# PRODUCTION STRATEGY IN AN OLIGOPOLY MARKET OF MILK INDUSTRY FOR SWEET CONDENSED MILK PRODUCT

#### **THESIS**



### BAGASKARA PUTRA WARDHANA 2151001003

STUDY PROGRAM
MASTER OF MANAGEMENT
BAKRIE UNIVERSITY
JAKARTA
2016/2017

# PRODUCTION STRATEGY IN AN OLIGOPOLY MARKET OF MILK INDUSTRY FOR SWEET CONDENSED MILK PRODUCT

#### **THESIS**

Proposed as one of the requirements to obtain a Master degree in Management



### BAGASKARA PUTRA WARDHANA 2151001003

STUDY PROGRAM
MASTER OF MANAGEMENT
BAKRIE UNIVERSITY
JAKARTA
2016/2017

**Bakrie University** 

ACKNOWLEDGMENT

Thanks God for your blessing, because of the blessing and grace, the writer

can finish this Thesis. Thesis Writing is done in order to meet one of the

requirements to achieve a Master of Management degree - University of Bakrie. I

realized that without the help and guidance of the various parties, from the lecture

to the time of preparation of this Thesis, it was very difficult for me to finish it.

Therefore, I would like to thank:

1) Achmad Reza Widjaja, Ph.D, as a supervisor who has provided the time,

energy and mind to direct me in the preparation of this Thesis.

2) PT. Frisian Flag Indonesia which has helped a lot in obtaining the data I

need.

3) My parents and family have provided moral support.

4) My friends who have helped me a lot in completing this Thesis.

Finally, the authors hope God is willing to repay all the good of all parties who

have helped. Hopefully this Thesis brings benefits for the development of science.

Jakarta, 19th August 2017

Author

iν

PRODUCTION STRATEGY IN AN OLIGOPOLY MARKET OF MILK INDUSTRY FOR SWEET CONDENSED MILK PRODUCT

Bagaskara Putra Wardhana

**ABSTRACT** 

This study aims to find out the appropriate strategies for Frisian Flag in

competing in sweet condensed product products in the oligopoly market. The data

used are internal Frisian Flag data and external data coming from BPS, Nielsen,

and related ministry data. Analyze model used starting from the analysis of

market concentration level with Herfindahl Index, analysis of demand forecasting

compared with existing capacity, internal analysis with 5 forces porter approach,

internal analysis with PESTLE approach, analysis of competition arena with

Kotler Diamond Model approach then compiled with SWOT approach where an

assessment of the strengths, weaknesses, opportunities and threats exists. Then

finally formulated the strategies and steps, and determined what are the factors of

success and risk factors of the existing strategy.

Keywords: strategy, production, sweet condensed milk, oligopoly market

vi

## **TABLE OF CONTENTS**

	Page
TITLE PAGE	i
PAGE OF ORIGINALITY STATEMENT	ii
APPROVAL PAGE	iii
ACKNOWLEDGMENT	iv
PAGE OF PUBLICATION APPROVAL STATEMENT	v
ABSTRACT	vi
TABLE OF CONTENTS	vii
LIST OF TABLES	ix
LIST OF FIGURES	X
LIST OF ATTACHMENTS	xii
I. INTRODUCTION	
1.1 Background	1
1.2 Objectives	4
1.3 Problem Formulation	4
1.4 Benefits	4
II. LITERATURE REVIEW AND PROBLEM APPROACH	
2.1 Literature Description	5
2.1.1 Strategy	5
2.1.2 Market Structure	6
2.1.2.1 Concentration Ratio	7
2.1.2.2 Herfindahl-Hirschman Indeks	8
2.1.3 SWOT	9
2.1.4 PESTLE	11
2.1.5 KOTLER Diamond Model	12

2.1.6 5 Forces Porter	16
III. PROBLEM IDENTIFICATION	
3.1 Description of Object	19
3.1.1 Sweet Condensed Milk (SCM)	19
3.2 Description of Industry	20
3.2.1 Milk Processing Industry Grouping	22
3.2.2 Global Trends in Dairy Industry	22
3.2.3 Significant Event of Frisian Flag	24
3.3 Identification of Problems	27
IV. METHODOLOGY	
4.1 Approach	29
4.2 Method of Collecting Data	29
4.3 Data Analysis Technique	30
4.4 Flow	30
V. ACTION PLAN	
5.1 Analysis	31
5.1.1 Market Structure Analysis	31
5.1.2 SCM Needs vs Capacity Analysis	33
5.1.3 5 Forces Porter	36
5.1.4 PESTLE Analysis	38
5.1.5 KOTLER Diamond Model	51
5.1.6 SWOT	52
5.2 Problem Solving Alternatives	54
5.2.1 Define Strategy	54
5.2.2 SO Strategy	60
VI. CONCLUSION & RECOMMENDATION	
6.1 Conclusion	70
6.2 Recommendation	71
DIDI IOCD ADIIV	70
BIBLIOGRAPHY	72
ATTACHMENTS	75

### LIST OF TABLES

	Page
Table 2.1 SWOT Analysis Matrix	. 10
Table 3.1 Population in Indonesia	. 27
Table 3.2 The Needs of SCM Products	. 28
Table 5.1 The Needs of SCM Products	. 33
Table 5.2 Capacity SCM Product of Frisian Flag	. 34
Table 5.3 Growth Capacity SCM Product of Frisian Flag	. 34
Table 5.4 Comparation between Forecasting Needs and Capacity	. 35
Table 5.5 Supply Fresh Milk From GKSI	. 37
Table 5.6 Supply Fresh Milk From GKSI	. 47
Table 5.7 Kotler Diamond Model Analysis Frisian Flag for SCM Products	51
Table 5.8 SWOT Rating	54

# LIST OF FIGURES

	Page
Figure 1.1 Development Sweet Condensed Milk in Indonesia	1
Figure 1.2 Market Share Sweet Condensed Milk of Frisian Flag	2
Figure 1.3 Sweetened Condensed Milk Price in Indonesia	2
Figure 2.1 The Process of SWOT	10
Figure 2.2 KOTLER Diamond Model	12
Figure 3.1 Traditional Process	. 19
Figure 3.2 Modern Process	19
Figure 3.3 Diversified Kinds of Dairy Products	21
Figure 3.4 Histories of Frisian Flag	24
Figure 4.1 Flow Research	. 30
Figure 5.1 Market Share for SCM	. 31
Figure 5.2 Trend of Engineering Stoppages in 2016	35
Figure 5.3 Capacity of Frisian Flag vs National Needs	40
Figure 5.4 Developments Area of Sugarcane Plantation Indonesia	48
Figure 5.5 Developments of Sugarcane Production in Indonesia	49
Figure 5.6 Sugarcane Productions by Status Exertion	49
Figure 5.7 SWOT Hierarchy	54
Figure 5.8 SWOT Hierarchy after ranking by rank	55
Figure 5.9 Matrix SWOT	56

Figure 5.10 Matrix SWOT (After analysis)	58
Figure 5.11 Key Success Factor & Key Risk Factor	59

# LIST OF ATTACHMENT

	Page
Attachment 1. Table Milk Consumption in Indonesia	75
Attachment 2. Milk Processing Industry in Indonesia	76
Attachment 3. Variant SCM Product	77
Attachment 4. Questionnare	78
Attachment 5. Map the Members of GKSI	80

# PAGE OF ORIGINALITY STATEMENT

This thesis is the work of my own, and all the sources quoted or referred to have been correctly declared.

Name

: Bagaskara Putra Wardhana

NIM

: 2151001003

Signature

Tanggal

: 19 Agustus 2017

#### **CONFIRMATION PAGE**

This thesis is submitted by

Name

: Bagaskara Putra Wardana

**NIM** 

: 2151001003

Study Program: Magister Manajemen

Thesis Title : PRODUCTION STRATEGY IN AN OLIGOPOLY MARKET OF

MILK INDUSTRY FOR SWEET CONDENSED MILK

**PRODUCT** 

Thesis successfully defended in front of Board of Examiner and accepted as requirement required to get Master of Management degree in Management Master Program - University of Bakrie

#### **Board of Examiner**

Mentor: Dr. Ir. Didit Herawan, M.B.A

Mentor : Achmad Reza Widjaja, SE., MS., Ph.D

Examiner

: Dr. Ir. B.P. Kusumo Bintoro, M.B.A

: Ir. Deddy Herdiansjah, M.Sc., M.B.A., Ph.D.

#### PAGE OF PUBLICATION APPROVAL STATEMENT

As an academic member of Bakrie University, I am the undersigned:

Name

: Bagaskara Putra Wardhana

NIM

: 2151001003

Study Program

: Master of Management

Type of Thesis

: Problem Solving

For the sake of scientific development, I agree to grant to Bakrie University the Free Right of Non-exclusive Royalties for my scientific work entitled: PRODUCTION STRATEGY IN AN OLIGOPOLY MARKET OF MILK INDUSTRY FOR SWEET CONDENSED MILK PRODUCT.

Include any elements available (if needed). With the Free Right of Non-exclusive Royalties, The University of Bakrie may save my Thesis to the database, turn it into database, keep and publish my Thesis as long my name is written as the author and owner of Copyright for academic purpose.

This statement is made truthfully.

Created in

: Jakarta

Date

: August 19, 2017

Sincerely,

Bagaskara Putra Wardhana