

Proposed Business Strategy to Increase Competitiveness for Chemical Textile Company: A Case Study of CV XYZ

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ABSTRACT: CV XYZ, a chemical textile company, has faced fluctuating profitability, requiring a robust business strategy to improve financial performance and market position. This research identifies the root causes of these challenges and proposes actionable solutions through a comprehensive analysis of both external and internal factors. External evaluations, including market and competitor assessments, are combined with internal analyses such as resource and value chain analysis, core competencies, and the VRIO framework. These insights are summarized in a SWOT and TOWS matrix, highlighting the company's strengths and weaknesses. The findings reveal that CV XYZ is competitive due to its ability to offer customized products that meet customer needs and provide affordable solutions. Its innovative alkali-based remover and eco-friendly formulations differentiate it from competitors and provide significant growth potential. However, operational inefficiencies hinder performance, such as inefficient workflows, delayed deliveries, and multitasking sales teams. Overlapping roles and the need for further product refinement also present challenges. This study recommends integrating cost leadership and differentiation strategies streamlining operations to reduce costs while maintaining product quality and innovation. This dual strategy will help CV XYZ meet the needs of both price-sensitive and sustainability-conscious customers, improving profitability and ensuring long-term success.

KEYWORDS: Business Strategy, Chemicals Textile Industry, Porter's Five Forces, Value Chain Analysis, SWOT, TOWS

INTRODUCTION

The global textile industry has seen increased demand driven by population growth, rising incomes, and changing consumer preferences. However, Indonesia's contribution to global textile and garment exports remains limited, accounting for only 5.4% of total exports (Nasution, 2024). Despite the growth potential, Indonesian textile companies face fierce competition from major players like China and India. Additionally, the growing consumer demand for eco-friendly and sustainable textile products, driven by heightened environmental awareness, presents both opportunities and challenges for chemical textile companies like CV XYZ.

CV XYZ, a B2B company in the Indonesian Textile and Textile Products (TPT) industry, has shown resilience and growth. Initially focusing on cleaning services for textile printing screens, the company expanded its portfolio to include comprehensive cleaning solutions for flat and rotary screens. However, with the shrinking number of textile manufacturers in Indonesia, CV XYZ faces mounting competition and an unstable client base. Despite significant revenue spikes in specific years (2014 and 2018), its profitability has been inconsistent, with notable declines in 2016 and 2020. These fluctuations underscore the need for a more robust business strategy to stabilize revenue and drive sustained profitability.



Figure 1. CV XYZ Profit Trends from 2011-2023



Customer retention has been a persistent issue, with the company seeing an annual decline in its client base. This trend suggests that CV XYZ needs to refine its customer relationship management strategies and offer more tailored, post-purchase support. The chemical textile sector in Indonesia is highly competitive, with domestic and international players offering similar products and services. CV XYZ must leverage its innovative eco-friendly solutions, improve customer engagement, and streamline its operations to maintain its competitive edge. This study explores strategic business solutions for CV XYZ, focusing on how the integration of cost leadership and differentiation strategies can enhance its market position, improve customer retention, and drive long-term profitability.

LITERATURE REVIEW

Hitt (2019) defines strategy as a coordinated set of actions and commitments to utilize critical capabilities to secure a competitive advantage. Porter (1996) further emphasizes that strategy may involve performing activities differently from competitors or engaging in new ones altogether. As a flexible yet foundational process, strategic management is integral to an organization's ongoing success. For businesses, a comprehensive market study is crucial. It helps understand market structure, purchasing behaviors, and competition in the B2B sector, where decisions often lead to long-term contracts. The chemical textile industry is segmented based on chemical types and industries served, with a growing demand for eco-friendly solutions influencing product offerings and purchasing decisions. In this competitive environment, businesses must innovate, personalize products, set competitive prices, and streamline distribution to meet evolving customer expectations (Koszevska, 2018).

A key aspect of modern business strategy is the integration of cost leadership and differentiation strategies, as companies often seek to balance efficiency with uniqueness in their offerings. Porter (1996) initially defined these two strategies as distinct—cost leadership focusing on minimizing operational costs to offer the lowest price in the market and differentiation aiming to offer unique products or services that justify a premium price. However, the evolving market landscape has led to hybrid strategies that blend elements of both approaches, enabling companies to cater to a broader customer base. Integrating these strategies can lead to a sustained competitive advantage when executed effectively. By reducing costs while differentiating their products or services, companies can offer high-quality, innovative solutions at a competitive price. For example, company could leverage its eco-friendly products and innovative formulations to differentiate itself from competitors while streamlining its operations to reduce production costs. This combination allows companies to provide unique, environmentally sustainable products at competitive prices—meeting the needs of both cost-sensitive and sustainability-conscious customers. Zhou (2012) stated that advancements in information technology, a focus on consumer centrality, and the integration of the value chain serve as key points for the strategic integration of the two. The integration of these strategies also relies on a company's organizational capabilities. According to Prahalad and Hamel (1990), core competencies—distinctive capabilities that drive competitive advantage—can help firms simultaneously pursue cost leadership and differentiation.

Value-based cost leadership allows companies to achieve a dual advantage by lowering costs and creating perceived value through product differentiation (Jerab and Mabrouk, 2023). The key to success is integrating cost-saving innovations (such as more efficient production processes or better supply chain management) with product differentiation elements (like sustainability and customization). When company focus on cost efficiency and differentiation, it can create a compelling value proposition that appeals to diverse market segments. Porter (1996) also acknowledges that combining cost leadership and differentiation can be difficult, as pursuing both strategies may lead to conflicts between achieving operational efficiency and maintaining product uniqueness. However, Hill & Jones (2012) suggest that successful integration is possible when a company aligns its operational activities to reduce costs in ways that do not compromise its differentiation elements. For instance, company could focus on sustainable innovations—such as developing eco-friendly chemical formulations—that contribute to its differentiation and allow for cost-saving production methods (e.g., less reliance on expensive raw materials or energy-efficient manufacturing).

Customer Relationship Management (CRM) is pivotal in ensuring long-term B2B relationships. Effective CRM strategies are key to retaining clients, particularly in industries like chemical textiles, where customer satisfaction and service quality directly impact long-term profitability. Company ability to implement an efficient CRM system will stabilize its client base and improve revenue predictability (Richard et al., 2007).

External analysis tools such as PEST and Porter's Five Forces are essential for evaluating the broader environment affecting company. PEST analysis identifies political, economic, social, and technological factors influencing business decisions, while

Porter's Five Forces assesses the industry's competitive dynamics. Together, these tools provide insights into both risks and opportunities for company. On the internal front, frameworks like the Resource-Based View (RBV), Value Chain Analysis, and the VRIO framework allow company to assess its capabilities and resources. As Barney (1991) suggests, unique resources can offer long-term competitive advantage. For company, eco-friendly products and technological innovations are critical internal strengths. Porter's Value Chain Analysis highlights areas where operational efficiencies can be realized. VRIO can help assess whether company's resources are valuable, rare, inimitable, and well-organized to support sustained competitive advantage.

Finally, SWOT and TOWS analysis enable to align its internal strengths and weaknesses with external opportunities and threats, facilitating strategic decision-making. Leveraging strengths to capitalize on opportunities and addressing weaknesses to counter threats will be key to developing a robust business strategy (Seth, 2015).

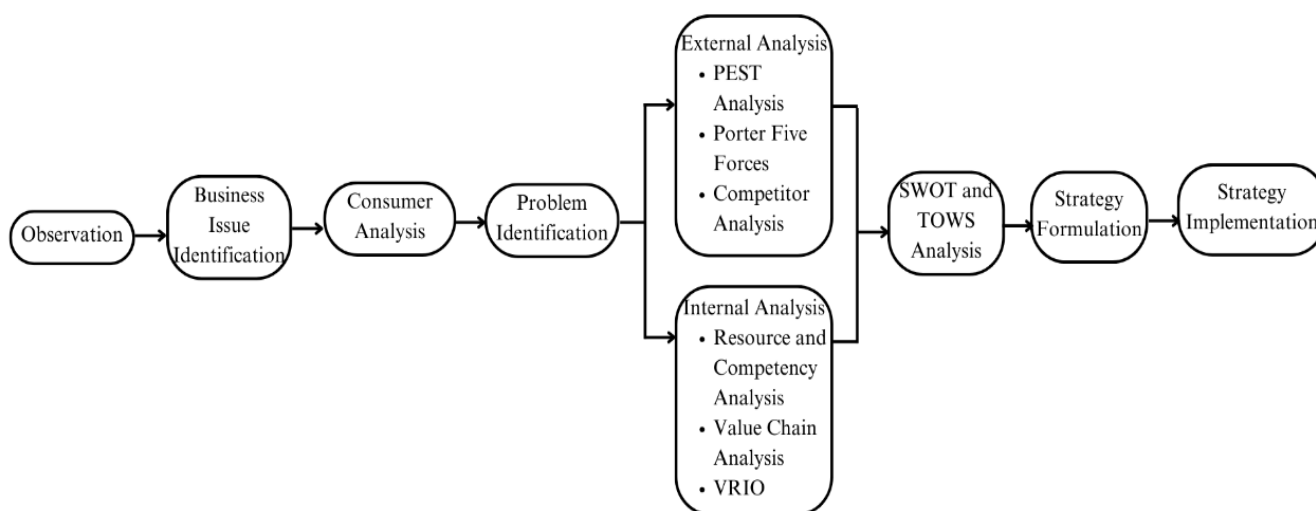


Figure 2. Conceptual Framework Design

Conceptual Framework Design:

The framework below (Picture 2) illustrates the systematic process employed in this research. It starts with identifying business issues, followed by an in-depth internal and external analysis, a gap analysis using SWOT and TOWS, and formulating and implementing a strategy tailored to CV XYZ's specific needs.

METHODOLOGY

This research employs a qualitative approach to examine CV XYZ's business strategy, utilizing data collected through interviews and observations. The aim is to identify the root causes of the company's challenges and provide actionable solutions through an in-depth analysis from both internal and external perspectives. The methodology is framed within a structured process, including analytical steps designed to gather and assess relevant data, formulating a tailored business strategy.

Research Framework

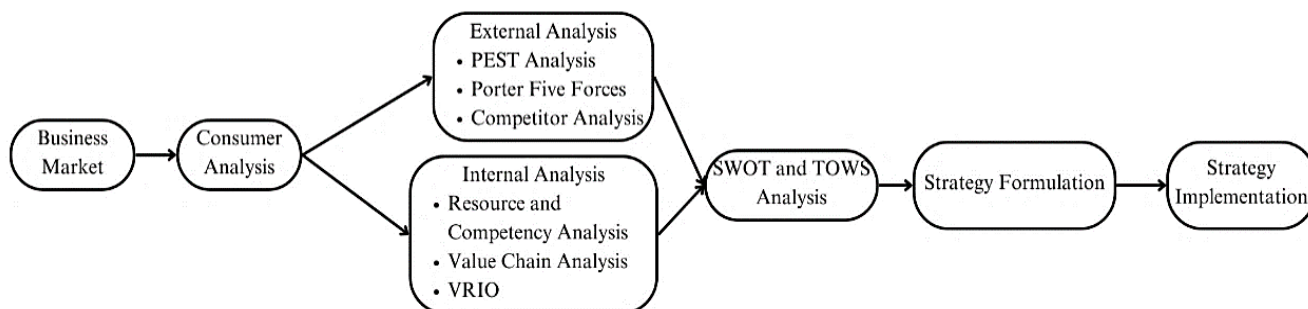


Figure 3. Research Design



The research follows a systematic framework, as depicted below, beginning with identifying the business issues and then internal and external analyses. A Gap Analysis will be conducted, utilizing tools such as the SWOT and TOWS matrices, to assess the company's current strategic position and identify areas of improvement. The results from these analyses will guide the development of a business strategy tailored to address the challenges and opportunities identified in the research.

1) Process Overview:

1. Observation and Initial Data Gathering

The first step in the methodology is observation, where initial insights are gathered through close monitoring of CV XYZ's operational characteristics, market trends, and external factors influencing the company's performance. This stage is crucial as it provides foundational data, helping to contextualize the company's current position within the industry and its specific challenges. Insights obtained during this phase will guide subsequent analyses and shape the strategic approach.

2. Business Issue Identification:

Following observation, the next step involves identifying the business issues that require strategic focus. This stage includes understanding the underlying problems, distinguishing between symptoms and primary causes, and framing the issues in the context of CV XYZ's business objectives. It ensures that the strategy formulation process is aligned with the company's long-term goals.

3. Internal and External Analysis:

The analysis phase is divided into internal and external components.

o Internal Analysis:

Internal analysis examines CV XYZ's internal environment, including its resources, competencies, and value chain. The internal analysis involves:

- Resource and Competency Analysis to identify CV XYZ's key assets, capabilities, and core competencies that can provide a competitive advantage.
- Value Chain Analysis assesses the company's operational activities and pinpoint areas where value is created and potential cost advantages can be gained.
- VRIO Framework to evaluate CV XYZ's resources and capabilities based on their Value, Rarity, Imitability, and Organization to determine which ones offer a sustainable competitive advantage (Struckell et al., 2022).

o External analysis:

The external analysis evaluates the broader market environment and competitive landscape. External analysis includes:

- PEST analysis analyzes the political, economic, social, and technological factors that impact business.
- Porter's Five Forces analyzes the industry structure and competitive intensity by examining the bargaining power of buyers and suppliers, the threat of new entrants and substitutes, and the intensity of competition within the industry.
- Consumer analysis evaluates customer preferences, behaviors, and trends, especially concerning sustainability and eco-friendly product demand in the textile sector.
- Competitor analysis is needed to understand CV XYZ's competitive environment. Assessing domestic and international competitors' strengths, weaknesses, strategies, and market positions.

4. SWOT and TOWS Analysis:

The findings from the internal and external analyses will be synthesized into a SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis, which will help identify CV XYZ's internal strengths and weaknesses and external opportunities and threats. The TOWS Matrix will extend this analysis by matching the identified internal and external factors to develop strategic alternatives:

- o Leveraging internal strengths to exploit external opportunities.
- o Using internal strengths to mitigate external threats.
- o Addressing internal weaknesses by exploiting external opportunities.
- o Minimizing weaknesses to avoid external threats (Heinz, 1982).



5. Strategy Formulation and Implementation:

Based on the findings from the SWOT and TOWS analyses, strategic objectives will be formulated. These objectives will be aligned with CV XYZ's goals and the competitive dynamics identified during the external analysis. The strategy will include actionable plans to address business challenges, capitalize on opportunities, and strengthen the company's position. The final phase, Strategy Implementation, involves executing the formulated strategies, monitoring progress, and making necessary adjustments to ensure the company achieves the desired outcomes. This phase is critical for operationalizing the business strategy and ensuring its successful execution in the company.

ANALYSIS

A. Business Market

Indonesia's textile industry is key to its economy, contributing approximately 6% to GDP and employing around 2.5 million people. As a leading global exporter, Indonesia's textile sector is evolving with a shift towards sustainability, digitalization, and high-value products (Kemenperin, 2021). The government recognizes textiles as a priority, aiming to enhance competitiveness through targeted initiatives. The industry is investing in sustainable materials, such as organic cotton and recycled polyester, and adopting digital tools for inventory management.

Picture 4 illustrates that garment and apparel manufacturing is the largest segment within Indonesia's textile industry while weaving, dyeing, printing, and finishing processes represent key value-added stages. Fiber manufacturing, particularly synthetic fibers, remains a smaller segment, indicating reliance on imports.

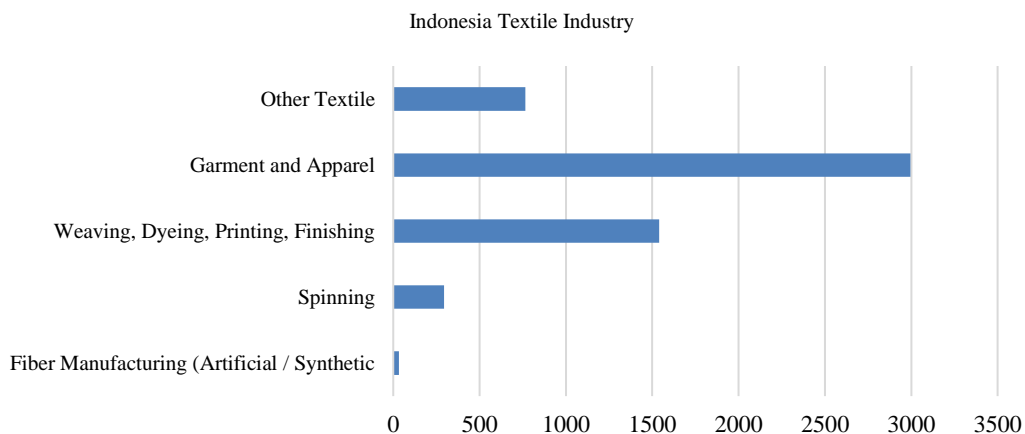


Figure 4. Indonesia Textile Industry (Number of Companies)

<https://business-indonesia.org/textiles>

CV XYZ operates within the weaving, dyeing, printing, and finishing stages, catering to sustainability-oriented textile manufacturers. These clients prioritize eco-friendly chemicals and sustainable production processes, aligning with the growing demand for environmentally responsible solutions. CV XYZ's market position focuses on providing tailored chemical solutions that support both large-scale manufacturers and SMEs, helping them meet sustainability goals while maintaining cost efficiency. This strategic focus allows CV XYZ to tap into the expanding market of eco-conscious textile producers, offering long-term partnerships and competitive pricing.

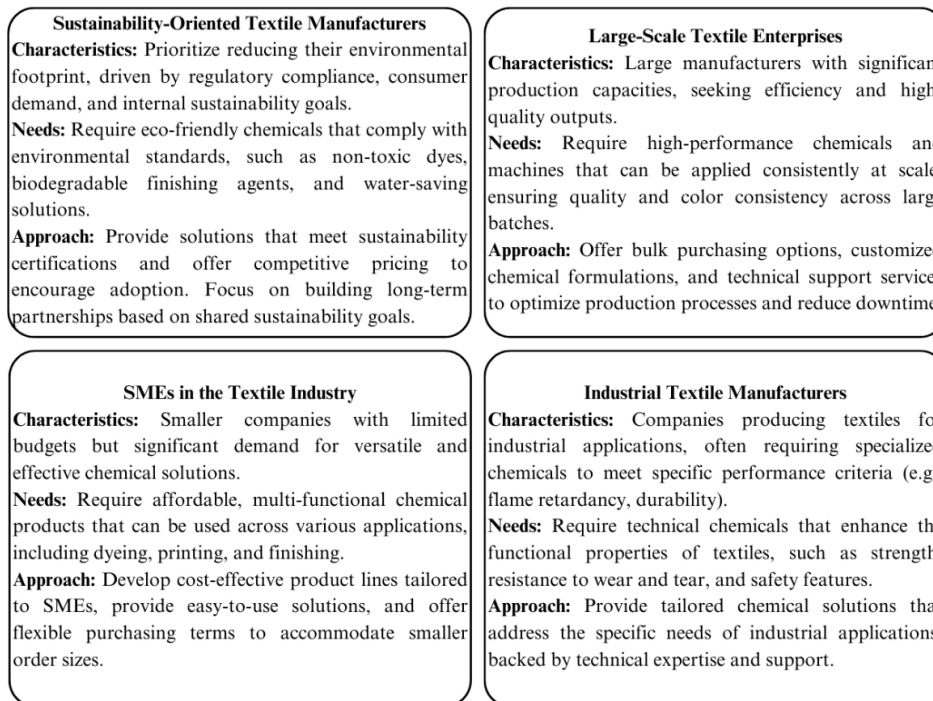


Figure 5. Business Market Segmentation

The market segmentation (Figure 5) highlights four key segments: sustainability-oriented manufacturers, large-scale enterprises, SMEs, and industrial textile producers. Each segment has distinct chemical needs, from eco-friendly solutions for sustainable producers to high-performance chemicals for large-scale operations. Chemical providers like CV XYZ can cater to these diverse needs by offering tailored solutions, fostering long-term partnerships, and focusing on sustainability and cost efficiency.

B. Consumer Analysis

This analysis presents feedback gathered from four of CV XYZ's clients: PT A, PT B, PT C, and PT D. The responses reveal a generally positive perception of CV XYZ's products and services, emphasizing product quality and customer service. PT A and B are delighted with the effectiveness of CV XYZ's offerings, noting that they outperform competitors. Both clients appreciate the company's product quality and customer service, with PT A highlighting sustainability as a key reason for choosing CV XYZ and PT B focusing on cost efficiency. However, PT C and PT D have identified areas for improvement, particularly the need for better training services and improved customer support responsiveness. Delivery schedule consistency is also a concern for PT D.

Regarding sustainability, PT A and PT B emphasize its importance. At the same time, PT C and PT D are less concerned, with PT C being neutral and PT D indicating little importance placed on environmental sustainability. Suggestions for product innovation include offering more biodegradable options, obtaining eco-friendly certifications, and providing lower-cost green alternatives to meet growing environmental demands. Common areas for improvement include enhancing training programs, improving response times for customer support, and increasing product variety.

The analysis of reasons for customers discontinuing purchases from CV XYZ, based on data from 43 companies, highlights several key factors. Many clients (23%) ceased purchases due to financial insolvency or bankruptcy. A smaller group (5%) paused purchasing while upgrading their technology to remain competitive. Management transitions (9%) led to changes in strategic priorities, sometimes resulting in reevaluating suppliers. Additionally, around 14% of clients continued to rely on traditional methods, which may have hindered their competitiveness. Significantly, 53% of the organizations did not provide clear reasons for discontinuing purchases, signaling a need for further investigation to understand these clients' decisions.



C. External Analysis

a. PEST Analysis

Political factors such as the country's political stability provide a strong foundation for growth. Government initiatives, like Permendag No. 8/2024, help protect local industries from illicit imports, though the increasing VAT rate (set to rise from 10% to 12% by 2025) adds pressure to operational costs (Widjaja et.al., 2024). Trade barriers in key export markets, such as the U.S. and Europe, also challenge international competitiveness. Economic factors reveal a stable post-pandemic GDP growth, with projections for continued expansion. However, inflation and the devaluation of the Indonesian Rupiah raise raw material costs, directly impacting CV XYZ's Cost of Goods Sold (COGS). Global competition from nations like China and Vietnam remains fierce, limiting export growth, though a rebound is expected with improvements in the industry (Simran, 2024).

Social factors highlight Indonesia's youthful, growing population with increasing disposable incomes, providing substantial domestic market potential. The shift toward online retail and the country's dominant Muslim population offer opportunities, particularly in the modest fashion sector, which is seeing significant growth. Technological factors show that automation and eco-friendly technologies are reshaping the textile sector. Innovations like the Nova Jet 3500 machine, which reduces waste and improves efficiency, are transforming production. Moreover, government incentives for adopting new technologies further encourage innovation and industry growth, giving CV XYZ an opportunity to improve its competitive edge.

b. PORTER FIVE FORCES

The threat of new entrants is medium, as entering the industry requires significant capital investment for R&D, quality control, and environmental compliance. Government incentives for local manufacturing could encourage new competitors, creating challenges and opportunities for existing firms. The bargaining power of suppliers is moderate. Basic chemicals are widely available, reducing supplier influence, but specialized chemicals are sourced from fewer suppliers, giving them some leverage. Fluctuations in raw material prices can impact profit margins, but the availability of alternatives helps manufacturers mitigate costs.

The bargaining power of buyers is also medium. Large textile manufacturers often make bulk purchases, strengthening their negotiating power. Increasing buyer knowledge about sustainability and quality drives demand for eco-friendly products, allowing innovative suppliers to differentiate themselves. The threat of substitutes is low. While waterless dyeing and digital printing offer alternatives, they are currently less cost-effective and widely adopted. Traditional finishes and coatings remain the industry standard, giving existing players time to innovate before substitutes gain traction. Competitive rivalry is high, with intense competition among domestic and international players. Market saturation, price wars, and the push for sustainable products heighten competition. Companies must focus on differentiation and innovation, particularly eco-friendly solutions, to remain competitive.

c. Competitor Analysis

CV XYZ operates in a competitive landscape dominated by key players like GM and CS, each with distinct strategies and objectives. GM's approach revolves around cost leadership, assuming that delivering affordable, reliable products with consistent quality is enough to maintain market dominance. Its extensive distribution network and economies of scale help protect its position by keeping prices competitive, especially for cost-conscious textile manufacturers. However, GM's focus on cost efficiency limits its ability to differentiate its products, especially in eco-friendly or advanced technology segments.

In contrast, CS focuses on innovation and sustainability, assuming that the growing demand for eco-friendly solutions and stricter regulations offer significant growth opportunities. CS invests heavily in R&D to create high-performance, sustainable products, positioning itself as a leader in premium segments that require compliance with global sustainability standards. This differentiation strategy allows CS to cater to high-margin textile manufacturers but may alienate more price-sensitive buyers due to the premium pricing of its products.

For CV XYZ, the competition with GM and CS suggests the need for a strategic balance. To avoid direct price competition with GM, CV XYZ could focus on offering moderate pricing and personalized services, such as tailored formulations and flexible delivery schedules, which would appeal to mid-sized textile firms. In response to CS's innovation-



driven model, CV XYZ could explore developing semi-sustainable products that meet environmental standards without the high premium pricing, appealing to a growing market of environmentally conscious buyers while maintaining cost efficiency. By balancing affordability with sustainability, CV XYZ can position itself as a reliable and flexible partner for textile manufacturers seeking value and eco-conscious solutions.

Based on the external analysis results for CV XYZ, the overall assessment indicates that opportunities outweigh threats. The opportunity variables are dominant, with a total value of +7, while the threat variables sum to -3, resulting in a net positive of +4. CV XYZ is well-positioned to overcome challenges by leveraging the available opportunities in the external environment.

Table 1. External Analysis Result for CV XYZ

Factor	Variable
Demographic	Opportunity (+)
Economic	Opportunity (+)
Political/Legal	Opportunity (+)
Sociocultural	Opportunity (+)
Technological	Threat (-)
Threat of New Entrants	Opportunity (+)
Bargaining Power of Buyers	Threat (-)
Bargaining Power of Suppliers	Opportunity (+)
Threat of Substitute	Opportunity (+)
Competitive Rivalry	Threat (-)

D. Internal Analysis

a. Resource Activities

CV XYZ's internal analysis reveals a mix of strengths and areas needing improvement that influence its competitive positioning. The company demonstrates solid financial stability, with a strong capital structure and low debt-to-equity ratio, while its factory provides crucial support for production activities. However, its reliance on outdated technological systems and lack of specialized human resources presents significant challenges to scalability and efficiency. Though precise, the organizational structure depends heavily on the owner's involvement in various roles, limiting the company's growth potential and operational efficiency. The company's inability to keep pace with technological advancements further hampers its ability to modernize production processes and implement more efficient systems, affecting its competitive edge.

CV XYZ's intangible resources, such as human resource management, reputation, and innovation, are similarly vital to its success but require strategic enhancement. The lack of a specialized HR team leads to recruitment and employee management inefficiencies, which could become a bottleneck as the company expands. While effective in the short term, its reliance on personal relationships for sales and marketing is not scalable and limits market reach. The company's innovation efforts are confined chiefly to its chemicals and textiles, leaving untapped opportunities for automation, digital tools, and broader product innovation that could enhance its competitiveness in a rapidly evolving market.

b. Value Chain Activities

Regarding its value chain activities, CV XYZ excels in inbound logistics and operations, where the unique chemical formula used in production ensures high product quality and customer satisfaction. However, outbound logistics face challenges due to the multitasking roles of employees handling both delivery and sales duties, resulting in inefficiencies. The marketing and sales functions are overly dependent on the owner's connections, which, while effective, limit the company's ability to scale its customer base. Post-sales services are also hindered by the owner's central role, delaying response times and impacting customer satisfaction.



Support activities, particularly human resource management and technological infrastructure, need considerable attention. The owner's involvement in HR and marketing significantly constrains the company's growth. HR processes are insufficient to manage the company's evolving workforce needs, and the lack of modern technological infrastructure impedes efficiency across operations. However, the company's finance and procurement functions are well-managed, ensuring efficient cash flow and timely access to high-quality raw materials.

For CV XYZ to enhance its long-term competitiveness, several strategic actions are needed. First, the company should invest in dedicated human resource management and employee training programs to ensure better recruitment, retention, and skill development. Second, technological upgrades, including automation and modern infrastructure, are essential to streamline operations and improve efficiency. The company should also consider outsourcing logistics to a specialized team to free up resources for more strategic functions such as marketing and sales. Furthermore, CV XYZ needs to build a dedicated marketing team and utilize customer relationship management (CRM) tools to expand its reach and reduce dependence on the owner's network. Finally, expanding its innovation efforts beyond chemicals and textiles to include automation and digitalization will ensure the company remains competitive. CV XYZ can strengthen its market position by addressing these key areas and creating a more sustainable and scalable business model.

c. VRIO Analysis

CV XYZ's VRIO analysis reveals a mix of sustained, temporary, and competitive parity advantages across its operations. The company's high-quality alkaline-based products and proprietary chemical formulations provide a sustained competitive advantage. These capabilities are rare, valuable, and difficult for competitors to replicate, ensuring CV XYZ's position in the market. Additionally, its procurement of high-quality raw materials and strong reputation further reinforce this competitive edge, enabling the company to retain customer loyalty and reduce reliance on expensive marketing campaigns. In contrast, CV XYZ also enjoys several temporary competitive advantages. Its product customization capabilities and investment in research and development (R&D) enable the company to address specific customer needs and innovate. However, these advantages are vulnerable to imitation over time.

Similarly, while cost-effective operations and proprietary technology streamline production and reduce costs, competitors can replicate these practices. Moreover, cross-functional skills among employees provide a short-term edge, but this advantage is contingent on effective organizational structures. On the other hand, there are areas where CV XYZ operates at competitive parity, such as customer relationship management (CRM), employee roles handling dual duties, and scalability. While these capabilities are essential, they do not offer unique advantages over competitors. Likewise, CV XYZ's logistics operations are necessary but not differentiated enough to provide a sustained edge. CV XYZ's key strengths lie in its ability to deliver high-quality products and maintain a solid reputation consistently. However, it must address areas where it only achieves competitive parity, particularly in scaling operations and improving employee management, to ensure continued growth and resilience in the marketplace.

The internal analysis of CV XYZ highlights significant strengths and areas for improvement, offering a clear view of where the company excels and where focused efforts are needed. Key strengths include inbound logistics, operations, finance, and procurement, all rated highly for their importance and performance. These areas are crucial to the company's success, ensuring efficient supply chains, smooth operations, and strong financial health. Despite room for improvement, the company's facilities and reputation also perform well. The analysis also identifies weaknesses in organizational structure and human resources, rated as highly important but underperforming. These areas, if addressed, could enhance the company's overall efficiency and employee engagement, which are essential for long-term success. While technological factors and innovation are important, CV XYZ's average performance in these areas suggests that further investment in technology and innovation could strengthen its competitive position. Marketing and sales also require attention to better reach and engage customers, as their performance rating of 3 indicates room for improvement. Finally, outbound logistics and services are underperforming, which may affect customer satisfaction and retention.



Table 2. Summary of Internal Analysis Result

Variable	Importance	Rating
Facility	5	4
Financial	5	4
Organizational	5	2
Technological	3	3
Human Resources	5	2
Reputation	5	4
Innovation	5	3
Inbound Logistics	5	5
Operation	5	5
Outbound Logistic	5	2
Marketing And Sales	5	3
Services	4	2
Infrastructure and Technology	4	4
Finance	5	5
Procurement	5	5
Total	72	53

To effectively analyze SWOT variables, it is crucial to quantify these factors. The process begins with determining the degree of importance, which indicates how critical each variable is to the company. This importance is measured on a five-point scale, ranging from 1 (very unimportant) to 5 (very important). Afterward, the rating is assigned to each variable, reflecting the company’s readiness or attractiveness regarding that factor. The rating also follows a five-point scale, from 1 (very unattractive) to 5 (very attractive). Variables identified as strengths are marked with a (+) sign, while weaknesses are assigned a (-) sign. Next, the value for each variable is calculated by multiplying its weight (degree of importance) by its rating. Finally, the total value of all internal factors is summed up. A positive total value signifies the predominance of strengths within the company, highlighting their overall impact. Table 2 shows the total importance score of 72 compared to a performance score of 53 shows a gap between the company's potential and current state. CV XYZ should prioritize improvements in organizational structure, HR practices, and logistics to close this gap while enhancing its marketing strategies to help the company capitalize on its strengths and ensure sustainable growth.

RESULT AND DISCUSSION

A. SWOT and TOWS

a. SWOT Analysis

Through a comprehensive SWOT analysis, the researcher delves into the strengths, weaknesses, opportunities, and threats that shape CV XYZ's current position and prospects.

Table 3. SWOT Analysis of CV XYZ

Strengths	Weaknesses
1. Customized Product Offerings	1. Over-reliance on Personal Relationships for Sales
2. Strong Market Position in Key Regions	2. Limited Workforce in Logistics and Delivery
3. Eco-Friendly and High-Quality Product Line	3. Absence of Dedicated Customer Service Division



4. Reliable Delivery and Direct Sales Approach	4. Lack of Specialized HR Management
5. Financial Stability and Solid Capital Structure	5. Innovation Limited to Product Adjustments
6. Positive Customer Reputation and Feedback	6. Inconsistent Training Services for Clients
Opportunities	Threats
1. Growing Demand for Sustainable Products	1. Intense Competition and Pricing Pressure
2. Expansion Potential in High-Density Manufacturing Areas	2. Economic Instability and Global Pressures
3. Increase Product Variety Based on Customer Feedback	3. High Bargaining Power of Buyers
4. Proactive Engagement with Regulatory Standards	4. Dependence on Specific Non-Acidic Compounds
5. Invest in Technological Innovation	5. Technological Advancements by Competitors
6. Increase Customer Loyalty through Improved Services	6. Evolving Environmental Regulation

b. TOWS Matrix

The TOWS matrix is a strategic tool that builds on the traditional SWOT analysis by aligning internal and external factors to develop specific action plans. It identifies four key strategic approaches to guide a company's decision-making.

Table 4. TOWS Matrix

Strengths-Opportunities (SO) Strategies	Strengths-Threats (ST) Strategies
SO1: Expand eco-friendly products into new markets driven by sustainability demand.	ST1: Differentiate through quality, eco-friendliness, and cost-effectiveness to counter competition.
SO2: Emphasize durability and cost-effectiveness to attract sustainability-conscious clients.	ST2: Use reputation and reliability to maintain loyalty during economic downturns and regulatory changes.
SO3: Expand R&D for innovative, eco-friendly solutions to lead in sustainable textile chemicals.	ST3: Leverage eco-friendly expertise to update products and counter buyer bargaining power regularly.
SO4: Strengthen customer loyalty with personalized service and partnerships.	ST4: Offer flexible payment terms and incentives to retain customers amid competition.
SO5: Implement competitive pricing by negotiating favorable supplier payment terms.	ST5: Develop alternative distribution channels to reduce geographic risk and market fluctuations.
SO6: Establish first-mover advantage by expanding R&D for sustainable products.	ST6: Strengthen supplier relationships to stabilize costs and reduce supply chain risks.
Weaknesses-Opportunities (WO) Strategies	Weaknesses-Threats (WT) Strategies
WO1: Build a training and CRM team to improve service and support market expansion.	WT1: Restructure the organization to improve efficiency and mitigate economic risks.
WO2: Broaden product range to attract a more diverse customer base.	WT2: Implement a compliance system to meet regulatory changes and reduce operational risks.
WO3: Increase marketing efforts through digital channels targeting eco-conscious customers.	WT3: Diversify into new industries to reduce reliance on textiles.
WO4: Seek partnerships and funding to support R&D and market responsiveness.	WT4: Enhance training to reduce dependence on the owner for client relationships.



WO5: Use customer feedback to refine products and align with market trends.	WT5: Diversify suppliers to reduce dependency and supply chain risks.
WO6: Hire HR personnel to improve workforce management and organizational efficiency.	WT6: Develop contingency plans for raw material price fluctuations and supply disruptions.

B. Business Solution

CV XYZ needs to integrate cost leadership and differentiation strategies to achieve a sustainable competitive advantage. A cost leadership strategy is essential in a market driven by price sensitivity, as it allows CV XYZ to minimize operational costs and offer products at competitive prices. It is crucial in industries like textiles, where cost is a significant factor for large-scale buyers. By streamlining operations, automating processes, and optimizing the supply chain, CV XYZ can reduce costs and pass savings on to customers, maintaining competitiveness even during economic downturns or rising raw material prices.

In contrast, differentiation allows CV XYZ to stand out in a crowded market by offering unique, high-quality products that align with consumer demand for sustainability and innovation. By focusing on eco-friendly and innovative solutions, such as green chemistry for textile production, CV XYZ can appeal to environmentally conscious customers willing to pay a premium for products that meet their sustainability values. This strategy helps build a loyal customer base and strengthens the company's market reputation as a leader in sustainable practices.

Combining both strategies enables CV XYZ to leverage the benefits of each approach. Cost leadership ensures that the company remains competitive in price, attracting price-sensitive customers. At the same time, differentiation allows CV XYZ to command premium prices for sustainable and high-quality products, catering to niche markets that value innovation and eco-friendliness. This dual approach provides a robust framework for CV XYZ to adapt to market dynamics, ensuring long-term growth and resilience.

CV XYZ must focus on several core competencies to implement this integrated strategy. Operational excellence is essential for cost leadership, achieved through streamlined processes, efficient supply chain management, and automation. A company has the option to excel in its operations through various methods (Twin, 2020). Examples of business core competencies include the best quality products, the most innovative technology, optimal customer service, the largest purchasing power, a robust corporate culture, the fastest production or delivery processes, the lowest-cost provider, and the highest level of flexibility. Diversifying suppliers and establishing long-term contracts can stabilize costs and reduce risks. Additionally, customer engagement is crucial, and a strong CRM system is needed to manage relationships, personalize services, and ensure customer loyalty. Emphasizing the durability and eco-friendliness of products while promoting their cost-effectiveness can drive differentiation and cost leadership.

Workforce development is another key competency. Investing in employee training and fostering cross-functional collaboration will ensure that employees are skilled, productive, and capable of supporting innovation and cost management. Finally, market agility is necessary to adapt to changing market conditions. It can be achieved by using dynamic pricing strategies, offering flexible payment terms, and investing in R&D to stay ahead of consumer trends, especially in sustainability.

In conclusion, integrating cost leadership and differentiation allows CV XYZ to balance competitive pricing with product innovation. By focusing on core competencies such as operational efficiency, customer engagement, workforce excellence, and market agility, CV XYZ can navigate market challenges while capitalizing on growth opportunities, ensuring long-term success in a competitive and evolving market.

D. Implementation Plan and Justification

Implementing a differentiation strategy requires a structured plan aligning with CV XYZ's sustainability, innovation, and customer satisfaction goals. The company must address organizational inefficiencies, develop its workforce, and establish itself as a market leader in eco-friendly solutions. Table 5 outlines a phased plan with actionable steps, timelines, and expected outcomes to ensure the effective execution of CV XYZ's cost leadership and differentiation strategy.



Table 5. Implementation Plan and Justification

Phase	Action Steps	Timeline	Goal/Outcome
Phase 1: Organizational Restructuring			
Delegate Key Functions	Hire specialists for Marketing sales and HR.	Months 1–3	Free up the owner to focus on strategic growth.
	Empower teams with clear leadership responsibilities.		
Build a Dedicated HR Team	Recruit HR personnel to manage hiring, training, and workforce planning.	Months 1–6	Improve employee morale and operational efficiency.
	Implement HR software.		
Streamline Job Roles	Restructure overlapping roles and ensure clear accountability.	Months 4–6	Reduce inefficiencies and align the workforce with strategic goals.
Phase 2: Workforce Development			
Employee Training	Train employees on sustainability practices, product innovation, and customer engagement.	Months 4–8	Build capabilities for supporting differentiation.
Leadership Development	Groom internal leaders to reduce reliance on the owner for decision-making.	Months 5–9	Establish a succession pipeline for leadership roles.
Phase 3: Differentiation Strategy Implementation			
Innovate Product Offerings	Expand R&D to develop eco-friendly products (e.g., chemical stripping and reusable textiles).	Months 6–12	Strengthen product portfolio and innovation leadership.
Strengthen Customer Loyalty	Build customer loyalty programs (e.g., flexible payment terms and personalized support).	Months 7–12	Retain and attract sustainability-focused customers.
Expand Geographic Reach	Enter new markets outside Java and diversify distribution channels.	Months 8–15	Mitigate regional dependency and access new revenue streams.
Develop Premium Brand Identity	Launch targeted marketing campaigns highlighting sustainability and innovation.	Months 8–18	Differentiate CV XYZ and strengthen brand positioning.
Phase 4: Operational Excellence and Risk Mitigation			
Strengthen Supply Chain	Build long-term relationships with suppliers to stabilize costs and reduce disruptions.	Months 12–16	Ensure reliability and cost stability.
Develop Contingency Plans	Create strategies to manage price fluctuations and supply disruptions.	Months 14–18	Mitigate operational risks.
Align HR and Operations	Ensure workforce performance is aligned with sustainability and innovation objectives.	Months 14–18	Enhance synergy between operations and strategic goals.
Phase 5: Monitor, Evaluate, and Optimize			
Measure Key KPIs	Track customer retention, market penetration, innovation outputs, and employee productivity.	Months 15–24	Identify areas for improvement and ensure goals are met.
Conduct Quarterly Reviews	Hold cross-departmental reviews to evaluate progress and resolve bottlenecks.	Quarterly	Maintain alignment across all departments.
Continuous Improvement	Refine processes and strategies based on customer feedback and market trends.	Ongoing	Sustain competitive advantage through adaptability.



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