

COMPETITIVE STRATEGY FORMULATION IN THE FURNITURE INDUSTRY

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Article history:

Received

23 May 2024

Revised

14 October 2024

Accepted

11 December 2024

Available online

31 May 2025

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Abstract:

Background: Since its establishment in 2021, PT XYZ has continuously experienced a decline in sales of its flagship product, the sofa furniture. Therefore, an effective strategy is needed to continue to survive and compete in the current declining sales and increase the company turnover.

Purpose: The purpose of this study is to finding the right competitive strategies that can implemented by PT XYZ to keep their existence in furniture industry.

Design/Methodology/Approach: This study employs a qualitative method with informant selection through purposive sampling technique. Data collection techniques include observation, and interviews.

Finding/Result: The findings of this study show that to solve the decline in sales of sofa furniture, PT XYZ can implement of appropriate competitive strategies in the form of market penetration strategy (optimizing networking and digital marketing for marketing and sales) and product development (conducting research and development to foster product innovation and improving the quality of sofa products and services without neglecting the quality of products and services that are currently provided) to increase the company turnover.

Conclusion: This study shows that the priority strategy to solve the decline in sales of sofa furniture, and to increase the company turnover are with market penetration and product development.

Originality/Value (State of the art): This study attempts to explain the effective competitive strategies for sustaining presence in the sofa furniture industry. It is hoped that the development of the identification of competitive factors within the CPM Matrix will contribute to a more comprehensive body of literature and provide a more precise analysis of competitors.

Keywords: competitive strategies, market penetration, product development, sofa furniture, CPM

How to Cite:

Fasya H., Hannan S., & Asnawi Y. H. (2025). Competitive Strategy Formulation in The Furniture Industry. Jurnal Aplikasi Bisnis Dan Manajemen (JABM), 11(2), 584. <https://doi.org/10.17358/jabm.11.2.584>

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INTRODUCTION

Currently, the business in the field of creative industries has promising potential, especially in the furniture industry. Furniture itself is part of the handicraft subsector of the creative economy that plays an important role in the economy in Indonesia, particularly in creating job opportunities and improving the welfare of the society. The intense competition in the furniture industry is increasingly felt not only locally but also globally. For Indonesia itself based on Figure 1, the subsector of the creative economy in the craft category, one of which is furniture, is among the top three contributors to the National GDP, and is an industry that contributes to the GDP after the United States and South Korea.

Designers must possess creativity and innovation capital in order to survive in the competition. The business potential in the furniture industry is followed along with the massive growth of the property and building market for several years, not only in Java Island but also in other islands in Indonesia. This can be seen from the increasing number of restaurant, hotel, and retail developments, as well as from the government's involvement in numerous projects. According to Khalawi Abdul Hamid, the Director General of Housing at the Ministry of Public Works and Housing, positive

growth is occurring in conjunction with the property or real estate sector, which grew by 0.94 percent in the first quarter of 2021. This growth is supported by the shift in household spending or furniture due to the impact of the Covid-19 Pandemic in Indonesia, which focuses on the technology sector, the need to organize or renovate homes rather than entertainment, tourism, and transportation (PUPR, 2021). During the pandemic, the community has been more focused on online shopping activities, which has also supported the increase in sales of local furniture. This has become a fierce competition in the furniture industry, especially for those who are new to the business in this industry. One of the newly established interior design and furniture service businesses in the Indonesian creative industry is PT XYZ, a business providing interior design and furniture services (specializing in creating drawings and furniture for rooms) that was founded in August 2021. PT XYZ is classified as a Small and Medium Enterprise (SME) within the category of Limited Liability Companies (PT) in the business sector. In this case, PT XYZ is a business owned by Indonesian citizens (both individuals and entities) with a maximum business capital of Rp5 billion, excluding land and building assets for business purposes (OSS Ministry of Investment/BKPM, 2021).

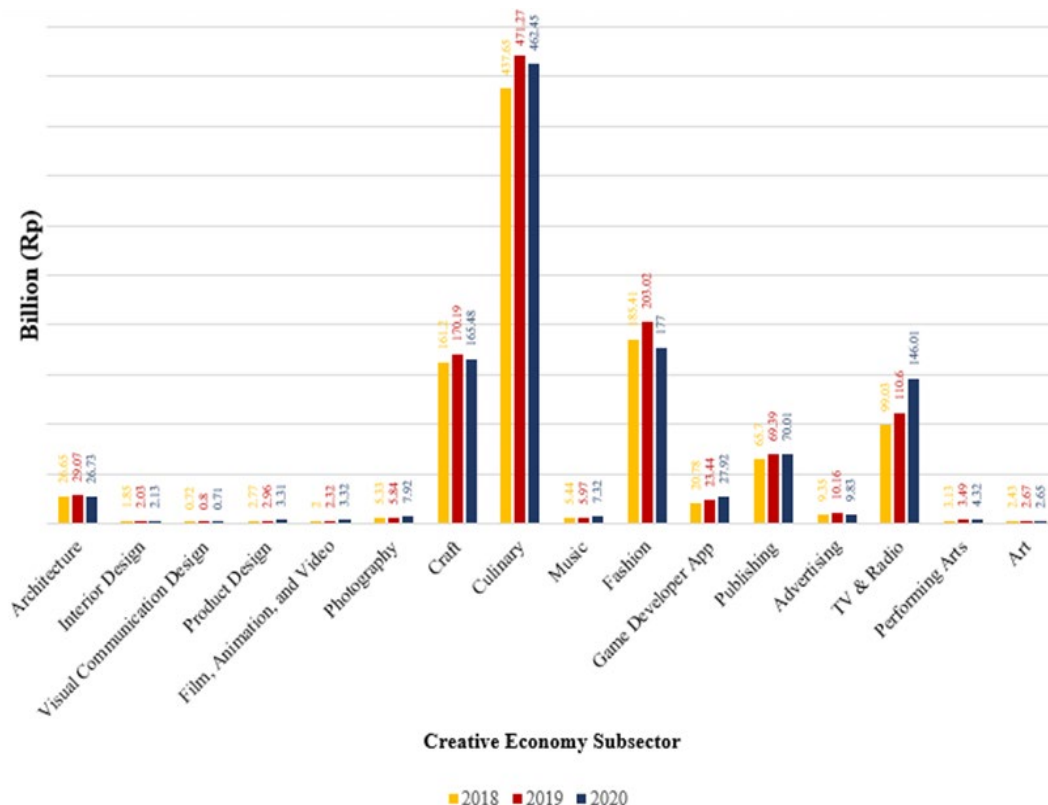


Figure 1. GDP Contribution of Economy Creative Subsectors in 2018-2020 (Kemenparekraf, 2021)

As a newly joined business in the creative industry, PT XYZ must have the right business strategy to compete with its competitors, especially in satisfying consumer needs through quality ideas and products. PT XYZ certainly has competitors that compete fiercely, namely from the designer side and also furniture products. Furniture products such as cabinets, sofas, tables, beds, and other product categories are products that are one of PT XYZ's concerns in terms of creativity to continue innovating amidst many similar competitors, the aspect of innovation in the creative industry is very important for maximum development. Currently, PT XYZ is focusing its marketing efforts on the Jabodetabek region.

Based on Table 1, the number of furniture industries in the Jabodetabek region registered with the Ministry of Industry is 187 industries. Each industry certainly has various categories in selling its products. The furniture product category sold by PT XYZ is currently dominated by Sofas with various types and continues to strive to develop furniture products with other categories in order to survive in the midst of competition. From various categories, sofas are the flagship product category with the highest sales volume every month since the establishment of the company (Figure 2). But, since 2022, the sofa is currently experiencing a decline in sales.

The phenomenon of many newcomers, especially in the creative interior design and furniture industry, has now become a business competition and requires companies to anticipate things that will attack from behind. Competition in this industry is described in (Koswara 2021) not only based on product outcomes, but also on aspects such as price, marketing, quality, service, design, technology, and even suppliers. Supported by research and other sources stating that competitive factors, especially in furniture such as sofas, include material, safety, functional aspects, brand, color, motif, and warranty (slcmarketinginc, 2016 and (idntimes, 2019). Design is not only good, but it must also have value and be in accordance with consumer preferences. Based on that, as a company that has recently joined the interior design & furniture industry, PT XYZ needs to create and implement the right, comprehensive, and sustainable competitive strategy in order to survive in the midst of competition.

In the research conducted by (Koswara, 2011), it is stated that the competitive factors in interior design

and furniture companies include product variety, pricing, quality, marketing, service, and technology. In the case of (slcmarketing, 2016), which focuses on companies engaged in interior design and furniture, the competitive factors identified include the absence of defects in products, design suitability, durability, color, and the materials utilized. Conversely, (Ningrum et al. 2019), which concentrates solely on furniture in general, identifies its competitive factors as price, product quality, material quality, product variations, promotion, product innovation, and comfort of use. Based on the existing research, this study aims to develop a detailed understanding of the competitive factors present in the furniture industry, with the scope of the research limited to sofa furniture.

This research aims to achieve competitive advantage in the business competition in the sofa furniture industry with analyze internal and external factors that influence PT XYZ in the business competition in the sofa furniture industry, analyze alternative competitive strategies that suitable for PT XYZ in the business competition in the sofa furniture industry, and formulate the appropriate competitive strategy for PT XYZ and this study is expected to assist PT XYZ in finding competitive strategies that can be implemented accurately in order to survive in the current furniture industry competition, especially in the sofa segment.

Table 1. Number of Furniture Industry in Jabodetabek

Area	Number
Jakarta	35
Bogor	35
Depok	23
Tangerang	59
Bekasi	35
Total	187

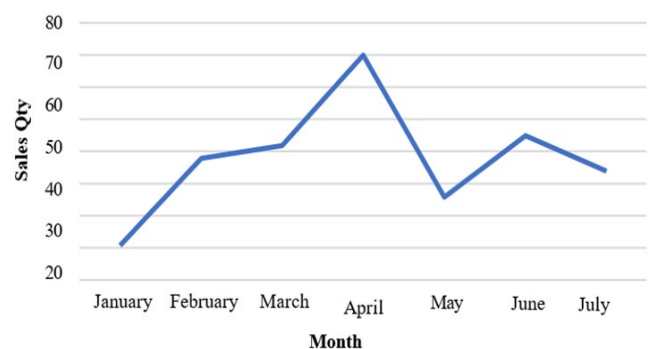


Figure 2. PT XYZ Sofa Sales, January – July 2022

METHODS

This study employs a qualitative-descriptive method, utilizing data collection techniques such as observations and interview. The interview and observation processes were conducted from November 2022 to August 2023, with the research location at the office of PT XYZ and the production factory in Bogor.

The technique of informant selection used in this study is purposive sampling with internal company informants consisting of three individuals from Management, namely the Chief Executive Officer (CEO), Chief Marketing Officer (CMO), and Chief Business Development Officer (CBDO), as well as an external informant, Head of Production of Factory who is a practitioner in the furniture industry for more than 13 years, and one PT XYZ loyal consumer. The scope of this research is limited to the sofa furniture that is the flagship product of the company, but continuous to experience a decline in sales.

Data analysis techniques were carried out through the stages; (1) Input stage. Input stage involves using analytical tools such as Value Chain Analysis, PESTLE, Porter's Five Forces, IFE, EFE, and CPM. This stage is used to identify and analyze internal and external environmental factors to determine the strengths, weaknesses, opportunities, and threats, understand the company's position compared to other competitors, and determine the competitive factors of the company, (2) Matching stage. Matching stage involves the use of analytical tools such as IE Matrix, SWOT Matrix, SPACE Matrix, and Grand Strategy Matrix. This stage is aimed at identifying alternative strategies that can be recommended and implemented by PT XYZ based on the results of internal and external factor identification and analysis, (3) Decision stage. Decision stage, using QSPM analysis tool. This stage is to formulate and determine priority strategy recommendations that can be implemented by PT XYZ.

The business competition, especially in the sofa furniture industry, is becoming increasingly intense, so PT XYZ must implement the right innovations and strategies to optimize sales growth. First, this study using Porter's Five Forces & PESTEL to identify micro and macro external environment, Value Chain Analysis to identify internal environment, and analyzed by IFE and EFE Matrix. Competitive Profile Matrix is used to analyze competition of PT XYZ with other competitors. After

that, alternative strategies are formulated and analyzed using the IE Matrix, SPACE Matrix, Grand Matrix, and SWOT Matrix, and priority strategy analyzes using QSPM The 3rd highest score of TAS in QSPM will be used as managerial implementation.

RESULTS

Identification and Analysis of Internal Environment

Identification of internal environment using Value Chain Analysis is used to determine the internal conditions, including strengths and weaknesses, of PT XYZ from primary activities to support activities and used as a novel approach for understanding how power, benefits, and costs are embodied and distributed to various actors (Purnomo, et al. 2009). Activities directly involved in the process of distributing goods and services are the main activities and consist of five, namely:

1. Inbound Logistics. Inbound logistics activities carried out by PT XYZ such as purchasing raw materials such as 'Kayu Jati Belanda', fabric, and other accessories, receiving raw materials, and storing raw materials. Raw materials are sourced from several suppliers in Bogor, Jakarta, and Bandung regions. The ordering of raw materials is done every two weeks or based on the quantity of demand. The raw materials acceptance process goes through QC (Quality Control) by the PT XYZ team and also the factory to ensure the quality of the raw materials. Subsequently, the raw materials will enter the production process or be stored in the warehouse. The factory, which has been established for more than ten years, guarantees the good quality of PT XYZ sofa furniture products.
2. Operations. The operations activity is carried out since the sofa production process, packaging, packing process to the distribution process to the PT XYZ showroom. The production process is supervised by the production manager and the QC team in checking the production process of making the frame, foam coating, material stitching, leg and accessory installation, packaging, and post-production checking to see if the products produced meet the production feasibility standards or not, both in terms of appearance or function. The factory's production capacity is 10 sofa units per day or 50 sofa units per week. The factory

will deliver the sofa to PT XYZ 3-7 days after the order is received, and then 1-3 days the sofa will be directly delivered to the consumer.

3. **Outbound Logistics.** Outbound logistics activities carried out by PT XYZ such as collecting sofa production results, storing ready stock sofas, with a storage capacity of 70 sofas of various types with a security space storage area that meets the standards, and distributing sofas with open-bed vehicles (land route) 1-3 days after consumers make transactions. Delivery with free shipping service for the Jabodetabek area and tariff adjustment if outside the Jabodetabek area.
4. **Marketing and Sales.** PT XYZ conducts marketing and sales through both offline and online media targeting the middle segment and market. Offline marketing is carried out using brochures, banners, and through the PT XYZ showroom located at Bogor Indah Plaza, Bogor. Online marketing activities include Facebook Ads, E-commerce, Instagram, Tiktok, Website, Endorsement, and Whatsapp. Up to this point, PT XYZ's largest sales are obtained through online sales, especially through Facebook Ads. In addition, the method used by PT XYZ to attract repeat customers is by offering a 5% discount on subsequent purchases.
5. **Services.** PT XYZ provides services to customers for its furniture sofa products, in addition to ready stock products, including custom furniture sofa services according to customer requests in terms of shape and color, sofa services, and quick response to customer needs through WhatsApp or other marketing platforms used. PT XYZ provides free shipping costs for the Jabodetabek area and guarantees for each shipment. The input provided by consumers received by the company through Whatsapp messages so far has been about adding variations of sofa colors and various product models.

Supporting activities are activities that provide basic support for main activities and consist of four activities, namely:

1. **Firm infrastructure.** Firm infrastructure is an PT XYZ activity that serves as a source of competitive advantage for the company or to ensure smooth company operations. PT XYZ has its own suppliers, factories, and showrooms that function as product

displays. PT XYZ already has its own SOP for each team that can assist business activities.

2. **Human Resources Management.** Human resource management activities at PT XYZ include employee recruitment, training provision, and incentives. In the process of searching for new employees, PT XYZ is publicized through its Instagram social media. The system for recruiting new employees is selected through interviews and collection of portfolios for candidates who apply for specific positions such as designers to be assessed for employee skills or soft skills. PT XYZ applies a sense of ownership to all of its employees, not limited to the relationship between employees and superiors, instilling a sense of family without compromising professionalism in work. Employees in each function have expertise in their respective fields that can support work with different backgrounds. In addition to implementing a strong work ethic and a desire for advancement, employees are provided with training upon entry regarding customer service and product knowledge related to sofas. As a form of appreciation for their performance, Interiola offers incentives to its employees.
3. **Technology Development.** The use of technology in companies can be an added value because it can help the company's business processes Arthimin (2021). Technology Development adopt to enhance efficiency, sustainability, and competitiveness (Rame, *et al.* 2023). One of the key challenges to the furniture industry is the lack of technology and skills production of high-quality furniture Ototo (2021). Currently, Interiola has not conducted R&D for product and technology development. The company uses Google Workspace in daily operations for file storage or online discussions, as well as WhatsApp to support information exchange processes among employees or consumers.
4. **Procurement.** Interiola obtains raw materials for production through its factory from two suppliers, both from the Bogor, Jakarta, and Bandung regions. The collaborating suppliers have standardized or high-quality raw material products. Currently, Interiola still has a relatively high dependency on these two suppliers in terms of raw materials. Until now, the process of purchasing raw materials for the company's needs has been running smoothly.

From the Value Chain Analysis, internal strategic factors of the company, including the strengths and weaknesses of PT VGK (Interiola), were obtained and presented in Table 2. Based on the results of the table identifying important internal success factors, it shows that the IFE score obtained by PT Valko Global Karya (Interiola) is 2.876, which is above 2.500, indicating that the company has a strong internal condition in leveraging strengths and minimizing weaknesses. From the results, it can be concluded that the company has been quite good in managing the resources available in the internal environment. The main strength obtained by PT Valko Global Karya (Interiola) is having a cooperative factory that has been established for more than ten years, thus ensuring product quality (already having SOP) and providing one-stop solutions services (ready stock, service, custom) with the same value (0.495).

Identification and Analysis of the External Environment PESTLE and Porter's Five Forces Analysis

Identification of the external environment is carried out through two analyses, namely environmental analysis using PESTLE (Political, Economic, Social, Technological, Legal, and Environmental) and industry analysis using Porter's Five Forces. The results of the analysis are presented in Table 3. From the results of the external factor identification in Table 3, the external strategic factors of PT XYZ were obtained, which include the opportunities and threats of PT XYZ as presented in Table 4.

Table 2. IFE Matrix Analysis PT XYZ

Internal Strategic Factors	Weight	Rating	Weight x Rating
Strengths			
Establishing a collaborative factory that has been operational for more than ten years ensures the assurance of product quality, as it already possesses Standard Operating Procedures (SOPs).	0.124	4	0.495
Providing quality one-stop solutions (ready stock, service, custom) services but at affordable prices	0.124	4	0.495
Employing superior raw materials at cost-effective rates.	0.103	3	0.344
Has a showroom with a strategic location	0.103	3	0.344
Providing free delivery services to the Jabodetabek area	0.093	3	0.278
Business owners have good relationships and extensive networks with various groups	0.082	3	0.220
Having human resources who are experts in their respective fields, such as sofa product designers	0.082	3	0.220
Weaknesses			
The product does not currently possess a patent.	0.031	1	0.03
There is still a high dependence on two suppliers	0.031	1	0.03
PT XYZ does not possess an ISO certificate, which is a certification of furniture quality.	0.052	2	0.09
Marketing is not yet optimized across all digital channels.	0.052	2	0.09
Restricted transportation resources	0.062	2	0.12
Does not yet have a special R&D team to carry out product or technology development and innovation	0.062	2	0.12
Total	1.00		2.876

Table 3. PESTLE & Porter's Five Forces Analysis of PT XYZ

PESTLE & Porter's Five Forces		
Politic, Government, Legal	- There are no governmental policies that impede the business operations of PT XYZ. The government's policy pertains to raw materials that have met safety standards for consumers.	
	- Corporate tax compliance	
Economic	- The inflation rate affects production costs and raw materials	
	- The purchasing power of individuals is low	
Social and Culture	PT XYZ tries to keep up with the lifestyle of society to be in line with production that suits developing consumer trends & preferences	
Technology	PT XYZ has not implemented the utilization of an automated machine system in its production process; however, even with the technology or equipment it presently possesses, PT XYZ endeavors to uphold quality in comparison to its competitors, facilitated by highly skilled human resources in their respective domains.	
Environment	Threat of new entrants	Competition factors among competitors such as brand, material quality, functional aspects, color, design or motif, price, promotion, service quality and others related to more attractive product diversification.
	Threat of substitute products of services	- There is no substitute product for the furniture industry (Arthimin, 2021), but rather similar products from competitors. - PT XYZ is still striving to build brand awareness from competitors through both online and offline channels.
	Bergaining power of suppliers	- Suppliers play a crucial role in the furniture industry (limiting orders, reducing supply or quality, raising prices, etc.). - PT XYZ strives to build and maintain its relationship with suppliers as best as possible by always fulfilling payment obligations on time.
	Bergaining power of buyers	- Bergaining power of buyers in the furniture industry is quite high in line with the high competition of products from competitors. - PT XYZ overcomes this by the quality of service, as well as the quality of products owned by the company.
	Rivalry among existing competitors	- Competition with small and large-scale similar companies is not only based on product aspects but also includes factors such as price, quality, marketing, product innovation, and service, among others. - PT XYZ is currently making continuous efforts to analyze consumer needs, including lifestyle and sofa furniture design trends.

Table 4. External Factors Evaluations (EFE) PT XYZ

External Strategic Factors	Weight	Rating	Weight X Rating
Opportunities			
Increased e-commerce transactions	0.120	3	0.360
Design trends and consumer preferences	0.120	3	0.360
The development of the property industry, both individual, government, and private, also supports demand for the furniture industry	0.120	3	0.360
Sofa furniture is still an important need to beautify the room at home	0.080	3	0.240
Development of digital technology	0.080	2	0.160
Increased public awareness to promote the utilization of local products	0.080	2	0.160
Threats			
Elevation in raw material costs	0.120	2	0.240
Intense competition, a growing number of new and similar competitors, both small and large scale.	0.080	3	0.240
Scarcity of raw materials	0.080	2	0.160
Big competitors who already have a reputation and create more diverse products	0.080	2	0.160
Economic uncertainty has an impact on the purchasing power of consumers	0.040	2	0.080
Total	1.000		2.520

Based on the results of the table identifying important external success factors, it shows that the EFE value obtained by PT XYZ is 2.520 or above 2.5, indicating that the company can utilize existing opportunities and minimize threats effectively. There are three main opportunities from PT XYZ with equal weighted values of 0.360, namely the increasing online buying and selling activities, design trends & consumer preferences, and the development of the property industry, both individual, government, and private sectors that support demand in the furniture industry, especially sofas. From the results of the external factor identification in Table 4, the external strategic factors of PT XYZ were obtained, which include the opportunities and threats of PT XYZ as presented in Table 4. Based on the results of the table identifying important external success factors above, it shows that the EFE value obtained by PT XYZ is 2.520 or above 2.5, indicating that the company can utilize existing opportunities and minimize threats effectively. There are three main opportunities from PT XYZ with equal weighted values of 0.360, namely the increasing online buying and selling activities, design trends & consumer preferences, and the development of the property industry, both individual, government, and private sectors that support demand in the furniture industry, especially sofas.

Competitive Profile Matrix (CPM)

The Competitive Profile Matrix is used to identify both the weaknesses and strengths of the competitor's position of the company. The competitors of PT XYZ are 1st Competitor and 2nd Competitor. According to (Quesada 2004 in Gazo and Quesada 2005) there are four dimensions critical success factors in furniture industry or manufactures; (1) customer satisfaction, (2) internal operations, (3) innovation and growth, and (4) share holder satisfaction. But in this study, researchers developed a customized critical success factors adapted to the research scope, sofa furniture. However, in this study, the researcher developed a detailed critical success factor, there are material quality, functional aspects, safety, brand, color, design or pattern, warranty, price competitiveness, product variants, service quality, and product innovation, which are considered important in selecting a product (Harisudin, 2011; Koswara, 2019; Ningrum et al. 2019; slcmarketing, 2016; idntimes, 2019) it can be inferred that the leading success factor of PT XYZ with a weight score of 0.384 is the color of the offered products. Based on the analysis of Competitive Profile Matrix (CPM) in Table 5, it can be inferred that the leading success factor of PT XYZ with a weight score of 0.384 is the color of the offered products. The result of the weighted total value of PT XYZ compared to the other two companies is 2.78, which is the lowest value compared to its two competitors, Dekoruma and Pirahome. This indicates that PT XYZ does not yet have a performance or competitive advantage that is strong enough compared to its two competitors.

Table 5. CPM Matrix of PT XYZ

Key Success Factors	Weight	PT XYZ		1st Competitor		2nd Competitor	
		Rating	Score	Rating	Score	Rating	Score
Quality of Materials	0.081	3	0.244	3	0.244	4	0.326
Functional Aspects	0.078	3	0.233	3	0.233	3	0.233
Safety	0.089	3	0.267	3	0.267	3	0.267
Merk	0.081	2	0.163	4	0.326	4	0.326
Color	0.128	3	0.384	3	0.384	3	0.384
Design/Pattern	0.109	3	0.326	3	0.326	4	0.434
Warranty	0.085	3	0.256	3	0.256	3	0.256
Competitive Pricing	0.081	4	0.326	3	0.244	3	0.244
Promotion	0.070	2	0.140	4	0.279	3	0.209
Variant of Product	0.097	2	0.194	3	0.291	4	0.388
Service Quality	0.050	3	0.151	3	0.151	3	0.151
Product Innovation	0.050	2	0.101	3	0.151	4	0.202
Total	1.000		2.783		3.151		3.419

IE Matrix

IE Matrix is an analytical tool used to determine the strategic position and condition of a company based on the results of IFE and EFE Matrix analyses. From the analysis results obtained, the total IFE value is 2.876 and the total EFE value is 2.520. From these two results, the outcome indicates that PT XYZ is in quadrant V, indicating that the company is in a hold and maintain. According to David (2017), companies in quadrant V have two strategic options, namely market penetration and product development. The results are similar to the study conducted by Sari and Risris in 2019, but with a difference in market concentration. PT XYZ requires market penetration and product development for the

local target market, and the same applies to companies targeting the global market.

SWOT Analysis

From the results of the SWOT Analysis presented in Table 6, ten alternative strategies have been derived, which include four Strategies for Strengths-Opportunities (SO), three Strategies for Weaknesses-Opportunities (WO), three Strategies for Strengths-Threats (ST), and one Strategy for Weaknesses-Threats (WT). These strategies encompass market penetration, product development, market development, forward integration, backward integration, and diversification.

Table 6. SWOT Analysis of PT XYZ

	Strengths <ol style="list-style-type: none"> 1. Establishing a collaborative factory that has been operational for more than ten years ensures the assurance of product quality, as it already possesses Standard Operating Procedures (SOPs). 2. Employing superior raw materials at cost-effective rates. 3. Providing quality one-stop solutions (ready stock, service, custom) services but at affordable prices 4. Providing free delivery services to the Jabodetabek area 5. Business owners have good relationships and extensive networks with various groups 6. Has a showroom with a strategic location 7. Having human resources who are experts in their respective fields, such as sofa products design 	Weaknesses <ol style="list-style-type: none"> 1. The product does not currently possess a patent. 2. Interiola does not possess an ISO certificate, which is a certification of furniture quality. 3. Restricted transportation resources 4. Does not yet have a special R&D team to carry out product or technology development and innovation 5. There is still a high dependence on two suppliers 6. Marketing is not yet optimized across all digital channels.
Opportunity <ol style="list-style-type: none"> 1. Development of digital technology 2. Increased e-commerce transactions 3. Increased public awareness to promote the utilization of local products 4. Design trends and consumer preferences 5. The development of the property industry, both individual, government, and private, also supports demand for the furniture industry 6. Sofa furniture is still an important need to beautify the room at home 	SO Strategies <ol style="list-style-type: none"> 1. Optimizing networking and digital marketing for marketing and sales. (S4, S5, O1, O2) 2. Establishing additional showrooms outside Jabodetabek. (S1, S2, S3, S5, S6, S7, O3, O4, O5, O6) 3. Increasing sales in the B2B (Business to Business) segment to ensure that the brand is not only recognized by the B2C (Business to Consumers) segment in order to achieve optimal profits. (S1, S2, S3, S4, S5, S7, O1, O2, O3, O4, O5, O6) 4. Adding furniture products that are similar to or complement the room's decorative sofa. (S1, S2, S3, S6, S7, O1, O2, O3, O4, O5, O6) 	WO Strategies <ol style="list-style-type: none"> 1. Collaborating with third-party logistics service providers to support the distribution process of sofa furniture (W3, O1, O2, O5). 2. Conducting research and development to foster product innovation (W4, W6, O1, O2). 3. Enhancing cooperation with suppliers to ensure the acquisition of high-quality raw materials at affordable prices (W5, O6).
Threats <ol style="list-style-type: none"> 1. Elevation in raw material costs 2. Scarcity of raw materials 3. Economic uncertainty has an impact on the purchasing power of consumers 4. Intense competition, a growing number of new and similar competitors, both small and large scale. 5. Big competitors who already have a reputation and create more diverse products 	ST Strategies <ol style="list-style-type: none"> 1. Improving the quality of sofa products and services without neglecting the quality of products and services that are currently provided (S1, S2, S3, S4, S6, T4, T5) 2. Increasing price competitiveness without reducing the company's value and product quality (S1, S2, S3, S4, S7, T1, T3, T4, T5) 	WT Strategies <ol style="list-style-type: none"> 1. Finding alternative options for suppliers to avoid high dependence on the current supplier (W5, T1, T2, T4)

SPACE Matrix

The SPACE Matrix or Strategic Position and Action Evaluation Matrix is a matching stage in strategy formulation (Figure 3). The SPACE Matrix is also used to determine the company's position in the competition so that the appropriate strategy can be implemented. To further sharpen the analysis, the SPACE Matrix is used with variables from the internal dimensions, namely Financial Position (FP) and Competitive Position (CP), as well as external dimensions, namely Stability Position (SP) and Industrial Position (IP). The strategies implemented by the company are derived from the determination of the values of these variables. After conducting the analysis, it is found that the x-axis (4.00) and the y-axis (0.50). Based on the results of the SPACE Matrix table above, the x-axis (4.00) and y-axis (0.50) are obtained. Thus, the coordinate point is located in quadrant II or the vector direction is in the aggressive quadrant (upper right quadrant), indicating that the company is in a good position to leverage internal strengths to (1) capitalize on external opportunities (2) To overcome internal weaknesses and (3) avoid external threats. Therefore, suitable strategies recommended and implemented by PT XYZ such as market penetration, market development, product development, backward integration, forward integration, horizontal integration, or diversification.

Grand Strategy Matrix

The use of the Grand Strategy analysis tool is to formulate alternative strategies based on two dimensions of evaluation, namely the x-axis representing the company's position in terms of competitors, and the y-axis representing market growth in the industry. The determination of values on the axis is based on the results of the IFE and EFE matrices. Overall, the total score of the external environmental factors based on the EFE matrix is 2.520 (y-axis), and the total score of the internal environmental factors based on the IFE matrix is 2.876 (x-axis).

Analysis of the Grand Strategy Matrix in Figure 4 shows that PT XYZ for the researched Sofa furniture product is positioned in Quadrant I, which indicates a strong competitive position and rapid market growth for PT XYZ. PT XYZ has greater strengths than weaknesses and also greater opportunities than threats, as indicated in the internal and external factor analysis. Despite facing various threats, PT XYZ excels in

service and has a reliable collaborative factory that has been established for over ten years, thus impacting the quality of PT XYZ's produced products. Companies in this position utilize their strengths to capitalize on long-term opportunities. These opportunities can serve as the company's strategic strengths in assessing conditions, design trends, consumer preferences, industry developments across various sectors, and other ever-changing situations in developing product innovations amidst a dynamic environment. The appropriate strategy implemented in that situation is market penetration, market development (focusing on markets), product development (focusing on products), and diversification. This is as explained in the SPACE matrix analysis.

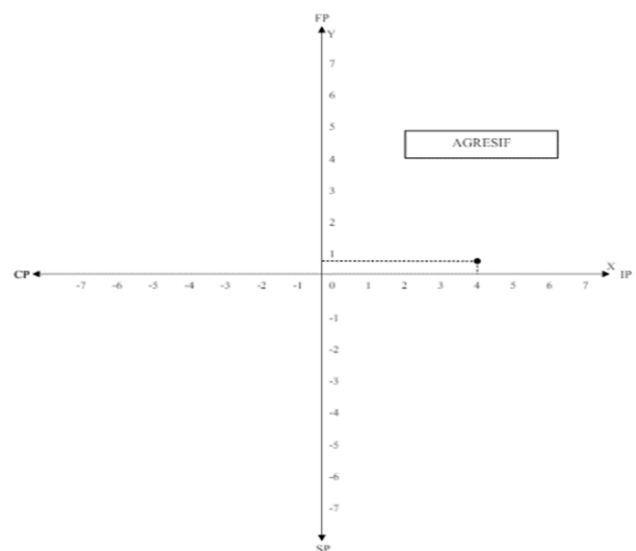


Figure 3. Curve of SPACE Matrix PT XYZ (PT XYZ)

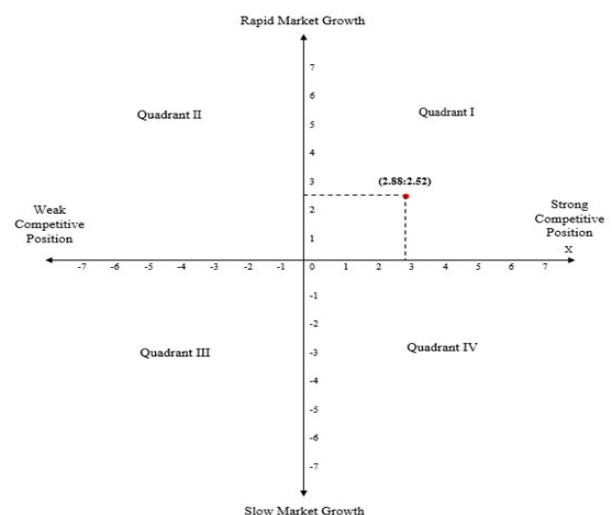


Figure 4. Curve of Grand Strategy Matrix PT XYZ

QSPM Analysis

The Quantitative Strategic Planning Matrix (QSPM) is an analytical tool used to determine the best competitive strategy decisions that can be recommended and implemented by PT XYZ. The following table shows the results of the QSPM assessment of PT XYZ sorted from the highest to the lowest score. From the results of the QSPM Matrix, ten alternative strategies were identified that could be implemented PT XYZ among market penetration strategy and product development strategy. From these ten alternative strategies, three initial alternative strategies with the highest scores were selected, which could be the main implementation by the company.

From the Table 7, the results of the QSPM Matrix, the Total Attractiveness Scores (TAS) for each strategy were obtained, ranked from the highest TAS (4.040) to the lowest (1.491). The recommended strategies for PT XYZ include market penetration, product development, market development, forward integration, backward integration, and diversification. It is expected that the competitive strategy can achieve competitive advantage, which will facilitate the company in gaining greater profits compared to its competitors (Dekrityana, 2016). Three strategies with the highest TAS are prioritized competitive strategies that can be implemented, including market penetration and product development strategies, which involve conducting research and development for product innovation (4.040), the findings of this study are consistent with the findings of (Puspita et al. 2020)

research, which states that innovation capability has an impact on competitive advantage which begins from individual or employee creativity that relates to the ability of the organizational members to generate novel and valuable ideas (Jusni et al. 2023), enhancing the quality of sofa products and services without neglecting the current quality of products and services provided (3.968) because product quality has significant positive or critical influence or determines on customer satisfaction, operational efficiency, and marketing competitiveness (Agustin, 2023 and Retnowati et al. 2024), and optimizing networking and digital marketing for marketing and sales purposes (3.617) to builds the demand for products and services and supporting the growth of the firm (Ilieva, 2024). The findings of this study have resulted in several strategies and recommended implications that can be implemented by PT XYZ, as explained in the above QSPM results. The competitive factors in the furniture industry are strengthened by the research findings (Koswara, 2019), such as marketing, price, quality, service, technology, and design. Using the same analytical tool (Arthamin, 2021), recommended competitive strategies for PT Victory Rottaindo's furniture business include market penetration and product development strategies. Product quality is prioritized as a recommended implication of the product development strategy in this study. Unfortunately, according to Andika (2021), the quality of furniture products does not have a significant influence on purchase decisions. The availability of similar analytical tools as used in this study (Putra, et al. 2014) supports the development of appropriate strategies for the company.

Table 7. QPSM Analysis of PT XYZ

Score	Strategy Category	Strategy Recommendation
4.040	Product Development	Conducting research and development to foster product innovation
3.968	Product Development	Improving the quality of sofa products and services without neglecting the quality of products and services that are currently provided
3.617	Market Penetration	Optimizing networking and digital marketing for marketing and sales
3.113	Backward Integration	Enhancing cooperation with suppliers to ensure the acquisition of high-quality raw materials at affordable prices
3.054	Market Penetration	Increasing price competitiveness without reducing the company's value and product quality
2.932	Diversification	Adding furniture products that are similar to or complement the room's decorative sofa
2.368	Forward Integration	Collaborating with third-party logistics service providers to support the distribution process of sofa furniture
2.327	Market Development	Increasing sales in the B2B (Business to Business) segment to ensure that the brand is not only recognized by the B2C (Business to Consumers) segment in order to achieve optimal profits
2.180	Market Development	Establishing additional showrooms outside Jabodetabek
1.491	Backward Integration	Finding alternative options for suppliers to avoid high dependence on the current supplier

Managerial Implementation

Based on the results of the strategy formulation obtained from both primary and secondary data, such as in-depth interviews with internal company personnel, experts in the field, observations, and other supporting data. PT XYZ needs to conduct research and development in order to innovate Sofa products. The presence of numerous similar competitors requires PT XYZ to differentiate its furniture sofa products through research and the development of new and unique products that can easily be remembered by consumers. This can provide PT XYZ with a competitive advantage. PT XYZ must ensure that the products it produces are highly demanded by current consumers, both in terms of design, patterns, materials, and others, in accordance with the preferences of current consumers in order to stay up to date with the development of the times. Abundance of Human Resources (HR) from various ethnicities and cultures, as well as Natural Resources, become a comparative advantage in producing products that have their own distinctive characteristics for a company operating in the furniture industry, thus enabling it to gain a competitive advantage (Arthamin, 2021). Secondly, PT XYZ needs to improve the quality of its sofa furniture products and services without neglecting the current quality of products and services provided. Providing good product quality begins with optimal collaboration of resources, both in terms of Human Resources or operational support tools. One of the efforts to improve the quality from the human resources perspective is by involving employees in training according to their respective fields, as well as from the operational side, there is a renewal of production equipment that can produce sofas effectively and efficiently, and PT XYZ can optimize networking and digital marketing for marketing and sales. The current technological advancements also support the business processes of every enterprise. With this in mind, Interola is expected to leverage these advancements to expand its marketing efforts and enhance sales in order to achieve optimal profitability.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Based on the research findings, it can be concluded that from the analysis of PT XYZ's main internal strength factors in facing business competition in the furniture industry, PT XYZ can optimally utilize the company's strengths, overcome weaknesses, exploit existing opportunities, and mitigate threats. The main strength of PT XYZ is its ownership of a long-standing collaborative factory, which ensures product quality (with clear standard operating procedures) and provides one-stop solutions (ready stock, service, custom). The main weakness factor of PT XYZ is the lack of product patents and a relatively high dependency on current suppliers. The main opportunity factors for PT XYZ include the increasing activities of online buying and selling, design trends and consumer preferences, as well as the development of the property industry, both individually and in the government and private sectors, which support the demand in the furniture industry, especially for sofas, and the main threat to PT XYZ is the increase in raw material prices and intense competition from a growing number of new competitors, both small and large in scale.

From the analysis, ten alternative strategies were identified, including market penetration strategy, product development, market development, forward integration, backward integration, and diversification. Based on the QSPM analysis, three highest TAS scores were obtained as references for PT XYZ's competitive strategy recommendations and managerial implications to achieve competitive advantage in the sofa furniture industry. These strategies include market penetration and product development. Conducting research and development to foster product innovation, enhancing the quality of sofa products and services without neglecting the existing quality of products and services, this is supported by the findings of Andika and Raymond (2021) research that quality of services have a significant influence on consumers purchase decisions. And optimizing networking and digital marketing for marketing and sales purposes.

Recommendations

The recommendation from this research is expected to provide input for PT XYZ to enhance the quality of their sofa furniture products and services, as well as optimize their networking and digital marketing efforts to increase sales and revenue. Based on the research findings, PT XYZ needs to be more aware and understand the strengths and weaknesses of the company, utilize the opportunities available to the company, and be prepared to face any threats in the industry in order to sustain and, in turn, be able to implement prioritized strategies to compete and survive against competitors.

FUNDING STATEMENT: This research did not receive any specific grant from funding agencies in the public, commercial, or not - for - profit sectors.

CONFLICTS OF INTEREST: The author declares no conflict of interest.

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