

## Strategy Formulation Analysis With Implementation In Dealing With The Covid-19 Pandemic Situation

### Case study of Strategy Implementation at PT. Sarimelati Kencana (Pizza Hut)

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#### Abstract

*Pizza Hut is a pizza restaurant chain based in Wichita, Kansas, with its master franchise in Indonesia located in Jakarta. Pizza Hut was the first pizza restaurant to open in Indonesia in 1984, and has since established itself as a leader in the industry. With the COVID-19 pandemic, Pizza Hut had to lay off workers and implement a special strategy to survive, resulting in a net loss of Rp 93.51 billion in 2020, compared to a net profit of Rp 200.02 billion in 2019. The company is now focusing on its marketing and public relations strategy to attract customers and increase its prestige. This study uses descriptive qualitative research to investigate strategic management theories and potential strategies that can be implemented by a company to remain competitive and grow during the COVID-19 pandemic. The research is based on data from previous journals and sources available on Google, with an emphasis on industrial growth in the midst of the pandemic. The analytical framework begins with an analysis of industrial growth in the midst of the pandemic and then examines various strategic actions, including forward and backward integration, horizontal integration, market penetration, product development, and diversification, as well as defensive strategies like divestment and liquidation. The study provides guidelines for when each strategy may be effective, such as when distributors or suppliers are unreliable or expensive, or when the industry is predicted to grow rapidly.*

*Keyword : Covid-19, Management Strategy, and Strategy Formulation*

#### 1. INTRODUCTION

Pizza Hut is a pizza restaurant whose principal place of business is in Wichita, Kansas, United States. The master of the Pizza Hut franchise in Indonesia is PT. Sarimelati Kencana, with its main place of business in

Jakarta. Market opportunities in the food industry such as pizza are very wide open. The opening of this opportunity is due to a shift in consumption patterns and lifestyles of urban communities. One type of business related to the provision of ready-to-eat food

accompanied by service is through the pizza restaurant business. In Indonesia, the first pizza restaurant to be present was Pizza Hut, in 1984 to be precise. In other words, Pizza Hut was a pioneer in the presence of a restaurant with foreign dishes in the form of pizza in Indonesia because it saw a very large market opportunity for alternative food variations.

With people's lifestyles that don't want to be complicated and need fast food and don't want to stand in line, Pizza Hut makes everything easy for consumers by opening a delivery service, namely Pizza Hut Delivery or PHD for short. Pizza Hut implements an information system that can support competitiveness and reach consumers everywhere with the trademark of Pizza Hut is "to be wherever our customers are". The point of sales scope at Pizza Hut is developing and utilizing the internet which is very important. Pizza Hut Delivery illustrates between companies and suppliers as well as companies and consumers by utilizing an internet.

Since the initial appearance of covid-19 in Wuhan Province, China at the end of 2019, the New Corona Virus or better known as Covid-19 has now spread to all corners of the world with more than five million people in the world infected and the death rate of more than three hundred thousand people, including Indonesia with more than 26,000 people infected with a death rate of more than 1,500 people. The Covid-19 disease is easily transmitted and infects a person, especially if he is in direct contact with a patient without adequate personal protective equipment, meaning that this virus will easily spread if the distance between people is not limited. For this reason, many countries have implemented policies to limit social activities in order to avoid a wider spread. As a result of restrictions on social activities carried out cause a reduction in economic activity,

When the COVID-19 pandemic hit the whole world and even Indonesia, many MSME outlets and fast food restaurants closed. And not a few who experienced losses so that in the end this food franchise company had to prepare a special strategy in order to survive. Reported by CNBC Indonesia, that Pizza Hut Loss was Rp. 93.51 billion in 2020 yesterday. And that is the net loss received by Pizza Hut. Very reversed in 2019 it recorded a net profit of Rp 200.02 billion. One of the

causes of the decline in pizza hut sales occurred during the Large-Scale Social Restrictions (PSBB) period. This is due to the prohibition of the dine-in policy and having to close the restaurant around 10 pm. The restaurant sector is among those affected by the COVID-19 pandemic, so it has to lay off workers and lay off workers (cnbcindonesia.com, 2020). However, the company racked its brains, making the right strategy to survive in this pandemic situation. Including life habits that require us to reduce mobility.

The marketing strategy is considered very effective to deal with problems like this, in the face of a situation that currently demands many companies on the right way to keep their business running and survive. And a differentiation strategy must be needed in the current conditions, in order to attract consumers and increase the prestige of pizza hut. The author tries to provide comprehensive results in previous studies. By analyzing the marketing public relations strategy prepared by Pizza Hut in dealing with the ongoing COVID-19 pandemic.

According to Kotler and Keller (2007: 279) Marketing Public Relations (MPR) can build awareness by placing news in the media to attract people's attention to a product, service, person, organization or idea. Marketing Public relations can build credibility by conveying messages in an editorial context. Marketing Public relations can help to increase the enthusiasm of salespeople and dealers with stories about new products before they are launched. Marketing Public Relations can reduce promotional costs because Marketing Public Relations costs less than direct mail and media advertising.

With the various strategies offered by the company in order to attract customers, it is important for the company to have an appropriate and successful strategy so that the business being run can compete and progress.

## **2. PREVIOUS RESEARCH**

The first research, conducted by Permatasari (2021) regarding, "Implementation of Pizza Hut Fast Food Marketing Strategies to Achieve Excellence Amid the Covid-19 Pandemic", with the results of research that the presence of information technology is able to ease complex business activities and generate information trustworthy, relevant,

timely, complete, understandable, and tested in the context of planning, controlling and management decision making.

The second study, Pires and Trez (2017) in their research on "Corporate reputation A discussion on construct definition and measurement and its relation to performance", suggests that various different approaches to company construction, in this case identify a comprehensive definition that operationalized for measurement purposes. Corporate reputation is recognized as a multifaceted term, with different meanings for different disciplines and perspectives. For strategy writers, corporate strategy can be seen as a resource that generates competitive advantage.

### **3. RESEARCH METHOD**

The research method used in this article is descriptive qualitative research by collecting data from previous journals and sourced from data available on Google. According to Mukhtar (2013: 10) descriptive qualitative method is a method used by researchers to find knowledge or theory of research at a certain time. The data used are secondary data obtained through several sources, namely the pizza hut website, previous journals and other articles.

In this study, the analysis was carried out with an emphasis on strategic theories and strategic choices that could possibly be applied to future conditions full of uncertainty, especially as a result of the Covid-19 outbreak that is currently engulfing the world.

The analytical framework in this study starts from an analysis of industrial growth in the midst of the Covid-19 virus outbreak, then re-describes strategic management theories and then analyzes the possible strategies that are feasible to be implemented by a company in order to remain competitive and grow during the COVID-19 pandemic.

### **4. RESULTS AND DISCUSSION**

#### **Alternative Strategy**

Alternative strategies that can be carried out by a company are grouped into several strategic actions such as: forward integration, backward integration, horizontal integration, market penetration, market development, product development, related diversification, unrelated diversification,

downsizing, divestment, and liquidation. "Strategic planning involves choices that put resources at risk" and trade-offs that sacrifice opportunities" (Hansen and Smith. 2003).

Organizations cannot do many things well because resources and talent are thinly distributed and competitors gain or have an advantage. In highly diversified companies, a combined strategy is usually employed when different divisions pursue different strategies. In addition, organizations that are struggling to survive may simultaneously pursue a combination of several defensive strategies, such as divestment, liquidation, and downsizing.

#### **Integration Strategies**

Forward integration, backward integration, and horizontal integration are collectively sometimes referred to as vertical integration strategies. Vertical integration strategies allow a company to gain control over distributors, suppliers, and/or competitors.

#### **Forward Integration**

Forward integration relates to efforts to gain greater ownership or control over distributors or retailers. The purpose of forward integration is to directly handle the distribution of the company's products to consumers without going through third parties or controlling majority control of distribution. Some guidelines for when forward integration becomes a highly effective strategy:

1. When a company's existing distributors are uncompetitive, it becomes expensive and unreliable.
2. When the availability of qualified distributors becomes very limited.
3. When a company competes in an industry that is growing and is predicted to continue to grow rapidly.
4. When a company has capital and human resources that can be used for the distribution of its own products.
5. When the profit from production is very good and it is the company's consideration to predict the demand for its products through forward integration.
6. When the existing distributors enjoy high profits, this makes the company to conduct its own distribution business with the hope of such high profit margins.

#### **Backward Integration**

Backward integration is an effort/strategy to have or control more of the company's suppliers. This strategy is very appropriate when the company's current suppliers are unreliable, too expensive, or unable to meet the company's needs. Seven guidelines for when backward integration is an effective strategy choice:

1. When the company's current suppliers become very expensive and uncompetitive.
2. When the number of competitors is large while the required suppliers are limited.
3. When the industry competes in the middle of an industry that is growing rapidly.
4. When the company has capital and human resources that can be used to manage the supply of its own raw materials.
5. When the advantage of a stable price is very high.
6. When the supplier business is very attractive and has high profits, it attracts companies to enter the business.
7. When the company needs to acquire or acquire the required resources appropriately.

#### **Horizontal Integration**

Horizontal integration refers to a strategy that seeks ownership of greater control over a company's competitors. Mergers, acquisitions, and take overs between competitors allow for increased economies of scale and encourage transfer of resources and competencies. Five guidelines for when horizontal integration is an effective strategy:

1. When a company can obtain monopolistic characteristics in a certain area or area without conflicting with government regulations that prohibit "substantial control" to inhibit competition.
2. When organizations compete in a growing industry.
3. When increasing economies of scale provide a large competitive advantage.
4. When the capital and human resources owned can be used to expand the business.
5. When competitors weaken due to lack of managerial skills or the need for certain resources that a company has.

#### **Intensive Strategies**

Market penetration, market development, and product development are sometimes referred to as intensive strategies because they require intensive efforts from the

company if a company's competitive position with existing products is to improve.

#### **Market penetration**

Market penetration is a strategy that seeks to increase market share for products or services in the current market through greater marketing efforts. Market penetration includes adding a sales force, increasing advertising activity, intensive product offerings, or making larger (multiple) marketing efforts. Some guidelines on when market penetration is an effective strategy:

1. When the current market is not saturated with a particular product or service.
2. When the current level of consumer usage can be increased significantly.
3. When the main competitor's market share decreases, while the industry's total sales increase.
4. When increasing economies of scale provide a large competitive advantage.

#### **Development**

Market development involves introducing existing products or services into new geographic areas. Some guidelines on when market development becomes an effective strategy include:

1. When new distribution channels become available they are reliable, inexpensive and of good quality.
2. When the company is very successful in the business it runs.
3. When the growth of new markets that have not been worked on / developed.
4. When the company has capital and human resources that can be used to manage the expansion of operations.
5. When the company has excess production capacity.
6. When a company's basic industry expands rapidly and becomes global in scope.

#### **Product development**

Product development is a strategy that seeks to improve by improving or modifying current products and services. In product development, it is better to produce products that provide added value for consumers and have followed consumer perceptions / tastes.

Five guidelines for when product development can be an effective strategy:

1. When the company has successful products and is at the maturity stage of the product cycle stage.
2. When companies compete in industries that have rapid technological developments.
3. When competitors are able to offer higher quality products at competitive prices.
4. When a company competes in an industry with a high growth rate.
5. When the company has a very strong research and development (R&D) capability.

Based on the data taken by researchers from previous journals, the data before the PSBB showed 50% to eat on the spot and with the PSBB running, it showed only 20% who ate at the place. This is because it is forbidden to eat in places so that consumers have to bring the food home.

Pizza Hut is an international restaurant and franchise chain from the United States founded in 1958 by Dan Carney and Frank Carney. Pizza Hut is famous for its Italian-American menu including pizza and pasta, as well as other food menus. Pizza Hut has more than 16,000 outlets in more than 100 countries. As a franchisee in Indonesia, the Company has the right to develop and operate Pizza Hut restaurants throughout Indonesia under IFA with Pizza Hut Restaurants Asia Ltd. Currently, in addition to outlets at the airport, the main license holder of Pizza Hut in Indonesia is the Company. The Company has been awarded as 'Asia Franchisee of the Year' from YUM! Pizza Hut Asia for 2007, 2008, 2009, 2011, 2012, 2013 and 2017(sarimelatikencana.co.id,

#### **Intensive Strategies**

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As we know, pizza hut is making a new product, namely PIZZA LIMO during this pandemic, and this strategy is said to be enthusiastic from consumers with the new product, pizza limo, which is able to help increase sales of pizza hut.

#### **Push Strategy**

It is a communication strategy that uses sales force and trade promotion to "push" the product through distribution channels. Manufacturers promote products to wholesalers, wholesalers to retailers, and retailers promote products to consumers (Kotler, 2008: 87).

Based on what was found in the field, Pizza Hut implemented a Push Strategy in the midst of this covid-19 pandemic, namely by encouraging customers to buy products with discounts through ongoing marketing promotions. Regular promotions offered in the field are in the form of a buy one free one juice drink promo for take away valid throughout the day. Pizza Hut is also trying to maximize sales through take away and delivery services during the implementation of the instructions from the government, namely PSBB or now PPKM. The optimized sales activity is in the form of selling pizza express/On The Spot (OTS) which is included in the Take Away section, namely in the form of selling ready-made pizza without consumers waiting long. Pizza express here is done in a special place that has been chosen, for example on the side of the road.

#### **Profile Strategy (Profile Strategy)**

A characteristic of the profiling strategy is to build awareness, perceived attitudes, and reputation by using public relations, sponsorship, and corporate advertising. In some international markets, the nature of the existing market structure can determine the extent to which push, pull and profiling strategies can be used. This can mean adopting different strategies for different markets, some are highly fragmented while others are concentrated (Kotler, 2008:92). Pizza hut puts up interesting advertisements so that consumers are very interested in the images contained in the advertisements. For example, with a new menu that is unique and very tasty.

#### **5. CONCLUSION**

In the midst of the covid-19 pandemic, pizza hut with the strategy they made to maintain their business, many of which were unable to survive when this pandemic storm hit, but pizza hut was able to survive with this strategy.

That indicates that the pizza hut strategy is quite effective. Coupled with the

use of information technology provides many benefits for Pizza Hut, such as being able to ease complex business activities and produce reliable, relevant, timely, complete, understandable, and tested information for planning, controlling and management decision making. In addition, the company's operating efficiency and company performance can also be improved. As a result, the Pizza Hut company can survive in the information age and be able to face global market competition. In addition to generating benefits, the development of information technology can also cause some negative impacts for Pizza Hut, such as closing job opportunities,

It turns out that the use of strategy does not always rely on what is described above, as evidenced by pizza hut which makes strategies that are relevant to the current situation. So the strategy must look at the surrounding conditions and then analyze the strategies that may be relevant to face a challenge.

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