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Proposed Business Strategy to Increase Profitability, Case Study: Majafreshindo Green Farm

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ABSTRACT: This study examines the declining profitability of Majafresh Indo Green Farm, a leading hydroponic farming company in Majalengka, Indonesia. Using qualitative methods, the research identifies key issues, including a focus on operational repairs and insufficient marketing efforts, which have resulted in underutilized production capacity.
The study addresses these challenges using analytical tools such as SWOT, IE Matrix, and TOWS Matrix. These tools reveal strengths like expertise in hydroponic farming and sustainable practices and areas for improvement, such as limited marketing capabilities and reliance on a few large clients. Opportunities include government support, health-conscious market trends, and technological advancements, while threats involve rising costs and increased competition.
The proposed strategies focus on leveraging strengths in quality control and sustainability. These include diversifying the customer base, enhancing market penetration, and expanding product offerings through agri-tourism and educational programs. By adopting advanced technologies and securing government incentives, Majafresh can improve operational efficiency, broaden its market, and achieve sustainable growth.
This case study provides valuable insights for stakeholders in the sustainable agriculture sector.

KEYWORDS: IE Matrix, Strategic Management, SWOT, TOWS

INTRODUCTION

1. Background

Agriculture is a cornerstone of Indonesia's economy and culture, contributing 13.7% to the national GDP 2020 and supporting food security and rural livelihoods (BPS, 2021). However, rapid urbanization, land conversion, and climate change pose significant threats to agricultural productivity, with Indonesia losing 8.5% of its farmland from 2015 to 2020 (Reuters, 2024). These challenges call for innovative solutions to ensure sustainable agricultural development.
Hydroponic farming has emerged as a promising alternative. This soil-free method uses nutrient-enriched water in controlled environments, significantly reducing water use (up to 90%) and eliminating the need for chemical pesticides. Hydroponics gained traction in Indonesia in the 1980s, particularly in urban farming, where limited land availability makes it ideal to meet the rising demand for fresh, pesticide-free produce (Marlina et al., 2022).
Urban farming, dominated by Java, has seen notable growth, with West Java leading in hydroponic adoption. Regions like Majalengka utilize hydroponics to diversify agriculture and cultivate high-value crops, such as leafy greens, herbs, and specialty vegetables, which cater to premium urban markets. This aligns with improving food security and promoting sustainability (Prastyo et al., 2023).
Hydroponic farming faces hurdles despite its potential, including high setup costs, technical complexity, and energy demands. Innovations like solar-powered systems and IoT-based tools offer solutions, making hydroponics more accessible and cost-effective (Novaldo et al., 2022). Moreover, hydroponics drives socio-economic benefits by creating jobs, empowering communities, and fostering entrepreneurship, mainly through digital marketing platforms and training programs (Prastyo et al., 2023; Marlina et al., 2022).
This study examines the hydroponic agribusiness in Majalengka, focusing on Majafresh Indo Green Farm (Majafresh). By analyzing opportunities and challenges, the research aims to provide strategies for Majafresh to achieve sustainable growth, strengthen food security, and support socio-economic development in the agro-industry.

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2. Company Profile

Majafresh Indo Green Farm (Majafresh) is a leading hydroponic vegetable producer in Majalengka, established in 2019. Known for high-quality, pesticide-free produce, the company uses advanced hydroponic techniques to meet the growing demand despite the region's dry climate. Majafresh thrives in challenging conditions, benefiting from a skilled team in agrotechnology and plant nutrition. The company is committed to sustainable farming, ensuring consistent production and reliable supply for daily markets and large-scale orders. Through continuous research and development, Majafresh maintains high seeding, fertilization, and harvesting standards, ensuring top-quality products.

Majafresh Indo Green Farm, founded in 2020, experienced steady growth until 2023. However, profitability sharply declined in 2024 due to operational inefficiencies and market challenges. A key issue was the loss of a major customer, who terminated their partnership after product quality and delivery issues. The company also faced challenges with aging hydroponic equipment, leading to inconsistent product quality. Despite efforts to repair and upgrade systems, the damage to customer relationships impacted revenue. Majafresh's overreliance on a few key customers further exacerbated these challenges.

To address these issues, the company needs a strategic management approach to improve operations, rebuild customer trust, and diversify its customer base for sustainable growth.

3. Research Questions and Objectives

Research Questions:

RQ 1: What are the root causes of declining profitability in Majafresh?

RQ 2: What are the strengths, weaknesses, opportunities, and threats (SWOT) for the company?

RQ 3: What strategies can improve profitability?

Research Objectives:

RO 1: Analyze the root causes of the business issues.

RO 2: Assess internal and external factors impacting Majafresh's performance.

RO 3: Provide a strategic plan for improving profitability and sustainability.

LITERATURE REVIEW

1. Theoretical *Foundation*

Definition of Agribusiness

Agribusiness encompasses all farming, trade, and industry activities, playing a key role in maintaining global food systems and food security. This sector spans from on-farm production to the processing, marketing, and distributing agricultural products. It includes smallholder farming systems, cooperatives, and high-tech farming practices. Agribusiness' flexibility allows it to adapt to various economic, environmental, and social contexts, making it essential for meeting the demands of the global market (Kubo & Okoso, 2019).

Business Strategic Management

Business strategy refers to coordinated actions to leverage an organization's core strengths to gain a competitive advantage. According to Wheeler et al. (2020), a business strategy is a comprehensive plan that seeks to achieve specific goals, compete effectively, and maintain long-term sustainability. Hitt et al. (2011) further explain that business strategy involves making strategic choices that differentiate the company from competitors and enhance customer value.

Strategies to Increase Revenue in Hydroponic Agribusiness

Increasing revenue in hydroponic agribusiness involves various approaches, such as digital marketing, product diversification, and exploring new distribution channels. Social media platforms like Instagram and TikTok, along with e-commerce, provide businesses with tools to broaden their market reach and build brand awareness by showcasing the freshness, health benefits, and sustainability of hydroponic farming (Marlina et al., 2022; Lantarsih et al., 2023). Product diversification, such as offering pre-packaged salad kits or subscription boxes, also helps meet diverse consumer preferences. Agro-tourism, where hydroponic farms become educational destinations, provides another revenue stream while increasing brand loyalty (Alkadri et al., 2023). Partnerships with supermarkets and food delivery services can also expand market access.

Strategies to Reduce Costs in Hydroponic Agribusiness

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Cost reduction is crucial for maintaining profitability in hydroponic agribusiness. This can be achieved through automation, IoT technology, and resource optimization. Integrating sensors and automation systems enable real-time monitoring of environmental variables, reducing resource waste and enhancing plant growth efficiency (Sayekti & Putri, 2022). Energy efficiency is another cost-reduction strategy, particularly by using energy-efficient LED lights and integrating renewable energy sources like solar power. Additionally, adopting low-cost hydroponic systems, such as the EZ Hydroponic method, reduces initial investment and maintenance costs while maintaining high productivity (Kubo & Okoso, 2019).

Business Strategies for Hydroponic Agribusiness

Companies need strategies that balance innovation, market adaptation, and operational efficiency to build a competitive and sustainable hydroponic business. A SWOT analysis is essential to identify internal strengths, external opportunities, weaknesses, and threats, which helps companies plan and overcome challenges (Alkadri et al., 2023). Collaborating with local businesses, cooperatives, and government initiatives can provide financial support and new market opportunities. Emphasizing sustainability, such as water conservation and pesticide-free produce, appeals to eco-conscious consumers and differentiates hydroponic products in the market (Rufí-Salís et al., 2020). Continuous innovation, including adopting new technologies and experimenting with crop varieties, ensures competitiveness and adaptability in a dynamic industry (Sayekti & Putri, 2022).

2. Conceptual Framework

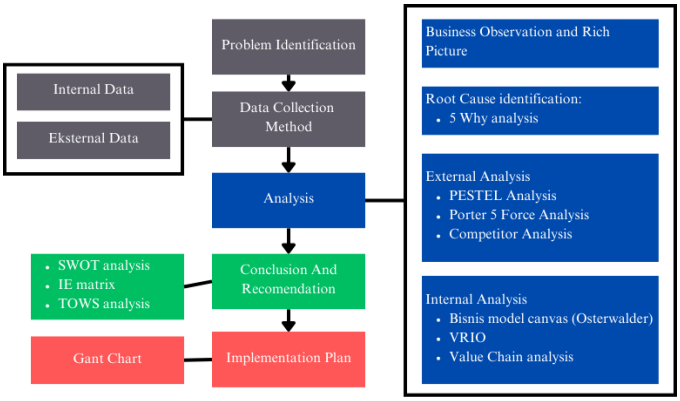

Figure 1. Conceptual Framework
Source: Author Analysis

The conceptual framework provides a structured approach to addressing organizational challenges by integrating internal and external data sources. It begins with problem identification, using tools like the rich picture and 5 Why analysis to uncover underlying causes. External data collection includes PESTEL analysis, Porter's Five Forces, and competitor analysis. In contrast, internal analysis evaluates strengths, weaknesses, and resources through frameworks such as the business model canvas, VRIO, and value chain analysis. The analysis phase combines these insights into actionable strategies using SWOT, IE matrix, and TOWS matrix. Recommendations are formulated based on the findings, followed by an implementation plan with a Gantt chart to ensure progress. This comprehensive framework provides a well-rounded, strategic approach to solving complex organizational problems.

METHODOLOGY

1. Research Design

This research adopts a qualitative approach to exploring Majafresh's complex business challenges. Qualitative research focuses on understanding human experiences, behaviors, and social contexts through non-statistical data such as interviews and text analysis. It aims to uncover the underlying motivations, perspectives, and patterns within the organization and its external environment (Denzin & Lincoln, 2011).

The research begins by identifying Majafresh's business issues, which inform the research questions. An in-depth literature review is conducted to explore potential solutions and relevant methods. The study employs several frameworks, including PESTEL,

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Porter's Five Forces, and competitor analysis, to examine external factors. In contrast, internal analyses use tools such as the business model canvas, VRIN, and value chain analysis. The findings from these analyses are synthesized into an External Factors Analysis Summary (EFAS) and Internal Factors Analysis Summary (IFAS), which are integrated into the Internal-External (IE) Matrix. A SWOT analysis is also performed, expanding into a TOWS matrix to generate alternative strategies.
Data collection includes interviews with Majafresh's management and employees and secondary data from company reports, academic research, and industry sources. The data is then analyzed, integrated with theoretical frameworks, and used to formulate actionable strategies.

Data Collection Method
Primary Data: The primary data will be gathered through semi-structured interviews with Majafresh's management, including owners and key employees. These interviews explore the company's internal and external conditions, uncovering operational issues and strategic opportunities. Follow-up interviews will be conducted to validate the proposed strategies and refine the implementation plan.
Secondary Data: Secondary data will be gathered from various sources, including company reports, financial statements, industry reports, online news articles, and academic research. This data will complement the primary findings, providing broader context and supporting evidence to analyze the internal and external factors influencing Majafresh's operations.
Data Analysis Method
The data analysis will employ content analysis, a method ideal for systematically examining qualitative data from interviews and secondary sources. Content analysis allows the researcher to identify, categorize, and interpret recurring themes and patterns within the data. This approach will be aligned with the conceptual frameworks to uncover external and internal factors affecting Majafresh's business. The data will be coded into predefined categories, including strengths, weaknesses, opportunities, and threats, and the relationships between these themes will be examined. This method ensures the reliability of findings by integrating both primary and secondary data, providing a comprehensive view of the business environment.

RESULTS AND DISCUSSION

1. Root Cause Analysis

Majafresh's declining profitability can be traced to underutilized production capacity, which stems from an inability to replace a key customer who discontinued their partnership. The loss of this major customer has not been offset by new client acquisition, primarily because the marketing team has struggled to enter new markets or attract new customers effectively. The failure to secure new customers is mainly due to a lack of a focused marketing strategy, insufficient resources for customer acquisition, and a general deprioritization of marketing efforts. Instead, the company has redirected its resources toward resolving operational inefficiencies, mainly focusing on the repair of aging equipment. While necessary for operational stability, this shift in focus has ultimately resulted in insufficient marketing investment, further exacerbating the underutilization issue and declining profitability.

2. External Environmental Analysis

PESTEL Analysis
A PESTEL analysis provides insight into the external factors that affect Majafresh's operations and potential for growth.
Political factors present both opportunities and challenges. Indonesia benefits from a stable political climate, which is favorable for long-term business operations. The government has prioritized agricultural development, with programs like the Presidential Program on Food Security, which can support Majafresh's efforts in the sector. Additionally, government subsidies for adopting sustainable farming practices allow Majafresh to reduce operational costs. However, the regulatory environment also poses challenges, as compliance with stringent agricultural and environmental regulations can be costly and complex, particularly for smaller companies.
Economic factors are mixed. On the one hand, Indonesia's economic growth has increased consumer purchasing power, creating a strong demand for high-quality, fresh produce, especially from the hotel and restaurant sectors. This benefits Majafresh, which can leverage the demand for pesticide-free hydroponic products. On the other hand, rising input costs, such as for seeds, nutrients, and technology, pose a challenge to profitability. Additionally, the expected VAT increase in 2025 could further strain finances.

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Access to capital remains a significant hurdle for expansion, which limits Majafresh's ability to scale operations or invest in technology to improve efficiency.

Sociocultural trends present favorable conditions for Majafresh. A growing consumer preference for organic and locally sourced produce aligns well with the company's hydroponic farming model. As consumers become more health-conscious, the demand for fresh, chemical-free vegetables increases. Additionally, urbanization creates a need for space-efficient farming solutions like hydroponics, particularly in cities with limited land. This trend presents an opportunity for Majafresh to target urban markets. Moreover, involvement in community engagement initiatives, such as educational programs or local employment, could enhance the company's brand image and consumer loyalty.

Technological factors are a key opportunity for Majafresh. Advancements in hydroponic farming technologies, such as automated nutrient delivery systems and climate control, can help improve production efficiency and crop quality. Digital marketing and e-commerce platforms also transform how businesses like Majafresh can reach customers. By embracing digital tools, Majafresh can increase visibility and reach a broader audience. However, the high cost of implementing these technologies remains a challenge, and Majafresh must carefully assess the return on investment to ensure that the benefits outweigh the costs.

Ecological factors are primarily positive for Majafresh, as hydroponic farming is an environmentally sustainable method using significantly less water and land than traditional agriculture. This aligns with global sustainability trends and offers Majafresh an opportunity to position itself as an eco-friendly brand. However, the company must also be mindful of the potential environmental risks, such as natural disasters like floods or droughts, which could damage infrastructure or disrupt water supply. Ensuring the resilience of hydroponic systems to such events is essential for minimizing risks.

Legal factors require Majafresh to comply with various agricultural and environmental regulations to ensure operational sustainability and avoid legal penalties. Compliance with food safety standards and waste disposal regulations is crucial. Additionally, securing intellectual property rights for proprietary farming technologies can provide a competitive edge. Certifications, such as organic or sustainable farming certifications, can help enhance marketability and build consumer trust. However, legal risks such as unstable land lease agreements or regulation changes may pose challenges that must be carefully managed.

Porter's Five Forces Analysis

- Threat of New Entrants:

The threat is low to moderate. Entering the hydroponic farming industry requires substantial investment in specialized systems and knowledge, creating significant barriers. However, growing interest in sustainable agriculture and government incentives may reduce these barriers, potentially increasing competition.

- Bargaining Power of Suppliers:

The bargaining power of suppliers is moderate. The industry relies on specialized inputs like seeds, nutrients, and technology, often provided by limited suppliers. However, as the hydroponic supply market expands, suppliers' power could decrease, providing more opportunities for businesses like Majafresh to negotiate better terms.

- Bargaining Power of Buyers:

Buyer power is high. Large buyers such as supermarkets and restaurants can influence prices and demand high-quality, certified products. The abundance of alternatives, including cheaper traditionally grown produce, strengthens buyer power, especially as consumers increasingly seek organic and local options.

- Threat of Substitutes:

The threat of substitutes is high. Traditional farming methods can produce similar crops at lower costs, and other forms of controlled-environment agriculture, like aquaponics, may emerge as viable substitutes. Price sensitivity among consumers makes these alternatives appealing.

- Rivalry Among Existing Competitors:

Rivalry is moderate to high. The hydroponic market is currently niche but growing, and competition is expected to increase as the sector expands. Competitors may use aggressive pricing, marketing, and technological innovations to gain market share, driving costs and intensifying competition.

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Competitor Analysis for MajaFresh Indo

Established in 2019, MajaFresh Indo Green Farm is the largest hydroponic vegetable farm in Majalengka. Specializing in fresh, pesticide-free vegetables, the company has gained recognition for maintaining consistent production despite the region's challenging climatic conditions, including extended dry seasons and high vulnerability to droughts. MajaFresh Indo focuses on local markets and sustainable farming practices, ensuring high-quality produce that meets daily market demands.

Be Leaf is a prominent competitor known for integrating IoT-based systems and advanced technology in its hydroponic farming operations. Targeting urban markets and premium restaurants, Be Leaf has become a leader in Indonesia's hydroponic sector, offering premium leafy greens and vegetables. Its strong focus on innovation and research enables Be Leaf to meet the needs of health-conscious consumers and maintain a competitive edge in terms of technology and product quality.

Batamindo Green Farm, operating on a larger scale, has facilities in Batam, Cikampek, and Karawang. It is a significant player in the hydroponic industry, known for its high production capacity and modern greenhouse systems. Batamindo's scale and efficient distribution channels allow it to supply local and international markets, setting a benchmark in technological integration and operational efficiency.

Hydrojaya Farm Majalengka, a smaller competitor, serves the local market in Majalengka by providing fresh, pesticide-free produce to nearby restaurants and consumers. While it operates on a smaller scale, Hydrojaya's proximity to its customers ensures timely deliveries, and its gradual investment in hydroponic technology signals the potential for regional growth.

The hydroponic farming industry presents significant opportunities for MajaFresh Indo amidst intense competition. While Be Leaf and Batamindo excel in technology and scale, MajaFresh Indo's strength lies in its local market presence and commitment to sustainable farming. To maintain a competitive advantage, MajaFresh Indo should focus on expanding production capacity, adopting advanced technologies, and broadening its distribution network. By balancing sustainability with innovation, MajaFresh Indo has the potential to solidify its position in the industry and grow beyond Majalengka.

3. Internal Analysis

Business Model Canvas

The company serves two key customer segments: B2B clients, such as restaurants, hotels, and catering services, primarily in Majalengka, which make up about 90% of its revenue. These clients value consistent supply, high-quality produce, and customization flexibility. The B2C segment, consisting of local households and individual consumers, currently contributes around 10% of sales but presents a growing opportunity as demand for fresh, pesticide-free vegetables rises.

Customer relationships are a central aspect of MajaFresh's business model, with a strong focus on personal assistance and customer service. The company nurtures close, one-on-one relationships with B2B clients, offering personalized support, tailored product offerings, and flexible order schedules. For both B2B and B2C clients, MajaFresh provides excellent customer service through prompt communication, addressing inquiries, and offering solutions to ensure satisfaction.

MajaFresh employs several channels to connect with its customers. Direct sales are popular among B2C clients who prefer to visit the greenhouse and select their products directly. Additionally, delivery services account for 90% of orders, providing convenience and maintaining product quality during transit. The company also uses online platforms like Instagram and WhatsApp for marketing and customer engagement, helping to expand its reach with minimal costs.

Revenue is primarily derived from sales of hydroponic produce, with B2B clients charged per kilogram and B2C customers purchasing bundled packages. Additional revenue is generated through delivery fees, especially for deliveries outside Majalengka, supporting logistics and customer convenience.

Key partners include suppliers of seeds and nutrients, the local government, which offers training and funding opportunities, and the hydroponic farming community, which fosters knowledge-sharing and collaboration.

MajaFresh's core activities include hydroponic farming, using advanced techniques to grow high-quality vegetables, marketing and sales through direct outreach, social media, participation in agricultural exhibitions, and quality control, ensuring that all produce meets the company's high standards from planting to harvest.

MajaFresh's key resources include its greenhouse facilities, which provide a controlled environment for efficient farming, skilled agronomists who optimize production, and its location in Majalengka, which ensures timely deliveries and product quality.

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The company's cost structure includes operational costs (greenhouse leasing, utilities, raw materials, transportation), labor costs (salaries for agronomists and staff), marketing costs (social media and exhibitions), and R&D expenses to ensure innovation in farming techniques and nutrient mixes.

MajaFresh's value proposition is built around consistent quality, customization (tailored products for B2B clients and customizable vegetable bundles for B2C customers), and sustainability through water-efficient farming and reduced pesticide usage, aligning with the values of environmentally conscious consumers and businesses.

Value Chain Analysis

Majafresh, a hydroponic farming company, has been carefully analyzed to understand its internal operations and strategic position. The company's core and support functions have been mapped through a value chain analysis to assess its strengths, weaknesses, and competitive advantages.

Core Functions

- Supply Chain Management

Majafresh sources its raw materials, including seeds and nutrients, from external suppliers through online platforms. The company works with four key suppliers, ensuring flexibility and maintaining high-quality standards while minimizing supply chain risks.

- Operations

The company operates a 300m² greenhouse with an average monthly production of 45 kilograms and a maximum capacity of 72 kilograms. Majafresh uses a robust production planning system, ensuring efficiency and quality through skilled agronomists who customize nutrient mixes. The focus on quality control ensures that crops meet high standards, bolstering its competitive position in the market.

- Distribution

Distribution is carried out through two main channels: direct customer pickups from the greenhouse and internal deliveries. The company's local delivery system ensures that products remain fresh, and plans for fleet expansion aim to support broader market reach.

- Marketing & Sales

The company focuses on B2B customers, particularly restaurants and hotels, with B2C making up a smaller portion of its business. Marketing is conducted through direct sales visits, social media, and participation in local exhibitions. Majafresh has identified opportunities for market expansion, especially into broader regions of West Java.

- Follow-up Service

Customization options for orders are available, and customer communication is efficiently managed through WhatsApp, fostering strong relationships with B2B and B2C customers.

Supporting Functions

- Finance

The company operates under a self-funding model, focusing on cash transactions for both procurement and sales. This lean financial structure ensures liquidity but limits scalability. Future growth may require external funding options.

- Human Resource Management

Majafresh employs a small team of five key members, each contributing to operational efficiency. Recruitment is based on expertise and alignment with company values, contributing to a highly skilled workforce.

- Information Technology Management

The company uses basic spreadsheet applications for financial tracking. However, the absence of automation or advanced IT systems presents opportunities for improvement, especially as the company scales.

- Research & Development

Majafresh invests in R&D, particularly in optimizing nutrient formulas and farming techniques. Its R&D plantation is a research hub, encouraging academic collaboration and contributing to the company's long-term success.

Operational Value Proposition

- Consistent Fresh Quality

High-quality and fresh hydroponic vegetables are a key offering, supported by rigorous quality control processes and advanced R&D practices.

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- Customizable Offerings

Majafresh's marketing and operations teams provide tailored solutions, allowing clients to customize orders based on their needs and ensuring personalized service.

- Sustainability

Sustainable farming practices, such as water conservation and minimal pesticide usage, form the foundation of Majafresh's production methods. R&D efforts aim to optimize resource use further and reduce environmental impact.

VRIN Analysis

- Tangible Resources

Resource	V	R	I	N	Analysis	Competitive consequences	Performance Implication
Greenhouse Facilities	Yes	Yes	Yes	No	Provides a controlled environment for production, requiring significant capital for replication.	Temporary competitive advantage.	Above-average returns.
Water and Nutrient Distribution Systems	Yes	Yes	No	No	Ensures farming efficiency but is commonly available and easy to replicate by competitors.	Competitive parity.	Average returns.
Strategically Located Land	Yes	Yes	Yes	Yes	Offers logistical advantages and cost reduction, making it difficult to substitute or replicate.	Sustainable competitive advantage.	Above-average returns.
Organic, High-Quality Products	Yes	Yes	No	No	Meets consumer demand for quality but can be matched by other players with similar standards.	Temporary competitive advantage.	Average to above-average returns.
Vehicle Distribution	Yes	No	No	No	Enables timely deliveries but lacks uniqueness and can be easily replicated.	Competitive parity.	Average returns.

Source: Author analysis

- Intangible Resources

Resource	V	R	I	N	Analysis	Competitive consequences	Performance Implication
Hydroponic Farming Expertise	Yes	Yes	Yes	Yes	Provides operational efficiency and product quality; challenging to replicate or substitute.	Sustainable competitive advantage.	Above-average returns.
Management Knowledge of Financial and Online Media	Yes	No	No	No	Helpful for internal operations but not unique and widely accessible to competitors.	Competitive parity.	Average returns.
Continued R&D	Yes	Yes	Yes	Yes	Drives innovation and product differentiation, creating significant barriers to entry for competitors.	Sustainable competitive advantage.	Above-average returns.

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Quality Control (QC)	Yes	Yes	Yes	Yes	Ensure consistent quality, building customer trust and making it difficult to imitate.	Sustainable competitive advantage.	Above-average returns.

Source: Author analysis

4. Proposed Business Strategy

SWOT Analysis

SWOT Analysis is created from external and internal analysis above.

Strengths	**Weaknesses**
1. Hydroponic farming expertise and skilled agronomists 2. The greenhouse system provides a controlled environment and space efficiency 3. Strategically Located Greenhouse 4. Strong brand reputation for high-quality products 5. Ongoing Research and Development (R&D) 6. Customization of Products and Services	1. Limited marketing and sales effectiveness 2. Limited Financial Flexibility (Self-Funding Model) 3. Dependence on Demand from Several Big Customers 4. Lack of Advanced Technological Integration in Operations 5. Potential for Technical Malfunctions in the Hydroponic System.
Opportunity	**Threats**
1. Government Support for Agriculture (Subsidies, Incentives, Training, etc.) 2. Technological Advancements in Hydroponics 3. Customer Demand for Health-Conscious Products 4. Expansion into New Revenue Streams (Agri-tourism, Education, Hydroponic Kits) 5. Space-Efficient Farming for Urban Areas 6. Customer Loyalty	1. Rising Input Costs and Potential VAT Increase (12% in 2025) 2. Competition for Low-Cost Traditional Farming and Other Hydroponic Operations 3. Vulnerability to Natural Disasters 4. Overproduction and Market Absorption Issues 5. Large-Scale Buyers with High Bargaining Power

Source: Author analysis

IE Matrix

- External Strategic Factors Analysis Summary (EFAS)

No	**External Factors (Opportunities)**	**Weight**	**Rating**	**Weighted Score**	**Comments**
1	Government Support for Agriculture (Subsidies, Incentives, Training, etc.)	10%	3	0.3	Majafresh can benefit from subsidies and training programs, but the support may take time.
2	Technological Advancements in Hydroponics	8%	4	0.32	New technology can significantly improve production efficiency and product quality. Majafresh is well-positioned to adopt these technologies.
3	Customer Demand for Health-conscious Products	10%	4	0.4	There is an increasing demand for high-quality, pesticide-free, and sustainable produce in restaurants and hospitality.
4	Expansion into New Revenue Streams (Agri-tourism, Education, Hydroponic Kits)	8%	3	0.24	Majafresh could expand into agri-tourism and education, but it requires investments in infrastructure and marketing.

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5	Space-Efficient Farming for Urban Areas	6%	3	0.18	Growing demand for local farming solutions in urban areas could provide an opportunity for vertical farming or small-scale urban operations.
6	Customer Loyalty	12%	4	0.48	Majafresh can build customer loyalty by focusing on consistent quality, personalized services, and sustainability practices.
	Total Opportunities	54%		1.92	

Source: Author analysis

No	External Factors (Threats)	Weight	Rating	Weighted Score	Comments
1	Rising Input Costs and Potential VAT Increase (12% in 2025)	6%	3	0.18	Increased costs for inputs such as seeds and technology could pressure profitability. However, Majafresh can counteract this by adopting more efficient farming techniques and utilizing subsidies.
2	Competition from Low-Cost Traditional Farming and Other Hydroponic Operations	6%	3	0.18	Majafresh faces competition from traditional farms and other hydroponic operations, but it has an edge with its high-quality, sustainable products.
3	Vulnerability to Natural Disasters	8%	2	0.16	While hydroponics mitigates some risks, Majafresh remains vulnerable to external factors like floods or earthquakes, which could affect supply chains or production capacity.
4	Overproduction and Market Absorption Issues	12%	3	0.36	Overproduction risks lead to waste or lost revenue. Majafresh must accurately forecast demand and establish effective distribution strategies.
5	Large-Scale Buyers with High Bargaining Power	14%	3	0.42	Large buyers (e.g., restaurants and hotels) may demand lower prices, squeezing margins. Diversification of the customer base is key to mitigating this risk.
	Total threats	46%		1.3	
	Total Weighted External Factor	**100%**		**3.22**	

- Internal Strategic Factors Analysis Summary (IFAS)

No	Internal Factors (Strength)	Weight	Rating	Weighted Score	Comments
1	Hydroponic farming expertise and skilled agronomists	13%	4	0.52	Majafresh's team of agronomists provides a substantial advantage in producing high-quality, pesticide-free vegetables.
2	The greenhouse system provides a controlled environment and space efficiency	10%	4	0.4	The space-efficient greenhouse allows for year-round production and reduces dependency on large land spaces, offering cost and logistical benefits.

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3	Strategically Located Greenhouse	6%	3	0.18	The greenhouse in Majalengka offers logistical and cost advantages for efficiently delivering fresh produce to local markets.
4	Strong brand reputation for high-quality products	8%	4	0.32	A strong reputation for premium-quality produce gives Majafresh a competitive edge and builds consumer trust.
5	Ongoing Research and Development (R&D)	6%	3	0.18	Continued investment in R&D ensures Majafresh can stay ahead of industry trends and innovate for long-term success.
6	Customization of Products and Services	8%	3	0.24	Customization for B2B and B2C customers enhances satisfaction and loyalty but may require more effort for scaling.
	Total Strengths	51%		1.84	

No	Internal Factors (Weaknesses)	Weight	Rating	Weighted Score	Comments
1	Limited marketing and sales effectiveness	15%	4	0.6	A comprehensive marketing strategy is needed to improve customer acquisition and expansion.
2	Limited Financial Flexibility (Self-Funding Model)	8%	3	0.24	The reliance on self-funding limits growth potential and financial flexibility, restricting the ability to invest in expansion.
3	Dependence on Demand from Several Big Customers	12%	4	0.48	Heavy reliance on a few large clients increases revenue loss risk if demand decreases.
4	Lack of Advanced Technological Integration in Operations	6%	2	0.12	The need for advanced tech integration in operations limits optimization and scalability.
5	Potential for Technical Malfunctions in the Hydroponic System.	8%	3	0.24	Potential technical failures in the hydroponic system could lead to production disruptions and reputational damage.
	Total Weaknesses	49%		1.68	
	Total Weighted Internal Factor	100%		3.52	

Source: Author analysis

Majafresh Indo's external environment score is 3.22. This indicates opportunities but also significant threats. A score above 3.0 indicates a favorable position where external factors, such as market demand for sustainable products, can be leveraged. However, external threats like competition and market volatility must be carefully managed.

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Internally, the Majafresh Indo IFAS score is 3.52. This shows strong capabilities, with a score higher than 3.0, indicating that the company has solid internal strengths, such as skilled agronomists, quality control, and strong production methods. This provides a strong foundation for growth.

Given the internal and external factor scores (3.52 and 3.22, respectively), Majafresh Indo is positioned in the **"Grow and Build" quadrant**. This suggests the company is in a strong position to pursue aggressive growth strategies.

To boost profitability and growth, Majafresh Indo should implement a multi-faceted strategy. Market penetration efforts should focus on expanding sales to existing B2B clients, particularly in the restaurant and hotel sectors, while enhancing digital marketing and local outreach. Market development strategies involve expanding into urban areas and exploring vertical farming solutions to meet the rising demand for local produce. Product development can diversify the offerings with hydroponic kits, educational programs, and unique vegetable varieties tailored to niche markets. Technological investments in advanced farming technologies like IoT and AI-driven solutions will enhance operational efficiency and product consistency. Lastly, Majafresh Indo should leverage government subsidies, streamline operations, and adopt cost-efficient practices to maintain product quality while reducing costs. These strategies will help Majafresh Indo capitalize on opportunities, strengthen its market position, and drive long-term growth.

TOWS Matrix

Using TOWS matrix frameworks, strategies that Majafresh can implement are

	Opportunities	**Threats**
Strengths	**S-O Strategies** • Leverage expertise in hydroponics to secure government support (subsidies, incentives, training) and scale operations. (S1, S2, S5, O1, O2) • Enhance greenhouse systems with cutting-edge technology for sustainable hydroponics (S2, S • Customize products and services to meet health-conscious customer demand (S4, S5, O3, O6) • Develop strategic partnerships to expand product offerings, such as agri-tourism and educational programs (S1, S6, S5, O4)	**S-T Strategies** • Diversify customer base to reduce reliance on large buyers (S4, T5) • Leverage sustainability and quality as differentiators to compete with low-cost farming (S1, S4, T2) • Enhance disaster resilience with climate control technology (S2, S5, T3) • Build a brand image around sustainability to attract eco-conscious consumers (S4, S1, T1)
Weaknesses	**W-O Strategies** • Improve marketing and sales effectiveness to capture the demand for health-conscious products (W1, 03) • Secure government subsidies and incentives to overcome financial constraints (W2, O1) • Develop a direct-to-consumer sales model to reduce dependence on large customers (W3, 04) • Expand into educational products (hydroponic kits) to generate new revenue and improve flexibility (W2, W4, O4)	**W-T Strategies** • Strengthen hydroponic systems with fail-safe measures to mitigate technical failures (W5, T1, T4) • Diversify product offerings to address market absorption issues and overproduction (W2, W3, T4) • Optimize operational efficiency through technological integration (W4, T1, T2) • Build stronger customer loyalty programs to mitigate bargaining power from large buyers (W1, T5)

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CONCLUSION

The root cause of Majafresh Indo's declining profitability can be traced to the redirection of resources towards operational repairs, such as fixing aging equipment, which led to a deprioritization of marketing efforts. This lack of focus on customer acquisition resulted in losing a key customer and underutilizing production capacity, directly impacting the company's profitability.

A thorough SWOT analysis reveals that Majafresh Indo has significant internal strengths, such as its expertise in hydroponic farming, a strong brand reputation for high-quality, pesticide-free produce, and a strategically located greenhouse. However, the company faces weaknesses such as limited marketing capabilities, dependence on a few large customers, and risks associated with technical failures. Externally, Majafresh Indo is presented with opportunities like government support, growing demand for sustainable and health-conscious products, and advancements in hydroponic technology. On the other hand, threats include rising input costs, competition from traditional farming, and reliance on a small number of large buyers.

Majafresh Indo is strategically positioned for growth, as indicated by its placement in the "Grow and Build" quadrant of the IE Matrix. Both its internal strengths—such as expertise in hydroponic farming, strong brand reputation, and a well-established customer base—and external opportunities, such as increasing demand for sustainable products and government support, make aggressive growth the most viable strategy. The company should focus on expanding its market share in the B2B sector by targeting restaurants, hotels, and local businesses. Additionally, developing new products, such as hydroponic kits and educational programs, and investing in advanced agricultural technology will drive operational efficiency and scalability.

The TOWS Matrix further reinforces this approach by recommending that Majafresh Indo leverage its strengths, such as high-quality produce and innovative hydroponic systems, to mitigate its weaknesses. To address the current dependence on a few large customers, Majafresh should diversify its customer base by targeting smaller B2B clients and exploring the B2C market. Expanding product offerings through value-added services like agri-tourism and sustainable farming education will attract a broader customer base and align with growing trends in sustainability and health-conscious consumption. By reinforcing its hydroponic systems with cutting-edge technology and offering educational content, Majafresh can strengthen its market position and reduce the risks associated with its reliance on a few key clients. These strategies, focused on technology, diversification, and market expansion, will provide Majafresh Indo with the tools to drive profitability and secure long-term growth.

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