analysis is more focused on internal factors and can help organizations better understand their resources and capabilities. Additionally, the SWOT analysis is more flexible and can be used for various purposes, including evaluating potential business opportunities or partnerships. In this case, the SWOT analysis was chosen as a tool for evaluating the challenges and opportunities faced by Batik Salma Cirebon, a cultural product producer in the Indonesian market. By conducting a SWOT analysis, Batik Salma Cirebon can identify potential risks and benefits and develop a comprehensive strategy to enhance its competitiveness.

Based on the description above, the researcher is interested in analyzing the appropriate strategy used by Batik Salma Cirebon in facing

the given competition. So that in this study, the authors took the title "Competitive Strategy Analysis of Batik Salma Cirebon (Case Study on Batik Salma Cirebon)".

1.2 Research Problem

Competition conditions within the Batik industry that are currently happening require business actors to continuously use strategies, relevant to the development of their business environment conditions in competing with similar companies and sustain their existence in the environment. This situation has created an urgency for Batik Salma Cirebon to consistently develop strategies in order to survive and continue to be in demand by consumers, without being preceded by its competitors. Based on the description above, the problem can be formulated as follows:

1. How can Porter's Five Forces analysis be utilized to analyze the economic strategy of MSMEs such as Batik Salma Cirebon?
2. How can the SWOT analysis be used to determine the competitive strategy of MSMEs such as Batik Salma Cirebon?

1.3 Research Purposes

The aim of this research is to:

1. Utilize Porters Five Forces Analysis to determine the business strategy based on competitive position and type of business of MSMEs such as Batik Salma Cirebon.

2. Determine the business strategy based on the competitive position and type of business using the SWOT Analysis of MSMEs such as Batik Salma Cirebon.

1.4 Research Objectives

The benefits of research contain what contributions will be made after completing the research. Usability can be in the form of theoretical and practical uses, such as benefits for writers, agencies, and society. The use of research must be realistic. This research is expected to provide benefits to parties, including the following:

1.4.1 Theoretical Benefits

The results of this research are expected to provide significant benefits for all parties, especially for students to enrich scientific knowledge and insights regarding competitive strategies according to (Porter, 1980) in product development that can be applied in accordance with the theory as contained in scientific books. In addition, it is hoped that this can be used as a comparison, consideration, and developer in future research.

1.4.2 Practical Benefits

1.4.2.1 For The Author

The research is conducted to fulfill the requirements for obtaining a bachelor's degree in business administrations at the Faculty of Science and Politics of Diponegoro University. This research serves as a provision for further research and writing for competitive strategies and SWOT analysis, specifically at Batik Salma Cirebon.

1.4.1.2 For Academics

The result of this study can be used as a reference for conducting further research, increasing knowledge, insight, and understanding of competitive strategies and SWOT analysis, specifically at Batik Salma Cirebon.

1.4.1.3 For Companies

The result of this study can be used as a reference for Batik Salma Cirebon when evaluating their business competitive strategy and SWOT analysis for future business development processes.

1.4.1.4 For Other Parties

The result of this study is expected to contribute thoughts or ideas for other competitive strategies and SWOT Analysis studies, and as a reference for professionals developing competitive advantage of a company.

1.5 Theoretical Framework

Based on the issues outlined in the background section, it can be clarified that the problems that arise have underlying theories to provide theoretical clarity regarding potential solutions or answers. In conducting this research, a theoretical framework is needed as a guide in the research preparation process. This framework is grounded in concepts related to the data in the field and serves as a basis (conceptual framework) for finding solutions or building upon existing theories. These theories, previously used in related studies, are modified to serve as a reference, providing a structured incentive for configuring the research in accordance with the specific object of study.

1.5.1 Competitive Strategy as Grand Theory

1.5.1.1 Competitive Strategy Definition

Competitive strategy according to experts, namely according to (Porter, 1980), states that the essence of the formulation of a competitive strategy is to connect the company with its environment even though the relevant environment is broad, including the company's environment are the industries in which the company competes. Competitive strategy is an attempt to find a competitive position that is profitable in an industry and a fundamental area where competition takes place. The purpose of competitive strategy is to build a profitable and strong position against the forces that determine competition in the industry (Porter, 1980).

According to Robbins & Coutler (2010) that competitive strategy is a strategy about how the organization will compete in its business. For small organizations that are only involved in one line of business or large organizations that are not yet diversified in various products or markets, a competitive strategy describes how the organization will compete in its primary market. But for organizations engaged in various businesses, each business has its own competitive strategy that defines its competitive advantage, the products, or services it offers, the customers it wants to reach, and its preferences. Competitive strategy is all about how a business may gain a lasting competitive advantage. Based on the competitive advantages that the organization can create, a competitive strategy is chosen.

Competitive strategy determines how a company unit or organization will compete in a certain industry.

According to (Kotler et al., 2018) competitive strategy is a plan that gives the company the strongest potential competitive advantage and strongly places the company against rivals. Competitive strategy is crucial as it equips companies with the tools to create sustainable advantages in the market. By employing a strong competitive strategy, businesses can differentiate themselves from competitors, offer unique value to customers, and endure in the face of market pressures and changes. It helps firms position themselves strategically, understand their strengths and weaknesses, and identify opportunities and threats posed by competitors, thus enabling long-term success and adaptation to evolving market dynamics.

For Batik Salma, implementing a competitive strategy becomes crucial to ensure its survival and development, particularly when examined through the lens of theories like Porter's Five Forces and the concept of competitive advantage. Batik Salma operates in a highly competitive market, which includes numerous players, from local producers to traditional artisans and large-scale mass-produced batik manufacturers. By adopting an effective competitive strategy, Batik Salma can establish a strong market presence, whether through emphasizing superior product quality, creating innovative designs, or offering differentiated customer

service that sets it apart from competitors. This differentiation not only attracts consumer attention but also builds loyalty and market share.

Furthermore, Porter's framework highlights the significance of responding to market forces, such as the threat of substitutes, buyer and supplier bargaining power, and the intensity of market competition. To maintain and enhance its position, Batik Salma must employ strategic initiatives that address these forces, for example by enhancing operational efficiency, offering products with high value-added features, or building long-term customer relationships. A robust competitive strategy helps Batik Salma minimize these external pressures, enabling it to sustain profitability and relevance.

Achieving competitive advantage, as described by Porter, often comes from differentiation or cost leadership. Batik Salma can harness this by identifying and leveraging its unique strengths perhaps by using high-quality traditional craftsmanship, creating innovative and culturally significant batik patterns, or offering exceptional customer experiences. These unique attributes can foster a competitive edge and attract consumers who appreciate and seek out this distinctiveness.

Additionally, Batik Salma's ability to adapt to changing market demands, including shifts in customer preferences and evolving industry trends, is a testament to the importance of a competitive strategy. By continually refining its offerings and aligning with market needs, Batik Salma ensures its ongoing relevance and competitiveness. Moreover, a well-

formulated strategy empowers Batik Salma to seize emerging opportunities, such as expanding into international markets, partnering with designers, or leveraging digital platforms to boost market visibility and engagement.

In conclusion, a company's attempts to capture its target market by offering competitive advantages, researching its rivals, and putting in place a successful competitive marketing strategy are what is meant by competitive strategy.

1.5.2 Competitive Advantage Definition

Competitive advantage according to (Porter, 1980), develops from the value that a company can create for its buyers that exceeds the company's costs in creating it. Meanwhile, (Kotler et al., 2018), defines competitive advantage is an advantage over competitors that is obtained by offering more value to consumers, either through lower prices or by providing many benefits that support more expensive pricing.

Competitive advantage can be owned by a company if the company is willing and aware of the changing environment around it and continues to adapt and motivate regarding the strengths and opportunities that exist. When the company can do that, the company will be able to minimize all its weaknesses and threats from the company's environment, so that the company has competitiveness compared to other competitors (Ferdinand, 2017).

Analysis and diagnosis of strategic advantage is a process whereby strategists examine the factors of a company's strategic advantages to

determine where the company's strengths and weaknesses are so that strategists can make effective use of environmental opportunities and face environmental challenges (Kuncoro, 2005). If strategists are not fully aware of the strengths or advantages of a company's strategy, then they cannot choose from the environmental opportunities available for more successful achievement of company goals.

By analyzing and diagnosing strategic factors, strategists can develop a profit profile of the strategy and match it with the profile of environmental opportunities and challenges to create optimal conditions for finalizing or changing strategies or policies.

1.5.3 Strategy

1.5.3.1 Strategy Definition

Strategy is a tool to achieve competitive advantage (Porter, 1980). Meanwhile, strategy is a tool to achieve company goals (Chandler, 1962). Thus, strategy almost starts from what can happen and does not start from what happens. The occurrence of new market innovation speeds and changes in consumer patterns require core competencies. Further emphasize the need for companies to identify and develop core competencies to keep up with the changing market and consumer patterns (Rangkuti, 2006).

1.5.3.2 Benefits of Strategy

Strategy is one of the things that must be owned by a company, because the existence of a strategy can determines the survival of the company itself and achieve its goals. According to (Glueck & Jauch, 2000) also gives his opinion regarding the benefits of the strategy are:

1. Strategy is a way of systematizing the most important business decisions. Business involves substantial risk and strategy seeks to provide data so that informed and reasoned speculation can be made when necessary.
2. Strategy helps managers become good decision makers.
3. Strategy helps improve corporate communication, coordination, individual projects, resource allocation, and short-term planning such as budgeting. With the benefits of the strategies mentioned above, the company expects survival in carrying out its activities.

1.5.4 Porter Five Forces Analysis as a Competitive Strategy Formulation

Porter's Five Forces analysis, as described by (Porter, 1980), is a widely embraced framework for devising strategies in diverse industries. The magnitude of competition amongst firms varies significantly across industries. Established companies face a high level of competition, while new competitors can penetrate the industry with ease. Further, suppliers and consumers possess considerable bargaining power. According to Porter, an industry's competitive dynamics can be perceived as a confluence of five forces, which are:

1. Rivalry amongst existing competitors.
2. Potential entry of new competitor.
3. Potential of the development of substitute products.
4. Bargaining power of buyer

5. Bargaining power of supplier

The five competitive forces above serve as evidence that the competition within an industry transcends existing businesses. It encompasses entry, threat of substitution, bargaining powers of buyers, bargaining power of suppliers, and rivalry, and their significance fluctuates based on specific circumstances of the most prominent force or forces guiding on how to formulate a strategy.

1.5.4.1 Rivalry Amongst Existing Competitors

The competition among firms in the same industry is typically the most intense of the five competitive forces. The success of a firm's strategy depends on whether it can achieve a competitive advantage over its competitors. If a single company changes its strategy, this may result in countermeasures from other firms, such as price reductions, quality improvements, feature additions, service provision, warranty extension, and advertising intensification. The competition between companies arises because one or more competitors experience pressure or perceive an opportunity to enhance their position.

The intensity of rivalry among rival firms increases as the number of competitors rises, and when competitors are comparable in terms of size and capabilities. Additionally, when demand for the industry's products declines or when price cuts become common, it contributes to a more competitive environment. Sharp competition is the outcome of various structural factors interacting with each other.

1.5.4.1.1 Numerous or Equally Balanced Number of Competitors

In scenarios where the number of competitors is high, the level of competition is expected to be elevated, leading some companies to believe that they can operate unnoticed by their rivals. Conversely, if there are only a few companies in the industry, but they are comparable in size and resources, instability may arise as they are more inclined to engage in prolonged and challenging battles with each other. However, when an industry is highly concentrated, dominated by one or a few major players, the relative power dynamics are minimal, enabling the market leaders to enforce discipline and perform a coordinating function within the industry, such as through price leadership.

1.5.4.1.2 Slow Industrial Growth

In industries experiencing slow growth, the competition among firms is transformed into a battleground for gaining a larger share of the market for those seeking to expand. In contrast, in industries with rapid growth, firms can enhance their performance merely by keeping up with industry growth, and they can use all available financial and managerial resources to expand and keep up with industry advancements. This indicates that competition for market share in a slow-growing industry is comparatively less stable than in a rapidly growing industry.

1.5.4.1.3 Fixed or Storage Cost

The presence of high fixed costs in the production process tends to exert considerable strain on all firms to attain maximum capacity, often

prompting swift price reductions when an oversupply of products arises. Even companies that allocate the bulk of their expenses towards external inputs with relatively little value added may experience heightened pressure to attain full capacity and offset costs, even if the fixed cost component in absolute terms appears to be minimal.

1.5.4.1.4 No Differentiation or Switching Fees

In situations where a product is perceived as a commodity, buyers tend to make purchasing decisions based mainly on price and service, leading to intense and unstable competition in these areas. However, product differentiation can act as a defensive barrier against such competition by establishing buyer preferences and loyalties towards certain sellers.

1.5.4.1.5 Capacity Augmented in Large Increments

In situations where economies of scale necessitate the addition of capacity in substantial increments, the equilibrium between industry supply and demand can be persistently disrupted, particularly when there is a likelihood of clustering capacity expansions.

1.5.4.1.6 Diverse Competitors

Competitors who differ in terms of their strategies, origins, personalities, and relationships with their parent companies often have distinct objectives and approaches to competition, which can result in frequent clashes as they vie for market share. These competitors may face difficulties in accurately discerning each other's intentions and arriving at a consensus regarding the establishment of a mutually agreed upon set of industry norms. Choices that

are deemed to be strategically sound by one competitor may not be beneficial for others.

1.5.4.1.7 High Strategic Stakes

The intensity of industry rivalry can escalate significantly when multiple firms have substantial interests in achieving success within that particular industry. A diversified firm may attach significant importance to gaining a foothold in a particular industry to advance its overall corporate strategy or enhance its global prestige and credibility. In such scenarios, the objectives of these firms may not only vary but also be more disruptive, as they are expansionary in nature and may involve a willingness to sacrifice profitability.

1.5.4.1.8 High Exit Barriers

Companies can be compelled to remain in an unprofitable business due to economic, strategic, and emotional factors known as exit barriers. These barriers are categorized the following:

1. Specialized assets refer to assets that are unique or specific to a particular business or location. These assets are difficult to sell or convert to cash and usually have a low liquidation value or high costs associated with transfer or conversion.
2. Fixed costs of exit include the costs associated with shutting down a business, such as labour agreements, severance pay, and maintaining capabilities for spare parts, among others.

3. Strategic interrelationships refer to the connections and relationships that a business has with other units or entities within the same company. These relationships may include shared facilities, access to financial markets, and marketing abilities, among others. These strategic interrelationships can make it difficult for a company to exit a business because it attaches high strategic importance to being in that business.
4. Emotional barriers refer to the psychological factors that prevent companies from making economically rational decisions to exit a business. These may include emotional attachment to the business, loyalty towards employees, fear of personal career impact, and pride.
5. Government and social restrictions involve government policies or societal pressures that discourage or prevent a company from exiting a business. For example, a government may be concerned about job loss and the impact on the local economy, and thus may discourage companies from exiting a business.

When exit barriers are high, the industry is plagued by excess capacity, and the companies that lose in the competition are unable to exit. These companies continue to cling on and use extreme tactics due to their weakness, leading to persistently low profitability of the entire industry.

1.5.4.2 Potential Entry of New Competitors

Newcomers who enter a specific industry bring about new capabilities, an urge to secure market share, and frequently, significant resources. Consequently, this may lead to a decrease in profitability as prices are

lowered or the costs of incumbents are raised. Companies diversifying their portfolio via acquisitions from different markets tend to stir up the industry. Therefore, acquiring a business in an industry with the aim of establishing a market position should be regarded as entry, even if a completely new entity is not created.

The probability of entry into an industry is dependent on the obstacles to entry and the corresponding response that the new entrant anticipates from existing competitors. If the barriers are high and/or the newcomer expects fierce retaliation from entrenched competitors, the possibility of entry into the industry is low. There are the main sources of barriers to entry:

1.5.4.2.1 Economies of scale

The concept of economies of scale refers to the reduction in per-unit cost of a product as the production volume increases. This phenomenon creates a barrier for new entrants, who face a dilemma of either entering the market at a large scale, which entails the risk of strong retaliation from established competitors, or entering at a small scale, which leads to unfavourable cost levels. Such choices are undesirable for new entrants. Economies of scale can manifest in various business functions, such as manufacturing, procurement, research and development, marketing, service networks, salesforce utilization, and distribution.

For an entry barrier to be considered significant, it is vital that the operation or function being shared is subject to economies of scale that

extend beyond the scope of any single market. If this condition is not met, cost savings from sharing could be illusory. While the overhead costs can decrease as they are spread out, this relies solely on the existence of excess capacity in the operation or function. These economies represent short-run gains, and the true cost of the shared operation will become evident once capacity is fully utilized and expanded.

1.5.4.2.2 Product Differentiation

Product differentiation, which is the result of brand identification and customer loyalty arising from various factors such as advertising and customer service, creates significant barriers to entry for new companies in the market. These barriers stem from the high costs new entrants must incur to overcome the established customer loyalty of existing companies, resulting in initial losses and prolonged market share struggle. As a result, investing in building a brand name carries significant risks due to the lack of salvage value if the entry ultimately fails.

1.5.4.2.3 Capital Requirements

The high financial resources required to compete in the market can create significant barriers to entry, especially if such capital is necessary for risky or non-recoverable up-front advertising or research and development (R&D) investments. Capital is not only required for production facilities but also for customer credit, inventories, or covering start-up losses. Furthermore, industries such as computers and mineral extraction may limit the pool of potential entrants. Even if capital is accessible on capital

markets, entering the market still represents a risky investment that should be reflected in the risk premiums charged to prospective entrants. These premiums can provide advantages for established firms in the industry.

1.5.4.2.4 Supplier Switching Cost

Barriers to entry are created by the presence of supplier switching costs, which are one-time costs that buyers must incur when switching from one supplier's product to another supplier's product. These switching costs can include the cost of retraining employees, the cost of new complementary equipment, the cost and time of testing or accepting new sources, the need for technical assistance because of reliance on vendor engineering assistance, product redesign, or even the psychological costs of damaging relationships. If these switching costs are high, then the new entrant must offer a large improvement in terms of cost or performance to get the buyer to switch to the old supplier.

1.5.4.2.5 Access to Distribution Channels

Barriers to entry can be created by the need for new entrants to secure the distribution of its products. If the distribution channel for the product has been handled by an established company, the new company must persuade the channel to accept its product through ways of reducing prices, advertising cooperation and so on which will reduce profits. The more limited the channels of wholesalers or retailers for a product and the more competitors that have tied these channels, the tighter the effort to enter the industry will obviously be.

1.5.4.2.6 Cost Disadvantages Independent of Scale

Cost advantages that are not related to economies of scale and cannot be easily copied by potential new entrants are often possessed by established firms. The following factors are some of the most important advantages:

1. **Proprietary product technology:** This includes product knowledge and design features that are kept secret through patents or confidentiality agreements.
2. **Favourable access to raw materials:** Established firms may have secured access to the best sources of raw materials at lower prices than what is currently available on the market.
3. **Favourable locations:** Established firms may have secured the most advantageous locations before prices increased.
4. **Government subsidies:** Some established firms may have received preferential government subsidies which can give them lasting advantages in certain industries.
5. **Learning or experience curve:** Established firms may benefit from lower costs due to the experience they have gained in producing a product over time. This may result in improved methods, specialized equipment and processes, better performance, easier manufacturing, and improved measurement and control of operations. Experience can lower costs in marketing, distribution, and other areas as well. However, this advantage is difficult to replicate for new entrants, and may create a barrier to entry.

The most significant cost declines due to experience occur in industries with high labour content and complex assembly operations. These declines are most significant in the early stages of product development but diminish over time. The decline in cost from experience can create a barrier to entry for new firms, as established firms have lower costs and can invest in new equipment and techniques. Pursuing experience curve cost declines may require substantial upfront capital investment for equipment and start-up losses. However, this decline in cost can be augmented by diversified firms that share operations or functions subject to such a decline with other units in the company.

1.5.4.2.7 Government Policy

Regulations such as licensing requirements and restricted access to raw materials can be imposed by governments to prevent or limit new companies from entering a market. However, despite these barriers, new companies may still enter the market if they can offer high-quality products at lower prices with good marketing. Therefore, strategists must identify potential new competitors, monitor their strategies, respond effectively if necessary, and take advantage of their strengths and opportunities. When there is a strong threat of new entrants, existing companies usually take measures to strengthen their position, such as lowering prices, extending warranties, adding features, or providing funding packages.

1.5.4.3 Potential of The Development of Substitute Products

In every industry, firms face competition from industries that produce substitute products. The availability of substitute products restricts the profit potential of an industry by creating a price ceiling that firms within the industry can charge. The more appealing the price-performance trade-off of substitute products, the tighter the constraints on industry profits become. Identifying substitute products requires finding products that can serve the same purpose as the industry's products, which can often be a challenging task that involves analysing businesses that may seem unrelated to the industry.

Dealing with substitute products may require collective action by the industry. Substitute products that deserve particular attention are those that offer better pricing or performance than the industry's products, or those that are produced by a high-profit industry. In the latter case, substitute products may rapidly emerge if competition within the high-profit industry intensifies and results in lower prices or improved performance. It is important to analyse such trends in deciding whether to strategically confront substitute products or to develop a strategy that acknowledges the important role they play as an inevitable force.

1.5.4.4 Bargaining Power of Buyers

The industry faces competition from buyers who lower prices, negotiate for better quality or services, and pit rival companies against each other, all of which reduce the industry's profitability. The influence of buyer groups in

an industry is determined by different factors including the market situation and the importance of their purchases in relation to their overall business. A buyer group can be considered powerful if certain conditions are met:

1. Buyer groups are more powerful if they are highly concentrated or if they purchase a large number of products compared to the seller's sales. They are also likely to invest time and resources to find the best price and purchase selectively. When the product sold by the industry is only a small part of the buyer's expenses, they tend to be less sensitive to prices.
2. Buyers tend to be more powerful if the products they purchase from the industry make up a significant portion of their costs or purchases. In such cases, buyers are likely to spend time and resources searching for the best price and selectively purchasing from preferred sellers. Conversely, when the industry's product is only a small portion of a buyer's costs, buyers are typically less sensitive to price.
3. Buyers tend to have more bargaining power if the products they purchase from the industry are standard or undifferentiated. This is because they can easily find alternative suppliers and play one company against another.
4. The buyer group is not subject to high switching costs, which would restrict their ability to switch to alternative suppliers. In contrast, if the seller faces high switching costs, the buyer's power is increased.

5. When the buyer's industry earns low profits, they are more motivated to lower their purchasing costs. On the other hand, highly profitable buyers tend to be less sensitive to price and may have a long-term perspective on supporting the well-being of their suppliers.
6. If buyers can integrate backwards, either partially or through a credible threat, they have leverage to demand concessions in negotiations. The power of buyers can be reduced when firms in the industry could integrate forward into the buyers' industry.
7. If the industry's product has little impact on the quality of the buyers' own products or services, the buyers usually have an advantage in negotiations if they have complete information about demand, market prices, and supplier costs. With full information, the buyer can demand the most favourable prices and refute suppliers' claims that their viability is at risk.
8. When the buyer has complete knowledge about the market prices, demand, and supplier costs, it gives them more bargaining power compared to situations where the information is limited. With such knowledge, buyers can negotiate for the most favourable prices offered to others and can challenge the supplier's claims about their viability. These sources of buyer power are applicable not only to industrial and commercial buyers but also to consumers, with only slight modifications required in the context.

9. The rules that determine the buyer power of wholesalers and retailers are the same as those for other buyers, but there is one important addition. When retailers can influence consumers' purchasing decisions, they can gain significant bargaining power over manufacturers.

1.5.4.5 Bargaining Power of Suppliers

Suppliers have the power to increase prices or decrease the quality of goods and services they provide, which can result in reduced profitability for the industry if cost increases cannot be passed on to customers. The factors that make suppliers powerful are similar to those that make buyers powerful. A supplier group is considered powerful if the following conditions are met:

1. If the suppliers sell to an industry that is dominated by a few companies and is more concentrated than the industry they sell to, they will be able to exert significant influence over the prices, quality, and terms. However, if the suppliers sell to more fragmented buyers, they will have less power.
2. The supplier's bargaining power can be limited even if they are large and powerful if there are substitute products available in the industry. Conversely, if there are no substitute products, suppliers can wield significant power over the industry.
3. If a particular industry does not make up a significant portion of a supplier group's sales and the suppliers sell to many industries, they are more likely to exert power over that industry.

4. When the product provided by the supplier is a crucial component for the buyer's business, and its quality or availability can significantly impact the success of the buyer's manufacturing process or product quality, the supplier holds greater bargaining power.
5. If a supplier group's products are distinct from others or if buyers face significant costs to switch to other suppliers, then the supplier can have more power. This is because buyers will have fewer options to switch suppliers and may be less able to negotiate lower prices. Conversely, if the supplier group faces switching costs, then its power may be reduced.
6. The supplier group has the ability and intention to become a competitor to the industry it supplies, which acts as a constraint on the industry's bargaining power to negotiate favourable terms of purchase.
7. Labour is a supplier that holds significant power in various industries and must not be overlooked. Empirical evidence suggests that industries with scarce, highly skilled employees or tightly unionized labour are able to negotiate and demand a large portion of potential profits in that industry.
8. The potential for expansion of the supply of scarce labour. If the labour force is highly organized or the supply of scarce labour is limited, then the power of labour can be significant.
9. The factors that determine the power of suppliers can be unpredictable and often beyond a firm's control. However, similar to the case of buyers' power, a firm can take strategic actions to improve its situation.

For example, it can increase the likelihood of backward integration, or work towards reducing switching costs.

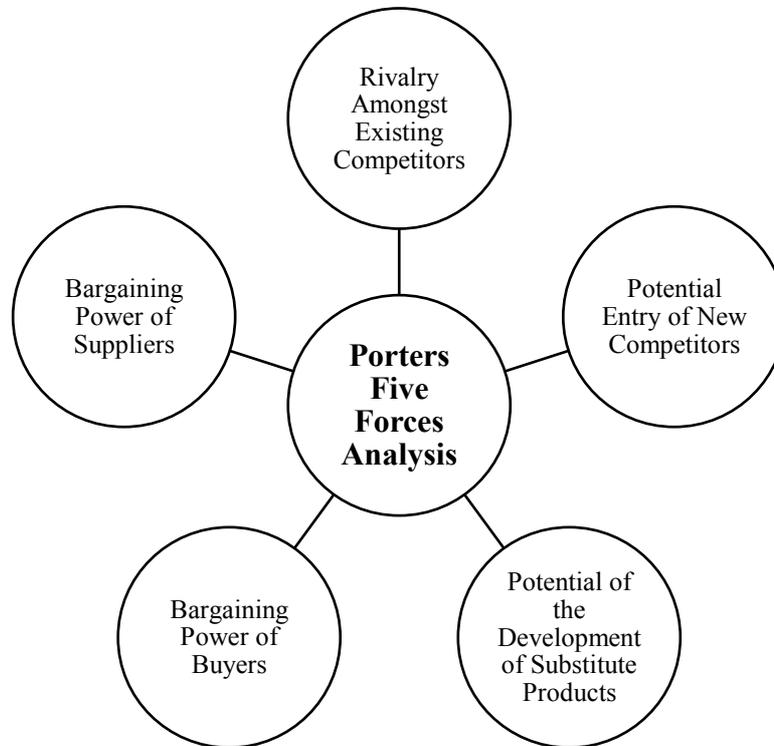


Figure 1. 5 Diagram of Porteres Five Forces Analysis

Source: (Porter, 1980). Competitive Strategy. New York: The Free Press

1.5.5 Porters Competitive Strategies

1.5.5.1 Porters Generic Strategy

(Porter, 1980) abbreviates his generic strategy theory suggests an approach to compete with other companies in a particular industry to outperform them. This strategy can help all companies achieve high profit results in their industry. The aim of this strategy is to create a distinct advantage over competitors, and it is often used by companies in similar or different industries to strengthen their position in industrial competition. The company's operational activities are planned and implemented based on the

determined generic strategies, which provide a clear direction for the company to achieve its goals.

(Porter, 1980) identifies three theoretical foundations for gaining competitive advantage: cost advantage, differentiation, and focus strategies. These three strategies are called generic strategies. The generic low-cost strategy emphasizes producing standardized products at very low unit costs to attract price-sensitive consumers. The generic differentiation strategy focuses on creating unique and attractive products to appeal to consumers. The generic focus strategy involves catering to small groups of consumers or focusing on a particular market segment.

Companies with large resources in the production process usually compete based on cost advantage and/or differentiation, while smaller companies often compete based on focus. To achieve competitive advantage, companies must make choices about the type of competitive advantage they want to achieve and the market coverage in which they will achieve it. The generic strategy approach requires a different organizational arrangement, control procedure, and intensive system.

(Porter, 1980) developed a categorization of competitive strategies that a company can use, which includes three types: low-cost strategy, differentiation strategy, and focus strategy.

		STRATEGIC ADVANTAGE	
		Uniqueness Perceived by	
		The Customer	Low-Cost Position
Industrywide		Differentiation	Overall Cost Leadership
Strategic Target			
Segment Only		Focus	Focus

Figure 1. 6 Porters Competitive Strategy Analysis Diagram

Source: (Porter, 1980). Competitive Strategy. New York: The Free Press

1.5.5.2 Overall Cost Leadership

The low-cost strategy is a competitive approach utilized by companies with a wide target market and a low-cost structure. This tactic emphasizes creating standard products in all areas with the lowest possible per-unit costs. Businesses that excel in low-cost production can leverage their cost advantage to offer lower prices than their competitors, primarily targeting price-sensitive consumers who prioritize price in their purchasing decisions. This strategy is also appropriate for customers with low-involvement behavior, who are not particularly concerned with brand or product differences, or when a significant number of consumers have significant bargaining power.

To implement this strategy successfully, companies must avoid using aggressive price cuts that could result in very low or nonexistent profits. Instead, they should always seek breakthroughs or methods to satisfy customers by providing value that the company can offer. This approach necessitates an examination of market advantages or ease of entry. Low costs are derived from economies of scale in manufacturing, proprietary technology, and privileged access to raw materials.

In the commodity market, this strategy enables companies not only to survive price competition but also to become market leaders in price setting while ensuring above-average, stable profits through aggressive efficiency and cost effectiveness. Companies that can produce and sell products at a lower cost, while still generating significant profits, are in a superior position.

Companies that have successfully implemented the low-cost strategy may also possess several other factors, such as:

1. Access to significant investment capital: These companies have the financial resources to invest significantly in their production capabilities, which can represent a barrier to entry for other firms.
2. Strong product design capabilities: These companies possess the ability to design products in a way that enhances the efficiency of the manufacturing process, for example, by reducing the number of components required.

3. High level of expertise in manufacturing process development: These companies have a deep understanding of the manufacturing process and are constantly seeking to improve it to reduce costs and increase efficiency.
4. Efficient distribution channels: These companies have a well-established and efficient distribution network, which enables them to get their products to customers quickly and at a lower cost than competitors.

1.5.5.3 Differentiation

The differentiation strategy is implemented to make a product or service unique and attractive to customers, who perceive it as better than competing products. Its purpose is to create a distinction and draw customers through features or advantages that are exclusive to the product or service. The company must choose attributes that set itself apart from competitors to achieve differentiation. To enjoy a premium price, the company must be genuinely unique. The product's uniqueness is designed to attract maximum interest from potential consumers. The way products are differentiated varies by market, and it can be based on the product, delivery system, marketing approach, or other factors. Differentiation is crucial because customers or organizational buyers prioritize two reasons when purchasing a product or service. Firstly, they want to make a better choice, and secondly, they want to buy products or services at a lower cost. This strategy is typically targeted towards potential customers who do not prioritize price in

their decision-making also called price-insensitive consumers who are sensitive to the product's attributes.

The differentiation strategy is an effective approach to generating above-average profits in an industry by establishing a secure position against the five competitive forces, even though the method is different from the overall cost advantage strategy. While cost is not the main target, this strategy does not ignore the cost factor. To determine the basis for a product differentiation strategy, several steps can be taken, including identifying customers, analyzing value chains, ranking customer purchasing criteria, evaluating existing sources of uniqueness, selecting value activity configurations that offer the most valuable differentiation, testing the durability of the product differentiation strategy, and reducing costs in non-differentiating activities. By following these steps, companies can implement a product differentiation strategy effectively while also reducing costs.

Despite its benefits, the implementation of a differentiation strategy also involves several risks, including the following:

1. The company becomes vulnerable to competition if buyers do not perceive significant uniqueness in the products offered.
2. If the uniqueness offered is easy to imitate, competitors may replicate it easily.
3. If the premium price for the differentiated product is too far from the price of goods offered by competitors who use a low-cost advantage

strategy, it may be difficult to apply the differentiation strategy effectively.

1.5.5.4 Focus

The focus strategy is utilized to create a competitive advantage in a smaller market segment. Its purpose is to cater to the needs of consumers who are a relatively small group and whose purchasing decisions are not heavily influenced by price. Typically, in medium and large companies, the focus strategy is combined with either the low-cost strategy or the product differentiation strategy. This approach is often employed by "niche market" providers who specialize in meeting the requirements of a specific product or service.

The focus strategy narrows a company's concentration to only a few target markets, which is referred to as the focus or niche strategy. There are two variations of this focus strategy:

1. The company focuses on cost, seeking to gain cost advantages from the target segment.
2. The company focuses on differentiation, seeking to differentiate itself from the target segment.

Both variations of the focus strategy depend on the distinction between the target segment and other segments within the industry. While the low-cost and differentiation strategies aim to achieve their objectives throughout the industry, the focus strategies are designed to serve specific targets effectively. This strategy is based on the notion that by focusing

solely on a particular group, the company can better fulfill that group's needs and provide better service.

The focus strategy is grounded on the premise that the company can serve its narrow strategic targets more effectively and efficiently than its broader competitors. Therefore, the company achieves differentiation by satisfying the specific needs of the target segment or attaining lower costs in serving them, or both. The implementation of this strategy is generally undertaken by companies with growth potential and less concern about competition in order to achieve success. Companies that adopt this strategy often concentrate on a specific market group (niche market), certain geographic areas, or specific goods or services that can effectively meet consumer needs.

1.5.6 Porter's Value Chain

In examining the competitive strategy of Batik Salma Cirebon, it is essential to integrate Michael Porter's Value Chain framework alongside Porter's Five Forces and SWOT analysis. The value chain framework provides a comprehensive approach to understanding and enhancing the activities that create value for a business. Introduced by Porter in 1985, the value chain divides a company's activities into primary and support categories, aiming to identify and optimize value-creating processes that lead to a competitive advantage.

1 Primary Activities

These include inbound logistics, operations, outbound logistics, marketing and sales, and service. Each of these elements plays a direct role in the creation, sale, and after-sales service of a product, contributing to customer value.

2. Support Activities

These provide the necessary infrastructure and capabilities to enable the primary activities to operate effectively. Support activities include firm infrastructure, human resource management, technology development, and procurement.

In the context of Batik Salma Cirebon, incorporating the value chain framework allows for a deeper analysis of how the business operates and delivers value to its customers. By identifying and enhancing each activity in the value chain, Batik Salma can identify areas for improvement, cost efficiency, and differentiation strategies.

3. Inbound Logistics

Sourcing quality raw materials and building strong supplier relationships can reduce costs and improve the quality of batik products.

4. Operations

Streamlining production processes through skilled artisans and unique design patterns creates a distinctive product, enhancing differentiation.

5. Marketing and Sales

Effective promotion and targeted marketing strategies can highlight Batik Salma's unique offerings, distinguishing it from competitors like Batik Trusmi.

6. Service

Providing superior customer service, customization options, and responsive support enhances customer loyalty and value perception.

1.5.7 SWOT Analysis as a Competitive Strategy Formulation

According to (Rangkuti, 2006) SWOT analysis is a systematic method of identifying various factors to develop a company's strategy. It involves maximizing the strengths and opportunities while minimizing weaknesses and threats. This approach aims to balance the internal strengths and weaknesses of the organization with the opportunities and threats in the external environment. It suggests that the organization's issues should be carefully analyzed, and the strategy formulation must be directed towards the most important and urgent ones. This analysis is helpful in formulating strategic policies for the company.

Strengths refer to the condition of a company where it can perform its duties properly due to its adequate facilities and infrastructure, generally above the industry average (Rangkuti, 2006). Weaknesses are analyzed in the company's internal environment to identify deviations that may make the company's position unprofitable and affect its ability to compete with other companies in the industry (Rangkuti, 2006). Opportunities are part of the analysis of the company's external environment, which helps

management to identify potential opportunities for the company to gain a greater market share and increased profits (Rangkuti, 2006).

(Rangkuti, 2006) states that threats are a crucial part of a company's external environmental analysis, which helps management identify the challenges that the company faces or will face due to unfavorable trends or developments outside the company.

There are four quadrants in SWOT analysis, portraying situations that are favorable, unfavorable, threatening, and promising.

1.5.7.1 Quadrant I Opportunity and Strength

This is a very favorable situation. The company has opportunities and strengths so that it can take advantage of existing opportunities. The strategy that must be applied in this condition is to support an aggressive growth policy (Growth Oriented Strategy).

1.5.7.2 Quadrant II Threats and Strength

Despite facing various threats, this company still has internal strength. The strategy that must be implemented is to use strength to take advantage of long-term opportunities by way of a diversification strategy (product/service).

1.5.7.3 Quadrant III Opportunity and Weakness

The company faces enormous market opportunities, but on the other hand, it faces several internal constraints/weaknesses. The focus of this company is to minimize the company's internal problems so that it can seize better market opportunities.

1.5.7.4 Quadrant IV Weakness and Threats

This is an unfavorable situation where the company is facing internal threats and weaknesses.

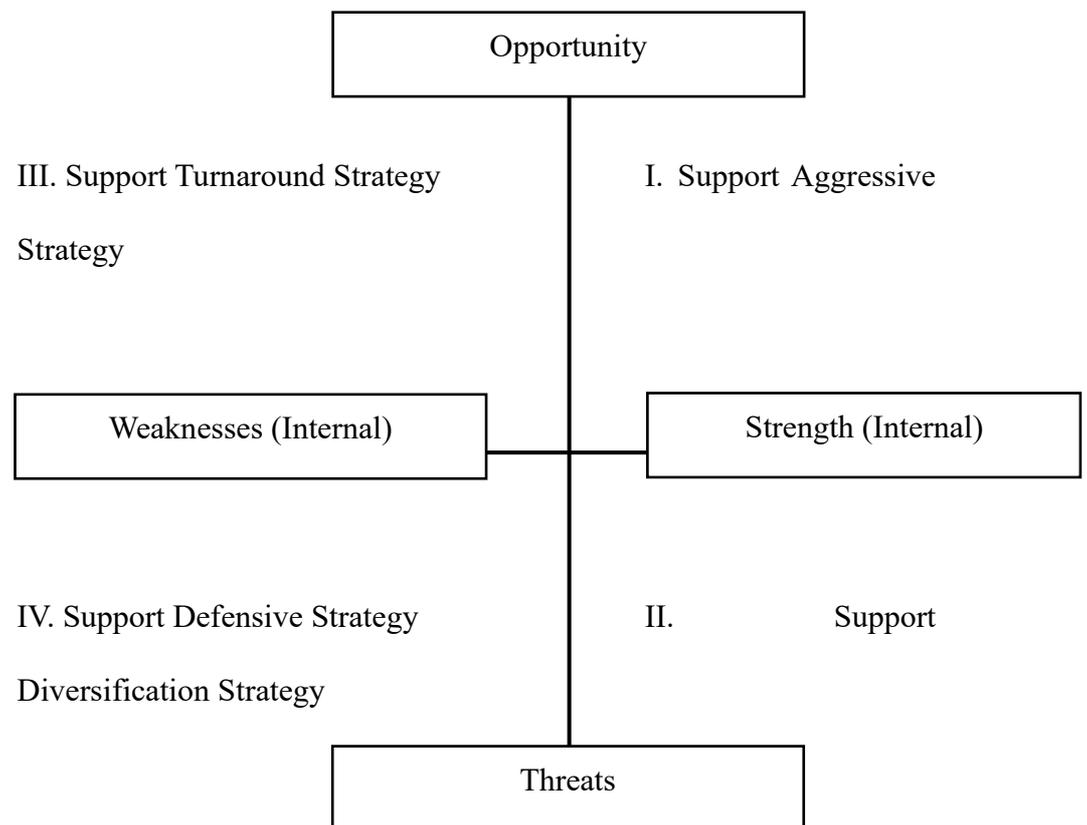


Figure 1. 7 SWOT Analysis Diagram

Source: (Porter, 1980). Competitive Strategy. New York: The Free Press

According to (Rangkuti, 2006) the function of SWOT analysis is to obtain information from situation analysis and separate it into internal issues (strengths and weaknesses) and external issues (opportunities and threats). The SWOT analysis explains whether the information indicates something that help the company achieve its goals or provides an indication that there are obstacles that must be faced or minimized to meet the desired income.

There are four are potential main issues that must be considered in conducting a SWOT analysis according to (Rangkuti, 2006) which are elaborated below:

1.5.7.5 Potential Internal Strength

This factor can be supported through ownership of financial resources, ownership of a familiar name, Economies of scale, technology properties, patented process, lower prices (raw materials or processes), trust and respect for the company, product or brand image, superior management talent, better marketing capabilities, good distribution capability, committed employees.

1.5.7.6 Potential Internal Weaknesses

Contributing factors to this potential may differ from lack of strategy setting, limited financial resources, underspending on marketing and promotion, limited distribution, outdated technology, problems with internal operating processes, poor marketing skills, untrained employees.

1.5.7.7 Potential External Opportunities

This potential is increased through continuously increasing market growth, satisfied competitor companies, changing consumer needs and wants, discovery of new products, new technology, improved economy, changes in distribution methods.

1.5.7.8 Potential External Threats

Encouraging situations for this potential may include introduction of new substitute products, changes in consumer needs and wants, competitor firms

adopting new strategies, increased government regulations, the economy is experiencing a decline, new technology.

1.6 Previous Research

Previous research is very important as a basis for preparing a thesis. There are several previous studies that have a similar theme and became the author's reference in compiling this research, including:

1. Research 1 – Ajtene Avdullahi, Vjosa Fejza (2015)

Topic	The Role of Competitive Strategies on Developing a Strong Competitive Advantage
Journal Publication	Research Journal of Economics, Business and ICT, Volume 10, Issue 2, 2015
Author	Ajtene Avdullahi, Vjosa Fejza
Research Purpose	<ul style="list-style-type: none"> - To establish the importance of competitive strategies use as a crucial company advantage. - To assess potential areas for future development of the Kosovar companies competitive strategies - To Explore competitive strategies of local construction company and identify how the company maintains its position in the market.
Research Method	Qualitative Descriptive
Variable	<ul style="list-style-type: none"> - Competitive Strategies - Local Construction Company in Kosova
Supporting Theory	<ul style="list-style-type: none"> - Competitive Advantage Michael E Porter - Generic Strategies by Michael E Porter - Competitive Marketing Strategy
Research Result	<ul style="list-style-type: none"> - LINPROJEKT initiated its business with a focus on added value and differentiation, offering unique products and services during a high-demand period. Their competitive advantage lies in an in-house team of engineers and architects, saving costs by eliminating the need for external design companies. Founder Jusuf Haxhimehmeti's practical experience and network contribute to the company's success. LINPROJEKT employs a moderate marketing approach,

	<p>relying on satisfied customers as effective promoters.</p> <ul style="list-style-type: none"> - The company's adaptability is evident in its strategic shift from an initial differentiation focus to a combination of differentiation and hybrid strategies in response to increased competition. LINPROJEKT's functional-level strategy centers on improving operational effectiveness across various aspects of the business. Notably, the ability to tailor competitive advantages to specific markets has established LINPROJEKT as a strong competitor in both Pristina and Mitrovica. The company's long-term viability is underscored by its commitment to hard work, goodwill, and responsiveness to change, as highlighted by the Charles Darwin quote, positioning LINPROJEKT for sustained success in the dynamic business environment.
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2. Research 2 – Claudia Vanesha Pitoy, Altje Tumbel, Maria Tielung
(2016)

Topic	Analysis of Compate Strategy in the Business of Document Solution (Case Study in PT. Astragraphia, Tbk Manado)
Journal Publication	Jurnal Berkala Ilmiah Efisiensi Volume 16 No.03 Tahun 2016
Author	Claudia Vanesha Pitoy, Altje Tumbel, Maria Tielung
Research Purpose	<ul style="list-style-type: none"> - Understand and qualitatively analyse the competitive strategy applied by PT. Astragraphia, Tbk Manado to maintain customers in Manado.
Research Method	Qualitative Descriptive
Variable	<ul style="list-style-type: none"> - Sales Management - Strategic Management - Sales Strategy
Supporting Theory	<ul style="list-style-type: none"> - Sales Managemetn by Kotler, Philip and Keller, K. Lane - Competitive Strategy by Michael E Porter
Research Result	Companies employ various marketing strategies to compete with rivals and capture market share. This

	includes positioning, rebranding, and efforts to maintain their status as market leaders. For example, PT. Astragraphia focuses on retaining sales targets set by the central company and branch offices. The company prioritizes core customers, aiming to retain sales targets by keeping loyal customers satisfied through offering upgrades to existing machines. Additionally, in achieving sales targets for printers, the company collaborates with business partners to distribute Xerox printers, strengthening synergy in the distribution chain.
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3. Research 3 – Silvia Hendrayanti, Achmad Junaidi (2022)

Topic	Build Competitive Advantage to Improve Company Performance
Journal Publication	Management Analysis Journal 12 (3) (2022)
Author	Silvia Hendrayanti, Achmad Junaidi
Research Purpose	<ul style="list-style-type: none"> - Understand how companies can advance from competition and improve company performance.
Research Method	Quantitative
Variable	<ul style="list-style-type: none"> - Environmental Adaptability - Differentiation Strategy - Efficiency Strategy - Competitive Advantage - Company Performance
Supporting Theory	<ul style="list-style-type: none"> - Generic Strategy by Michael E Porter
Research Result	<ul style="list-style-type: none"> - The research findings highlight two critical pathways for improving company performance. Firstly, a stronger environmental adaptability positively influences the quality of differentiation strategies, leading to an enhanced competitive advantage and overall improved company performance. This process is visually depicted in Figure 4. Secondly, the study identifies an alternative route to performance improvement through the augmentation of efficiency strategies, also based on robust environmental adaptability. The positive correlation between

	<p>environmental adaptability, efficiency strategies, competitive advantage, and company performance is illustrated in the same figure.</p> <ul style="list-style-type: none"> - Despite acknowledging its limitations, the study emphasizes potential areas for future research. It suggests exploring additional indicators or variables not covered in the current study for a more comprehensive understanding. Furthermore, the researchers propose broader and more in-depth investigations, such as studying pharmacies in different regions, to enrich insights into factors influencing company performance in the pharmaceutical industry. The study underscores the importance of ongoing research development and expansion to achieve comprehensive and valid results in future studies.
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4. Research 4 – Listia Yuniarti (2017)

Topic	Analisis Strategi Bersaing pada UMKM Laundry
Journal Publication	Jurnal Administrasi Bisnis (JAB)
Author	Listia Yuniarti
Research Purpose	<ul style="list-style-type: none"> - To find out internally and externally with the SWOT matrix to determine appropriate competitive strategies that can be implemented by the business SuperWash Laundry in the face of competition. - To find out the quality of service to determine strategies appropriate competition and can be implemented by SuperWash Laundry's business in facing competition.
Research Method	Qualitative Descriptive
Variable	<ul style="list-style-type: none"> - Social - Culture - Demography - Environment
Supporting Theory	<ul style="list-style-type: none"> - Competitor Evaluation - SWOT Analysis
Research Result	<ul style="list-style-type: none"> - Internal Analysis: The study identifies aspects of the business's internal operations,

	<p>including management, marketing, finance, production, and development. While the management functions—such as planning and organization—are considered simple and in need of improvement, marketing strategies prove effective though passive. Financial management lacks systematic bookkeeping, pointing to an area requiring attention. On a positive note, the production process is well-executed, supported by functional equipment. Additionally, innovative services, such as free pick-up and member discount programs, highlight successful development strategies.</p> <ul style="list-style-type: none"> - External Analysis: The examination of external factors encompasses economic, social, cultural, demographic, environmental, technological, and competitive elements. Notably, economic fluctuations have minimal impact due to alternative solutions, and the laundry culture is not dominant, reflecting a diverse customer base. While technology is underutilized, the owner remains confident in retaining customers amid competition, emphasizing consistent, high-quality service. - Service Quality: The evaluation of service quality focuses on physical evidence, reliability, responsiveness, assurance, and empathy. While the physical aspects of the business receive positive feedback, customer comfort could be improved. The business is deemed reliable, exhibiting timeliness and quality results. The staff's friendliness and promptness in serving customers contribute to a positive perception. Assurance provided by the business generally satisfies customers, although occasional lapses are noted. In terms of empathy, the business extends beyond cleanliness and fragrance to include employee attitudes and understanding customer needs.
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5. Research 5 – Ida Farida, Doddy Setiawan (2022)

Topic	Business Strategies and Competitive Advantage: The Role of Performance and Innovation
Journal Publication	Jurnal of Open Innocation: Technology, Market and Complexity, 2022, 8 163. https://doi.org/10.3390/joitmc8030163
Author	Ida Farida, Doddy Setiawan
Research Purpose	<ul style="list-style-type: none"> - Examine the effect of business strategies in improving the competitive advantages of small and medium Enterprises (SMEs).
Research Method	Quantitative Research
Variable	<ul style="list-style-type: none"> - Company Performance - Innovation - Business Strategies and Competitive Advantage
Supporting Theory	<ul style="list-style-type: none"> - Competitive Advantage - Generic Strategy - Dynamic Capability Theory
Research Result	<ul style="list-style-type: none"> - The study emphasizes the vital role of strategic planning for SME contractors and real estate businesses in Indonesia, highlighting its impact on achieving goals and gaining a competitive edge. It underscores the interconnectedness of operational, financial, and organizational performance as crucial indicators of overall success. The research identifies innovation, especially in technology and business strategies, as essential for sustaining competitiveness in a dynamic business environment. - A key finding indicates a positive correlation between effective business strategies and improved business performance, innovation, and competitive advantage for SME contractors and real estate businesses in Indonesia. The study underscores the mediating role of business performance and innovation in strengthening this relationship. With a growing demand for housing in Indonesia and a youthful population, SMEs with effective strategies are poised to seize opportunities in the real estate sector.

	<ul style="list-style-type: none"> - The study advises SMEs, particularly in developing countries like Indonesia, to prioritize innovation as a core business strategy for long-term sustainability. While acknowledging study limitations, such as its focus on Porter's generic study and MSMEs in Java, it encourages future research to explore diverse business strategies.
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1.7 Conceptual Definition

Conceptual Definition is provided with the intention of offering clarity, serving as a framework for researchers to discuss and solve problems.

Competitive strategy is the plan a business adopts to outperform rivals and gain an advantage in the market. It involves decisions about product differentiation, cost leadership, target markets, and overall value proposition. The aim is to create a sustainable advantage that sets the business apart and attracts customers, leading to long-term success. Porter's Five Forces, developed by (*Porter, 1980*), is a framework for analyzing the competitive dynamics of an industry. It assesses the attractiveness and profitability of an industry by examining five key forces: the threat of new entrants, bargaining power of buyers, bargaining power of suppliers, threat of substitute products or services, and the intensity of competitive rivalry. This comprehensive analysis helps businesses understand the competitive landscape, identify potential risks, and formulate effective strategies to enhance their competitive advantage within the industry.

SWOT Analysis is a strategic tool that evaluates a business's internal strengths and weaknesses, as well as external opportunities and threats. It

involves identifying factors that provide a competitive advantage (strengths), areas needing improvement (weaknesses), external prospects for growth (opportunities), and external challenges or risks (threats). This analysis guides strategic decision-making by helping businesses leverage their advantages, address shortcomings, exploit opportunities, and mitigate potential risks for sustained success (Rangkuti, 2006).

1.8 Operational Definition

Operational definitions serve to establish clear criteria for researchers to facilitate the research process and provide precise parameters for measurement.

Operational definitions for competitive strategy encompass specific criteria such as the articulation of corporate policies, methods for employee development, and the learning and development framework. This involves a structured assessment of how businesses formulate and implement their competitive strategies to achieve sustainable advantages in the market.

Porter's Five Forces, distinct criteria involve evaluating the threat of new entrants, the bargaining power of buyers and suppliers, the threat of substitute products or services, and the intensity of competitive rivalry. Researchers will employ these criteria to systematically assess industry attractiveness and profitability, aiding businesses in developing targeted strategies.

SWOT Analysis include explicit criteria for identifying and categorizing internal strengths and weaknesses, as well as external

opportunities and threats. Researchers will utilize these criteria to conduct a structured evaluation, guiding businesses in making strategic decisions based on a thorough understanding of their internal and external environments.

1.9 Research Methodology

In this research endeavor, the term "method" refers to a specific approach or protocol that must be adhered to in order to address a research question. In this particular case, the researcher has chosen to use a qualitative research method. This decision was made due to the desire to explore a phenomenon that is characterized by descriptive analysis. Additionally, the research problems are not clearly defined and require a more in-depth understanding that can be gained by directly engaging with the object of study.

1.9.1 Research Type

This case study focusing on Batik Salma Cirebon, implements the qualitative approach known as pattern matching, entailing the comparison of observed patterns in empirical data with those anticipated by existing theories or models, facilitating the testing of theoretical propositions and the identification of causal relationships (Yin, 2018).

The utilization of this approach will enable the analysis of data obtained from interviews, observations, and document analysis. The objective is to discern patterns or themes within the data relevant to Porter's Five Forces and SWOT Analysis, thereby gaining insights into Batik Salma

Cirebon's competitive stance, strengths, weaknesses, opportunities, and threats.

Semi-structured interviews are conducted with key stakeholders, including Batik Salma Cirebon's management team, employees, and customers. These interviews guided by predetermined sets of questions crafted to explore the company's competitive environment and strategic decision-making processes. Additionally, relevant documents such as financial reports, marketing materials, and industry analyses will be gathered to complement the qualitative data.

Following the completion of data collection, the interview recordings, observational notes, and document extracts are transcribed and analyzed. Through iterative coding and thematic analysis, recurring patterns or themes aligned with Porter's Five Forces and SWOT Analysis concepts will be identified. These patterns will then be juxtaposed with theoretical frameworks to evaluate the validity of existing theories and derive novel insights into Batik Salma Cirebon's competitive strategy.

Throughout the analytical phase, methodological rigor will be upheld by meticulously documenting analytical decisions and striving for consensus among researchers. By employing pattern matching within a qualitative case study framework, the aim is to furnish a comprehensive understanding of Batik Salma Cirebon's competitive landscape and contribute to the formulation of evidence-based strategic recommendations.

1.9.2 Research Population and Sample

The research subjects for this study were purposefully chosen to provide valuable insights into the competitive strategy of Batik Salma Cirebon. Mrs. Tri Salela Rusima Gumelar, the owner of MSMEs Batik Salma Cirebon, with a profound understanding of the company's history, operations, and strategic decisions. Her insights are indispensable for conducting a thorough analysis of the business. Additionally, Mrs. Irma, the business manager, was included as an additional informant to offer specific insights into the daily operations and managerial decisions of Batik Salma Cirebon.

Moreover, the management team and employees, comprised of individuals responsible for the daily operations, are also included as research subjects. Competitors and individuals with direct and indirect relationships with Batik Salma Cirebon were also considered as research subjects. Understanding their perspectives provides a comprehensive view of the competitive landscape and external influences impacting Batik Salma Cirebon's strategy. Lastly, customers, who play a crucial role in the success of Batik Salma Cirebon, were included to offer insights into consumer preferences, perceptions of product quality, and brand satisfaction, thereby contributing to a holistic understanding of the company's competitive position.

Table 1. 2 Key Informative Table

No.	Key Informants	Informative Coverage	Information Gathering Techniques
1	Owner of Batik Salma Cirebon	Batik Salma Cirebon's Competitive Strategy with Porter's Five Forces Analysis	<ul style="list-style-type: none"> - Interview - Moderate Participatory Observation
2	Manager of Batik Salma Cirebon		
3	Management Team and Employees of Batik Salma Cirebon		
4	Competitors within the Batik Industry or within Batik Salma Area	Entry Barriers, Supplier Switching, Competitive Rivalry, Market Share	
5	Customers of Batik Salma Cirebon or Batik Consumers	Quality, Word of Mouth, Price Sensitivity, Customer Loyalty	

1.9.3 Type and Data Resources

1.9.3.1 Type of Data

The type of data for this case study on Batik Salma Cirebon is primarily qualitative. Qualitative data refers to non-numeric information that focuses on understanding phenomena through descriptions, observations, and interpretations of experiences, behaviors, and attitudes. In this study,

qualitative data is collected through various methods such as interviews, observations, and document analysis.

Interview transcripts contain data obtained from semi-structured interviews with key stakeholders such as the owner, management team, employees, customers, and other relevant individuals associated with Batik Salma Cirebon. Through these interviews, researchers gather valuable insights into the company's competitive strategy, operational processes, and market dynamics.

Observational notes are gathered through direct observation of Batik Salma Cirebon's operations, customer interactions, and market environment. These observations provide firsthand insights into organizational dynamics, customer behavior, and other contextual factors that may influence the company's competitive position.

Document analysis involves examining various documents such as company reports, marketing materials, industry analyses, and any other relevant documentation related to Batik Salma Cirebon's operations, strategy, and competitive landscape. This method helps corroborate and supplement the insights obtained from interviews and observations, providing a comprehensive understanding of the company's context and strategic challenges.

1.9.3.2 Data Source

Data sources are the origins from which research gather information to support their study (Booth et al., 2003). A combination of primary and

secondary sources has been utilized to ensure a comprehensive and rigorous analysis.

1.9.3.2.1 Primary Data

Primary data refers to original data collected directly from firsthand sources. For this thesis, primary data was obtained through interviews and observations conducted specifically for the research study. Interviews were conducted with key stakeholders, providing valuable insights into the competitive strategy, operational practices, and customer perceptions of the business. Observations involved directly observing the business operations, customer interactions, and market dynamics to gain a deeper understanding of the practical application of the competitive strategy.

1.9.3.2.2 Secondary Data

Secondary data refers to existing data that has been collected by others for purposes other than the present research. In this thesis, secondary data was obtained from various sources. These included published research articles, academic papers, and scholarly texts related to competitive strategy, the batik industry, and the textile market. Books focusing on the principles and application of Porter's Five Forces and SWOT Analysis were also consulted. Additionally, market reports, industry analyses, and financial statements of Batik Salma Cirebon were examined as secondary data sources. These sources provided theoretical frameworks, empirical studies, industry insights, market trends, consumer behavior, and financial performance information.

1.9.4 Data Collection Method

1.9.4.1 Data Analysis

This section outlines the procedures for analyzing the qualitative data collected through interviews, observations, and document analysis. The analysis aims to uncover patterns and themes relevant to Batik Salma Cirebon's competitive strategy, market positioning, strengths, weaknesses, opportunities, and threats.

1.9.4.2 Transcription and Data Preparation

Upon completion of data collection, all interview recordings will be transcribed verbatim. Transcription ensures accuracy and facilitates subsequent analysis. Observational notes and document extracts will also be organized and prepared for analysis.

1.9.4.3 Coding and Initial Analysis

The transcribed interviews, observational notes, and document extracts will be subjected to initial coding. Coding involves systematically identifying and labeling segments of data related to key concepts, themes, or patterns. Open coding will be initially employed to generate a broad range of codes, followed by focused coding to identify recurring themes relevant to the research objectives.

1.9.4.4 Thematic Analysis

Thematic analysis will be conducted to identify overarching patterns, themes, and trends within the coded data. Themes will be developed through an iterative process of data immersion, pattern recognition, and theme