

Blue Ocean Strategy Analysis PT Astra Agro Lestari Tbk

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ARTICLE INFO

Article history:

Received Nov 8, 2023

Revised Nov 20, 2023

Accepted Jan 11, 2023

Keywords:

Blue Ocean Strategy
PT Astra Agro Lestari Tbk
Strategic Management

ABSTRACT

This study case aimed to analyse the blue ocean strategy of PT Astra Agro Lestari Tbk. PT Astra Agro Lestari Tbk is an oil company that is needed by many people for any function. The company's line of business is in the fields of agriculture. To achieve the aims and objectives above, the company can carry out business activities in the fields of agriculture and animal husbandry by building oil palm fruit plantations and breeding and cultivating beef cattle. Then in the trade sector, the company carries out large trade in fruit containing oil and large trade in vegetable oils and fats for the processing industry. PT Astra Agro Lestari Tbk has a crude palm oil industry, a palm oil cooking oil industry and an artificial fertilizer industry mixed with primary macro nutrients and carries out transportation where it receives motorized transportation services for general goods and motorized transportation for special goods and services and the last activity is other management consulting activities.

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1. INTRODUCTION

PT Astra Agro Lestari Tbk started from a cassava plantation, then developed rubber plants, until in 1984, it began cultivating oil palm plants in Riau Province. Now, the company continues to grow and is currently one of the palm oil plantation companies with the best governance with a managed area of 297,011 hectares spread across the islands of Sumatra, Kalimantan and Sulawesi.

In managing oil palm plantations, since its inception, the company has built cooperation with the community in the form of Intiplasm partnerships and IGA (Income Generating Activity) or activities to improve the community's economy both through oil palm and non-oil palm cultivation. As of 2016, the company has collaborated with 51,709 oil palm farmers who have joined 2,396 farmer groups. This collaboration ensures that the presence of oil palm plantations managed by the company also provides great benefits for the surrounding community.

Along with the company's business growth, in 1997 the company conducted an initial public offering on the Indonesian Stock Exchange. In 2016, the company also conducted a limited public offering worth approximately IDR 4 trillion. With the corporate steps that the company has taken, currently the company's public share ownership has reached 20.32% of the total 1.92 billion shares in circulation. High investor confidence in the company is reflected in the strong share price position. In trading ending December 30, 2016, the Company's share price with the trading code "AALI" closed at Rp. 16,775.-. To maintain business continuity, apart from managing oil palm plantation land, the company also develops related downstream industries. The company operates palm oil processing factories in North Mamuju Regency, West Sulawesi Province and Riau Province. Deeply refined palm oil products.

This form of olein, stearin and PFAD is to meet export market demand, including from China and the Philippines. Starting in 2016, the company has also operated a blending plant or fertilizer mixing factory in Donggala Regency, Central Sulawesi Province. Apart from that, the company is also starting to develop a palm oil-cattle integration business.

Facing future challenges, the company focuses its business strategy on efforts to increase productivity, increase efficiency in all lines, and diversify its business in prospective sectors related to its core business in the field of oil palm plantations.

2. RESEARCH METHOD

Research Object

The research object of this research is PT Astra Agro Lestari Tbk, which this company is an oil company that is needed by many people for any function. The company's line of business is in the fields of agriculture.

Data Collection

This study case collect data by secondary data. Secondary data is data originating from other sources such as the results of previous research, journals, annual report, website and financial report which are used to obtain and explore theories that can support problem solving in research.

Data Analysis Techniques

After the required data is obtained, the next step is to analyse it with a strategic management theory and blue ocean strategy model that is appropriate to the method used. Then carry out data processing, then analyze the results in the form of conclusions from the research carried out.

3. RESULTS AND DISCUSSIONS

External Audit

PEST Analysis

This analysis includes analysis of political, economic, social and technological factors. The purpose of this analysis is to identify external factors that could influence PT Astra Agro Lestari Tbk in the present and future. In terms of content, this analysis formulates the opportunities and threats that arise due to these four factors as material for workers to have a good perspective when conducting market research, creating marketing strategies, developing products, and making better decisions in the interests of the company.

Political Factors

- There will be elections in 2024
- There will be presidential elections in 2024
- Ganjar Pranowo is a presidential candidate in 2024
- War between Israel and Palestina

Economic Factors

- CPNS 2023
- Salary of 13 civil servants
- IKN Nusantara
- Gold prices tend to fall
- The case of Jusuf Hamka who collected a debt from the government

Social Factors

- Caucasians who do not show good etiquette in Bali
- Indonesia is flooded with imported products which is actually a problem for Indonesia to develop in the field of import and export of goods
- Online trends that make online fraud increasingly widespread
- Coldplay concert

Technological Factors

- Artificial Intelligence
- Indonesia open 2023

Porter's 5 Forces Model

Rivalry among competing companies

Currently the plantation industry is experiencing its heyday. Quite a lot of investors are investing in this sector. This is a challenge for PT. Astra Agro Lestari Tbk. Currently there are 11 companies listed on the IDX that produce types of processed products. The 11 companies are PT BW Plantation, Tbk, PT Gozzo Plantation, Tbk, PT Jaya Agra Wattie, Tbk, PT PP London Sumatra Indonesia, Tbk, PT Multi Agro Gemilang Plantation, Tbk, PT Provident Agro, Tbk, PT Sampoerna Agro, Tbk, PT Salim Ivomas Pratama, Tbk, PT Sinar Mas Agro Research and Technology, Tbk, PT Tunas Baru Lampung, Tbk, PT Bakrie Sumatra Plantation, Tbk.

Apart from the 11 plantation industries, there are also 16 industrial companies owned by BUMN (State-Owned Enterprises) filled by PT Perkebunan I to PT Perkebunan XIV also PT Rajawali Nusantara Indonesia which also competes with PT Astra Agro Lestari Tbk in the plantation sector which has the status of a state-owned company.

There are also 12 registered companies in the same sector operating outside Indonesia. Where in Malaysia there are 5 companies. Then there are 2 companies in Great Britain. And there are 1 company each in Belgium, Luxembourg, Singapore, the United States and Sri Lanka.

A number of these companies are certainly in the same competition as PT Astra Agro Lestari Tbk both nationally and internationally which PT Astra Agro Lestari Tbk must anticipate.

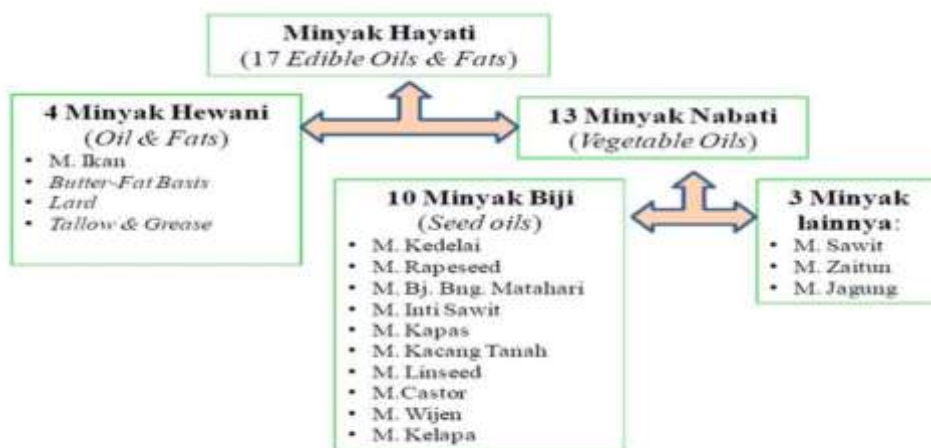
Potential entry of new competitors

Companies that want to enter the plantation industry are required to make large investments because the scale of plantation businesses is large and labor intensive, so the palm oil sector provides a very large barrier to entry.

Several main barriers to entry start from the availability of large areas of land, the need for a large number of workers, oil palm plantation production will be optimal and efficient if carried out in tropical areas. Therefore, not many areas can develop oil palm plantations on a very large scale such as in Indonesia and Malaysia, other factors that become obstacles are related to land clearing permits, environmental issues and climate change.

Potential to develop substitute products.

Vegetable oils and animal oils which consist of oil and fat are part of biological oils. In the world market, 13 types of vegetable oil are traded, while in the world animal market, 4 types of oil are traded. A structural chart of the biological grouping of oils on the world market according to sources such as oil is presented in the figure below.



Sumber: Oil World, 2008

From this grouping, there are four main types of vegetable oil, namely palm oil, soybean oil, rapeseed oil and sunflower seed oil. The share of world trade volume is around 81% with an upward trend ranging from 1% to 1.5% per year.

However, from the production aspect, oil palm has a competitive advantage in the form of oil palm with the highest productivity of ± 3.5 tons/Ha.Year. The three types of competing oil have oil productivity ranging from 0.4 to 0.6 tonnes/ha per year.

Thus, it can be seen that palm oil has high competitiveness against other vegetable oils.

The strength of the supplier's offer

As a commodity product, palm oil trade is regulated by commodity markets, both nationally and internationally. The Ministry of Trade will change the policy for determining levies on Crude Palm Oil. Price portion export determination will be more than the commodity futures exchange in Jakarta which has been referred to Rotterdam and Kuala Lumpur.

Deputy Minister of Trade Bayu Krisnamurthi said that although the portion that will be used by the local commodity futures exchange is larger, the government will still use the Kuala Lumpur and Rotterdam reference prices.

The policy began on June 20, 2013. From that moment on, the EFP determination was replaced by oil. So, starting July 1, 2013, 60% have used the Jakarta Commodity Exchange, Kuala Lumpur Commodity Exchange 20% and Rotterdam Commodity Exchange 20%.

Bargaining power of consumers

Through the CPO reference price plan to the local commodity futures exchange, it is hoped that futures trading volume in the domestic CPO market will continue to increase. So automatically the domestic commodity futures exchange can be considered important, which will ultimately shift the physical market in Rotterdam. Indonesia still refers to the international CPO price in the physical market in Rotterdam, the Netherlands. Therefore, the power of buyers is not enough to influence the market, which can influence prices. It can be concluded that suppliers are able to act too significantly in influencing the market.

Industry Analysis

PT Astra Agro Lestari Tbk targets that the company's production of fresh fruit bunches (FFB) and crude palm oil (CPO) in 2022 can increase by 5% compared to last year.

Throughout 2021, AALI recorded FFB production of 4.32 million tonnes and CPO of 1.95 million tonnes.

In semester 1 2022, AALI's FFB production will be 1.47 million tons with CPO production of 638,000 tons.

AALI's FFB core and plasma production fell 12.1% on an annual basis or year on year (yoy) to 1.96 million tons from 2.23 million tons. This was caused by the 2019 dry season which had an effect until the first semester of this year. However, AALI is confident. The annual target can still be met with production performance in the second semester of 2022. For the financial aspect, AALI is also confident that the company can achieve its annual target. This is because companies can make adjustments to external situations and conditions, such as government policies and world market situations which cause prices to fluctuate.

Currently, government policies regarding export taxes and export levies have supported exports increasing again.

EFE Matrix

External Factors		Value	Rating	Weight
Opportunities				
1	Information technology that is developing globally can be utilized by companies.	0.05	2	0.1
2	Growing agronomic research & development for business development.	0.1	3	0.3
3	Macroeconomic conditions that support the agribusiness business climate.	0.2	2	0.4

4	The decline in CPO (Crude Palm oil).	0.05	4	0.2
5	The demand for palm oil is increasing.	0.1	4	0.4
Threats				
1	Strict government regulations pose a threat to growth.	0.05	2	0.1
2	Rupiah currency exchange rate tends to weaken.	0.1	4	0.4
3	Economic growth tends to be slow.	0.15	1	0.15
4	Oil prices experience a fluctuating cycle.	0.15	3	0.45
5	Competitors who are also developing in terms of technology.	0.05	2	0.1
Total		1		2.6

Based on the External Factor Evaluation Matrix, it can be seen that PT Astra Agro Lestari Tbk received a score of 2.6. Through this analysis, it can be said that AALI is doing business well and taking advantage of opportunities. Even though quantitatively AALI's total score is above average, AALI needs to focus on the threats occurring around it.

Internal Audit

Porter's Value Chain

Primary Activities

Inbound Logistics: PT Astra Agro Lestari Tbk works in the fields of agriculture, livestock, trade, processing industry, transportation, services. Where the company manages oil palm plantations, palm oil mills, palm kernel processing, palm oil processing factories, NPK fertilizer mixing factories, increasing plant productivity, transportation and workshop management, water management systems, infrastructure management to develop the company and provide benefits to customers.

Operations: The company manages 286,727 hectares of planted oil palm plantations, of which 214,498 (74.8%) hectares are core plantations and 72,229 hectares (25.2%) are plasma plantations. FFB production from both core and plasma plantations fell. In 2022, the company's FFB production will be 4.33 million tons or a decrease of 6.6% compared to FFB production in 2021, namely 4.63 million tons. This decline in FFB production is the impact of the long dry season that occurred in 2021 and will still have an impact on production in 2022.

Outbound Logistics: In 2022, demand for palm oil commodities in both export and domestic markets will continue to increase. Both for food raw material needs, oleochemicals, and renewable energy such as biodiesel. This high demand for palm oil has had a positive impact on the stability of crude palm oil prices on the global market.

The increase in demand for vegetable oil commodities and palm oil-based derivatives is mainly driven by demand from major export destination countries such as the People's Republic of China and South Asian countries. Determines the transaction price, after deducting discounts, returns, sales allowances, export taxes and export levies, that an entity is entitled to obtain as compensation for delivering the promised goods to the customer. Through a coordinated approach, the group implements a cash advance system for sales of its main products to domestic third parties, foreign exchange hedging on export sales contracts and financial planning policies, namely managing receipts in foreign currency according to operational needs and liability balances. monetary in foreign currency.

Marketing & Sales: In 2022, the company will market various products consisting of CPO and its derivatives as well as Kernel and its derivatives both domestically and abroad. Some of the company's overseas market destinations are China, South Korea, India, Bangladesh, the Philippines, Pakistan, Singapore and Kenya. The company recorded a decline in CPO sales of 13.3% to 1.30 million tonnes in 2021 compared to 2020 of 1.50 million tonnes. Meanwhile, CPO derivative products experienced an increase of 16.1% to 614 thousand tonnes in 2021 compared to 2020 of 528 thousand tonnes. Kernels also experienced an increase of 6.5% to 210 thousand tonnes in 2022 compared to 2020 of 197 thousand tonnes. Meanwhile, sales of kernel derivatives decreased by 8.0% to 41 thousand tons compared to 2020 of 45 thousand tons. 60.29% of the company's revenue

was obtained from sales of CPO, and the remainder from sales of processed CPO products, as well as kernels and processed kernels. The company's net profit rose 136.6% from IDR 833 billion in 2020 to IDR 1.97 trillion in 2022. Net profit per share rose from IDR 432.84 in 2020 to IDR 1,024.25 in 2021.

Service: The values adhered to by PT Astra Agro Lestari specifically invite its employees to become beneficial assets for the nation and state, providing the best service to customers, respecting individuals and fostering cooperation and always trying to achieve the best. The company provides access to good health services to employees and their families. The company also contributes health services to the surrounding community, especially to indigenous tribes around the company as well as a health empowerment program for the surrounding community based on Integrated Service Posts. The company has built 29 garden polyclinics equipped with health equipment and professional medical staff consisting of 28 doctors, 65 midwives and 72 nurses, as well as developing a posyandu program.

Support Activities

Firm Infrastructure: In addition to routine operational work programs in managing plantations and producing CPO and its derivative products efficiently and sustainably, the focus of the 2022 work program also remains to rely on breakthrough innovations in the systematic and planned use of digital technology to improve the performance of the Company's operational processes. Several new breakthrough innovations will be massed in 2022 in the fields of garden care and maintenance of work equipment, both transport and heavy equipment, as well as management of plantation infrastructure.

The company ensures that the infrastructure used is always in good condition by carrying out regular maintenance and control. With this process, road infrastructure can be passed in any weather conditions. By 2022, entrepreneurial activities have been successfully developed in 92 villages with 100 programs in various sectors, including the agriculture, fisheries, livestock and food processing sectors, and economic programs for communities in areas bordering peatlands. This activity has also contributed to supporting the achievement of SGDs goals, especially in the aspects of no poverty, decent work and economic growth, industry, innovation and infrastructure as well as reducing inequality.

Human Resource Management: The company carries out various training and competency development programs to provide opportunities for employees in the self-development process. Employee competency management is carried out through a series of stages starting from the recruitment process until the end of the work period.

The realization of harmonious and dynamic industrial relations is the Company's main goal, for this reason the Company strives to fulfill employee rights as regulated in applicable laws and regulations regarding employment. The company is also highly committed to gender equality and employment opportunities. The company is also highly committed to employee safety and health. As of December 31, 2022, the company had a total of 33,054 employees working in various locations, including the head office and plantations. The company strives for remuneration that is in accordance with statutory regulations in order to appreciate employees who have been dedicated to the progress of the company. This remuneration includes monthly salary payments, benefits and health insurance, transportation allowance, lunch allowance, leave allowance, holiday allowance, vehicle ownership, annual bonus, and retirement plan. In terms of enforcing discipline to prevent work accidents, the Company applies excellent golden rules. Due to the enforcement of the excellent golden rules, violators will be given sanctions ranging from a warning, up to a Warning Letter 3 (SP-3). On the other hand, the company also gives awards to employees who care about K3.

Technology Development: The company is of course trying to develop technology by updating company facilities both in the production division and other divisions also requires technology with the aim of not being left behind by other competitors who are also improving the quality of technology. The aim of developing technology is so that the application of technology in PT Astra Agro Lestari's business processes can increase productivity and efficiency for the company.

Procurement: For procurement activities, the company purchases fresh fruit bunches produced from community gardens around the company's operational areas. The company has produced a total of 1.47 million tons of CPO, an increase of 3.1% compared to the company's CPO production in the previous year. The company also consistently carries out an oil palm plantation rejuvenation program to maintain the balance of planting age of plants that have produced long term crops. The company rejuvenated 5,020 ha, a decrease compared to the previous year's 5,580 ha.

IFE Matrix

Internal Factors		Value	Rating	Weight
Strengths				
1	Carrying out intensification programs to maintain Human Resource productivity.	0.15	4	0.6
2	The company carries out corporate governance well.	0.1	3	0.3
3	The company also takes responsibility good corporate social responsibility.	0.1	4	0.4
4	The remaining production results are processed properly by carrying out waste management.	0.15	4	0.6
5	Quality technology facilities as Information Technology solutions.	0.05	3	0.15
Weakness				
1	Human resource costs are relatively high.	0.1	2	0.2
2	High company operational costs.	0.1	2	0.2
3	Aspects of the legality of a company having permits is quite complicated.	0.05	2	0.1
4	The production failure rate is can not be avoided.	0.1	1	0.1
5	The sales volume of palm oil can easily fall due to demand factors.	0.1	2	0.2
Total		1		2.85

Based on the Internal Factor Evaluation Matrix, it can be seen that PT Astra Agro Lestari Tbk received a score of 2.85. Through this analysis, it can be said that AALI is doing business well and taking advantage of opportunities. Even though quantitatively AALI's total score is above average, AALI needs to focus on the threats occurring around it.

Competitive Profile Matrix & Key Success Factor

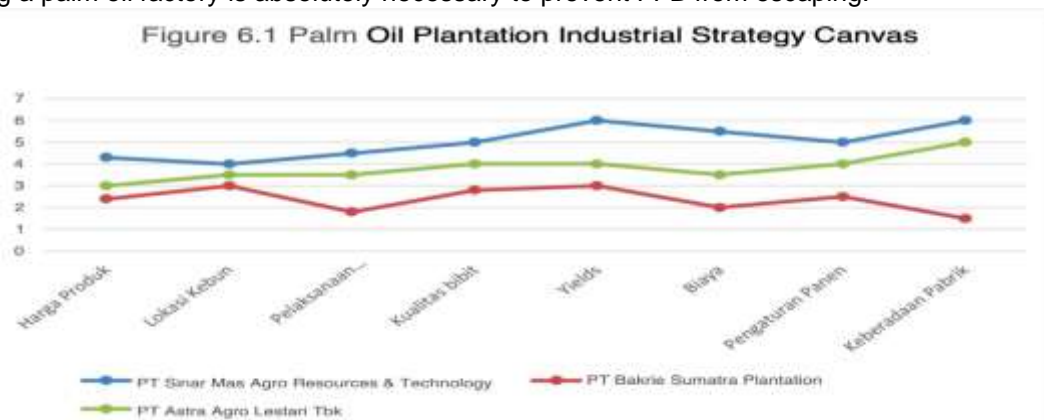
Critical Success Factors	Weight	PT Astra Agro Lestari Tbk		PT Sinar Mas Agro Resources & Technology		PT Bakrie Sumatera Plantation	
		Rating	Score	Rating	Score	Rating	Score
Product Quality	0.2	4	0.8	4	0.8	3	0.6
Competitive Price	0.15	4	0.6	4	0.6	3	0.45
Market Share	0.1	3	0.3	3	0.3	3	0.3
Customer Loyalty	0.15	3	0.45	3	0.45	2	0.3
Global Expansion	0.1	3	0.3	4	0.4	3	0.3
Sales Distribution	0.1	3	0.3	3	0.3	3	0.3
Profit Rate	0.05	3	0.15	4	0.2	2	0.1
Financial Position	0.15	3	0.45	3	0.45	4	0.6
Totals	1		3.2		3.5		2.95

According to the CPM matrix, the 2 biggest competitors of PT Astra Agro Lestari Tbk are PT Sinar Mas Agro Resources & Technology which has a score of 3.5 and PT Bakrie Sumatera Plantation which has a score of 2.95. PT Astra Agro Lestari itself has a score of 3.2, so PT Astra must move faster to be able to bring competition closer to PT Sinar Mas Agro Resources & Technology to compete in the top position.

Canvas Strategy Blue Ocean

The Strategy Canvas is the ultimate diagnostic tool and action framework for building compelling blue ocean strategies. It graphically captures, in one simple image, the current strategic landscape and future prospects of an organization. The strategy canvas was developed by Chan Kim and Renée Mauborgne. Figure 6.1 summarizes all information related to the palm oil plantation industry canvas strategy. Where the horizontal axis represents the factors that are used as an arena for competition and investment by the industry. Meanwhile, the vertical axis is filled with 3 companies in Indonesia that operate in the oil palm plantation sector. In the case of the oil palm plantation industry, there are 8 main factors, namely:

1. Product price offered to consumers.
2. Selecting a suitable garden location and long-term prospects.
3. Implementation of development oriented towards the concept of productive gardens and environmentally friendly.
4. Seedlings must absolutely come from authorized and certified institutions.
5. Yields tons per hectare per year according to plant age based on industry standards.
6. Investment and operating costs are controlled according to standard costs per hectare.
7. Harvest arrangements such as harvest rotation, harvest methods, quality of harvest, transportation controlled crop yields.
8. Having a palm oil factory is absolutely necessary to prevent FFB from escaping.



The 4 Action Framework

Eliminate

Within this framework, to support the growth of the palm oil industry, the government has also issued policies, including eliminating the imposition of VAT (10%) in the processing of crude palm oil (CPO) and entering the industry that receives PPh incentive facilities (tax allowance) based on revised Government Regulations. No. 148. It is hoped that this policy will further stimulate the growth of this sector so that its role and contribution to the national economy continues to increase. Apart from that, the low productivity of smallholder oil palm plantations is due to two of the most dominant reasons, namely the old age of the plants and poor quality oil palm tree seeds. In 2017, continued Bambang, the Ministry of Agriculture was only able to rejuvenate or replant oil palm plantations covering an area of 27,800 hectares. Therefore, what must be eliminated are plants that are old and oil palm seedlings that are not of good quality.

Reduce

In the special framework of reducing the oil palm plantation industry, the main problem that needs to be minimized, such as excessive use of chemical fertilizers, needs to be reduced to improve soil quality. Apart from that, because of the land Peat land is usually used, so it is necessary to reduce the use of chemicals to minimize the possibility of fire, so that pests and diseases from poor quality soil are reduced and there is a need to reduce palm oil waste which becomes the remainder of production. So that unnecessary costs can also be reduced, especially overall operational costs.

Raise

In order to improve or upgrade company performance, what can be done is to immediately take anticipatory steps, including encouraging synchronization of planning and policies between related agencies such as the Department of Forestry and Regional Government regarding land availability, the Department of Agriculture as the agency with authority in the field of oil palm plantation development and The Ministry of Trade has authority in the field of distribution trade regulation or management, in addition to other agencies related to supporting industries such as transportation and financial services. Apart from that, the role of research and development and the use of technology is very important in improving the country's bargaining position. First, strengthening aspects, development aspects, and aspects of increasing empowerment of plantations and the palm oil industry which synergize both upstream and downstream. Second, related to data consolidation, productivity, increasing capacity and technology in palm oil mills, and of course empowering palm oil farmers. Third, developing the domestic market using biofuels, and research in the field of developing biodiesel 100 and aviation fuel.

Create

What must be done in the palm oil plantation industry is mapping the allocation of palm oil (CPO) needs to support the achievement of biofuel targets. This is very important to ensure that there is no chaos or a kind of crowding out in the allocation of palm oil use, between export needs, consumption (cooking oil) and other downstream industrial needs and biofuel needs. It is necessary to ensure that the government's efforts to encourage the use of biofuels do not harm other sectors which could harm society as a whole. Apart from that, it is also necessary to create more palm oil processing production factories so that infrastructure can increase and productivity in exporting products more quickly.

The Eliminate-Reduce-Raise-Create Grid

The third tool that is important for creating a blue ocean strategy is The Eliminate-Reduce-Raise-Create Grid which is a complementary analytical tool to The Four Action Framework. This scheme is not only used to encourage companies to ask the four questions in section 6.2 above, but also to act on them to create a new value curve. The following is The Eliminate-Reduce-Raise-Create Grid PT Astra Agro Lestari Tbk:

Eliminate	Raise
Imposition of Value Added Tax Plants that are old Poor quality palm tree seeds	The role of research and development and the use of technology is very important in improving the country's bargaining position. Strengthening aspects, development aspects, and aspects of increasing plantation empowerment Data consolidation, productivity, increasing capacity and technology in palm oil mills, and of course empowering palm oil farmers. Development of the domestic market using biofuels, and research in the field of developing biodiesel 100 and aviation fuel.
Reduce	Create
Excessive use of chemical fertilizers needs to be reduced to improve soil quality. Use chemicals to minimize the possibility of fire. Reduction of palm oil waste which becomes production residue.	Mapping the allocation of palm oil (CPO) needs to support the achievement of biofuel targets. Create a processing production factory more palm oil

The 6 Paths Framework

Look across alternative industries.

There are various types of alternative energy that can replace the use of fuel oil in the future. Following are several types of alternative energy to replace fuel oil, namely:

Nuclear energy

Energy derived from nuclear is actually already used by several countries, for example the United States which already has 94 nuclear power reactors and provides 20 percent of the energy needs of its people. In fact, France can meet as much as 70 percent of its people's energy needs using nuclear energy, you know. Nuclear energy is considered a more reliable source of energy than others. Moreover, nuclear power is cheaper and does not cause environmental damage. However, the use of nuclear power is still being developed, so that it remains safe and does not endanger human life.

Solar and Wind Energy

Solar and wind power generation are alternative energies that are widely used. This is because solar and wind alternative energy is considered cleaner than fuel oil in the process. Therefore, in 2022 solar energy will become a new energy source whose use will continue to be increased. Meanwhile, alternative energy that comes from wind has cheaper production costs. However, the weakness of wind energy is that it must be located in a remote location because it can cause noise. Thus, affecting noise pollution in the surrounding environment. Therefore, its use needs to be careful and requires further research, so that the leakage rate can be reduced.

Biodiesel

Indonesia has also used biodiesel, although it is still limited. However, biodiesel is an alternative fuel that has potential. Because it comes from vegetable oil, animal fat and fat from recycled restaurant waste. Usually, biodiesel can be used in diesel vehicles or vehicles that use diesel. By using biodiesel, air quality and the environment become cleaner. Meanwhile, for safety, pure biodiesel does not cause serious damage if spilled into the sea. So, it is safer than the diesel that is usually used.

Ethanol

Ethanol fuel is an alternative fuel made from corn or other plants. The use of ethanol is more common and is usually mixed with other fuels to make it more environmentally friendly. Apart from that, ethanol can also save fuel and maintain vehicle engines better. Ethanol is more environmentally friendly because the amount of carbon dioxide released is almost the same as the carbon dioxide absorbed by plants. So, environmental damage is not too severe and there is still time for repair.

Look across strategic groups within industries.

Looking at the palm oil plantation industry strategy, there are principles, namely:

1. Palm oil is the prime mover for the development of palm oil agribusiness from upstream to downstream
2. Development of the oil palm sub-sector is a provider of significant employment opportunities and a source of income for farmers
3. Palm oil is a commodity that plays a large role in generating foreign exchange for the country.
4. Market penetration and product development are the two strategies most often carried out in this section.
5. Product development is carried out by expanding production facilities, technology through internal and external development, and increasing access to wider markets.
6. Choose a priority strategy for the company. The results of the QSPM matrix show that production has increased.

Look across the chain of buyers.

Buyer Chain refers to the various players involved directly or indirectly in the purchasing decision. In general, there are three groups: buyers, users and influencers. Although these three groups may overlap, they are often different.

The plantations managed by this company efficiently organize their supply contracts to connect with the nearest available buyers.

Transportation from company-owned plantations to palm oil mills is efficient. From our field research, it was found that company plantations in Berau were usually built near plantations and integrated into the factories they operated themselves. This map shows that plantations managed by the company have efficiently structured their supply contracts to connect with the nearest available buyers.

The supply routes of some small farmers are inefficient. In optimal market conditions, business people, will choose the most efficient and cost-effective sales method to buyers. These findings indicate that there are several challenges that hinder efficiency at the smallholder level.

Look across complementary product and service offerings.

Complementary goods are products whose value increases when demand for the product increases relatively. For example, if demand for cell phones increases, demand for cell phone chargers may also increase. Complementary products also depend on price.

A service offering is a specific collection of people, processes, information, tools, technology, and other resources that help consumers. This concept refers to the systematic capabilities that a company can have and offer to clients.

Judging from the two definitions above, palm oil raw materials are one of the cooking oil ingredients that have high quality.

The presence of palm oil does not eliminate RSO or SFO plants because they are needed as a blend for CPO consumption. The presence of palm oil also reduces the fuel-food trade-off problem that developed countries expect. Apart from that, it also creates economic benefits in importing countries.

Look across functional or emotional appeal to buyer.

Looking from the consumer's side, consumers certainly have reasons why they buy company goods. It can be based on function, it can be based on an emotional approach. Based on function, people buy because they need it because oil is needed for various functions. Emotionally, people buy products because the quality of the oil produced by PT Astra Agro Lestari Tbk is of better quality than the oil produced by other companies. But the majority of people see it functionally because people need oil, one of which is cooking oil for cooking.

Look across time.

As 2021 draws to a close, it's time to take a look at four palm oil trends to watch in the year ahead.

Palm oil production will be better in 2022 compared to 2021

Indonesia and Malaysia have dominated global palm oil production since 1980. Based on data in 2020, Indonesia accounted for 60 percent and Malaysia accounted for 24 percent of the palm oil produced, and collectively accounted for 84 percent of the global palm oil supply.

Plant-based foods and diets will increase

Over the past few years, more and more consumers are choosing plant-based and diet foods. This shift is driven by increasing awareness of health and the environment. Data from the Plant-Based Foods Association shows that sales of plant-based foods in the United States increased 27 percent in 2020 and brought the total market value to US\$7 billion.

European Union (EU) legislation on traceability

Traceability has been on the wish list for many supply chain players in the agribusiness industry for years. In November 2021, the EU Commission proposed a requirement for European operators and traders of deforestation-risk commodities to achieve and submit traceability plots back to the plantation or farm for each shipment. The European Union aims to implement deforestation-free

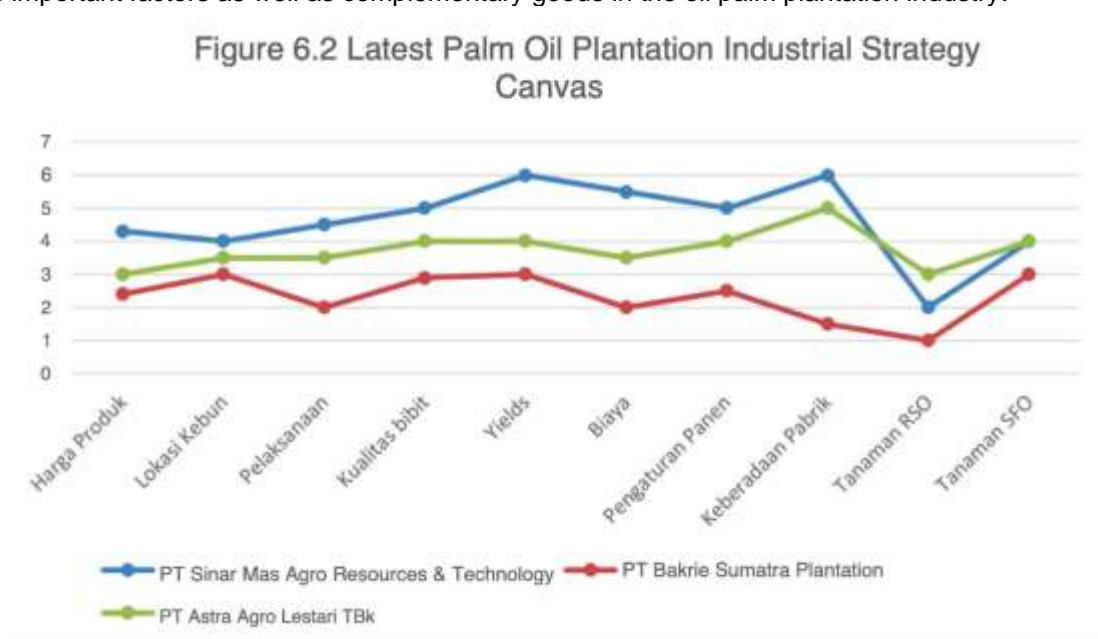
commodity supply chains to protect the world's forests, reduce greenhouse gas (GHG) emissions and prevent the loss of biodiversity. If all parties agree to the proposal by early 2023, the law will come into force in 2024. Not only the EU, the UK and the United States are also preparing legislation to tackle deforestation related to the production of agricultural commodities.

Indonesia is committed to COP 26

To help realize this commitment, President Jokowi signed Presidential Regulation Number 98 of 2021 concerning the Economic Value of Carbon last October. This regulation will encourage the development of emissions trading systems, carbon offsets, carbon cap-and-tax instruments, and results-based payment mechanisms in Indonesia. It also provides corrective measures and clarity for carbon project developers and stakeholders of existing and future international carbon markets.

Strategy Canvas Blue Ocean

By considering the results of the analysis and the approaches mentioned above, Figure 6.2 shows the new blue ocean canvas strategy, by creating several factors, namely RSO Plants and SFO Plants as important factors as well as complementary goods in the oil palm plantation industry.



4. CONCLUSION (10 PT)

Based on the company's analysis from background to success indicators, of course the company has programs that they will carry out to achieve success in the future or improve the company's performance better than before. Where there are 8 main factors, namely the price of the product offered to consumers, selection of suitable garden locations and long-term prospects, implementation of development oriented towards a productive and environmentally friendly garden concept, seeds must absolutely be sourced from authorized and certified institutions, yields tons per hectare per year according to the age of the plant based on industry standards, investment and operating costs are controlled according to cost per hectare standards, harvest arrangements such as crop rotation, harvest methods, quality of harvest, controlled transportation of harvest, the existence of a palm oil factory is absolutely necessary to avoid TBS breakout is out. Of these 8 factors, success factors or important factors in building a company in the oil palm plantation sector. Apart from that, what needs to be eliminated? The first is the imposition of VAT, plants that are old, and oil palm tree seeds that are not of good quality to support production quality. Then what needs to be improved. The first is to encourage the synchronization of planning and policies between agencies, then the role of research and development and the use of technology is very important in

improving the country's bargaining position, then there are strengthening aspects, development aspects, and aspects of increasing plantation empowerment, besides that, data consolidation, productivity, capacity building as well as technology in palm oil factories, and of course empowering palm oil farmers, and developing the domestic market using biofuels, and research in the field of developing biodiesel 100 and aviation fuel.

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