

Business Strategy Analysis at PT Kimia Farma (Persero) Tbk. Using Business-Level Strategy

Adi Neka Fatyandri¹, Angel², Desi Pratama³, Michelle Go⁴, Nicholas Sunaidi⁵, Shirlyn⁶
Batam International University
e-mail: adi.neka@uib.edu

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Abstract

In facing the dynamics of the pharmaceutical industry which continues to develop, PT Kimia Farma (Persero) Tbk. has taken strategic steps by implementing a business-level strategy to differentiate itself from competitors. As a leading pharmaceutical company in Indonesia, PT Kimia Farma tries to answer the increasing demand for medicines and health services by implementing differentiation and cost leadership strategies. Despite facing challenges in cost leadership, this company has succeeded in covering its shortcomings by providing various innovations and variations in health services, including 24-hour pharmacies and health consultation services through the Kimia Farma Mobile application. The company's long history, which was founded in 1817, as well as the establishment of four subsidiaries with specific focuses, has become a strong foundation for PT Kimia Farma to achieve its goal of becoming a leading health company that continues to integrate and generate sustainable value. Even though there are problems in determining drug costs and competition with similar companies, the company's differentiation strategy remains the main attraction by providing superior services to the Indonesian people. For the future, companies are advised to continue expanding service variety, optimizing cost leadership, and maintaining focus on innovation-based strategies to ensure sustainable growth in an increasingly complex pharmaceutical industry.

1. Introduction

The development of drug use and manufacturing has continued to increase over time. With the growing demand for drugs, specialized industries dedicated to their production and sale have emerged. The pharmaceutical industry stands out as one of the largest globally, with the estimated total global pharmaceutical market reaching 1.48 trillion US dollars in 2022. This industry plays a crucial role in Indonesian society and its government by spearheading research and the creation of vaccines and medicines with the potential to cure various illnesses.

PT Kimia Farma (Persero) Tbk is a prominent player in the pharmaceutical industry in Indonesia. It was established as NV Chemicalien Handle Rathkamp & Co. by the Dutch East Indies government in 1817, later rebranded as PNF (State Pharmaceutical Company) Bhinneka Kimia Farma in 1958. Subsequently, on August 16, 1971, PNF transitioned into a Limited Liability Company, adopting the name PT Kimia Farma (Persero).

Finally, on July 4, 2001, it became a publicly listed company known as PT Kimia Farma (Persero) Tbk.

This article aims to conduct purposeful research to analyze the strategies employed by PT Kimia Farma (Persero) Tbk. It seeks to understand the chosen strategies, their implementation, and the methods employed by the company to achieve its goals. The benefits of this analysis include providing readers with insights into the business-level strategies utilized by PT Kimia Farma (Persero) Tbk, understanding the cost leadership strategy employed, and offering the opportunity to use the findings as a reference for studying business-level strategies in the pharmaceutical industry.

2. Literature Review

2.1 Business-Level Strategy

Business-level strategy encompasses integrated, coordinated, and committed actions and commitments undertaken by companies to gain competitive superiority by leveraging their

core competencies in the market against specific products. When selecting a business strategy, companies must consider who will be served, what the customers' needs are, and how these needs can be fulfilled.

The objective of implementing a business-level strategy is for a company to position itself differently from its competitors, conducting all operational activities in a distinct manner. There are several types of business-level strategies, including cost leadership strategy, which focuses on producing goods or services with acceptable features at the lowest cost compared to competitors. Differentiation strategy involves offering unique products or services while maintaining acceptable costs, targeting customers who value these distinctive aspects. Focus strategy entails catering to the needs of a specific market segment, leveraging core competencies to meet the demands of that segment. Integrated cost leadership strategy emphasizes efficiently producing products with various features, maintaining lower costs compared to competitors through efficient production activities.

3. Research Methods

The object of study in the article titled "Business Strategy Analysis at PT Kimia Farma (Persero) Tbk. Using Business-Level Strategy" is PT Kimia Farma (Persero) Tbk. This company holds the distinction of being the first in Indonesia to operate in the pharmaceutical industry, with its establishment dating back to 1817 under the Dutch East Indies government. Originally known as NV Chemicalien Handle Rathkamp Co., the company underwent a name change and became PT Kimia Farma Tbk. in 1971.

The research conducted in this article employs a descriptive method for business strategy analysis, focusing on the utilization of business-level strategy by PT Kimia Farma (Persero) Tbk. The objective of the research is to understand the business-level strategy adopted, utilized, and implemented by this renowned company in Indonesia's pharmaceutical industry. Through data analysis

and research methodologies, the article aims to gain insights into the selected business-level strategy and its implementation by PT Kimia Farma (Persero) Tbk.

4. Results and Discussion

4.1 Research result

PT Kimia Farma (Persero) Tbk. is a prominent company in Indonesia operating in the pharmaceutical industry. It is divided into four subsidiary companies, each specializing in different aspects of the healthcare sector. Kimia Farma Pharmacies provide a range of services including pharmacy, clinics, healthcare, optics, and more. PT Kimia Farma Trading & Distribution focuses on the trade and distribution of healthcare products. PT Kimia Farma Plant is involved in the manufacturing of healthcare products, while PT Kimia Farma Diagnostics offers laboratory services and conducts health research.

The establishment of these subsidiary companies under the Kimia Farma umbrella aims to allow each entity to focus more on its specific field. This structure enables them to streamline their operations and concentrate on achieving a common goal: to be the leading and most trusted healthcare company, providing sustainable value to customers. By integrating their efforts, PT Kimia Farma (Persero) Tbk. and its subsidiary companies strive to deliver reliable healthcare solutions to the community.

4.2 Discussion Study

The main issue discussed is how PT Kimia Farma (Persero) Tbk. determines a robust business strategy to effectively compete with other players in the pharmaceutical industry. The company identifies its target market and assesses their healthcare needs, striving to fulfill these needs comprehensively. PT Kimia Farma (Persero) Tbk. targets the society in need of health services and responds by offering round-the-clock pharmacy services, clinic facilities with general doctors, and various types of medical tests including blood group tests and COVID-19 testing.

However, despite these efforts, PT Kimia Farma (Persero) Tbk. faces challenges in becoming a leading company in the industry due to competition from other players. The application of cost leadership strategy has not yielded significant superiority, leading to issues such as excess product supply and declining sales due to higher prices compared to competitors in the pharmacy industry.

Cost leadership, as defined by Porter (1980), is aimed at achieving a competitive advantage by attaining the lowest costs within an industry. Despite this, PT Kimia Farma (Persero) Tbk. still lags behind competitors like Budi Farma and Karya Pharma in terms of cost determination for medicines and health services.

However, the implementation of a differentiation strategy by PT Kimia Farma (Persero) Tbk. helps mitigate the drawbacks of the cost leadership strategy. Despite price challenges, the company remains the most relied upon by the Indonesian populace due to its superior service offerings. Being the pioneer in the Indonesian pharmaceutical industry, PT Kimia Farma (Persero) Tbk. consistently introduces innovative solutions, such as the Kimia Farma Mobile application, which allows users to purchase drugs and access health consultations from home. Additionally, the company has applied a focus strategy, deepening its focus within its various subsidiary companies under the Kimia Farma umbrella. Through these strategies, PT Kimia Farma (Persero) Tbk. aims to strengthen its position and meet the evolving needs of its customers in the competitive pharmaceutical industry.

5. Closing

5.1 Conclusion

PT Kimia Farma (Persero) Tbk. is a renowned healthcare provider in Indonesia, offering essential health services to society. They provide round-the-clock pharmacy services, general clinic facilities, and a variety of medical tests, including COVID-19 testing. Despite applying cost leadership strategy, the company faces challenges such as unsold

products and declining sales due to higher prices compared to competitors. However, PT Kimia Farma (Persero) Tbk. mitigates this through differentiation strategy, emphasizing superior service offerings, making it the most trusted healthcare provider in Indonesia. The company remains innovative, introducing solutions like the Kimia Farma Mobile application, enabling home delivery of medicines and remote health consultations. Additionally, PT Kimia Farma (Persero) Tbk. implements a focus strategy, strengthening its various subsidiaries under the Kimia Farma umbrella.

5.2 Suggestion

PT Kimia Farma (Persero) Tbk. distinguishes itself from competitors by offering a wide range of healthcare services, constantly innovating to meet evolving needs. They continue to develop and introduce new services, maintaining a competitive edge. To address challenges with cost leadership strategy, the company is intensifying efforts to maximize its effectiveness, ensuring that pricing remains competitive without compromising quality. Additionally, PT Kimia Farma (Persero) Tbk. is committed to maintaining and expanding its focus strategy, deepening its concentration within the company while exploring additional strategic avenues for further development. By continually refining its approach and adapting to market dynamics, PT Kimia Farma (Persero) Tbk. aims to sustain its growth and leadership in the healthcare industry.

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