

SWOT Analysis and TOWS Strategy for a Small IT Business in Indonesia: A Case Study of PTIDM

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ABSTRACT: This case study conducted a SWOT analysis and TOWS matrix strategy analysis to evaluate the strengths, weaknesses, opportunities, and threats of PTIDM, an Indonesian IT distributor. The SWOT analysis revealed that PTIDM's strengths are its high-quality products and personalized services, while its weaknesses include limited human resources and common IT-related knowledge. The study recommends several strategies based on the TOWS matrix, such as leveraging high-quality products and establishing strategic partnerships to access new markets. Furthermore, the study suggests investing in additional human resources and enhancing marketing efforts to address PTIDM's weaknesses, while leveraging the company's value proposition and encouraging employees to watch market trends to maximize its strengths and minimize threats. The results of this study can provide valuable insights for small businesses operating in similar industries

KEYWORDS -SWOT analysis, TOWS matrix, small business, IT distributor

I. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are critical economic growth and development drivers, particularly in developing countries (Nursini, 2020; World Bank, 2019). In Indonesia, MSMEs play a vital role in the country's economy, accounting for 99.9% of the total business entities, 97% of the national workforce, and 60% of the gross domestic product (GDP) (Ministry of Cooperatives and Small and Medium-Size Enterprises, 2021). However, despite their significant contributions, MSMEs in Indonesia face several challenges, including limited access to finance, lack of managerial skills, poor infrastructure, and inadequate access to markets (Tambunan, 2017). Moreover, the COVID-19 pandemic has significantly impacted MSMEs, with a World Bank report estimating that over 70% of Indonesian MSMEs have been affected, resulting in significant revenue losses and job cuts (World Bank, 2020).

The IT industry in Indonesia has been experiencing substantial growth, projected to reach a market size of US\$33.6 billion by 2025, with a compound annual growth rate (CAGR) of 7.1% between 2021 and 2025. Additionally, it contributed 4.3% to the country's GDP in 2020, according to the Ministry of Communication and Information Technology. This growth is driven by the increasing trend of remote work and digital transformation, which presents a significant opportunity for businesses to adopt new technology solutions to improve their operations' efficiency and productivity (Ministry of Communication and Information Technology, 2021).

One such MSME is PTIDM, a company that distributes IT products and services, targeting small and medium-sized businesses with personalized and affordable IT solutions. The company has experienced significant revenue growth since its inception in 2019, but revenue decreased in 2022, impacting the founders' growth plans. To remain competitive and sustain growth, PTIDM needs to identify its strengths, weaknesses, opportunities, and threats (SWOT) and develop a suitable business strategy to improve business performance.

Research on SWOT analysis has shown that it is a useful tool for identifying internal and external factors that impact a company's performance and developing strategies to address them (Hassan, 2018). By conducting a SWOT analysis, PTIDM can identify its strengths, such as its high-quality products and personalized services, and its skilled workforce with knowledge of IT. The company can leverage these strengths to take advantage of the growing IT industry in Indonesia, create strategic partnerships to expand its reach and access new markets, and offer innovative IT solutions and services that cater to the needs of customers in the digital landscape. Therefore, based on the above background, the purpose of this article is to identify the opportunities, threats, strengths, and weaknesses of the PTIDM, as well as to develop a suitable business strategy to improve business performance of PTIDM.

II. METHOD

This study was conducted on a small enterprise, namely PTIDM with a case study approach. The primary data for this study is collected through interviews with the owners of PTIDM and secondary data was obtained through library, digital, and online sources.

III. RESULT AND DISCUSSION

PTIDM was established in 2019 by two friends, Mr. A and Mr. E. The two were previous co-workers in a company, then started to think about starting the business. PTIDM is located in West Jakarta with a small office for primary day-to-day activities such as meetings, administration, and temporary storage. This result of this study derived from the interview with Mr. A and Mr. E.

SWOT Analysis

The SWOT analysis conducted on PTIDM revealed that the company's strengths include its high-quality products and personalized services, which are sourced from reputable brands and tailored to meet customers' specific needs. The company's skilled workforce with knowledge of IT enables it to provide expert consultation and ongoing technical support to customers. Opportunities for PTIDM include the growing IT industry in Indonesia, which presents an opportunity for the company to offer innovative IT solutions and services. Strategic partnerships with other IT distributors, software vendors, or hardware manufacturers can also help PTIDM expand its reach and access new markets. However, PTIDM's weaknesses include common resources that are easy to imitate, such as knowledge of IT, and limited human resources, which may pose a challenge to providing personalized services. The company also faces a threat from the emergence of new competitors in the IT industry and rapidly changing technology that can disrupt traditional business models.

Strengths	Opportunities
<ul style="list-style-type: none"> • High-quality products and personalized services • Skilled workforce with knowledge of IT 	<ul style="list-style-type: none"> • Growing IT industry in Indonesia • Strategic Partnership
Weaknesses	Threats
<ul style="list-style-type: none"> • Common resources that are easy to imitate and limited human resource • Inability to attract new customers 	<ul style="list-style-type: none"> • Emergence of new competitors in the IT industry • Rapidly changing technology

Figure 1 SWOT analysis of PTIDM

PTIDM's strength lies in its high-quality products and personalized services, which are sourced from authorized brand suppliers such as Apple, Dell, Jabra, Logitech, and others to ensure authenticity and quality. Mr. E believes that providing personalized services is crucial to PTIDM's success, as it helps improve customer satisfaction and retention rates. The company's value proposition emphasizes the importance of working closely with customers to understand their needs and provide tailored solutions that meet their specific requirements. According to a study by Salesforce (2022), 84% of customers say that a company's experience is as important as its products and services, highlighting the critical role of personalized services and the customer experience in driving customer loyalty and retention. Another key strength of PTIDM is its skilled workforce with knowledge of IT. The company's workforce is highly qualified in IT-related fields, enabling them to provide expert consultancy to customers. They also have extensive knowledge of the products and services offered, allowing them to recommend the best solutions for customers' specific needs. Research by Lazzaroni and Pate (2020) found that skilled workforces are linked to 21% higher customer satisfaction and 17% higher customer retention.

PTIDM's weaknesses include its limited human resources and the common nature of its IT-related knowledge, which competitors can easily imitate, posing a significant challenge to its growth and ability to provide personalized services to its customers. With a small number of employees, it may be difficult to allocate enough time and resources to maintain strong customer relationships, which can ultimately impact customer satisfaction and retention rates. Furthermore, the company's primary marketing strategy, word of mouth, may not effectively reach a broader customer base or compete with other IT distributors in Indonesia. According to studies, effective marketing investment is crucial for generating leads and revenue and is a top challenge for marketers (Shah, 2022; McKinsey & Company, 2020). Failure to invest in marketing efforts can result in missed opportunities for growth and revenue, especially during economic downturns.

The growing IT industry in Indonesia presents an opportunity for PTIDM to provide innovative IT solutions and services. The Ministry of Communication and Information Technology reports an increase in the contribution of the country's ICT sector to the GDP, indicating the potential for growth (KOMINFO, 2021). Additionally, increasing cybersecurity awareness in the business community allows PTIDM to offer security-

related products and services, with the cybersecurity market in Indonesia expected to reach US\$1.6 billion by 2025 (Frost & Sullivan, 2018). The company can gain access to new markets and enhance its product offerings by leveraging strategic partnerships with other IT distributors, software vendors, or hardware manufacturers. PTIDM can also expand its services by offering cloud-based or AI solutions and services that cater to the needs of customers in this segment. Companies that adopt AI early can gain a significant competitive advantage (McKinsey & Company, 2018), positioning PTIDM as a thought leader by staying up-to-date with the latest technological trends and leveraging these technologies to provide innovative solutions and services to its customers.

PTIDM faces threats from the emergence of new competitors in the rapidly evolving IT industry. The growing demand for IT products and services has attracted new players who may offer similar or better services at lower prices, potentially eroding PTIDM's market share. Indonesia is one of the top countries in the region for startup activity, with a surge in new startups and digital companies, increasing competition in the IT industry (Deloitte, 2021). Moreover, the IT industry is constantly evolving, with emerging technologies such as artificial intelligence and machine learning transforming the landscape and disrupting traditional business models. The COVID-19 pandemic has accelerated the adoption of digital technologies and created new business models, which is expected to continue in the post-pandemic world, leaving companies slow to adapt behind (McKinsey & Company, 2021). PTIDM must stay current with the latest technological trends, adapt its business model, and be prepared to face new and evolving competitors to remain competitive in the IT industry.

TOWS Strategy

TOWS strategy analysis is used to develop alternative opportunities based on external factors. Technological developments encourage businesses to adjust or follow the external environment's circumstances to choose the TOWS matrix strategy. These approaches make it possible to identify threats and overcome areas of weakness by using the business's strengths. Besides, identifying opportunities needs to be exploited to develop strength in business. The following strategies are used based on the TOWS matrix:

Internal / External	Strengths	Weaknesses
	1) High-quality products and personalized services 2) Skilled workforce with knowledge of IT	1) Common resources that are easy to imitate and limited human resources 2) Inability to attract new customers
Opportunities 1) Growing IT industry in Indonesia 2) Strategic partnerships	<ul style="list-style-type: none"> Leveraging high-quality products & services to expand in the growing IT industry in Indonesia. (S1, O1). Establish strategic partnerships to access new markets and increase brand awareness (S1, O2). 	<ul style="list-style-type: none"> Investing in additional human resources to address limited workforce (W1, W2, O1) Enhance marketing efforts to attract new customers and promote the unique value proposition of high-quality products and personalized services (W2, O1).
Threats 1) Emergence of new competitors in the IT industry 2) Rapid technological changes	<ul style="list-style-type: none"> Leverage the company's value proposition for high-quality products and personalized services to differentiate from new competitors in the industry (S1, T1). Encouraging employees on watching market trends (S2, T2). 	<ul style="list-style-type: none"> Strengthen marketing efforts to mitigate the risk of losing market share to emerging competitors in the industry (W2, T1). Enhancing workforce skills and knowledge to minimize the impact of emerging competitors and rapidly changing technological trends (W1, T2).

Figure 2 TOWS matrix strategy

Based on the table above, seven alternative strategies can be used by PTIDM. The explanation is divided into SO, WO, ST, and WT strategies to obtain the analysis's solution. The strategy determined is only an option and needs to be adapted to external or internal circumstances. The following is an explanation of each strategy that has been identified.

(1) Strength and Opportunity Strategy (SO Strategy)

In determining the SO strategy, two strategies can be used as an alternative solutions. The strategy's determination is based on the situation at PTIDM to maximize the existing opportunities, which include:

- Leveraging high-quality products & services to expand in the growing IT industry in Indonesia

This strategy involves utilizing PTIDM's strengths in having high-quality products and providing personalized services to capitalize on the growing IT industry in Indonesia. This is supported by the government of Indonesia THAT has also been taking steps to accelerate the country's digital transformation and improve its technological capabilities through various initiatives (KOMINFO, 2021). Hence, PTIDM can differentiate itself

from competitors and capture a larger market share by leveraging its strength in producing high-quality products and providing personalized services. Yet, consumers are willing to pay a premium for personalized products and services (PwC, 2018), indicating that there is a market demand for such offerings.

- Establish strategic partnerships to access new markets and increase brand awareness

Establishing strategic partnerships is a potential strategy for PTIDM to access new markets and increase brand awareness. This can be done by partnering with other companies in the IT industry or with companies in complementary industries such as telecommunications or e-commerce. For instance, PTIDM can partner with e-commerce platforms such as Shopee and Tokopedia to reach new customers in remote areas of Indonesia where physical stores may not be available. In addition, PTIDM can collaborate with telecommunications companies to provide bundled services such as internet packages and IT products to customers, creating a more attractive value proposition. The partnerships are essential for small businesses to grow and succeed, especially in emerging markets like Indonesia (Tambunan, 2021). Moreover, the partnerships can provide access to new resources, expertise, and customer bases, which can be critical for business growth (Thompson et al., 2016).

(2) Weakness and Opportunity Strategy (WO Strategy)

In determining the WO strategy, two strategies can be used as choices as a solution. The strategy's determination is based on PTIDM's weaknesses and opportunities to overcome the existing deficiencies, which include:

- Investing in additional human resources to address the limited workforce

The company can ensure that it has a sufficient workforce to meet the growing demand for its products and services by investing in additional human resources. This can lead to increased productivity, improved customer satisfaction, and ultimately increased profitability (Thompson et al., 2016). Moreover, investing in additional human resources can also help PTIDM to expand into new markets, as it will have the workforce to support the expansion

- Enhance marketing efforts to attract new customers and promote the unique value proposition of high-quality products and personalized services

This strategy addresses the weakness of PTIDM's inability to attract new customers (W2) and take advantage of the growing IT industry in Indonesia (O1) by enhancing marketing efforts to promote the company's unique value proposition of high-quality products and personalized services. PTIDM can use various marketing strategies, such as digital marketing, social media advertising, and content marketing to increase brand awareness and reach potential customers. According to a study by Shah (2022) found that 89% of marketers in Indonesia consider digital marketing as a crucial strategy for their business growth. Thus, PTIDM can increase brand awareness, generate leads, and attract new customers, contributing to the company's growth and competitiveness in the IT industry.

(3) Strength and Threat Strategy (ST Strategy)

In determining the ST strategy, it is used to maximize strength and minimize threats. There are two strategies for choices as a solution. In that case, the strategy is based on Strength and Threat at PTIDM to get solutions from threats, which include:

- Leverage the company's value proposition for high-quality products and personalized services to differentiate from new competitors in the industry

Value proposition can be a powerful tool for differentiation and competitive advantage (Thompson et al., 2021). Companies that effectively communicate their unique value proposition to customers are more likely to attract and retain customers than those that do not. In the context of the IT industry in Indonesia, where new competitors are emerging rapidly, leveraging a strong value proposition for high-quality products and personalized services can be a key strategy for PTIDM to stand out and remain competitive in the market. PTIDM should then communicate it clearly and consistently through all its marketing and communication channels, including its website, social media, and advertising. The message should be tailored to resonate with the target audience and highlight how the company's offerings can meet their specific needs and solve their problems.

- Encouraging employees on watching market trends

Encouraging employees to stay updated on market trends can be an effective ST strategy to help a company adapt to rapidly changing technology. The employee can proactively identify new opportunities and potential threats, and make informed decisions to adjust the company's product and service offerings accordingly. Thompson et al. (2016) emphasizes the importance of involving employees in the strategy implementation process, especially in the identification of opportunities and threats in the external environment. Encouraging employees to monitor market trends and changes can help the company to quickly adapt to market demands and remain competitive. This approach can also enhance employee engagement and empowerment, leading to increased productivity and innovation. By involving employees in the strategy implementation

process, the company can leverage their knowledge and expertise, and create a culture of continuous learning and improvement.

(4) Weakness and Threat Strategy (WT Strategy)

This strategy is used to overcome the problem of PTIDM. Strategy determination is based on situations of weakness and threat to get solutions to problems, which include:

- Strengthen marketing efforts to mitigate the risk of losing market share to emerging competitors in the industry

PTIDM can allocate more resources to marketing and advertising campaigns to increase brand awareness and promote the company's unique value proposition. This can be done through various channels, such as social media, and email marketing. In the rapidly changing and competitive IT industry, it is crucial for companies like PTIDM to maintain a strong brand presence and continuously promote their offerings to stay relevant and competitive. According to Thompson et al. (2016), strengthening marketing efforts is a crucial strategy to mitigate the risk of losing market share to emerging competitors in the industry. Moreover, companies that invest in marketing during economic uncertainty are more likely to emerge as market leaders (McKinsey & Company, 2021). Therefore, PTIDM can consider implementing a formal marketing plan, developing a strong brand image, and leveraging digital marketing channels to enhance the effectiveness of its marketing efforts

- Enhancing workforce skills and knowledge to minimize the impact of emerging competitors and rapidly changing technological trends

This strategy effectively mitigates the impact of emerging competitors and rapidly changing technological trends (Thompson et al., 2016). In addition, SMEs that invest in their human resources could gain a competitive advantage in the market and improve their overall performance (Tambunan, 2021). This includes providing formal and informal training opportunities, promoting a culture of learning and development, and offering competitive compensation packages to attract and retain talented employees.

IV. CONCLUSION

PTIDM has identified seven alternative strategies based on SO, WO, ST, and WT strategies to maximize opportunities, mitigate weaknesses, and overcome threats. The SO strategy involves leveraging high-quality products and services to expand in the growing IT industry in Indonesia and establishing strategic partnerships to access new markets and increase brand awareness. The WO strategy is to invest in additional human resources to address the limited workforce and enhance marketing efforts to attract new customers and promote the unique value proposition of high-quality products and personalized services. The ST strategy involves leveraging the company's value proposition for high-quality products and personalized services to differentiate from new competitors in the industry and encouraging employees to watch market trends. Lastly, the WT strategy involves strengthening marketing efforts to mitigate the risk of losing market share to emerging competitors in the industry and enhancing workforce skills and knowledge to minimize the impact of emerging competitors and rapidly changing technological trends. These strategies are based on the situation at PTIDM and need to be adapted to external or internal circumstances for the company's growth and competitiveness. The study recommends that PTIDM should adopt a strategic plan that maximizes its strengths and opportunities while addressing its weaknesses and mitigating potential threats in the highly competitive IT industry in Indonesia.

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