

Original Article

Proposed Business Strategy for Apotek H2O Expansion

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Abstract: *The pharmaceutical industry in Indonesia has experienced significant growth, especially in the post-COVID-19 era, driven by increasing health awareness and evolving consumer preferences. Apotek H2O, established in 2020, operates in this dynamic market, offering affordable and comprehensive healthcare products. Although the pharmacy has a stable customer base, market saturation, increased competition, and customer demands for innovative services make it focus strategically on expansion. This study will, therefore, devise a solid business strategy to enable Apotek H2O to grow and enhance its market position. The study will apply a combination of qualitative and quantitative methods, including market analysis, SWOT, TOWS, and SERVQUAL models, to assess the internal strengths and external opportunities. The main findings reveal that consumer preferences focus on affordability, a wide range of products, and customized services, which align with Apotek H2O's strengths in terms of affordability, diversity of products, and good customer service. The proposed strategies include the exploitation of digital technology, supply chain management, employee training, opening new branches in strategic locations to expand market reach, and increasing brand awareness. The actionable implementation plan addresses both external market dynamics and internal operational changes, outlining the resources and timetable necessary to enable a seamless implementation. By offering insights into the implementation of an integrated framework for small and medium-sized businesses (SMEs) in the pharmaceutical industry, this thesis adds to the body of research on strategic management. By implementing the suggested tactics, Apotek H2O has a high opportunity of attaining long-term growth, meeting changing client demands, and solidifying its standing as a reliable healthcare supplier in Indonesia.*

Keywords: *Apotek H2O, Business Strategy, Market Expansion, Customer Satisfaction, Pharmaceutical Industry.*

I. INTRODUCTION

Indonesia's pharmaceutical sector has expanded quickly, particularly after the COVID-19 pandemic. This is a result of shifting consumer tastes and increased health consciousness, which demand higher-quality healthcare goods and services. These changes have forced pharmacies to develop new offerings and business strategies to satisfy the demands of pickier and more knowledgeable customers. Despite having a steady and devoted clientele, Apotek H2O, which was founded in 2020, has experienced severe business difficulties recently, as evidenced by annual sales statistics showing stagnation. The local market may have reached its peak, preventing further revenue development, as indicated by this stagnation. But this only appears to affect Apotek H2O, not the pharmaceutical industry as a whole, which is growing due to increased health consciousness and the need for affordable drugs.

One of the prime reasons for such stagnation is the increasing competition in the pharma sector. The new players in the industry have further split the market, which makes it difficult for Apotek H2O to increase its market share further. Moreover, these competitors always try to market themselves through aggressive price strategies and integration with digital services, which makes it imperative for Apotek H2O to pursue an aggressive course of action for survival.

Furthermore, it is becoming more difficult to expand income at the current site because there are only a limited number of clients in the neighborhood, and the majority of people are already loyal to the pharmacies that are already there. Furthermore, the difficulty of bringing in new clients is further exacerbated by the lack of notable population increase and new business advancements.

Knowing the above facts, the owner has made the decision to start a new venture by opening another branch in another location. This strategic move is aimed at penetrating a new that reaches a broader customer base and reignites profit growth. Expansion is expected to diversify revenue streams and strengthen Apotek H2O's competitive positioning in the evolving pharmaceutical landscape. By leveraging its existing brand reputation and focusing on customer-centric innovation, Apotek H2O aims to secure sustainable long-term growth and resilience in the face of increasing industry challenges.



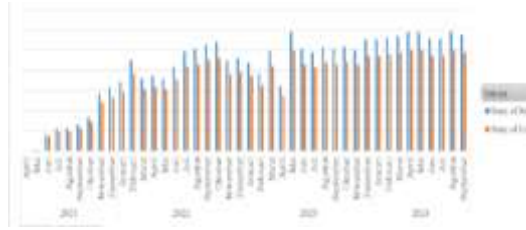


Fig. 1 Sales and Cost Figure of Apotek H2O

In an attempt to solve such problems, the research seeks to design a firm business strategy for Apotek H2O. This involves a combination of methodologies that are qualitatively and quantitatively executed, such as SWOT analysis, SERVQUAL model, and market analysis, in discovering internal strengths and external opportunities. Key findings reveal that customer preferences are strongly influenced by affordability, product variety, and personalized services—factors that align with Apotek H2O's core strengths. This paper outlines strategies for leveraging digital technology, enhancing supply chain management, and expanding market reach through new branches in strategic locations. The proposed solutions aim to support Apotek H2O in achieving sustainable growth, meeting customer demands, and solidifying its reputation as a trusted healthcare provider in Indonesia.

II. LITERATURE REVIEW

A) Strategy

A company is considered to have a strategy if it has differences that set it apart from other companies in the same industry. These differences can come from unique resources, different activities, or performing the same activities in a different way. Through these differences, the company can create differentiation in terms of products, services, target market segments, or market positioning, which will ultimately provide a competitive advantage and enhance its ability to compete effectively. Strategy is a set of integrated commitments, actions, and decisions used to explore superior competencies in achieving competitive advantage and establishing an effective competitive strategy (Wandebori, 2019). According to Hambrick and Fredrickson (2001), a strategy must have the following five components: Arenas, Vehicles, Differentiators, Staging, and Economy Logic.

B) Strategic Management Process

The Strategic Management Process is a rational approach used by companies to achieve competitive advantage through competitive strategies (Wandebori, 2019). The Strategic Management Process consists of three parts: Strategic Input, Strategic Action, and Strategic Outcome.

- Strategic Input: Strategic input involves analyzing both internal and external factors. Internal conditions include the company's resources and value chain activities, while external analysis considers the general environment, industry dynamics, and competitive landscape or competitor. Internal and external analysis must ensure the validity of data from various sources, primary data sources, and secondary data sources (Eisenhardt, 1989; Yin, 2003).
- Strategic Action: Strategic action encompasses the formulation and implementation of strategy, covering the full hierarchy of strategy. Strategy formulation is based on data obtained from the environmental analysis in the strategic input phase. Strategy implementation includes governance, organizational structure, and value-based management, and, in a broader context, it encompasses Indonesia's competitive advantages and regional innovation systems.
- Strategic Outcome: Strategic outcome is linked to the company's mission, objectives, and targets, including value creation, profitability, revenue, and market share. These reflect the performance resulting from the formulation and implementation of the strategy.

C) Market Analysis (STP Framework)

Market analysis is the process of assessing the dynamics within a specific industry or market to understand trends, customer needs, competitive landscape, and other factors that impact business opportunities and decision-making. It provides insights into target segments, consumer behaviors, and competitive positioning, helping companies align their strategies with the STP (Segmentation, Targeting, Positioning) framework to effectively meet market demands and create a strong market presence. Kotler is known for the STP theory of brand competition Segmentation, Targeting, and Positioning. Segmentation, Targeting, and Positioning (STP) is a framework that helps the organization identify valuable segments and narrow its focus on that segment. By segmenting the many consumers, organizations are breaking them down into small groups with similar needs or characteristics. Then, they selectively identify segments that have the greatest potential for breakthrough performance and convey the position they desire for their brand or products with respect to those targeted segments in relation to competitors.

- Segmentation: Segmentation describes how the market should be divided into groups of consumers with similar needs or behavior, and it obviously points toward why profiling is so necessary for driving targeted marketing strategies. It

certainly allows companies to discover avenues for growth and serve their customers in a more personalized manner.

- **Targeting:** Targeting is the process of reviewing the various segments of the market and deciding which of those segments are worth creating value and profit for the company. Smaller enterprises can seek harder-to-disrupt segments with less competition where they can harbor a specialization in catering to specific needs. Bigger companies might target multiple segments or strive for general market coverage and will offer their goods accordingly. Successful targeting is about the profitability of the chosen segments in the context of the level of alignment with the company strategy.
- **Positioning:** Positioning is about ensuring a product stands apart in the minds of target consumers, distinguishing it from competing products with variations in sentence structure. It emphasizes the exclusive features and benefits that make the product appealing and valuable, creating some sentences that are longer or more complex. By consistently promoting these advantages, companies can cultivate a clear and favorable perception, helping the product gain a competitive advantage in the market.

D) Customer Analysis Using SERVQUAL Model

Customer analysis is the process of understanding the needs, expectations, and behavior of customers to improve service delivery and foster customer satisfaction. In order to discover areas for improvement, align services with customer expectations, and increase customer loyalty, it is imperative to do customer analysis. The Servqual model is among the most widely used frameworks for examining customer satisfaction and service quality. This paradigm compares client expectations and perceptions to provide an organized method of gauging service quality. In order to assess service quality in five different dimensions, Parasuraman, Zeithaml, and Berry initially created the Servqual model (Parasuraman, 1990). Customers' expectations and their perceptions of the service are measured by these dimensions. Therefore, addressing these gaps might help businesses improve the quality of their services. These five elements include certainty, responsiveness, adaptability, compassion, and tangibles.

E) External Analysis

Understanding what aspects and to what extent must be considered when evaluating a company's external environment can be accomplished through external analysis. Businesses can gain a comprehensive understanding of the fundamental concepts and methods of external analysis that influence their strategic direction and competitive positioning. This study makes use of several well-known frameworks from the subject, including competitor analysis, industry analysis (Porter's Five Forces), and general environment analysis, sometimes known as PESTEL analysis. These frameworks offer an overview of the external environment, which can give organizations the knowledge they need to take advantage of opportunities, deal with problems proactively, and improve overall market resilience.

a. General Environment Analysis (PESTEL Frameworks)

General environment analysis looks at the broad factors that affect industries and businesses, providing a broad view of the external conditions that affect strategic decisions. According to Wheelen and Hunger (2012), this kind of analysis is crucial in identifying opportunities and threats in the market. It encompasses several critical dimensions, including Political, Economic, Social, Technological, Environmental, and Legal factors (PESTEL). According to Paul Newton's (2014) book *What is the PESTLE Analysis*, the external environment is divided into two factors, and each organization or company has to find out about all the elements that can possibly influence the operation of the company. This structure assists companies in seeing the wider forces shaping their operations and conditions in the marketplace. PESTEL analysis allows organizations to understand the opportunities and threats in their external environment, which can be critical in strategic decision-making and long-term planning.

b. Industry Analysis (Porter's Five Forces)

Porter's Five Forces analysis included the threat of new entrants, bargaining power of suppliers, bargaining power of buyers, threat of substitutes, and intensity of rivalry among competitors (Porter, 1985). By analyzing the industry, the level at which the said industry is attractive shall be determined. A high attractiveness value for the given industry determines the maximum profitability that might be achieved therein.

- **Threat of New Entrants:** New competitors can reduce market share by adding capacity, leading to lower prices and profits. Entry barriers such as economies of scale, brand loyalty, capital requirements, switching costs, limited access to distribution channels, and government regulations protect established firms.
- **Bargaining Power of Suppliers:** Suppliers gain power when there are no good substitutes, their products are essential, switching suppliers is costly, or the supplier market is concentrated. Powerful suppliers can increase prices or lower product quality, impacting company profits.
- **Bargaining Power of Buyers:** Buyers wield power when they purchase large volumes, their purchases represent significant revenue for companies, switching costs are low, or products are similar. They demand better quality, lower prices, and more services, increasing competition.
- **Threat of Substitute Products:** Substitutes from outside the industry can replace products (e.g., email for faxes, herbal

remedies for medicines). They are a strong threat when they are cheaper, equal in quality, or more convenient. Improving product value reduces this risk.

- **Intensity of Rivalry Among Competitors:** High rivalry occurs when there are many competitors, slow market growth, high fixed costs, low differentiation, high strategic stakes, or high exit barriers. Companies compete on price, service, and innovation to gain market position.

Overall, from the industry analysis using Porter's Five Forces, it can be concluded that the stronger the combined forces, the lower the profit a company can expect within the industry. In other words, the greater or stronger the forces, the more challenging it is for companies in the industry to achieve sufficient margins for growth (Wandebori, 2019).

c. Competitor Analysis

Competitor analysis provides insights into the future objectives, current strategies, assumptions, and capabilities of a company's direct competitors. Comprehensive competitor analysis also considers complementors that aid in the formation and execution of competitors' strategies (Hitt, Ireland, & Hoskisson, 2020). In a competitor analysis, a company aims to understand the following aspects:

- The competitor's motivations are indicated by its future objective. Evaluating competitors' goals regarding profits, revenue, asset value, and product diversification helps gauge how aggressively they pursue their strategies.
- The competitor's actions and potential actions are reflected in its current strategy. Examining competitors' strategies highlights the resources, activities, and core competencies they develop to execute their plans.
- The competitor's perspective on the industry is represented by its assumptions. Analyzing competitors' assumptions about the industry reveals their expectations and anticipated industry trends.
- The competitor's capabilities are demonstrated through its strengths and weaknesses. Assessing competitors' capabilities offers insights into product and service differentiation and the target segments the company should aim for.

F) Internal Analysis

Internal analysis is an essential process in strategic management because it enables a company to comprehensively evaluate its strengths and weaknesses. The internal analysis includes resources and value chain activities as a basis for superior capabilities and competencies in achieving competitive advantage (Hitt, Ireland, & Hoskisson, 2020). Through in-depth internal analysis, a company can identify key factors such as operational efficiency, financial stability, management quality, organizational culture, and technological capabilities. These insights help determine how prepared the company is for growth and expansion. Additionally, identifying internal weaknesses, such as process inefficiencies or skill shortages, enables the company to strategically address these issues. Overall, internal analysis provides the necessary insights for a company to make more accurate and effective strategic decisions to face competition and achieve business objectives.

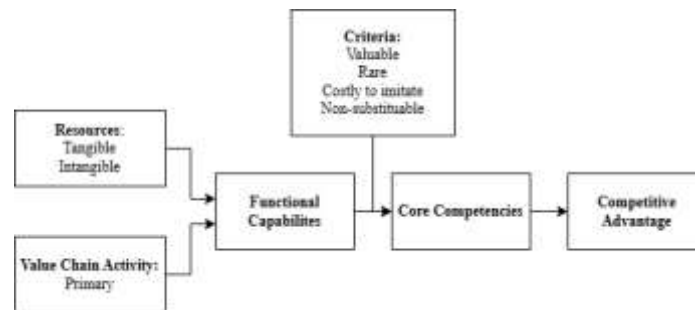


Fig. 2 Internal Analysis Framework (Wandebori, 2019)

a. Resources (Tangible and Intangible)

In a company, resources can be categorized into two types, namely tangible and intangible resources. Tangible resources are assets that can be observed and quantified. Production equipment, manufacturing facilities, distribution centers, and formal reporting structures are examples of tangible resources. Intangible resources are assets deeply embedded in a firm's history, accumulating over time, and are challenging for competitors to understand and replicate. These resources are integrated into unique patterns of routines, making them difficult for competitors to analyze and duplicate. Intangible resources include knowledge, trust between managers and employees, managerial skills, organizational routines, scientific expertise, innovation capacity, brand reputation, the company's standing for its products or services, interactions with stakeholders (such as employees, customers, and suppliers), and organizational culture (Hitt, Ireland, & Hoskisson, 2020).

1. Tangible resources consist of financial resources, organizational resources, physical resources, and technological resources. Here is the following explanation about tangible resources:

- Financial Resources: The capacity of a company to borrow and the company's ability to generate funds through internal operations.
 - Organizational Resources: Reporting formalities and formalities in planning, controlling, and coordinating (formal reporting structures).
 - Physical Resources or Facility: The sophistication of a firm's plant and equipment and the attractiveness of its location, Distribution facilities and Product inventory.
 - Technological Resources: Availability of technology-related resources such as copyrights, patents, trademarks, and trade secrets.
2. Intangible resources are human resources, innovation resources, and reputational resources.
- Human Resources: Knowledge, trust, skills, management capabilities and abilities to collaborate with others
 - Innovation Resources: Ideas, scientific capabilities, and capacity to innovate.
 - Reputational Resources: Reputation with customers, reputation with suppliers, brand name, and perceptions of product quality, durability, and reliability.

b. Value Chain Analysis

Value Chain Analysis is a method used by a company to identify and determine which parts of its operations create value for customers and which do not. This analysis is important because its primary goal is to create added value without incurring significant costs and to capture that value effectively. The value chain is divided into primary activities, which include the production, sale, and servicing of products, as well as support activities that help facilitate these primary activities. Understanding the value chain allows a company to better analyze and manage various operational aspects to be more efficient and effective, especially in the global market, ensuring they can compete effectively. Effective value chain analysis is crucial for a company to understand how it should adapt and manage various challenges and dynamics in today's competitive market while leveraging its unique strengths.

The value chain analyzes two activities, namely primary activities and support activities. These contribute to creating value for customers, thus improving a firm competitive advantage. Primary activities reside in the physical creation of a product and its delivery to market. The effect of direct action on production, maintenance, selling, and delivery or distribution activities. These activities include the following elements: inbound logistics, operations, outbound logistics, marketing and sales, and service. Support activities assist primary activities in providing the infrastructure or support necessary for efficient operations. These activities include the following elements: the firm's infrastructure, human resource management, procurement, and technological development.

c. Competitive Advantage

Core competencies are a set of capabilities that meet four criteria: valuable, rare, costly to imitate, and non-substitutable, serving as the foundation for achieving competitive advantage and enhancing a company's value (Hitt, Ireland, & Hoskisson, 2015). According to Wandebori (2019), in building competitive advantage, companies are not advised to create as many core competencies as possible. Instead, focusing on three to four well-defined core competencies is sufficient to achieve sustainable competitive advantage. Capabilities that qualify as core competencies must possess value (valuable), meaning they enable the company to exploit opportunities and neutralize threats in the external environment. Additionally, these capabilities must be rare, indicating that competitors do not have the same capabilities. Another critical criterion is that the capabilities must be costly to imitate, which may stem from the company's history, established reputation, organizational culture, or the social complexity of stakeholder relationships. This includes relationships among internal stakeholders, such as managers and employees, as well as external relationships with suppliers, distributors, and business partners. Finally, the capabilities must be non-substitutable, meaning there are no substitutes or alternatives that can replace them, thereby providing unique value to the company. A company's capabilities can develop into core competencies, which serve as the cornerstone for gaining and preserving a competitive advantage when they satisfy these four requirements. In addition to setting the business apart from its rivals, these fundamental capabilities help it adapt to shifting market conditions and maintain its long-term strategic position.

Table 1: Outcomes from Combinations of the Criteria for Sustainable Competitive Advantage (Hitt, Ireland, & Hoskisson, 2020)

Is the Capability Valueable?	Is the Capability Rare?	Is the Capability Costly to imitate?	Is the Capability Non-substitutable?	Competitive Consequences	Performance Implications
No	No	No	No	Competitive Disadvantage	Below-Average Returns
Yes	No	No	Yes/No	Competitive Parity	Average Returns
Yes	Yes	No	Yes/No	Temporary Competitive Advantage	Average Returns to Above Average Returns
Yes	Yes	Yes	Yes/No	Sustainable Competitive Advantage	Above Average Returns

G) SWOT Analysis

SWOT analysis allows the organizations to gain a strategic understanding of their inner and outer environments that might impact their operation. Using the SWOT enables an organization to identify its position today and what strategy needs to be created to change this position positively. According to Wheelen et al. (2018), "the SWOT chart is probably the most widely used device for classifying such information.". The SWOT framework consists of four key components: internal factors, which include Strengths and Weaknesses, and external factors, represented by Opportunities and Threats.

- Strengths (Internal): These are positive internal traits or resources that give a company an edge over competitors. Examples include a strong brand, loyal customers, skilled staff, quality products, and efficient operations.
- Weaknesses (Internal): These are the internal constraints that could prevent or put the organization at a disadvantage, including low resources, archaic technology, or processes.
- External Opportunities: These are the desirable external conditions through which the firm can grow or gain an edge. Opportunities most of the time arise from an economic, social, technological, or political change, such as a shift in consumer preference, new technology, or favorable regulation update.
- Threats (External): These include outside forces that might hurt the firm, including rivalry, recession, legislation change, or any form of customer trend, for instance, inflation, supply chain, etc.

H) TOWS Matrix

The TOWS Matrix is an extension of SWOT analysis that assists organizations in forming specific strategies by linking internal factors (Strengths and Weaknesses) with external factors (Opportunities and Threats) (Wehrich, 1982). This process helps in creating well-rounded strategies that are proactive rather than reactive. The TOWS Matrix organizes strategic planning by combining these elements to create actionable approaches.

- SO (Strength-Opportunity) Strategies: Use strengths to take advantage of opportunities.
- ST (Strength-Threat) Strategies: Use strengths to counter threats.
- WO (Weakness-Opportunity) Strategies: Improve weaknesses by using opportunities.
- WT (Weakness-Threat) Strategies: Minimize weaknesses to reduce threats.

EXTERNAL FACTORS (EFAS)	INTERNAL FACTORS (IFAS)	Strengths (S) List 5 – 10 internal strengths here	Weaknesses (W) List 5 – 10 internal weaknesses here
	Opportunities (O) List 5 – 10 external opportunities here	SO Strategies Generate strategies here that use strengths to take advantage of opportunities	WO Strategies Generate strategies here that take advantage of opportunities by overcoming weaknesses
EXTERNAL FACTORS (EFAS)	Threats (T) List 5 – 10 external threats here	ST Strategies Generate strategies here that use strengths to avoid threats	WT Strategies Generate strategies here that minimize weaknesses and avoid threats

Fig. 3 TOWS Matrix (Wandebori, 2019)

I) Business-Level Strategy

Business strategy is defined as a comprehensive commitment to be able to utilize and improve resources into capabilities that become the basis for superior competence so that competitive advantage is obtained in one product market. Every company has a business-level strategy, so the business-level strategy is the most important strategy compared to other strategies, such as corporate strategy and functional strategy (Wandebori, 2019). A business-level strategy is a company's approach to gaining a

competitive edge within a particular market or industry. It emphasizes delivering customer value, differentiating from competitors, and reaching the company's objectives. Companies build strong relationships with customers by delivering exceptional value, which often forms the basis for profit as they meet unique customer needs. Providing superior value increases customer satisfaction, leading to higher profitability since satisfied customers are more likely to return. However, with more options and easy access to information, customers have become more knowledgeable and harder to retain. To address this, many companies work closely with customers to co-create value, enhancing satisfaction and loyalty.

There are three dimensions that characterize a company's relationships with customers. Successful businesses are aware of these factors and adjust their client relations accordingly. Reach, Richness, and Affiliation are essential components of corporate strategy for establishing enduring relationships with clients.

1. Reach is about the reach of the brand to a larger audience and its expansion across multiple channels. It is all about reaching the maximum number of potential customers, thus increasing market share and visibility.
2. Richness: Richness focuses on the quality of customer interactions and the depth of information shared. This includes making experiences personal to customers so that they feel valued and understood, which enhances satisfaction and loyalty.
3. Affiliation is about building a sense of partnership and trust with customers. It goes beyond simple transactions to create a long-term bond, fostering loyalty by aligning the brand's values with those of its customers.

Effectively managing customer relationships across the dimensions of reach, richness, and affiliation enables a company to address key questions about who its customers are, what they need, and how best to serve them (Hitt, Ireland, & Hoskisson, 2020).

- Who: Determining the Customers to Serve
- What: Determining Which Customer Needs to Satisfy
- How: Determining Core Competencies Necessary to Satisfy Customer Needs

In business-level strategy, companies can choose from five key approaches to establish a competitive edge and position themselves effectively in the market. Each strategy serves a unique purpose based on cost, differentiation, focus, or a blend of these elements. Here are the elements:

- Cost Leadership: This aims to make a company the lowest-cost producer in its industry, attracting price-sensitive customers. By focusing on efficiency, cost-saving technologies, and large-scale production, a business can offer lower prices than competitors without losing profitability. This is common in high-volume industries where maintaining low costs is essential for market share.
- Differentiation: A strategy based on developing and marketing unique products or services. Firms adopting this strategy emphasize quality, brand reputation, or advanced features and thus can sell the product at higher prices. It is a good strategy for brands that can establish a brand image and take customers from the top who are more concerned about the brand identity and quality than money.
- Focused Cost Leadership: Targets a narrow, specific, smaller market. This business charges lower and, hence, reaches niche customers. A pharmacy might be an example focusing on the rural area by providing low-cost generic medicines and limited health products; this will reach a niche group with less exposure to expensive service delivery.
- Focused Differentiation: This focuses on a particular niche in the market and highlights unique features designed to appeal to niche preferences. For instance, a pharmacy focusing on high-end wellness products, personalized health consultation, and exotic herbal remedies for the high-income segment allows it to command premium prices and develop strong loyalty among this exclusive customer base.
- Cost Leadership and Differentiation: This is when cost and uniqueness are integrated. Businesses applying this strategy reduce their prices while keeping their products or services unique enough to attract millions of customers. For instance, a retail chain might provide stylish but affordable items, balancing quality with competitive pricing.



Fig. 4 Five Business-Level Strategies (Hitt, Ireland, & Hoskisson, 2020)

J) Conceptual Framework

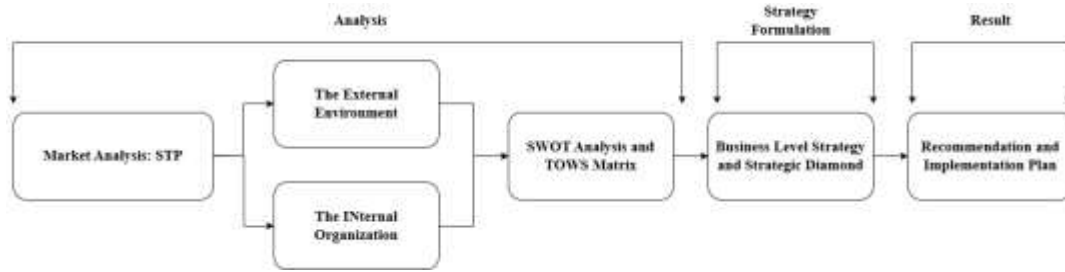


Fig.5 Conceptual Framework

This conceptual framework is designed to guide the development of a strategic plan, beginning with an analysis phase and leading to actionable recommendations. These frameworks include Analysis, Strategy Formulation and Recommendation.

1. The framework starts with Market Analysis and then analyses both the external and internal aspects of the company. The external aspects include the general environment, industry analysis, and competitor analysis, which impact the business. At the same time, the internal analysis looks to examine how strong a company's own strengths and weaknesses are (resources and value chain activity). These insights are then synthesized using a SWOT Analysis (Strengths, Weaknesses, Opportunities and Threats) followed by the TOWS Matrix to create strategies that align internal strengths with external opportunities and address any potential weaknesses or threats.
2. Strategy formulation builds a strategy for growth and competition based on findings from the analysis. The Business-Level Strategy defines how the company will compete and differentiate itself in the market, whereas The Strategic Diamond that resources, actions, and goals are aligned with this strategic direction.
3. The Result translates the chosen strategy into concrete recommendations and an actionable plan. This phase outlines practical steps that the company can take to achieve expansion and strengthen its market position, offering a clear path from analysis to the effective implementation of the strategy.

III. METHODOLOGY

In this research, the author aims to develop effective business strategies to support Apotek H2O's expansion into new territories or markets. To accomplish this, the author will employ a mixed-methods approach. Mixed methods involve the collection and integration of both quantitative and qualitative data within a single study. Qualitative and quantitative approaches should not be viewed as rigid, distinct categories, polar opposites, or dichotomies. Instead, they represent different points along a continuum (Creswell, 2015; Newman & Benz, 1998). In this study, the author will conduct this research by using primary data and secondary data. For quantitative research, primary data will be collected through surveys or questionnaires. For qualitative research, primary data will be collected through interviews with stakeholders related to pharmaceuticals. Secondary data will be collected using a database such as the annual sales report for the main branch of Apotek H2O.

IV. FINDING AND ANALYSIS

A) Market Analysis

a. Segmentation

Segmentation is the process of dividing the market into groups of consumers who have similar needs, characteristics, or behaviors. Below are several segmentation methods:

1. **Demographic Segmentation:** Demographic segmentation focuses on specific characteristics of the target audience to better understand and meet their needs. This segmentation includes age, gender, occupation, and monthly spending on medications. The data was collected from survey questionnaires involving 195 respondents.
 - Gender: The data shows that 69.2% of respondents are female and 30.8% are male, indicating that women play a dominant role in health-related decision-making, often managing household and family healthcare needs.



Fig. 6 Gender Distribution of the Pharmacy Market

- Age: The dominant age group is 25–34 years (36.9%), followed by 18–24 years (22.1%) and 35–44 years (18.5%). These young to middle-aged adults are more likely to adopt technological innovations like online medicine orders and home delivery services.

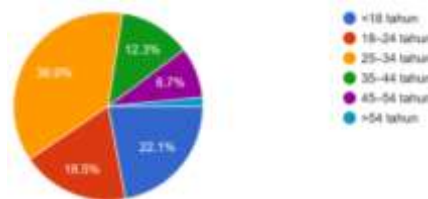


Fig. 7 Age Distribution of Pharmacy Market

- Occupation: The majority of respondents are students (33.3%) and employees (25.6%), followed by civil servants (13.3%) and entrepreneurs (8.7%). Students prioritize affordable everyday health products, while workers and entrepreneurs value fast service and high-quality products.

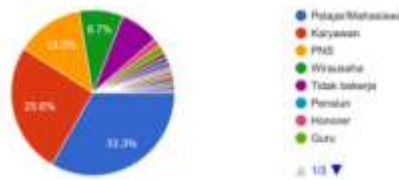


Fig. 8 Occupation Distribution of Pharmacy Market

- Monthly Medication Expenditure: Most respondents spend 50,000–100,000 IDR monthly (44.6%), followed by under 50,000 IDR (41.5%). Higher expenditures are less common, with 5.1% spending 100,000–200,000 IDR and 8.7% above 200,000 IDR. This highlights a demand for affordable, high-quality products.

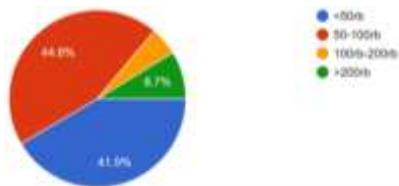


Fig. 9 Monthly Medication Expenditure of Pharmacy Market

- Geographic Segmentation:** Geographic segmentation is the process of dividing the market based on consumers' geographic locations, such as regions, cities, districts, or distances from service centers.

- Geographic Locations: Most respondents are from Jambe (28.2%), Tigaraksa (15.9%), and Panongan (12.8%), making these areas the primary customer base. Establishing pharmacies in these locations is strategic for reaching target customers.

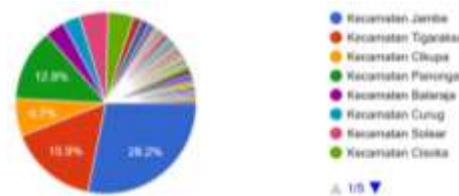


Fig. 10 Geographic Locations

- Distances from Pharmacy: Most respondents visit pharmacies within 1–3 km of their homes (42.6%), while 39% prefer locations under 1 km. Only 18.5% travel over 3 km. Proximity is crucial, and making locations within a 1–3 km radius is strategic for retaining customers.

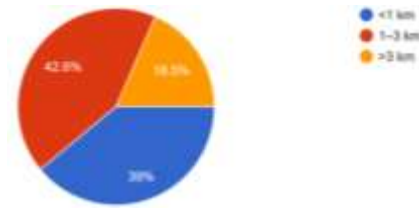


Fig. 11 Distance from Pharmacy

3. **Psychographic Segmentation:** Psychographic segmentation is the process of grouping consumers based on their lifestyles, values, interests, and preferences. In the pharmacy business, this segmentation helps understand purchasing patterns that are not only related to medical needs but also reflect customers' lifestyles. By understanding psychographic aspects, pharmacies can be more effective in offering relevant products and enhancing the customer experience.

- **Products Most Frequently Purchased Besides Medicines:** Most respondents buy vitamins and supplements (90.3%), reflecting a strong interest in preventive health. Herbal remedies and honey are also popular (47.7%), indicating demand for alternative health solutions. Personal care products (26.7%) and skincare/cosmetics (24.6%) highlight a focus on personal care. Household necessities (11.8%) and mother/baby products (9.7%) show pharmacies serve as a one-stop shop for family needs.

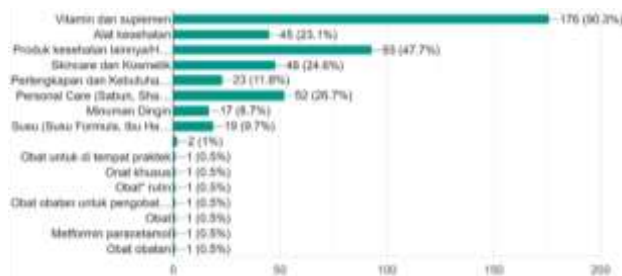


Fig. 12 Products Most Frequently Purchased Besides Medicines

- **Mode of Transportation:** Most respondents use motorcycles (86.7%) to visit pharmacies, followed by walking (6.7%) and cars (5.1%). Pharmacies with good vehicle access and ample parking are crucial for attracting customers.



Fig. 13 Mode of Transportation to Visit Pharmacy

- **Customer Priorities:** The survey results from 195 respondents provide insights into customer priorities when choosing a pharmacy. Here are the findings: Product quality and authenticity: 74.9%, Affordable product prices: 48.7%, Product completeness: 42.6%, Cleanliness and convenience: 38.5%, Accessible or strategic location: 24.1%, Friendly service and 24-hour pharmacy operation: 19.5%, Medication consultation services: 13.8%, Complete payment systems (e.g., QRIS or bank transfers): 7.2%, Online ordering through applications: 4.1%, Medication delivery services: 3.6%, Promotions or discounts: 2.6%, Spacious parking area: 1%.



Fig. 14 Customer Priorities

4. **Behavioral Segmentation:** Behavioral segmentation is the process of grouping consumers based on their actions, habits, and responses to products or services. In the pharmacy business, this segmentation aims to understand customer consumption patterns, such as visit frequency, purchase reasons, and how they use products.

- Frequency of Pharmacy Visits: Most respondents visit pharmacies 1–2 times a month (42.1%), 3–5 times (24.1%), or more than 5 times (22.6%), indicating regular needs. A smaller group visits rarely (10.8%) or only during emergencies (10.8%).

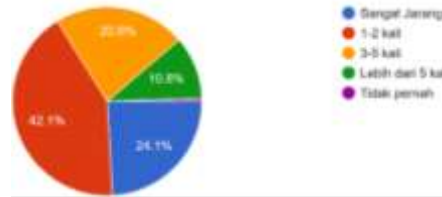


Fig. 15 Frequency of Pharmacy Visits

- Habit of Spontaneous Medicine Purchases: Most respondents (56.4%) purchase medicine spontaneously during sudden needs, while 6.7% prefer a planned approach to medication consumption.

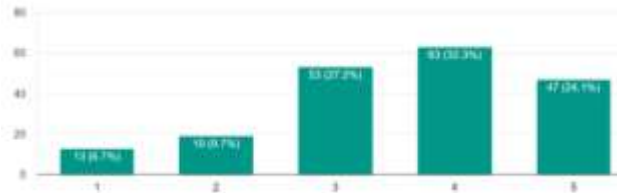


Fig. 16 Habit of Spontaneous Medicine Purchases

- Customer Preference for Offline or Online Pharmacy: Most respondents (88%) prefer offline pharmacies near their homes, while 11% prefer online options, and 2% are neutral. This highlights the importance of physical accessibility and trust built through face-to-face interactions with pharmacy staff.



Fig. 17 Customer Preference for Offline or Online Pharmacy

b. Targeting

Apotek H2O was established in 2021 and began its operations with a commitment to providing high-quality healthcare products at affordable prices. The pharmacy focuses on reaching low-income groups, particularly in rural and semi-urban areas. By emphasizing competitively priced products, Apotek H2O aims to serve communities with limited budgets while still meeting their healthcare needs reliably. Through this approach, Apotek H2O not only caters to the needs of customers in terms of health but also builds trust as a partner for maintaining their well-being. The target is based on demographic, geographic, psychographic, and behavior factors.

1. **Demographic:** Apotek H2O focuses on a low-income customer base that needs quality healthcare products at reasonable costs. This is corroborated by responses to a survey whereby most respondents have medicines that cost less than 100,000 IDR in one month, an indication of demand for the economical products.
2. **Geographical:** From the geographical standpoint, Apotek H2O focuses its marketing on people residing in the districts of Tangerang Regency, mainly Tigaraksa, Jambe, and Panongan districts, who will be within a 0–3 km visit radius distance away in populous regions. They will focus on these regions for extension purposes and raise the brand visibility among the local communities with considerable market potential and maximum accessibility at local levels.

3. **Psychographics:** Psychographically, Apotek H2O knows the importance that customers give to a healthy lifestyle and awareness about preventive healthcare. This is revealed by the significant interest in the products of vitamins and supplements, herbal remedies and honey, as well as personal care and skincare products. The pharmacy also caters to customers' multifunctional needs by offering baby products and household essentials, making it a one-stop solution for family health and well-being. Furthermore, Apotek H2O aligns with customer priorities when choosing a pharmacy, particularly its emphasis on product quality, affordable prices, and product completeness. These factors demonstrate that customers value trusted, cost-effective solutions and the convenience of finding a comprehensive range of products in one place, making Apotek H2O a reliable choice for their healthcare needs.
4. **Behavior:** Concerning the customers' behavior, Apotek H2O serves the urgency of customers who prefer immediate availability and locations of quick accessibility. According to the majority, 88%, prefer purchasing their products in physical stores near their places of residence; 56.4% also claimed that they would only purchase when needed urgently. The key is the supply, service time, and access to Apotek H2O locations. Through this targeted approach, Apotek H2O serves its customers well while enhancing its position as a reliable healthcare provider.

c. Positioning

Apotek H2O positions itself as a reliable and affordable healthcare provider while offering a shopping experience through the concept of a one-stop solution.

- **Affordable and High-Quality Products:** Apotek H2O offers high-quality healthcare products at affordable prices to cater to the needs of low-income customers. This reflects the commitment of the pharmacy to accessibility and equality in healthcare services, ensuring that all customers can access the healthcare products they need.
- **Comprehensive Product Offering:** Apotek H2O is a one-stop shop for all family health needs, providing products ranging from vitamins to herbal remedies, personal care products, and baby and household items. The broad product offering makes it the best option for convenience-driven customers and is thus preferred for a variety of healthcare requirements.

B) Customer Analysis Using the SERVQUAL Model

Customer analysis is the process of collecting and evaluating data about customers to understand their needs, preferences, behavior, and characteristics. This analysis is crucial for Apotek H2O to develop effective strategies for attracting, retaining, satisfying customers and enhancing their loyalty. From the survey results, the respondents were divided into two main groups: 128 respondents who had previously visited Apotek H2O (existing customers) and 67 respondents who had never been to Apotek H2O (potential customers). Of the potential customers, 18 were aware of Apotek H2O's existence; however, 49 respondents said they had no idea of the existence of the pharmacy. These findings are significant in terms of the level of public awareness of Apotek H2O and the potential market that could be tapped into with more effective strategies. This analysis is a strategic first step in supporting Apotek H2O's expansion plans. The data suggests a significant opportunity to increase brand awareness among people who are not aware of Apotek H2O and expand the customer base in new areas. This would allow Apotek H2O to understand the perception of its potential customers and, thus, tailor its services, enhance satisfaction, strengthen its market position, and expand the pharmacy's service reach in Tangerang Regency. It will help in the vision of Apotek H2O to become a leading and trusted pharmacy in Indonesia.

The SERVQUAL model proposed by Parasuraman et al. (1988) was adopted in the survey to analyze the customers' perspectives on Apotek H2O. Each of these dimensions was probed using a set of questions in the questionnaire to better understand customers' perceptions and satisfaction with Apotek H2O. The results of this survey provide valuable insights that can serve as a foundation for improving services and creating a better customer experience in the future. The results in percentages, ranging from "Strongly Disagree" to "Strongly Agree" for existing customers, are as follows.

Table 2: Tangible Dimension Questionnaire Result for Existing Customers

Tangible Dimension					
Accessing to Apotek H2O	3.9%	6.3%	13.3%	24.2%	52.3%
Cleanliness and convenience at Apotek H2O	2.3%	0.8%	7.8%	20.3%	68.8%
Product completeness at Apotek H2O is more than competitors	2.3%	0.8%	10.2%	32.0%	54.7%
Satisfaction with Product Availability, Diversity, and Variety	1.6%	1.6%	7.0%	29.7%	60.2%
Possibility of visting new branch of Apotek H2O	3.9%	1.6%	10.2%	24.2%	60.2%
Options in non-cash payments	3.6%	3.1%	25.6%	16.4%	51.3%

Table 3: Reliability Dimension Questionnaire Result for Existing Customers

Reliability Dimension					
Visiting Apotek H2O more than the nearest competitor	2.3%	2.3%	15.6%	30.5%	49.2%
Apotek H2O fulfill your Needs	2.3%	0.0%	5.5%	27.3%	64.8%

Table 4: Responsiveness Dimension Questionnaire Result for Existing Customers

Responsiveness Dimension					
Apotek H2O staff are friendly and professional	1.60%	0.80%	7.80%	21.10%	68.80%
Staff provides clear and complete information	1.60%	1.60%	9.40%	25.00%	62.50%
Service at the Apotek H2O is fast and efficient	2.30%	0.80%	7.00%	25.0%	64.80%
Service satisfaction at Apotek H2O	1.60%	0.80%	6.30%	23.4%	68.00%

Table 5: Assurance Dimension Questionnaire Result for Existing Customers

Assurance Dimension					
Quality and authenticity of products at Apotek H2O	2.30%	0.80%	5.50%	18.00%	73.40%
Staff knowledge at Apotek H2O	2.30%	0.80%	10.20%	27.30%	59.40%

Table 6: Empathy Dimension Questionnaire Result for Existing Customers

Empathy Dimension					
Apotek H2O staff understand and give a solution	2.30%	1.60%	7.00%	28.90%	60.20%
Intention to comeback	3.10%	0.80%	5.50%	25.00%	65.60%
Giving a recommendation to other people	2.30%	2.30%	5.50%	21.10%	68.80%

The results for potential customers are listed below:

Table 7: Tangible Dimension Questionnaire Result for Potential Customers

Tangible Dimension					
Accessing to Apotek H2O	16.7%	27.8%	38.9%	16.7%	0.0%
Cleanliness and convenience at Apotek H2O	5.6%	0.0%	38.9%	27.8%	27.8%
Product completeness at Apotek H2O is more than competitors	5.6%	0.0%	50.0%	16.7%	27.8%
Satisfaction with Product Availability, Diversity, and Variety	5.6%	0.0%	38.9%	27.8%	27.8%

Table 8: Reliability Dimension Questionnaire Result for Potential Customers

Reliability Dimension					
Apotek H2O fulfill your Needs	0.00%	5.60%	33.30%	27.80%	33.30%

Table 9: Responsiveness Dimension Questionnaire Result for Potential Customers

Responsiveness Dimension					
Apotek H2O staff are friendly and professional	0.00%	0.00%	38.90%	27.80%	33.30%
Staff provides clear and complete information	5.60%	0.00%	33.30%	33.30%	27.80%
Service at the Apotek H2O is fast and efficient	5.60%	0.00%	38.90%	27.8%	27.80%
Service satisfaction at Apotek H2O	5.60%	0.00%	38.90%	27.8%	27.80%

Table 10: Assurance Dimension Questionnaire Result for Potential Customers

Assurance Dimension					
Quality and authenticity of products at Apotek H2O	5.60%	0.00%	33.30%	33.30%	27.80%
Staff knowledge at Apotek H2O	5.60%	0.00%	33.30%	33.30%	27.80%

Table 11: Assurance Dimension Questionnaire Result for Potential Customers

Emphaty Dimension					
Apotek H2O staff understand and give a solution	5.60%	0.00%	33.30%	33.30%	27.80%
Giving a recommendation to other people	5.60%	0.00%	33.30%	22.20%	38.90%

C) External Analysis

a. General Environment Analysis

There are both possibilities and obstacles in the general pharmacy business climate. Pharmacies must innovate and adapt to remain competitive in the face of factors like stringent laws, economic expansion, public health awareness, technological adoption, and environmental demands. Pharmacies can increase their market reach and business sustainability by utilizing these trends with the appropriate approach. The pharmacy business operates in a general environment that is influenced by various external factors, such as Politics, Economics, Social, Technology, Environment, and Legal that are interrelated. The following is the general environment in the pharmacy business:

- **Politic:** Political factors play an important role in the success of a pharmacy business, particularly in government policies. One of the main challenges is licensing bureaucracy. Based on Permenkes No. 9 of 2017, Article 4, the establishment of a pharmacy must meet requirements related to location, building, facilities, infrastructure, and staffing. Additionally, based on Government Regulation No. 5 of 2021 concerning the Implementation of Risk-Based Business Licensing, it is stated that pharmacies have a high level of risk. This results in a large number of licensing documents that must be fulfilled, causing frequent delays in the licensing process, which is further complicated by the lengthy bureaucracy and the lack of understanding of Apothecary regarding the complex regulations. To overcome these obstacles, the leader of Apotek H2O needs to develop a thorough plan, leverage experience gained from previous licensing processes, and involve experienced parties to accelerate the issuance of licenses effectively. On the other hand, government policies also create opportunities through tax incentives for MSMEs. Tax policies through PP 23/2018 MSME actors can take advantage of 0.5% Final Income Tax and income tax exemptions for turnovers below IDR 500 million, providing Apotek H2O with the opportunity to reduce its tax burden, improve profitability and allocate more funds for expansion. This support enables Apotek H2O to accelerate business growth while strengthening its market position. By effectively utilizing these policies, Apotek H2O can overcome regulatory challenges and take strategic steps to ensure business sustainability.
- **Economic:** In terms of economic factors, residents' income significantly affects purchasing power. With the average income of Tangerang Regency residents at IDR 2,746,669 per month and the average monthly expenditure on medication at IDR 69,000 per month, Apotek H2O faces challenges in selling premium products to the lower-middle segment. To address this, competitive pricing strategies, product diversification, and targeted promotions are key to attracting customers. However, the potential economic growth in Tangerang Regency also provides opportunities for Apotek H2O. In an official statement by Regent Zaki through Suara Kabupaten Tangerang on Sunday, September 17, 2023, at 1:49 PM WIB, he stated:
 “In 2021, we recorded a growth rate of 4.63%, and in 2022, it increased to 5.47%. The region’s economy is gradually recovering due to its many economic potentials.”
 This indicates that the economy in Tangerang Regency is gradually improving. With increasing economic activity and purchasing power, the demand for healthcare products is expected to continue growing. This presents a significant opportunity for Apotek H2O to expand its business, particularly if location selection is focused on strategic areas with suitable market potential.
- **Social:** The social aspect plays a crucial role in understanding people’s behavior, preferences, and habits. Post-COVID-19, public awareness of the importance of health has increased, creating significant opportunities for health and supplement products. Apotek H2O leverages this trend by providing relevant products and focusing on health education to consumers. In rural areas, people are starting to prioritize the quality of medicines and prefer pharmacies over traditional shops. However, the habit of using herbal medicines in rural areas also presents both a challenge and an opportunity, encouraging pharmacies to provide herbal products that meet community needs and offer appropriate education. Moreover, offline shopping behavior still dominates in rural and semi-urban areas, requiring pharmacies to strengthen high-quality face-to-face services to attract and retain customers. Additionally, word-of-mouth recommendations are a significant factor in increasing brand awareness and building public trust, especially in areas with strong social relationships. The pharmacy also serves as an alternative for providing more affordable healthcare solutions compared to doctors, particularly for minor ailments, enabling Apotek H2O to tap into a broader market. Therefore, by aligning services and products with the habits and preferences of the community, Apotek H2O can strengthen its position as a trusted healthcare product provider.
- **Technology:** Technology in the pharmacy business enhances operational efficiency and competitiveness in the digital era. The use of a POS system (Point of Sale) enables Apotek H2O to improve transaction speed, price transparency,

and customer experience, while also aiding inventory management through sales data analysis. Historical data from the POS system also provides the ability to forecast seasonal product demand, reduce inventory uncertainty, and lower operational costs. Additionally, collaboration with telemedicine platforms like Halodoc creates opportunities to reach more customers, increase revenue, and expand Apotek H2O's presence in the digital market. Digitalization also impacts the procurement process through supplier apps, which accelerate product sourcing, improve efficiency, and ensure optimal stock availability. By leveraging modern technology, Apotek H2O can integrate digital operations to enhance competitiveness, boost efficiency, and optimize revenue potential. This adaptation enables Apotek H2O to remain relevant amid increasingly fierce competition.

- **Environment:** The environmental aspect plays a role in pharmacy operations. According to Law (UU) No. 6 of 2023, business actors should ensure the safety, security, health, and preservation of environmental functions (K3L) in their business ventures. In operating its business, Apotek H2O implements measures that support sustainability and responsibility for the environment. For example, the business does not offer plastic bags when purchasing goods from certain products. This step reduces plastic waste and decreases operational costs while creating a positive image as an environmentally conscious pharmacy. In addition, Apotek H2O offers trash bins inside and outside the pharmacy to support environmental cleanliness and convenience to customers. This is one of the pharmacy's efforts to educate the community on the importance of waste management. These combined efforts not only help mitigate environmental impact but also strengthen Apotek H2O's reputation as a business that prioritizes environmental responsibility and sustainability.
- **Legal:** Compliance with regulations is a critical aspect of pharmacy business operations. By adhering to regulations, Apotek H2O ensures smooth operations, avoids legal risks, and builds customer trust. Apotek H2O complies with various legal frameworks relevant to pharmaceutical practices, including:
 - a. Regulation of the Minister of Health No. 3 of 2015 on the management of narcotics and psychotropics.
 - b. Regulation of the Minister of Health No. 9 of 2017 on pharmacies.
 - c. Regulation of the Minister of Health No. 73 of 2016 on pharmaceutical service standards.
 - d. Government Regulation No. 51 of 2009 on pharmaceutical work.
 - e. Law No. 36 of 2009 on health.

Additionally, Apotek H2O adheres to the Regulation on Maximum Retail Price (HET). Based on Permenkes No. 98 of 2015, which mandates that medicines must be sold at or below the HET unless there is a discrepancy in the label, this regulation protects the public from unaffordable medicine prices. Consequently, Apotek H2O needs to adjust pricing to ensure compliance without compromising profit margins. Beyond regulatory compliance, Apotek H2O collaborates only with distributors certified under CDOB (Good Distribution Practice) to ensure the quality, authenticity, and safety of the products sold. This approach also reduces legal risks associated with distributing non-compliant products. By adhering to these legal aspects, Apotek H2O not only secures operational sustainability but also strengthens its reputation as a trusted pharmacy that prioritizes safety and quality for its customers.

b. Industry Analysis

- As the pharmacy industry is highly competitive and regulated by multifold forces that influence market dynamics and strategic positioning, an analysis of the industry is presented next through the lens of Porter's Five Forces framework.
- **Barriers to New Entrants into the Pharmacy Industry:** Threat from new entrants in the pharmacy industry is of moderate levels with several factors that reflect this level of threat. Economies of scale can be brought forth by new entrants, and many result in difficult competition for them since established players like Apotek H2O can fetch the best price owing to large volume purchases from distributors that have awarded them with good relationships with the suppliers. This makes it difficult for new entrants to gain favorable terms or pricing. Moreover, government regulations and the high initial investment required for inventory, licensing, and technology like POS systems pose further barriers for new entrants. However, these barriers are not always sufficient to deter large players with substantial capital or established networks. The significant capital required for inventory and technology also poses a challenge for smaller entrants but does not entirely hinder large pharmacy networks or companies from having adequate resources. For Apotek H2O, these factors present significant opportunities for strategic expansion. With already existing relationships with distributors, Apotek H2O can exercise economies of scale to reduce operational costs and offer prices that are more competitive. Loyalty from the customers built up through excellent service, and a reputation as a trusted pharmacy is an added advantage over new entrants. Additionally, strict adherence to regulation and the application of modern technologies such as the POS system can enhance operational efficiency and ensure a superior customer experience for Apotek H2O. Apotek H2O can also widen its market if it opens its new branches in high-potential areas, such as rural or semi-urban places that are less served by larger pharmacies. Therefore, Apotek H2O can use its status to continue capitalizing on a share of the market and then grow with an entry threat in the market.

- **Bargaining Power of Suppliers:** In the case of pharmaceutical distributors, the scale of the business of the pharmacy determines their bargaining power over the pharmacy. For example, a bigger pharmacy with numerous networks and a large scale of business has higher bargaining power. Large pharmacies usually compel distributors to compete with one another to sell products to such pharmacies because the former can order in bulk quantity and offer higher sales volume. This position renders distributors more dependent on large pharmacies to keep their business going. On the other hand, smaller pharmacy usually holds low bargaining power as it owns lower volumes of purchases, which makes it difficult for them to receive good price levels or favorable terms of cooperation. Smaller pharmacies are normally heavily dependent on distributors to stock their inventory and ensure enough product variety. This dependence can be challenging, especially when distributors have a monopoly over some products or charge higher prices. Therefore, the scale of business becomes an important determinant in the negotiation between pharmacy and distributors, making a bigger pharmacy more influential than a smaller one. To overcome this disparity, smaller pharmacies can develop strategies like building long-term relationships with distributors or even joining pharmacy associations. Apotek H2O, with its existing two branches and planned expansion to other locations, holds great scope for increasing its buying power over distributors. Expansion allows larger volumes of purchase orders, more diversified suppliers, and greater negotiating power. The correct strategies in building distributor relationships and achieving purchasing scales will be critical to helping Apotek H2O get the most out of its business relations with suppliers. This also gives a competitive edge in the highly competitive pharmaceutical market.
- **Bargaining Power of Buyers:** In the pharmacy business, the bargaining power of buyers varies depending on the type of buyers, the products offered, and the level of competition in the local market. Individual buyers in retail pharmacies generally have lower bargaining power as they purchase in small quantities, making their impact on the pharmacy's revenue less significant. However, institutions such as clinics or public health centers (puskesmas) have higher bargaining power because their purchases involve large volumes and are often tied to long-term contracts. Pharmacies remain highly dependent on individual customers as they represent the primary source of revenue. In a competitive market, customers can easily switch to another pharmacy if they find lower prices or better services. Therefore, pharmacies need to offer exclusive products such as herbal or premium medicines that are difficult to find elsewhere, creating an advantage by limiting customer options to switch, which reduces their bargaining power. Switching costs also influence buyers' bargaining power. For generic or standard products available at many pharmacies, customers face low switching costs, which increases their bargaining power. However, consumers tend to be more devoted to convenience and trust aspects when it comes to prescription medications or speciality pharmacy services. Furthermore, transparency is increased when consumers can obtain pricing information through online marketplaces and platforms. After that, customers may quickly compare costs and select the drugstore that offers the greatest deal. Pharmacies that don't disclose their prices clearly or raise their prices risk losing clients. Products that are close alternatives like OTC medications or supplements make it even easier for buyers to increase their bargaining power because there is a huge option in the market. On the other hand, for specific brands, the choice of the customer is smaller, therefore reducing his or her bargaining power. Thus, strategies focusing on customer service, unique product offerings, and price transparency will address the pressure arising from the buyer's bargaining power.
- **Substitute Products Threat:** In the pharmacy business, herbal medicines are one of the main substitutes for modern chemical drugs and have a strong market, especially in Indonesia and Southeast Asian countries. Herbal medicines are often chosen by communities that uphold traditional customs, religious values, and cultural healing practices. This market segment is loyal and consists of communities that prefer natural treatment approaches, especially for non-urgent or non-critical diseases. However, for acute or critical conditions, people still resort to chemical drugs because they work faster. Herbal medicines remain the biggest competitor in the pharmaceutical industry, either through traditional medicine shops or through formal pharmacies. Some of the biggest pharmaceutical companies in Indonesia, like Deka Medica, Kalbe Farma, and SOHO, have created highly pure and high-standard herbal product lines. These prove that the market for herbal medicines continues to expand and offers immense opportunities. A few companies even include developing herbal products as one of their top projects. Modern pharmacies have also begun to offer herbal products as demand increases for this kind of medicine, which further proves that herbal medicines are not only a threat as alternatives but also an important opportunity for pharmacies to extend their market segments and reach more customers. This reflects the dynamics of the pharmaceutical industry, which continues to adapt to changing consumer needs and preferences.
- **Industry Rivalry among Competitors:** The pharmacy business is highly intense, with a number of new competitors entering the industry. This is mainly due to the increasing potential growth in public health awareness, especially after the pandemic. Competition becomes very stiff in densely populated areas, where pharmacies have to compete for customers to generate profit. Products that are less differentiated, such as generic drugs and OTC products, increase competition, especially on price. Pharmacies also have high fixed costs, including salaries for pharmacists, assistant pharmacists, and other staff, rent for strategic locations, and inventory with expiration dates. This forces pharmacies

to sell in large volumes, increasing the pressure on profit margins. In strategic areas where the product has a huge share of the market, price competition plays a significant part. This creates a dilemma among businesses since they have to decide to either raise or lower product prices. To overcome the fierce competition, Apotek H2O needs to differentiate themselves through superior services, exclusive products such as branded medicines, and a complete product range of medical devices, maternity and baby care products, personal care items, skincare, and cosmetics. Efficient management of operations also helps in gaining an edge over the competition, which is highly competitive in a market that is growing increasingly challenging.

c. Competitor Analysis

Apotek H2O has several competitors operating in the same area, including Apotek Kimia Farma, Apotek K24, and other local pharmacies. Below is the competitor analysis for Apotek H2O:

1. Future Objectives

- Apotek H2O: The expansion of the branches is done by Apotek H2O in order to achieve economies of scale, enhance brand awareness, and improve customer trust in Apotek H2O. Apotek H2O also strives to enhance customer satisfaction through a better understanding of customer needs and providing a wider range of products.
- Apotek K24: Apotek K24 has focused on franchise expansion to serve communities across Indonesia, with a network currently exceeding 750 outlets spread throughout the country.
- Apotek Kimia Farma: Apotek Kimia Farma emphasizes integration through the provision of clinics, laboratories, optics, and medical equipment, with the aim of implementing the vision of comprehensive healthcare solutions in Indonesia.
- Local pharmacy: Local pharmacies usually pay attention to improving service quality and increasing product lines to be competitive with other pharmacies.

2. Current Strategy

- Apotek H2O: Apotek H2O currently emphasizes affordable product prices, a comprehensive product range tailored to local community needs, and easy accessibility for customers.
- Apotek K24: This pharmacy chain has succeeded in 24-hour operation, a consistent price policy across all the branches, and an extensive network that promotes high brand awareness.
- Apotek Kimia Farma: Apotek Kimia Farma collaborates with BPJS, the country's universal health program, and is famous for selling high-quality drugs that people usually cannot get from local drugstores.
- Local pharmacy: Local pharmacies usually compete by offering competitive prices and focusing on improving customer service.

3. Assumptions

- Apotek H2O: Apotek H2O assumes that the current market will remain stable. Therefore, its focus is on improving existing services, maintaining its customer base, increasing operational efficiency, and executing its expansion plans. Apotek H2O also leverages ordering and delivery services through WhatsApp and Gojek to reach customers more conveniently.
- Apotek K24: Apotek K24 has anticipated the digital trend by developing its own online platform, K24Klik.
- Apotek Kimia Farma: Apotek Kimia Farma assumes that the trend of online shopping will continue to grow. As a response, it has invested in e-commerce platforms such as Tokopedia.
- Local pharmacy: Local pharmacies typically assume that the market will remain stable, so they focus on enhancing their existing services while expanding their product offerings.

4. Capabilities

- H2O: Apotek H2O has strengths in offering affordable prices and a comprehensive product range that meets the needs of the local community.
- Apotek Kimia Farma: Apotek Kimia Farma excels in the premium pharmaceutical segment and has strategic partnerships with institutions like BPJS.
- K24: Apotek K24's strength lies in its national network with consistent 24-hour operations across all outlets.
- Local pharmacy: Local pharmacies rely on strategic locations that are closer to the local community compared to larger competitors.

Apotek H2O responds to competition by implementing several strategic initiatives. The company is developing an integrated Point of Sale (POS) system to streamline operations across all its pharmacy branches, ensuring efficiency and consistency. To enhance customer convenience, Apotek H2O leverages digital platforms such as WhatsApp and Gojek for ordering and delivery services, allowing customers easier access to its products. Additionally, Apotek H2O is planning branch

expansions to achieve economies of scale, increase brand awareness, and strengthen customer trust in Apotek H2O as a reliable and accessible healthcare provider.

D) Internal Analysis

a. Resources Analysis

Resource analysis in the pharmacy business aims to identify, evaluate, and optimize the resources owned to create a competitive advantage and support business objectives. Resources in a pharmacy can be categorized into tangible and intangible resources.

1. Tangible Resources

- **Financial Resources:** Apotek H2O has strong financial resources, both from borrowing capabilities and generating internal funds. In terms of borrowing capabilities, Apotek H2O has successfully secured loans from banks twice, with a smooth repayment history. Even after the instalments were completed, the bank offered a loan with a larger amount than before. This shows that the financial institutions trust the pharmacy's financial viability. From the perspective of internal funds, the largest revenue of Apotek H2O comes from the sale of medicines, especially regularly consumed medicines, followed by non-prescription (OTC) drugs and other products such as medical devices, baby products, and herbal items. Moreover, pharmacies generate other revenues through partnerships with sales persons offering services like loyalty schemes, advertising, cashback on products, and many more. These other revenues accumulate to support daily operations, allowing Apotek H2O to remain financially stable while expanding the business. With this solid financial background, Apotek H2O is just in a position to expand strategically. The ability to access larger loans and generate stable internal revenues provides a strong foundation for investment and the capture of new market segments. Additional funding through the collaborative program further ensures that Apotek H2O can effectively meet the increasing operational demands of its growing business.
- **Organization Resources:** Apotek H2O has an organizational system that is designed to support operational effectiveness in reporting, planning, controlling, and coordination.
 - i. **Reporting:** The formal reporting by Apotek H2O has a systematic process for recording and transmitting information. Sales transactions are always documented using sales reports, while monthly financial reports provide detailed details of revenues and expenses to ensure full operation profitability. Inventory reports are taken on a frequent basis in the pharmacy, whereby stock levels are monitored and checked for the expiring date and products to reorder. Also, the pharmacy observes this regulation through its monthly report to the government using the SIPNAP application of narcotics and psychotropics.
 - ii. **Planning:** At Apotek H2O, where several methods are created to improve performance and customer satisfaction, planning is a crucial component. To boost the pharmacy's awareness, regular promotions are run, such as giving away free vitamins when specific products are purchased. In order to satisfy consumer demands during particular periods, seasonal product planning is carried out. For example, antacid drugs are stocked during the month of fasting. In order to improve professional and educational services, the pharmacy also regularly trains its employees. In order to build more branches and reach a larger market, growth plans are also being meticulously prepared, including cost estimation and location study.
 - iii. **Controlling:** In the sense of controlling, Apotek H2O utilizes various technologies such as a POS for the inventory management control of drugs among other products within the shop, thus ensuring adequate stock without understocking/overstocking that might interfere with proper operations. Apart from that, the employee gets a performance appraisal annually to maintain an appropriate level of service provided through feedback.
 - iv. **Coordinating:** Apotek H2O organizes by making sure that each member of the team has a clear understanding of their roles. While cashiers properly and efficiently conduct financial transactions, pharmacists oversee prescriptions and guarantee the safe use of medications. Various employees handle inventory, help customers, and carry out various support duties. Apotek H2O can operate with great efficiency and deliver excellent service when there is strong cooperation.

This system helps the pharmacy to maintain the quality of services, manage new branches efficiently, and develop well-structured expansion plans. With such a strong base, Apotek H2O is prepared to penetrate new markets and gain more market share in the pharmaceutical industry.

- **Physical Resources:** Apotek H2O has physical resources that aid operations and attract customers. Due to the pharmacy being located strategically very close to the center of an intersection with high visibility within a busy business district, other benefits include much public awareness about it. Customers will be quite comfortable, given physical facilities such as cashier computers and printers, refrigerators for product storage, and optimal design on display cases to showcase the same. In terms of inventory, Apotek H2O offers a diverse stock, not only

of medicines but also other products such as baby supplies, skincare, personal care, and medical equipment. With comprehensive facilities and a varied inventory, Apotek H2O is able to meet a wide range of customer needs with professional service. These strong physical resources also serve as an important asset in supporting Apotek H2O's expansion to new locations. Strategic locations for new branches can take advantage of the existing experience, like picking areas with great potential for customer traffic or even similar commercial zones. Additionally, the tested standards of physical facilities that promote comfort to customers can be replicated in new branches for uniform service delivery. A varied inventory also allows Apotek H2O to attract customers in new areas by fully addressing their healthcare needs. It will capitalize on the experience gained at the existing location to better invest in the infrastructure and stock for its new branches.

- **Technology Resources:** This drugstore applies information resources for operational effectiveness and business operation management. Apotek H2O may utilize computers with the Point of Sale system to connect other important functionalities like cashiering, inventory monitoring, sales recordation, and financial reporting. This technology not only ensures data accuracy and operational transparency but also provides ease in monitoring product stock in real-time, preventing shortages or overstocking. The use of integrated technology has become one of Apotek H2O's strengths in maintaining service quality and workflow efficiency. These technology resources are also a crucial asset in supporting Apotek H2O's expansion plans to new locations. Currently, it is planning to upgrade its POS system to enable full integration. This will allow the new branches to easily connect to the central operational database. With an integrated POS system, inventory, sales, and reporting can be managed centrally and efficiently. The same technology allows management to monitor the performance of new branches in real time. This way, necessary decisions can be made speedily. Therefore, Apotek H2O is highly prepared to tackle operational challenges while expanding.

2. Intangible Resources

Intangible resources are human resources, innovation resources, and reputational resources.

- **Human Resources:** Apotek H2O has a fairly strong human resource base, supported by structured training programs that ensure all staff possess comprehensive product knowledge and service skills. Apothecaries and apothecary assistants are required to have in-depth knowledge of medications, including drug interactions and contraindications, and the ability to provide recommendations tailored to customer needs. All staff undergo a one-month initial training program, with the first two weeks dedicated to memorizing product storage locations, uses, and categories, followed by two weeks of guided customer service training alongside experienced staff members. After the initial month of training, new staff performance is evaluated weekly over the next month to ensure continuous improvement and adherence to service standards. For other staff, performance is evaluated monthly. To maintain up-to-date knowledge, any new product information is promptly shared with staff through a WhatsApp group, enabling them to stay informed and provide accurate recommendations to customers. In addition, sometimes, a medical sales representative from the distributor will help the frontliner or staff to have their product knowledge and, by little, training to get new insight. This thorough training equips staff to manage the proper storage of medicines and other products on display shelves, ensuring smooth and efficient transactions while minimizing customer wait times. Employees are expected to deliver expert knowledge and services, which immediately increases client confidence in the caliber of the pharmacy's products. Good teamwork among staff members fosters a relaxed and comfortable workplace, which raises the standard of services provided overall. Apotek H2O's expansion goals to new sites are greatly aided by this robust human resource base. The structured process of training, which has already been embedded in the culture of pharmacy, can also be used as a model for developing new teams in expansion places. Periodic evaluations also ensure that all the staff members remain within high standards of service quality. Moreover, teamwork and collaboration cultures present in existing stores speed up integration and adaptation in new sites as well, thus starting with harmony and efficiency at the workplace. With the aid of well-trained and continually developed human resources, Apotek H2O will have a guarantee to sustain the service standards at both old locations and new branches. It will help develop a consistent reputation and extend customer trust in new markets, hence the pharmacy's success with expansion efforts.
- **Sources of Innovation:** Resource-poor Innovative Apotek H2O tries to innovate through ease of service provisions for customers who use WhatsApp and make it a little easier with the prescription through WhatsApp ordering or prescription ordering straight from the premises. Customers, therefore, do not have to line up for medicine preparation, and an SMS notification notifies them when drugs are ready in the pharmacy. The home delivery service also comes through Apotek H2O by using platforms like Gojek and Grab. Products-wise, the pharmacy keeps on updating its catalogue by offering new products, which include herbal medicines that are fast becoming popular among customers. All these innovations allow Apotek H2O to meet customer needs in a more modern, fast, and relevant manner. These innovations are also a critical asset in supporting Apotek H2O's

expansion plans to new locations. With WhatsApp-based online services and the use of delivery platforms like Gojek and Grab, Apotek H2O can expand its service reach beyond the physical location of the pharmacy. Customers in new branch areas can enjoy the same ordering and delivery services, ensuring consistent service quality across all pharmacy locations. Further, through this, the chain will continue enhancing its product portfolios, such as herbal-based drugs. Customers with diverse interests can thus be targeted in those markets. Concentrating on delivering innovative services together with products leads Apotek H2O to have greater prospects of developing the confidence in the minds of new market-based customers, therefore widening its share of the markets and reinforcing its pharmaceutical drug chains.

- **Reputational Resources:** Apotek H2O enjoys a positive reputation among suppliers as well as customers. Apotek H2O is regarded by clients as a pharmacy that provides reasonable costs together with educational consultancy services. The presence of drug information boards at the pharmacy that offer precise and appropriate usage instructions, together with concise explanations on how to take medications, gives customers a sense of support. Its supplier relationships are also well-developed because Apotek H2O does not experience a lot of delays in payments. Actually, some of them have implemented a COD system for payments, showing the pharmacy's commitment to maintaining trust with its partners. Although the brand name Apotek H2O is still not very familiar throughout the entire Tangerang Regency, its brand awareness remains relatively strong within several sub-districts, including Jambe, Panongan, Legok, Tenjo, and Tigaraksa. All these are considered as important assets to continue growing and expanding in the future.

b. Value Chain Analysis

1. Primary Activities

- **Inbound Logistics:** A potek H2O builds reliable sourcing processes with registered distributors, which strictly follow the CDOB principles for distribution in ensuring quality, authenticity, and safety. Before being stored, all goods entering the store are checked on by trained pharmacists or pharmaceutical assistants to verify compliance with standards and product specifications. Products are then kept in temperature-regulated facilities to maintain optimal quality. The pharmacy provides a wide range of health products, such as prescription drugs, over-the-counter drugs, herbal remedies, baby essentials, and personal care items. All the products are categorized and arranged through the inventory system to ensure that they are accessible easily, faster in stock management, and quicker in ordering. Just-in-time inventory is also used for high turnover of items, which reduces holding costs while maintaining stock availability. To further reduce the overall cost, a bulk purchasing strategy is used for negotiations to reduce the unit price. Advanced technologies in inventory management, such as a POS system, allow monitoring of stock quantities, expiration dates, and sales trends in real-time, hence allowing timely replenishment. As an added safeguard against supply chain disruptions or surprise increases in demand, Apotek H2O maintains buffer stocks of essential items to maintain product availability at all times. By combining strategic procurement practice with technological integration and proactive inventory management, Apotek H2O is able to reach its customers' needs and desires while maintaining its position as a reliable and high-class healthcare provider. This well-structured internal logistics system is at the core of its operational excellence in allowing the organization to achieve growth and expansion.
- **Operations:** Apotek H2O focuses on efficiency and accuracy to maintain the flow of everyday operations and high service standards. It includes obtaining supplies from registered distributors, monitoring stock levels with a keen sense of detail, and positioning products in the pharmacy layout that would provide easy access and visibility. Advanced management of stock includes FIFO and FEFO. These systems help minimize the risk of selling expired items. In order to maintain product efficacy and guarantee adherence to pharmaceutical standards, temperature-sensitive items are kept in temperature-controlled facilities with real-time monitoring. The pharmacy's layout is intended to improve client satisfaction and operational effectiveness. The products are arranged in an easy-to-understand manner, which facilitates both customer and staff restocking. To maintain a clean, safe, and professional atmosphere, routine facility maintenance is performed, including equipment inspections and cleaning. Apotek H2O uses technology to optimize procedures in addition to its physical activities. In order to make proactive decisions, the POS system tracks inventory levels, sales patterns, and reorder requirements. Ongoing training guarantees that employees are knowledgeable about operating procedures, which improves service dependability even more. Apotek H2O provides top-notch goods and services that ensure client safety and happiness by upholding the highest operational standards. This approach bolsters its dedication to quality and its objective of fostering enduring loyalty and trust among its clientele.
- **Outbound Logistics:** Apotek H2O ensures the efficient distribution of products by categorizing items, smoothing the retrieval processes, and consequently reducing customer queues. Products will be systematically aligned and easily retrieved for staff so that they will be able to locate and prepare orders quickly. For greater convenience,

Apotek H2O also offers delivery services through platforms like Gojek and Grab, which can be ordered via WhatsApp for those who prefer shopping online or cannot easily move around. The pharmacy aims to focus directly on customers by combining product distribution with professional consultation on how to use medicines, dosage, and storage. This customer-centric approach not only makes sure that the customers use the products appropriately and safely but also builds their confidence in the knowledge of the pharmacy. With the smooth integration of delivery services and efficient in-store practices, Apotek H2O aligns its outbound logistics with its goal of accessibility, customer satisfaction, and dependable one-stop shopping for health care.

- **Marketing and Sales:** Apotek H2O engages in promotional tactics to raise awareness, attract clients, and prompt sales. Promotional tactics employed include special discount offers on a few products, seasonal promotions, and health education through medicine information boards and one-on-one contacts with customers. By educating clients on the proper use of medication and preventive measures for health, Apotek H2O extends its reach as a responsible healthcare provider. Sales are promoted through two principal channels:
 - i. **Offline Sales:** Apotek H2O operates in crowded areas to access the local market easily. The convenience of the layout of the pharmacy is enhanced, with clear categories for medicines, herbal products, baby supplies, personal care, and medical equipment, reinforcing the one-stop shop value proposition of the pharmacy.
 - ii. **Online Selling:** Apotek H2O takes advantage of the online site with WhatsApp to process orders at home and accept home delivery by use of gojek, and grab; thereby increasing more customer access from wide products. Trained pharmacy employees are essential in supporting its one-stop shop posture by making product suggestions depending on the needs of the customer. Employees are prepared to advise clients on how to use products, their advantages, and other options, improving the shopping experience. Customers may rely on Apotek H2O to effortlessly meet a variety of health-related demands through its offline and online sales channels, whether they do it through a physical store or over WhatsApp. Apotek H2O continuously prioritizes accessibility, product diversity, and expert customer service in order to uphold its reputation as a reliable and comprehensive stop. Apotek H2O's marketing and sales approach successfully appeals to a wider range of consumer needs by being in line with the one-stop shop philosophy. In the end, Apotek H2O gains a greater competitive edge due to an increase in brand awareness and client loyalty in the pharmaceutical market.
- **Service:** After-sales services for Apotek H2O are customer satisfaction-focused. These services include post-purchase consultations for information on dosages and storage, return policies for non-compliant products, and education about preventive healthcare. The pharmacy further maintains good relationships with customers by implementing loyalty programs and feedback systems to improve the quality of its services. Through this, Apotek H2O ensures that customers not only get their healthcare needs but also develop trust and loyalty over time.

2. Supporting Activities

- **Firm's Infrastructure:** Apotek H2O establishes a solid corporate structure to sustain operations and expansion. In strategic management, Apotek H2O expands into possible areas like Tigaraksa by conducting in-depth market and competitor analysis to seize market opportunities. In terms of financial management, Apotek H2O uses robust financial resources and government incentives to reduce costs, increase profitability, and support expansion programs. Apotek H2O adheres to all pharmaceutical regulations, including those of HET and CDOB. Technology forms an integral part of the infrastructure by incorporating a POS system to manage stock better, and customer care is improved with the integration of digital technology. Competitor strategies and services are constantly evaluated for adjustments and improvements in market positioning. In external relations, Apotek H2O is actively working with regulators and certified distributors to ensure that operations are not interrupted and that the supply chain is reliable. Moreover, sustainability practices like reducing plastic use and educating on waste management are implemented to support the environment while improving the company's reputation. This infrastructure is designed to create operational efficiency, readiness for expansion, and Apotek H2O's competitive advantage in the pharmaceutical market.
- **Human Resource Management:** Human Resource Management at Apotek H2O focuses on strategically managing employees to support the company's business goals. The recruitment process is carried out through various channels, including social media, partnerships with educational institutions, and employee referral programs. Prospective employees are selected based on qualifications, certifications (such as valid STR), and suitability to Apotek H2O's work culture. Employees are expected to master product knowledge and service skills through structured training programs. The initial training will be carried out in a month. The first two weeks will focus on memorizing product storage locations, uses, and categories, and then for two weeks, and there will be guided customer service training under experienced staff members. Apotek H2O has an ongoing employee development program through which it conducts technical training on products, customer service skills, and stock management. The performance evaluation system is conducted monthly and involves giving employees feedback.

As for compensation, Apotek H2O provides a competitive remuneration package, which includes basic salary, performance incentives, and other additional benefits. This policy will increase employee motivation and job satisfaction. Open communication and a conducive work environment are also emphasized in Apotek H2O. The company, through normal team meetings and also good employee satisfaction surveys, ensures that there is a good relationship between management and employees. Through this comprehensive HR management approach, Apotek H2O ensures that its employees will not only be professionally competent but also motivated to provide the best service to customers for the overall growth and success of the company.

- **Technology Development:** Technological development at Apotek H2O focuses on the enhancement of operational efficiency and customer experience. The technology features a POS-based inventory management system, which manages stock, expiration dates, and reorder schedules; however, the current POS needs to be upgraded with new features. Medication ordering services are available through WhatsApp, and customers can access the pharmacy via delivery through Gojek and Grab. For customer education, the pharmacy makes use of in-store available information boards. The pharmacy also provides QRIS and bank transfer payment systems to accommodate customer preferences.
- **Procurement:** Procurement at Apotek H2O is aimed at sourcing quality healthcare products, such as prescription drugs, OTC medicines, supplements, herbal remedies, and baby essentials, from certified distributors who observe Good Distribution Practices (CDOB). This way, all the products sourced meet the highest standards of safety, quality, and compliance. Strategic price negotiations are carried out in bulk purchases so that Apotek H2O can cut down on unit costs but ensure that customers receive the products at competitive prices. Apotek H2O utilizes a Just-in-Time (JIT) system in managing its inventory. This would minimize overstocking and reduce the cost of storage while ensuring the timely delivery of fast-moving products. Furthermore, Apotek H2O maintains close relations with key distributors, which would allow it to secure priority access to critical supplies and quickly adapt to market demands or supply chain disruptions. Integrating cost efficiency, efficient inventory management systems, and tough quality controls with procurement ensures operational dependability and contributes to the likelihood of meeting diverse customers' needs and expectations in Apotek H2O over time. Hence, this makes a strong acquisition strategy that is a part of the fundamentals of the firm's competitive strengths and customer pleasure.

c. Competitive Advantage

Table 12: VRIN Framework

Main Capabilities	Is the Capability Valuable?	Is the Capability Rare?	Is the Capability Costly to Imitate?	Is the Capability Non-substitutable?	Competitive Consequences	Performance Implications
Strong Financial Resources	Yes	No	No	No	Competitive Parity	Average Returns
Well-Structured Organizational Resources	Yes	Yes	Yes	No	Sustainable Competitive Advantage	Above Average Returns
Strategic Location	Yes	Yes	Yes	No	Sustainable Competitive Advantage	Above Average Returns
Technology Utilization (POS System)	Yes	Yes	No	No	Temporary Competitive Advantage	Average Returns to Above Average Returns
Innovation in Services	Yes	Yes	No	No	Temporary Competitive Advantage	Average Returns to Above Average Returns
Good Reputation	Yes	Yes	Yes	Yes	Sustainable Competitive Advantage	Above Average Returns
Efficient Logistics System	Yes	Yes	No	Yes	Temporary Competitive Advantage	Average Returns to Above Average Returns
Partnerships and Relationships with Suppliers	Yes	Yes	No	No	Temporary Competitive Advantage	Average Returns to Above Average Returns
Well-Trained Human Resources	Yes	Yes	Yes	Yes	Sustainable Competitive Advantage	Above Average Returns
One-Stop Shop at Affordable Prices	Yes	Yes	Yes	Yes	Sustainable Competitive Advantage	Above Average Returns
Centralized Procurement Process	Yes	Yes	No	No	Temporary Competitive Advantage	Average Returns to Above Average Returns
Unique Brand Name	Yes	Yes	Yes	Yes	Sustainable Competitive Advantage	Above Average Returns

E) SWOT Analysis

SWOT analysis of Apotek H2O can be conducted after analyzing market, customer, external factors, and internal factors. The results of this analysis are summarized in Table 13 below.

Table 13: SWOT Analysis of Apotek H2O

Strength	Weakness
<ol style="list-style-type: none"> 1. Affordable Prices and Comprehensive Product Range (One-Stop Shop) 2. Strong Financial Resources 3. Well-Structured Organizational Resources 4. Strategic Location 5. Technology Utilization (POS System) 6. Innovation in Services 7. Good Reputation 8. Efficient Logistics System 9. Partnerships and Relationships with Suppliers 10. Well-Trained Human Resources 11. Centralized Procurement Process 12. Unique Brand Name 	<ol style="list-style-type: none"> 1. Limited Market Coverage 2. Dependence on Manual Promotion 3. No Digital Platform for Orders 4. Outdated POS System
Opportunity	Threats
<ol style="list-style-type: none"> 1. Government Support for MSMEs 2. Economic Growth in Tangerang Regency 3. Increasing Health Awareness Post-COVID-19 4. Offline Shopping Behavior in Rural Areas 5. Growing Demand for Preventive Healthcare 6. Increasing Trends in Herbal Products 7. Digital Trends in Healthcare 8. Collaboration with Local Clinics 	<ol style="list-style-type: none"> 1. Increasing Competition 2. Digital Disruption and E-Commerce Platforms 3. Economic Pressure or Instability 4. Dependence on Government Policies 5. Supply Chain Disruptions 6. Technological Adaptation by Competitors 7. Rising Operational Costs

F) TOWS Matrix

The TOWS Matrix helps develop strategic options for Apotek H2O by matching its strengths and weaknesses with opportunities and threats.

Table 14: TOWS Matrix of Apotek H2O

TOWS	Opportunity	Threat
	SO Strategies	ST Strategies
Strength	Expand Product Offerings and Partnerships with Suppliers: Leverage supplier relationships to expand the product range, including preventive healthcare and herbal products, in line with market trends, strengthening Apotek H2O's position as a one-stop shop.	Differentiate Through Pricing, Product Range, and Human Resources: Leverage affordable pricing, a comprehensive product range, and well-trained human resources to maintain customer loyalty and stand out in a highly competitive market with players like E24 and Kiria Fama.
	Open New Branches in Strategic and High-Growth Locations: Open branches in strategic locations focusing on high-growth economic areas and offline shopping behaviors, such as rural or semi-urban areas. This strategy attracts price-sensitive customers with affordable and comprehensive offerings.	Strengthen Supplier Relationships and Manage Supply Chain Disruptions: Build strong partnerships with suppliers to ensure product availability through early access to information and effectively manage supply chain disruptions to maintain operational stability and customer satisfaction.
	Develop a Digital Platform and Upgrade Technology: Build an integrated digital platform with an upgraded POS system to enable online prescription uploads, consultations, and delivery services, while supporting centralized inventory management for new branches.	Enhance Digital Innovation and Leverage Brand Name: Expand digital services like WhatsApp ordering and Gojek/Grab delivery while leveraging Apotek H2O's distinctive brand name to boost customer loyalty and differentiate from competitors adopting advanced digital platforms like E24Click.
	Enhance Brand Recognition and Leverage Reputation: Capitalize on Apotek H2O's unique brand name and strong reputation through targeted marketing campaigns in high-growth areas, emphasizing affordability and a comprehensive product range.	Address Economic Instability with Affordable Pricing and Product Range: Use affordable prices and a comprehensive product range to retain customer loyalty during periods of economic instability and provide substitute products in lower prices.
	Well-Trained Human Resources to Support Preventive Healthcare: Well-trained staff can improve customer satisfaction through consultation services supporting preventive healthcare and the benefits of herbal products.	Competent Human Resources for Compliance: Utilize competent human resources to handle complex pharmacy licensing regulations.
	WO Strategies	WT Strategies
Weakness	Develop a Digital Platform: Developing a digital platform for Apotek H2O to leverage digital healthcare trends and improve customer accessibility.	Adapt to Technological Trends: Invest in digital technology to match competitors' advancements in e-commerce and telemedicine integrations. By adopting similar platforms and services, Apotek H2O can stay competitive and attract tech-savvy customers.
	Adopt Digital Marketing and Collaboration: Increasing brand awareness through collaborations with local clinics and digital promotions to attract more customers.	Target Affordable Market Segments: Focus on providing affordable and essential products to cater to the lower-middle income segment. Highlight value-for-money offerings to maintain customer loyalty amidst economic pressures.
	Promote Preventive and Herbal Products: Use economic growth and increased health awareness post-COVID-19 to promote supplements and herbal products, tapping into the growing demand in these categories.	

G) Business-Level Strategy

Business-level strategy is the strategic approach developed by Apotek H2O as a basis for achieving a competitive advantage, consolidating its position in the pharmaceutical market, and furthering its expansion plans. This strategy combines the efforts of exploiting the resources and capabilities available to Apotek H2O into superior competencies. These competencies will enable Apotek H2O to offer superior value to customers, enhance their satisfaction, and gain customer loyalty. Apotek H2O has three dimensions that characterize its relationships with customers. There are the Reach, Richness, and Affiliation dimensions, which are critical for the building of a strong relationship with the customers.

1. Reach: Extending Apotek H2O's reach in services by opening new branches so that the number of clients served will increase significantly.
2. Richness-Informational service would entail giving the customers detailed and relevant information, like medication education offered directly by the staff of Apotek H2O or indirectly provided by informational boards available in the pharmacy, to enhance the customer's experience.
3. Affiliation-Learning of high-difference relations through programs that reward loyal customers so as to create an emotional bond towards the brand.

Through this approach, Apotek H2O competes not only on price but also on quality services and extensive products available, along with a greater customer experience.

Customer relationships in terms of the three dimensions: reach, richness, and affiliation effectively enable Apotek H2O to address the three key questions:

1. Who: Determining the Customers to Serve
The reach dimension makes it possible for Apotek H2O to determine its market scope for targeting. Expanding branches to strategic locations and integrating services such as the ability to order via WhatsApp and delivery by Gojek/Grab gives Apotek H2O wider service reach. Therefore, Apotek H2O will definitely serve customers who belong to diversified segments, namely those who need to access physical places easily and online shoppers.
2. What: Determining Which Customer Needs to Satisfy

Its focus is on very deep understanding of customer needs. Apotek H2O can use the data from a sale with customer feedback to know particular needs such as preventive healthcare products, herbal remedies, baby supplies, personal care, or informative medication consultation. If such details are discussed through in-depth information and health education with Apotek H2O customers, customer needs will be understood in a more relevant and personalized manner.

3. How: Determining Core Competencies Necessary to Satisfy Customer Needs

Through the affiliation dimension, it is possible for Apotek H2O to liaise with customers in a close relationship through the identification of their needs. The core competences in the aspect of well-trained staff, friendly customer services and One-Stop Shop at Affordable Prices create satisfying experiences. Through rewards programs, Apotek H2O can build strong relationships with customers, creating strong affiliations with its customer base.

By dealing with these three key questions, Apotek H2O can identify its target customers and understand their needs deeply, followed by developing appropriate competencies in order to address those needs. In this scenario, Apotek H2O uses the Integrated Cost Leadership and Differentiation strategy, in which cost leadership and differentiation combine to provide an advantage in competition in the pharmaceutical market. The cost leadership strategy is applied through affordable product pricing and operational efficiency supported by economies of scale, and technology such as a POS system. The differentiation strategy is delivered through added value in the form of high-quality services, such as professional health consultations from trained staff, in-depth medication education through direct interaction and informational boards, digital services (ordering via WhatsApp and delivery through Gojek/Grab), and fulfilling customer needs with comprehensive product offerings as a one-stop shop. In addition, loyalty programs build strong emotional connections with customers. With this combination, Apotek H2O can not only compete on price but also deliver a unique and superior customer experience. This strategy enables Apotek H2O to expand its customer reach, increase satisfaction, and build loyalty, thereby strengthening its position in the pharmaceutical market with an integrated approach.

H) Strategic Diamond

The five key elements that make up the Strategic Diamond Framework are Arenas, Vehicles, Differentiators, Staging, and Economic Logic. Below are the strategic elements of Apotek H2O:

- Arenas: Apotek H2O focuses on Tangerang Regency, where medicines, preventive healthcare products, herbal items, baby supplies, and personal care are offered to local customers looking for affordable and trusted healthcare services. Apotek H2O is concentrated in areas within Tangerang Regency, such as Jambe and Panongan, with a radius of 1–3 km from densely populated communities.
- Cars: Opening of new branches in strategic locations with WhatsApp and Gojek to place orders and for delivery purposes and clinics and suppliers to provide added services
- Competitor's Edge: Low cost, wide selection of products, and professional consulting with friendly staff
- Launching: Stepped opening of branches in areas with great potential near Jambe and Panongan with high-tech POS to enhance its operations and raise brand consciousness.
- Economic Rationality: Create revenue through economies of scale, supply chain efficiency, product diversification, and customer loyalty programs.

I) Implementation Plan

Below is the implementation plan of the proposed strategies, which is expected to be completed within a year:

Table 15: Gant Chart of Implementation Plan

Proposed Strategy	Action Plan	Months											
		1	2	3	4	5	6	7	8	9	10	11	12
Increase Product Offering	Identify customer preferences												
	Expand the product range												
	Train staff to educate customers about these products												
Upgrade Point of Sale (POS) System	Procure and deploy advanced POS software.												
	Train staff to utilize the new system.												
Employee Development	360 degrees review												
	Training												
	Evaluate the result												
Strengthen Supply Chain and Inventory Management	Increase buffer stock for high-demand products.												
	Monitor supplier performance regularly.												
Promotions	Planning for promotions												
	Leveraging Social Media												
	Seasonal promotions												

Expansion is a strategic step for Apotek H2O to address the increasingly competitive market challenges while fulfilling the community's need for better access to pharmaceutical services. This expansion aims to extend the reach of Apotek H2O's

services, increase market share, and strengthen its position as a leading provider of pharmaceutical services, particularly in the Tangerang Regency area. The expansion is expected to build stronger trust within the community towards Apotek H2O and drive sustainable business growth. The following is the implementation plan for Apotek H2O's expansion, which is expected to be completed within a 4-week timeframe.

Table 16: Timeline New Branch Establishment

No	Activity	Required Time	Immediate Predecessor
A	Pharmacy Building Preparation		
1	Location Survey and Rental Agreement	2 Weeks	
2	Preparation of Interior and Exterior	4 Weeks	A1
3	Product Stock Fulfillment	2 Weeks	C6
B	Employee Recruitment		
1	Recruitment of Responsible Apothecary and Pharmaceutical Staff	2 Weeks	
2	Initial Training for New Staff	4 Weeks	
C	Licensing		
1	Agreement Between Owner or Company and Responsible Apothecary	1 Weeks	B1
2	Establishment of Limited Liability Company & NIB via OSS	2 Weeks	
3	Issuance of SIPTK (Pharmaceutical Technical Personnel License)	4 Weeks	B1
4	Submission of Data to OSS for Pharmacy Business License (SIA) Application	1 Weeks	A2, C3
5	Data Verification by Relevant Authorities	2 Weeks	C4
6	Inspection by Relevant Authorities	1 Weeks	C5
7	Issuance of Pharmacy Business License	4 Weeks	C6

Table 17: Gant Chart of Timeline New Branch Establishment

No	Activity	Weeks													
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
A	Pharmacy Building Preparation														
1	Location Survey and Rental Agreement														
2	Preparation of Interior and Exterior														
3	Product Stock Fulfillment														
B	Employee Recruitment														
1	Recruitment of Responsible Apothecary and Pharmaceutical Staff														
2	Initial Training for New Staff														
C	Licensing														
1	Agreement Between Owner or Company and Responsible Apothecary														
2	Establishment of Limited Liability Company & NIB via OSS														
3	Issuance of SIPTK (Pharmaceutical Technical Personnel License)														
4	Submission of Data to OSS for Pharmacy Business License (SIA) Application														
5	Data Verification by Relevant Authorities														
6	Inspection by Relevant Authorities														
7	Issuance of Pharmacy Business License														

V. CONCLUSION AND RECOMMENDATION

A) Conclusion

Based on the analysis conducted, Apotek H2O's strategy aims to leverage the company's core competencies in affordable pricing, comprehensive product offerings, excellent customer service, good reputation and unique brand name. These skills handle the current market situation created by consumer awareness, high demand for quality and affordability with a focus on convenience in pharmaceutical services. Post-COVID-19, the hikes in awareness and digital adoption trends reveal that customers are concerned with accessible pricing, comprehensive products, personalized customer service, and hassle-free purchasing experiences, which match Apotek H2O's competencies. The external factors, like increased competition, technological advancements, and consumer behavior trends along with internal factors like operational capabilities, supplier partnerships, and financial stability, have a significant impact on the growth opportunities of Apotek H2O. All these factors,

together, underscore the need for an aggressive business strategy to adapt to market changes. Affordable pricing, comprehensive product offerings, excellent customer service, good reputation and unique brand name comprise core competencies for Apotek H2O to form a strategic direction. The proposed strategies include increasing product offerings, upgrading the technology, training employees, strengthening supply chain and inventory management, and promotions to enhance retention amidst intense competition. These strategies implemented are going to help Apotek H2O obtain sustainable growth, improve competitiveness, and even better fulfillment of customer needs while growing into a store that is trusted as a pharmacy. These strategies thus create a very strong framework to handle market challenges and avail opportunities for long-term success.

B) Recommendation

Based on the analysis above, here are the recommendations for Apotek H2O:

1. Expansion to Strategic Locations: Open new branches in densely populated areas such as Tigaraksa. Prioritize locations with high traffic and a radius of 1–3 km from residential or housing areas to maintain accessibility while leveraging existing service quality and customer satisfaction advantages.
2. Product diversification: diversify product categories to include premium healthcare products, more herbal medicines, baby products, skincare, and personal care products. This would cater to the growing demand for preventive healthcare and alternative treatments, while Apotek H2O would differ from its competitors.
3. Strengthening Partnerships: Strengthen partnerships with suppliers so that products will be available on time and have better terms; also, engage in partnerships with local clinics and healthcare providers as a trusted pharmacy partner.
4. Improving Customer Experience: Maintain high service standards by regularly training staff on consultation and customer service. Introduce loyalty programs that reward repeat customers and deepen the emotional connection with Apotek H2O.
5. Improving Operational Efficiency: Upgrade the POS system to support better inventory management and analytics for demand forecasting. This would minimize stockouts and reduce operational inefficiencies.
6. Strengthen Brand Awareness: Use marketing campaigns that focus on the strengths of Apotek H2O: low prices, a wide range of products, and good customer service. Use social media to increase visibility and reputation.
7. Market Challenges: Monitor changes in regulations and ensure that Apotek H2O is compliant with all pharmaceutical standards.
8. Development of digital platforms: Build an integrated Apotek H2O digital platform that can offer online orders with features including uploading prescriptions, online consultations, and delivery through Gojek/Grab to embrace market trends of digital healthcare services.

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