ISSN : 2615-0913 (Media Online)
Terakreditasi

Strategic Group Of National Cement Industry: A Case Study Of PT. Semen Indonesia TBK

A. Fadel Muhammad*, Dimas A. Indradi, Umi Kaltum
Universitas Padjajaran, Bandung, Indonesia
*fadel22007@mail.unpad.ac.id

Abstract

The aim of this research was to produce a map of Semen Indonesia's strategy group at PT Semen Indonesia Tbk. A strategic group is a collection of firms in an industry that share a common strategy, scope of operations and resources that they use to win the competition (Hunt, 1972; Porter, 1980; in Meilic 2019) with a focus on the importance of industry strategic grouping in understanding differences among firms within an industry. The issues involved in identifying strategic clusters within industries are examined through a comprehensive review of recent research. The research method used was the case study method, which is a series of scientific activities carried out in detail and in depth to reveal an event and the activities of an entity in order to gain in-depth knowledge about the event. This research explores the strategic groups in the National cement industry with reference to the position of PT Semen Indonesia Tbk as one of the companies included as a sub-sector of the National cement industry. The results of the study show the mapping of strategic groups of the Indonesian retail industry from several national cement companies in Indonesia: PT Semen Indonesia (Persero) Tbk, PT Indocement Tunggal Prakarsa Tbk, PT Holcim Indonesia Tbk, PT Semen Baturaja, PT Cemindo Gemilang, and PT Solusi Bangun Indonesia Tbk.

Kata Kunci: Market Analysis; Strategic Group; Strategic Group Map

Introduction

PT Semen Indonesia (Persero) Tbk (SIG) is an Indonesian state-owned enterprise engaged in the production of building materials, especially cement. The largest cement company in Indonesia is PT Semen Indonesia (Persero) Tbk which oversees four Operating Company (OpCo) namely PT Semen Gresik, PT Semen Padang, PT Semen Tonasa, Thang Long Cement, PT Semen Indonesia Aceh and PT Semen Indonesia Kupang. Currently the installed capacity is 29 million tons of cement per year (Suparni, 2011). The Tuban area, especially in Merakurak District and Kerek District, is one of the cement production areas for PT Semen Gresik (Ahyanizzaman, 2016). Semen Indonesia Group (SIG) continues to grow with six subsidiaries namely, Semen Padang, Semen Gresik, Semen Tonasa, Solusi Bangun Indonesia, Semen Baturaja and Thang Long Cement Company in Vietnam. SIG controls the largest building materials market in Indonesia and even Southeast Asia with a total production capacity of 52.6 million tons of cement per year. The cement factories are located in strategic locations in Sumatra, Java, Sulawesi and Vietnam, so that they are able to supply cement needs throughout the country supported by thousands of distributors, sub-distributors and shops. In addition to domestic sales, Semen Indonesia also exports to several countries including Singapore, Malaysia, Korea, Vietnam, Taiwan, Hong Kong, Cambodia, Bangladesh, Yemen, Norfolk USA, Australia, Canary Island, Mauritius, Nigeria, Mozambique, Gambia, Benin, and Madagascar. PT Semen Indonesia (Persero) Tbk has a vision to become a leading cement company in Indonesia and Asia, and focuses on increasing competitiveness and providing added value to stakeholders. The company also has a Sustainability-Linked Finance Framework as part of its sustainable finance strategy. The following is data on the number of PT Semen Indonesia factories:

Figure 1. PT Semen Indonesia Tbk factory
Source: Company data (data processed, 2023)

Based on the graph above, it can be seen that Semen Indonesia Group (SIG) continues to grow with six subsidiaries namely, Semen Padang, Semen Gresik, Semen Tonasa, Solusi Bangun Indonesia, Semen Baturaja and Thang Long Cement Company in Vietnam. SIG controls the largest building materials market in Indonesia and even Southeast Asia with a total production capacity of 52.6 million tons of cement per year. This performance can be attributed to several financial performance indicators as shown in table 1.

Table 1. Financial Condition of PT Sumber Alfaria Trijaya Tbk

Financial Condition	2021	2020	2019	2018	2017
Current Assets	15.270.235	15.564.604	16.658.531	16.091.024	13.801.819
Current Liabilities	14.210.166	11.506.163	12.212.271	8.179.819	8.803.577
Current Ratio	107%	135%	136%	197%	157%
Quick ratio	75%	96%	98%	153%	115%
Cash Ratio	17%	25%	32%	64%	41%

Source: Company financial statements (processed in 2023)

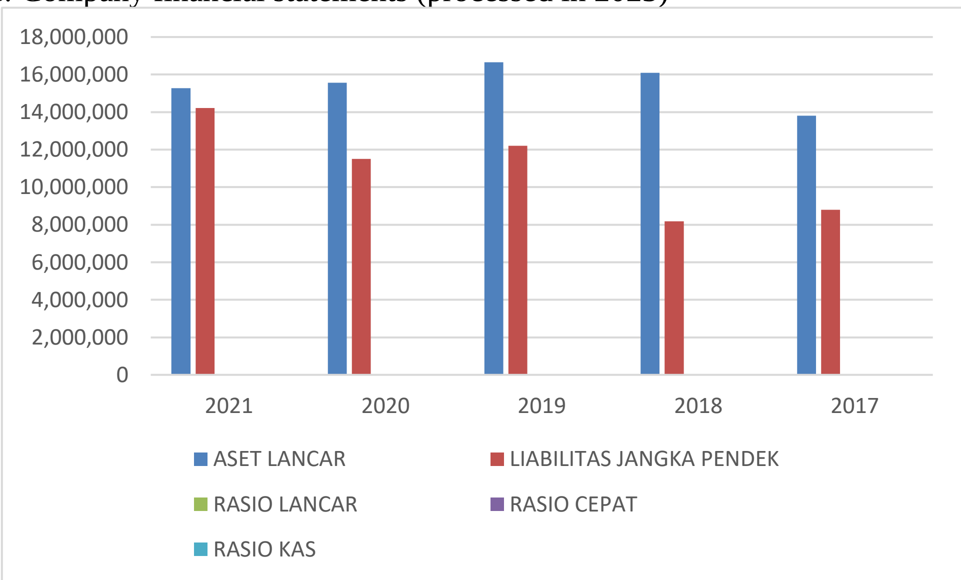

Figure 2 Financial Performance Chart of PT Semen Indonesia (data processed in 2023)

PT Semen Indonesia (Persero) Tbk (SMGR) announced its financial performance results until the end of 2022. The state-owned cement company posted revenue of Rp 36.37 trillion in 2022. The company's revenue fell 0.89 percent from the same period the previous year of Rp 36.70 trillion. Citing Semen Indonesia's financial report, Monday (13/3/023), the cost of revenue until the end of 2022 reached Rp 25.70 trillion, an increase of 2.92 percent from the previous realization of Rp 24.97 trillion. Thus, Semen Indonesia's gross profit decreased by 8.95 percent to IDR 10.67 trillion in 2022 from IDR 11.72 trillion in 2021. The company also recorded an 18 percent increase in current year profit to IDR 2.49 trillion in 2022 from the previous year's IDR 2.11 trillion. Until the end of 2022, Semen Indonesia pocketed a net profit of IDR 2.36 trillion. The company's profit increased by 15.68 percent from the same period the previous year of IDR 2.04 trillion. Meanwhile, the company's assets worth IDR 82.96 trillion until the end of 2022 increased from the end of last year of IDR 81.76 trillion. Then, SMGR's liabilities of Rp 33.27 trillion by the end of 2022 decreased from the same period the previous year of Rp 37.11 trillion. Meanwhile, the company's equity was recorded at Rp 47.23 trillion until the end of 2022, an increase from the end of last year of Rp 42.87 trillion. At the close of stock trading on Monday, March 13, 2023, SMGR shares fell 2.21 percent to Rp 6,625 per share. SMGR shares opened shrinking 25 points to Rp 6,750 per share. SMGR shares were at their highest level of Rp 6,750 and lowest of Rp 6,600 per share. The total trading frequency was 5,896 times with a trading volume of 155,449 lots of shares. The transaction value was Rp 103.4 billion.

Previously, PT Semen Indonesia (Persero) Tbk (SMGR) or SIG recorded total bookings in the framework of the rights issue reaching 96.9 percent of the overall transaction. The total subscription reached 96.9 percent amid the challenging conditions of the cement industry with a high level of competition and increased production costs due to the increase in fuel. The rights issue action is one of Semen Indonesia's strategic steps to support the company's performance, especially the ESG program and business development. In the public portion, 388,403,084 new shares worth Rp 2.56 trillion have been ordered or equivalent to 93.68 percent of the total 414,598,313 new shares offered.

The State of Indonesia as the majority shareholder with 51.01 percent ownership took part in this rights issue through an inbreng transaction by transferring a total of 7,499,999,999 series B shares with a total value of Rp 2.84 trillion. This amount represents 75.51 percent of the total issued and fully paid-up capital in Semen Baturaja shares into SIG shares. According to the financial results announced by PT Semen Indonesia (Persero) Tbk (SMGR), the company posted a revenue of Rp 36.37 trillion in 2022. The company's revenue decreased 0.89 percent from the same period the previous year 1. In the first quarter of 2023, SMGR recorded profit growth of 11.05 percent and revenue growth of 4.45 percent.

According to the financial results announced by PT Semen Indonesia (Persero) Tbk (SMGR), the company posted a revenue of Rp 36.37 trillion in 2022. The company's revenue decreased 0.89 percent from the same period the previous year 1. In the first quarter of 2023, SMGR recorded profit growth of 11.05 percent and revenue growth of 4.45 percent. The identification of strategic groups can help management evaluate proposed strategies and examine the usefulness of conventional wisdom in specific competitive situations (Hatten et al., 1978: 592). They emphasize that:

The notion of strategy leads to the expectation that, in a given industry or market, different competitors with different resources should choose different ways to achieve their goals. Among other indications, this suggests that industry-level models and indiscriminate data collection can produce results that are easily misleading if used at the firm level.

A firm that is too quick to copy a successful competitor and a firm that tries to copy its competitors without careful thought, may neglect its own capabilities and work against its own strengths (Hatten et al., 1978: 608). Firms in the same strategic group generally adopt the same strategic prescriptions and compete more intensely than firms in different strategic groups. Strategic group mapping allows firms to identify core or closest competitors Groups of rivals with similar strategies and business models are known as strategic groups The strategic group map helps understand who the direct competitors of the business are and the basis on which they compete. This study refers to Meilich's (2019) research, precisely strategic group mapping utilizes the method offered, namely strategic group mapping generated by combining existing literature from previous research to build and understand strategic group maps. The strategic group mapping process involves a series of five different steps. First, the industry must be defined. Second, characteristics that may differ between companies must be identified. Third, companies must be divided into strategic groups. Fourth, these groups must be mapped into two or more dimensions. Finally, the maps must be interpreted and analyzed. Hatten & Hatten (in Wheelen et al. 2010: 163) explains that a strategic group is several business units or companies that use the same strategy with the same resources. (Rufaidah, 2013).

A strategic group map is a practical tool that allows the identification of a company's competitors using multiple perspectives to predict changes that may occur in the industry due to the movement of each company or all companies in a strategic group (Michał Pietrzak, 2015). Strategic group maps can identify many aspects of the industry's strategic situation, such as intra- and inter-group competition and mobility barriers. Using strategic group maps, organizations can identify which roles are better (higher performance) and which are worse (lower performance). These differences may be the result of cooperative and competitive interactions between group members (Dranove, 1988). Strategic cluster analysis is considered one of the most practical strategic management methods that can be used by management practitioners and researchers (Hatten, 1987). The strategic group mapping method helps to explicitly delineate industry boundaries. Industry definition is necessary to distinguish one competitor from another in the industry, such as whether there are substitute products and how much bargaining power the company has over buyers and suppliers (bargaining power of buyers and suppliers) (Cattani, 2017). Essentially, strategic cluster analysis can assist businesses in gaining a better understanding of their closest competitors, predicting their responses to changes in the competitive environment, and identifying barriers to their mobility (Domanski, 2009).

Method

In this study, researchers used a case study method that is believed to be able to answer research questions because the case study method does not only focus on one data source but can also focus on several data sources that are believed to help answer research questions. In addition, the case study method can explain universally and systematically all aspects of an event (Kriyantono, 2020). Secondary data is obtained from company annual reports, financial reports, news, previous research, the internet, and other sources.

Result And Discussion

In this study, the mapping of strategic groups in the Indonesian retail industry follows the steps outlined by Meilich (2019), namely: first, identifying the industry under study, which consists of a number of companies offering retail products and services; and second, identifying strategic clusters within the industry. Identifying characteristics that may differ between firms is the second step. Third, strategic grouping of firms based on predetermined criteria. Porter's (1980, 1982) strategic mapping approach to identify these groups based on the dimensions of the firm's strategic posture. managers sbould expect and take precautions against entry from relatively similar groups. After a long period of stability in the number of groups, the study detected the formation of an additional strategic group. Croup formation appeared to be a creative response to increasing intra- and intergroup competition.

A natural way to place firms into strategic groups is by reference to the characteristics of their strategies with group members exhibiting similar strategies, and differences between groups being relatively sharp. According to Caves and Porter (1977), "firms within a group are very closely similar and very sensitive to each other's dependencies". The environment and industry structure may not fully determine strategy change: strategy choices and individual firm characteristics play an important role. Non-unique organizational solutions may accompany environmental shifts (March, 1981) due to variations in environmental enactments and strategic choices (Weick, 1979). This raises the important question of how to identify the various strategies available to a firm.

The results of the first to third stages of mapping are presented in Table 2. In addition, the fourth stage of strategic group mapping involves mapping in two dimensions (horizontal and vertical axes). Interpretation and analysis of the strategic group mapping results is the final step. Table 2 displays information on the net profit of the retail industry. This information serves as the basis for delineating strategic groups within the industry.

Table 2: List of Cement Companies in Indonesia

Cement Companies in Indonesia				
Company	Income in 2021	Income in 2020	Number of Outlets	Geographical Scope
PT Semen Indonesia (Persero) Tbk	34.95 Trillion	35.17 Trillion	16	National
PT Indocement Tunggal Prakarsa Tbk	14.79 Trillion	10.1 Trillion	12	National
PT Holcim Indonesia Tbk	10.2 Trillion	10.1 Trillion	4	Multi National
PT Semen Baturaja	1.78 Trillion	1.75 Trillion	1	National
PT Cemindo Gemilang	6.91 Trillion	5.88 Trillion	1	National
PT Solusi Bangun Indonesia Tbk	11.2 Trillion	10.1 Trillion	2	National

Source: Idx.com

Next, we can conduct strategic group mapping based on the performance of companies in the cement industry in Indonesia. In this mapping, the horizontal axis will use an indicator of the geographical coverage of the company's product marketing, which is divided into three categories: local, national, and multinational. Local coverage refers to a limited geographical area, such as a city, district or province. Meanwhile, national coverage covers the entire country. Multi-national refers to areas beyond the company's home country. The vertical axis will use the metric of the number of outlets owned by these companies, using the industry subsector categorization as a reference. The determination of the vertical axis will be based on the average number of company outlets.

$$\bar{x} = \frac{x_{1+} x_{2+} x_n}{n}$$

$\bar{x}$=mean

X_1,X_2 = Number of industrial outlets

n = number of industries in that subsector

Figure 3 displays the results of the strategic group mapping of the cement industry in Indonesia, with explanation attached:

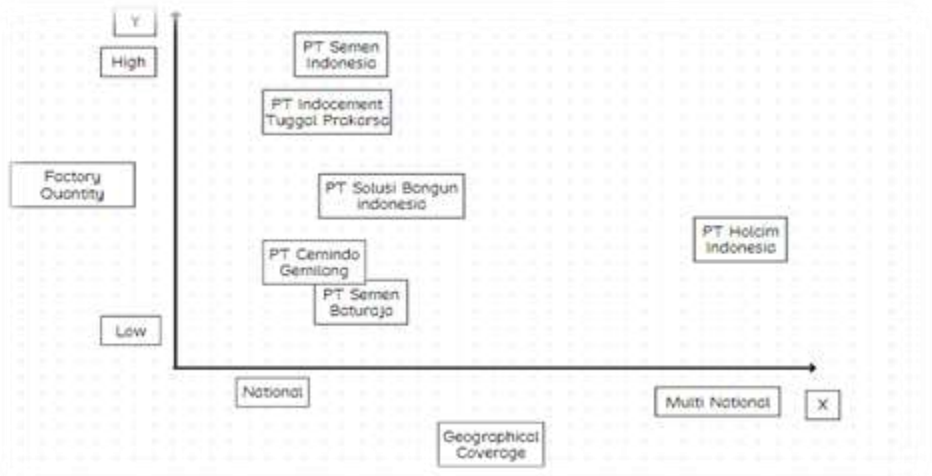

Figure 3: Strategic Group Mapping

1. PT Semen Indonesia (Persero) Tbk: PT Semen Indonesia (Persero) Tbk is the company with the highest revenue in 2021, although it experienced a slight decrease compared to the previous year. The company also has the highest number of outlets, which is 16. With national geographical coverage, PT Semen Indonesia has wide penetration in various regions in Indonesia. This shows that the company has a strong distribution network and is able to serve the cement market throughout the country.
2. PT Indocement Tunggal Prakarsa Tbk : PT Indocement Tunggal Prakarsa Tbk also showed a strong performance with significant revenue in 2021. Although its revenue increased from the previous year, its number of outlets remained at 12. With a nationwide geographical coverage, the company also has a wide reach in the Indonesian cement market. Despite having fewer outlets than PT Semen Indonesia, PT Indocement Tunggal Prakarsa Tbk still managed to maintain its position as one of the major players in the cement industry in Indonesia.
3. PT Holcim Indonesia Tbk: PT Holcim Indonesia Tbk shows stable revenue from 2020 to 2021. Although its revenue is almost the same as PT Indocement Tunggal Prakarsa Tbk, PT Holcim Indonesia only has 4 outlets. However, what sets PT Holcim Indonesia apart is its multinational geographical coverage. This shows that the company has a presence outside Indonesia and is involved in the international cement market.
4. PT Semen Baturaja: PT Semen Baturaja has lower revenue compared to the previous companies. Nonetheless, it is one of the leading cement producers in Indonesia. With only 1 outlet, PT Semen Baturaja has a nationwide geographical coverage. Despite its smaller scale of operations, the company still plays an important role in meeting the demand for cement in its region.
5. PT Cemindo Gemilang: PT Cemindo Gemilang also showed positive revenue growth from 2020 to 2021. With 1 outlet, the company has nationwide geographical coverage. PT Cemindo Gemilang, though smaller in operational scale, continues to strive to expand its presence in the Indonesian cement market.PT Solusi Bangun Indonesia Tbk : PT Solusi Bangun Indonesia Tbk juga menunjukkan pertumbuhan pendapatan yang positif. Dengan 2 outlet, perusahaan ini memiliki cakupan geografis nasional. Meskipun belum sebesar perusahaan-perusahaan besar lainnya. PT Solusi Bangun Indonesia Tbk terus meningkatkan kinerjanya untuk memenuhi permintaan semen di pasar domestik.

Conclusion

Based on the company mapping of the cement industry in Indonesia, several conclusions can be drawn:

1. PT Semen Indonesia (Persero) Tbk is the industry leader with the highest revenue, largest number of outlets, and broad national coverage. The company has strong distribution strength and is able to serve the cement market throughout Indonesia.
2. PT Indocement Tunggal Prakarsa Tbk also performed well with significant revenue and a sizable number of outlets. The company remains a major competitor in the cement industry with extensive national coverage.
3. PT Holcim Indonesia Tbk has a more limited national coverage with fewer outlets. However, the company has an international presence that demonstrates market exploration beyond Indonesia.
4. PT Semen Baturaja, PT Cemindo Gemilang, and PT Solusi Bangun Indonesia Tbk, despite having lower revenues and limited number of outlets, still play an important role in meeting the demand for cement in their respective regions.

Limitation

This mapping is based on the limited data presented in the table. Other factors such as market share, revenue growth, and marketing strategies are also important to truly understand the company's position and performance in the cement industry. In addition, the table does not provide detailed information on outlet locations or more specific geographical coverage. This may affect a more in-depth analysis of regional dominance or market preferences in a particular region.

Suggestion

For a more comprehensive analysis, it is recommended to consider additional factors such as market share, revenue growth, marketing strategies, and outlet locations in more detail. This additional information can help in holistically understanding the position and performance of companies in the cement industry. In addition, conducting a comparative mapping involving other companies in the relevant industry can also provide a more complete picture of the competition and dynamics of the cement market in Indonesia. With a deeper understanding of these factors, companies can identify existing opportunities and challenges, and develop appropriate strategies to improve performance and future growth

References

Ahyanizzaman. (2016). Kondisi Umum PT. Semen Indonesia Tbk. Direktur SDM dan Hukum PT. Semen Indonesia Tbk, Tuban

Azlina, Y. (2022). Analisa Kinerja Keuangan Pt. Sumber Alfaria Trijaya Tbk Dengan Menggunakan Metode Altman Z Score . *Jurnal Manajemen Dan Bisni* , 2.

Cattani , G., Porac , JF dan Thomas, H. (2017), “Kategori dan persaingan”, *Manajemen Strategis Jurnal* , Vol. 38 No. 1, hlm. 64-92.

Caves, R. E. dan M. E. Porter. 'Dari hambatan masuk ke hambatan mobilitas: keputusan dugaan dan pencegahan yang dibuat-buat terhadap persaingan usaha baru', *Quarterly Journal of Economics*, 91,1977, hal. 241-262.

Domanski, J. (2009). Analisis kelompok Strategi Organisasi Nirlaba Polandia . *jurnal bijak* .

Dranove, DP (1988). apakah kelompok kelompok memulainya? sebuah kerangka kerja ekonomi untuk analisis. *Jurnal Manajemen Strategis* , 1029-1044.

GEJ Nusale, JV (2020). Analisis Rasio Profitabilitas Pada Pt. Sumber Alfaria Trijaya, Tbk (Alfamart). *Sistem Informasi* , 9.
Harrigan, K.R. *Strategi untuk Industri yang Menurun,* Lexington Books, D. C. Heath, Lexington, Mass, 1980.
Harrigan, K .R. 'Metodologi penelitian untuk pendekatan kontinjensi terhadap strategi bisnis', *A cademy of Management Review,* 8(3), Juli 1983, hal. 398-406.
Hatten, K.J. dan D.E. Schendel. 'Heterogenitas dalam sebuah industri', *Journal of Industrial Economics,* XXVI (2), Desember 1977, hal. 97-113.
Hunt, MS (1972), "Persaingan dalam industri peralatan rumah tangga utama, 1960-70", disertasi PhD, Sekolah Pascasarjana Administrasi Bisnis, Universitas Harvard, Cambridge, MA.
Kriyantono , R. (2020). Teknik praktis riset komunikasi kuantitatif dan kualitatif disertai contoh praktis Skripsi , Tesis , dan Disertai Riset Media, Humas, Periklanan, Komunikasi Organisasi , Komunikasi Pemasaran . Rawamangun : *Grup Prenadamedia* .
March, J. C. 1981. Decision-making perspective: Decisions in organizations and theories of choice. In A. H. Van de Ven & W. F. Joyce (Eds.), Perspectives on organization design and behavior: 427-468. New York: John Wiley & Sons.
Meilich, O. (2019). Strategi Peta Kelompok : Tinjauan, Sintesis, dan Pedoman. *Wawasan Zamrud* , 449.
Rufaidah, P. (2013). *Manajemen Strategik.* Bandung: kemanusiaan.
Pietrzak, M. d. (2015). Studi Kasus aplikasi Peta kumpulan strategi yang digunakan sebagai alat untuk manajemen Pengetahuan. *Jurnal Sistem Informasi Komputer* , 68-77.
Porter, ME (1980), *Strategi Bersaing: Teknik Menganalisis Industri dan Pesaing* , Pers Bebas, New York, NY.
Suparni. (2011). Jenis Produk Semen Milik PT. Semen Indonesia Tbk. Available at https://id.m.wikipedia.org/wiki/Semen Indonesia. Gresik
Hatten, K. d. (1987). kelompok strategis, hambatan mobilitas Asimetris, dan Kontestabilitas. *Jurnal Manajemen Strategi* , 329-342.
Wardani, P. (2022). Strategi Pemasaran Online Alfamart Menghadapi Tantangan Selama Masa. *Jurnal Ilmu Komputer, Ekonomi dan Manajemen (JIKEM)* , 1.
Weick, K. 1979. The social psychalogy of organizing. New York: Free Press.