

**A VALUE BASED GO-TO-MARKET STRATEGY TO LIQUIDATE STAGNANT  
INVENTORY OF NON-SUBSIDIZED ZA FERTILIZERS AT PT PUPUK  
INDONESIA (PERSERO)**

**STRATEGI \*GO-TO-MARKET\* BERBASIS NILAI UNTUK MELIKUIDASI  
STOK PUPUK ZA NON-SUBSIDI YANG MENGENDAP DI PT PUPUK  
INDONESIA (PERSERO)**

**Cendana Biru**

Program Studi Magister Administrasi Bisnis, Institut Teknologi Bandung

[cendanabiru@gmail.com](mailto:cendanabiru@gmail.com)

**ABSTRACT**

*This study investigates a critical commercial impasse at PT Pupuk Indonesia (Persero), characterized by the accumulation of 128,590 tons of stagnant non-subsidized ammonium sulfate (ZA) fertilizer, particularly ZA Petro and ZA Plus Petro, in West Java's agricultural sector. The stagnation is driven by external price resistance, reflected in a retail price gap of IDR 80,000–90,000 compared with generic private competitors, and internal supply-side frictions, including dysfunctional inter-line margin policies, logistics bypassing, and limited field-sales capacity. This study aims to evaluate B2B market realities, diagnose structural weaknesses in supply-chain and channel management, and formulate an actionable non-price defense strategy. A qualitative case study design was employed, focusing on commercial horticulture in West Java. Purposive sampling involved eight strategic informants representing commercial farmers, R1 distributors, and internal logistics personnel across Lines 1 and 3. Data were analyzed using deductive content analysis based on Business Buying Behavior, Business Buying Organization, Product Differentiation, Supply Chain Management, and Channel Management theories. The findings indicate that despite strong agronomic advantages, including 100% water solubility and zinc enrichment exceeding 5,000 ppm, weak local promotion and structural channel conflicts have constrained market penetration. The study proposes a Retail ZA Go-To-Market Playbook integrating STP, 7P interventions, value-based pricing, channel incentives, conditional consignment, and demonstration plots to accelerate inventory liquidation while protecting profitability.*

**Keywords:** B2B Marketing, Channel Management, Inventory Liquidation, Value-Based Selling, Go-To-Market Strategy

**ABSTRAK**

Studi ini mengkaji kebuntuan komersial yang kritis di PT Pupuk Indonesia (Persero), yang ditandai dengan akumulasi 128.590 ton pupuk amonium sulfat (ZA) non-subsidi yang stagnan, khususnya ZA Petro dan ZA Plus Petro, di sektor pertanian Jawa Barat. Kemandekan tersebut dipengaruhi oleh resistensi harga eksternal, yang tercermin dari kesenjangan harga eceran sebesar Rp80.000–90.000 dibandingkan produk generik pesaing swasta, serta berbagai gesekan dari sisi pasokan internal, termasuk kebijakan margin antar-lini yang tidak efektif, bypassing logistik, dan keterbatasan kapasitas tenaga penjualan lapangan. Penelitian ini bertujuan mengevaluasi realitas pasar B2B, mendiagnosis kelemahan struktural dalam manajemen rantai pasok dan saluran distribusi, serta merumuskan strategi pertahanan non-harga yang dapat diimplementasikan. Penelitian menggunakan desain studi kasus kualitatif dengan fokus pada sektor hortikultura komersial di Jawa Barat. Pengambilan sampel secara purposive melibatkan delapan informan strategis yang terdiri atas petani komersial, distributor R1, serta personel logistik internal Lini 1 dan Lini 3. Data dianalisis menggunakan analisis konten deduktif berdasarkan teori Perilaku Pembelian Bisnis, Diferensiasi Produk, Manajemen Rantai Pasok, dan Manajemen Saluran. Hasil penelitian menunjukkan bahwa meskipun produk memiliki keunggulan agronomis, termasuk kelarutan air 100% dan pengayaan zinc lebih dari 5.000 ppm, lemahnya promosi lokal dan konflik struktural saluran telah menghambat penetrasi pasar. Penelitian ini mengusulkan Retail ZA Go-To-Market Playbook yang mengintegrasikan STP, intervensi 7P, penetapan harga berbasis nilai, insentif saluran, konsinyasi bersyarat, dan demplot untuk mempercepat likuidasi persediaan sekaligus menjaga profitabilitas.

**Kata Kunci:** Pemasaran B2B, Manajemen Saluran, Likuidasi Persediaan, Penjualan Berbasis Nilai, Strategi Go-To-Market

## INTRODUCTION

PT Pupuk Indonesia (Persero) is undergoing a strategic transition from a historically subsidy-oriented fertilizer system toward a competitive commercial B2B market. This transition is shaped by increasing price sensitivity, global supply-chain disruptions, regulatory requirements, and aggressive cost-leadership strategies among private competitors. Commercial farmers, particularly those cultivating high-value horticultural crops, increasingly evaluate fertilizer purchases based on economic returns, input costs, and expected productivity rather than brand reputation alone.

The commercial fertilizer market is further challenged by rising raw-material costs and stricter agronomic standards. Global supply-chain disruptions and geopolitical pressures have increased the cost of key fertilizer inputs, while Indonesia's evolving fertilizer regulations emphasize improved nutrient quality, including micronutrient enrichment. These developments can increase production costs and widen the price gap between premium state-owned products and lower-cost private alternatives. Consequently, commercial buyers may perceive premium fertilizers as less attractive when purchasing decisions are primarily driven by immediate price considerations.

At the same time, private competitors have strengthened their market positions through flexible pricing and lower-cost generic products. This competitive environment has encouraged farmers to prioritize short-term price advantages over the long-term economic value of fertilizer applications. Therefore, PT Pupuk Indonesia must move beyond conventional distribution and communicate product differentiation in terms of measurable value-in-use,

productivity, and return on investment. A value-based Go-To-Market (GTM) strategy is consequently required to bridge the gap between premium product attributes and customer-perceived economic benefits, while simultaneously addressing supply-chain and channel-management challenges.

## Company Profile

PT Pupuk Indonesia (Persero) is a strategic state-owned enterprise that plays a central role in Indonesia's fertilizer industry and national food-security agenda. Its origins date back to the establishment of PT Pupuk Sriwidjaja (Pusri) in Palembang in 1959. Following the government's efforts to consolidate national fertilizer production and distribution, the company was transformed into PT Pupuk Indonesia (Persero) in 2012 as the strategic holding company responsible for coordinating fertilizer production and nationwide distribution.

The company operates with a dual mandate: supporting national food security while pursuing commercial and operational excellence. Its vision is to become a leading regional player in the agrochemical and petrochemical industries, while its mission emphasizes food-security support, sustainable value creation, and stakeholder value. This dual role creates a strategic challenge in the commercial fertilizer market, as the company must compete effectively while maintaining profitability and fulfilling its public-service responsibilities. Consequently, aggressive price reductions are not a sustainable solution to commercial market challenges.

As a holding company, PT Pupuk Indonesia operates through five major manufacturing subsidiaries: PT Petrokimia Gresik, PT Pupuk Kujang, PT Pupuk Kalimantan Timur, PT Pupuk

Iskandar Muda, and PT Pupuk Sriwidjaja Palembang. This organizational structure provides substantial production capacity and an extensive distribution network, while

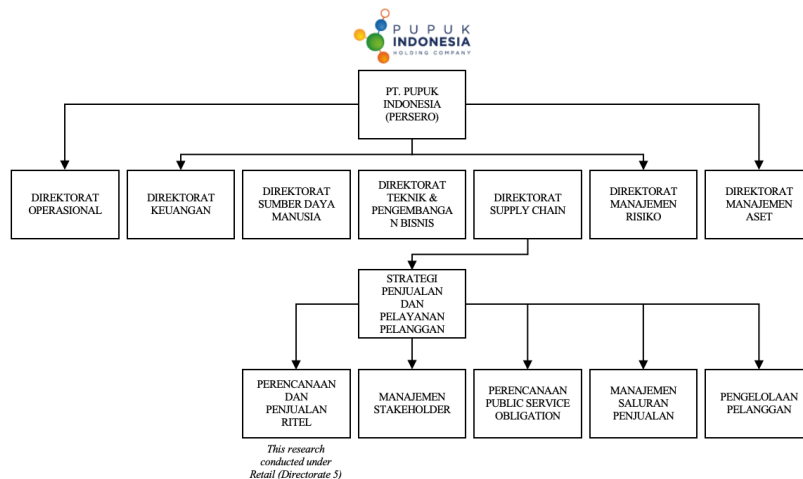
also creating the organizational foundation required to manage both subsidized and commercial fertilizer markets.



Source: Pupuk Indonesia (Persero) Holding Company and its Business Subsidiaries, 2026

Premium ZA is manufactured by PT Petrokimia Gresik, while its downstream commercialization and distribution are managed by the Retail Planning and Sales Department under the Sales Strategy and Customer Service Division (Directorate 5). The department is responsible for executing commercial strategies and coordinating product

distribution from manufacturing facilities to regional distributors. Accordingly, this study focuses on the Retail Planning and Sales Department as the key organizational unit responsible for addressing the commercial challenges of non-subsidized ZA products.



Source: Pupuk Indonesia (Persero) Holding Company, Organizational Structure, 2026.

PT Pupuk Indonesia's key operational strength lies in its advanced manufacturing capabilities, enabling the production of premium and differentiated fertilizer formulations. Within its non-subsidized Retail ZA

portfolio, Directorate 5 commercializes two flagship products, ZA Petro and ZA Plus Petro, which are positioned as differentiated alternatives to generic fertilizer products.



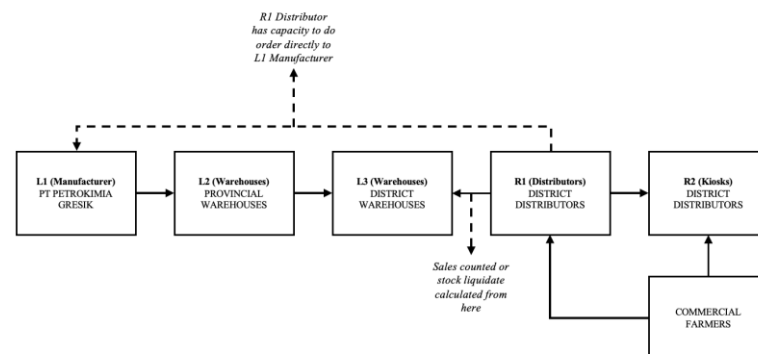
Source: PT Pupuk Indonesia (Persero), Company Profile. Retrieved July 12, 2026, from [PT Pupuk Indonesia Company Profile](#).

As shown in Table 1.1, ZA Petro and ZA Plus Petro offer differentiated agronomic value through high solubility and nutrient enrichment. ZA Petro is a non-hygroscopic, fully water-soluble fertilizer that supports rapid nutrient absorption, while ZA Plus Petro contains at least 5,000 ppm of Zinc (Zn) in addition to nitrogen and sulfur. These capabilities enable PT Pupuk Indonesia to meet applicable government standards while providing products with superior agronomic value compared with generic alternatives.

### Supply Chain Management (SCM) Network

PT Pupuk Indonesia is supported by an integrated Supply Chain

Management (SCM) network that enables nationwide fertilizer distribution through a multi-tier logistics system. The distribution flow connects manufacturing facilities with provincial and district warehouses before reaching retail markets. Inventory movements are monitored through the APGX digital system, providing real-time visibility across the supply chain. The network consists of Line 1 (L1) manufacturing warehouses, Line 2 (L2) provincial buffer warehouses, and Line 3 (L3) district warehouses. However, in Java, particularly for commercial products, R1 distributors may purchase directly from L1, creating potential channel and margin-management challenges.



Source: Pupuk Indonesia (Persero) Holding Company, Product Distribution Flow, 2026

PT Pupuk Indonesia's structured SCM is designed to ensure efficient product distribution from L1 manufacturing warehouses to L2 provincial and L3 district warehouses, where R1 distributors supply R2 retail kiosks and ultimately commercial farmers. This system aims to reduce delivery lead times and improve product availability during planting seasons. However, conflicting commercial incentives at the distributor level have challenged the effectiveness of the intended distribution flow.

### Business Issue

Despite its strong supply-chain capabilities, upstream logistics control, and established brand position, PT Pupuk Indonesia faces a significant commercial challenge in its non-subsidized retail segment. Operating under the dual objectives of national food security and commercial profitability, the company manages its annual performance through the Corporate Work Plan and Budget (RKAP). The 2026 RKAP targets total national sales of 14,882,182 tonnes across all products and market segments.

**Table I.2. PT Pupuk Indonesia (Persero) Annual Sales Target by Sector, RKAP 2026**

| Sector       | RKAP 2025<br>(tons) | 2025<br>Realization<br>(tons) | RKAP 2026<br>(tons) | 2026 Target vs.<br>RKAP 2025 | 2026<br>Target vs.<br>2025<br>Realization |
|--------------|---------------------|-------------------------------|---------------------|------------------------------|-------------------------------------------|
| PSO          | 9,550,000           | 8,110,571                     | 9,845,686           | 103.1%                       | 121.4%                                    |
| Corporate    | 2,028,800           | 2,629,787                     | 2,267,371           | 111.8%                       | 86.2%                                     |
| Retail       | 838,021             | 846,694                       | 710,782             | 84.8%                        | 83.9%                                     |
| Export       | 2,031,880           | 2,271,454                     | 2,058,343           | 101.3%                       | 90.6%                                     |
| <b>Total</b> | <b>14,448,700</b>   | <b>13,858,506</b>             | <b>14,882,182</b>   | <b>103.0%</b>                | <b>107.4%</b>                             |

Source: PT Pupuk Indonesia (Persero), RKAP 2026. Figures rounded to the nearest tonne.

The 2026 RKAP sets a total sales target of 14.88 million tonnes, representing a 3.0% increase from the 2025 target and a 7.4% increase from 2025 actual realization. PSO remains the largest segment and is targeted to grow substantially compared with 2025 realization. In contrast, the Retail segment is targeted at only 710,782 tonnes, declining by 15.2% from the 2025 RKAP and 16.1% from 2025 realization. This contraction highlights the strategic challenge in the commercial retail market and reinforces the need for a targeted Go-To-Market strategy to improve non-subsidized fertilizer sales.

### LITERATURE REVIEW

This chapter provides the theoretical and empirical foundation for diagnosing commercial bottlenecks and developing a value-based Go-To-Market (GTM) strategy in the B2B agrochemical sector. The literature review adopts two complementary dimensions: external analysis, which examines market, customer, competitive, and environmental factors; and internal analysis, which evaluates organizational resources, supply-chain capabilities, and distribution channels. The external analysis covers B2B Marketing, PESTEL, Industry Analysis, Business Buying Behavior, and the Buying Center

to understand customer decision-making, competition, market risks, and economic value considerations. It also incorporates Product Differentiation, Segmentation, Targeting, Positioning (STP), and the 7P Marketing Mix to identify how technical product advantages can be translated into meaningful economic value for B2B buyers.

The internal analysis focuses on Resources and Capabilities, Supply Chain Management (SCM), and Channel Management. These perspectives assess the firm's operational capabilities, product distribution, intermediary relationships, margin structures, and potential channel conflicts that may constrain commercial performance. Finally, these theoretical perspectives are integrated into a Conceptual Framework that connects external and internal findings through SWOT analysis. Internal strengths and weaknesses are derived from organizational capabilities and channel performance, while external opportunities and threats are identified through market conditions, regulations, competitors, and customer behavior. This integrated framework supports the formulation of an actionable non-price defense strategy for improving commercial performance and inventory liquidation.

### **Theoretical Foundation**

This section establishes the theoretical foundation for diagnosing commercial bottlenecks and developing actionable marketing strategies. The framework is divided into external analysis, which examines market conditions, competition, and customer behavior, and internal analysis, which evaluates the firm's operational and supply-chain capabilities.

### **External Analysis**

External analysis provides a systematic approach to identifying macro-environmental forces, industry dynamics, and customer behavior that influence strategic positioning. It helps firms recognize opportunities and threats while aligning their value propositions with market conditions.

### **Business-to-Business (B2B)**

#### **Marketing**

B2B marketing involves the exchange of products, services, and information between organizations. Compared with B2C markets, B2B transactions generally involve more complex decision-making, longer sales cycles, higher transaction values, and stronger emphasis on cost efficiency, reliability, and return on investment. However, contemporary B2B marketing increasingly recognizes the influence of psychological, emotional, and social factors on organizational buyers. Brands also serve as important cues for building trust, reducing perceived risk, and assuring product performance (Mohan et al., 2022).

### **PESTEL Analysis**

PESTEL analysis is a strategic tool for assessing macro-environmental factors that may create opportunities or threats for organizations (Johnson et al., 2008). It examines Political, Economic, Social, Technological, Environmental, and Legal factors that influence business performance and strategic decision-making. In the fertilizer industry, these factors are particularly relevant because government policies, economic conditions, technological developments, environmental objectives, and regulatory requirements can directly affect production costs, market demand, and competitiveness.

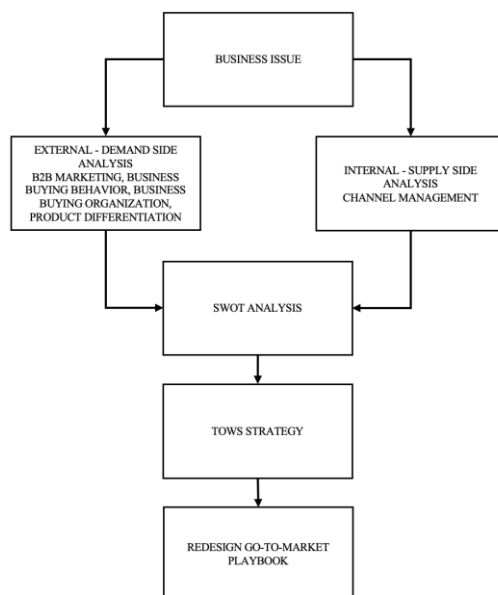
- **Political:** Government policies, regulations, public-sector priorities, and institutional support.
- **Economic:** Market growth, purchasing power, inflation, investment feasibility, costs, and exchange rates.
- **Social:** Demographic trends, cultural changes, consumer preferences, and purchasing behavior.
- **Technological:** Innovation, digitalization, infrastructure, automation, and technological development.
- **Environmental:** Sustainability, climate change, emissions reduction, and environmental requirements.
- **Legal:** Laws, licensing, technical standards, safety requirements, and compliance obligations.

These macro-environmental factors can significantly influence B2B markets and supply chains. Geopolitical

tensions and global conflicts, for example, can disrupt upstream supply chains, increase raw-material price volatility, and generate cost-push inflation, thereby affecting production economics and competitive positioning (Sheth & Usley, 2023).

### Conceptual Framework

The conceptual framework provides the logical structure of the research, linking problem identification to strategic solutions. It integrates relevant theoretical perspectives to explain the relationships among key constructs and guide the analytical process. To diagnose commercial bottlenecks and develop an effective non-price defense strategy, the framework combines external demand-side and internal supply-side perspectives into three sequential analytical dimensions.



### Explanation of the Conceptual Framework

The conceptual framework consists of three sequential dimensions that connect customer behavior, distribution-channel performance, and strategic formulation.

#### 1. Consumer Dimension (Demand-Side)

This dimension examines how organizational buyers evaluate premium fertilizer products. B2B Marketing and Business Buying Behavior are used to identify purchasing determinants, including

price sensitivity, perceived risk, and value-in-use, while considering the roles of stakeholders within the buying center. Product Differentiation evaluates whether the product's technical advantages and brand value are sufficient to justify its premium price and overcome buyer resistance.

## **2. Distribution Channel (Supply-Side) Dimension**

This dimension evaluates internal execution and intermediary performance using Channel Management theory. It examines product, negotiation, ownership, information, and promotion flows to identify distribution bottlenecks, margin-related incentives, logistical bypassing, and distributor resistance that may restrict product movement.

## **3. Strategic Synthesis and Formulation**

Findings from both dimensions are integrated through SWOT Analysis to identify internal strengths and weaknesses as well as external opportunities and threats. The results are then developed through the TOWS Matrix to generate actionable SO, ST, WO, and WT strategies. Finally, these strategies are translated into a Go-To-Market (GTM) Playbook by refining STP and implementing a customized 7P Marketing Mix. The resulting strategy aims to align channel incentives, strengthen product differentiation, and accelerate stagnant inventory liquidation without relying on margin-damaging price competition.

## **RESEARCH METHODOLOGY**

This chapter describes the research methodology used to investigate the commercial challenges of PT Pupuk Indonesia's premium non-subsidized ZA fertilizers, particularly ZA Petro and ZA

Plus Petro. The study aims to identify the root causes of the 128,590-ton stagnant inventory within the West Java distribution network and develop an actionable, non-price Go-To-Market (GTM) strategy. The methodology focuses on both external market conditions and internal organizational capabilities, with content analysis used to identify behavioral, commercial, and supply-chain barriers.

## **Research Design**

This study employs a qualitative case study design to explore the behavioral, psychological, and structural factors underlying the commercial stagnation. The approach enables an in-depth examination of interactions among the manufacturer, distribution intermediaries, and commercial agricultural customers within the West Java market. The research follows two complementary analytical pillars External Analysis and Internal Analysis which are subsequently integrated into a strategic formulation process to develop an evidence-based GTM solution.

## **Data Collection Method**

This study employs purposive sampling and data triangulation using primary and secondary sources to examine the commercial ecosystem of PT Pupuk Indonesia's premium non-subsidized ZA fertilizers. Primary data were collected through semi-structured interviews with eight key informants in West Java, consisting of four external actors three commercial farmers and one R1 official distributor and four internal actors, including two Line 3 retail PICs and two Line 1 retail PICs at Petrokimia Gresik. The interviews explored customer purchasing behavior, loss aversion, perceived product value, distribution barriers, and supply-chain bottlenecks.

Secondary data were obtained from internal corporate documents, commercial performance records, APGX and Respons Andalan data, historical sales reports, competitor pricing information, and relevant government regulations, including Kepmentan No. 5/2025. The combination of these sources enables comprehensive triangulation of market demand, distribution processes, and internal operational capabilities.

### **External and Internal Analysis Data Collection**

External analysis combines primary interviews and secondary data to assess market conditions, competitors, distributors, and customer behavior. PESTEL analysis uses regulatory documents, macroeconomic reports, and international data to identify political, economic, and legal factors affecting premium ZA costs. Industry analysis combines market reports, competitor specifications, pricing surveys, and interviews with distributors and commercial farmers to assess competitive pricing and market strategies. Distribution channel analysis uses interviews with R1 distributors to identify logistical barriers, loss aversion, purchase-order holdbacks, and expectations for manufacturer support. Customer analysis uses interviews with commercial farmers to examine buying behavior, ROI considerations, price sensitivity, and whether product differentiation creates sufficient economic value to overcome price resistance.

Internal analysis evaluates the company's resources, supply-chain performance, and channel management. Resources and Capabilities are assessed through internal documents and observations covering warehouse infrastructure, brand assets,

certifications, and human resources. Supply Chain Management (SCM) is examined using APGX operational data to trace product and information flows from manufacturing to downstream warehouses. Channel Management uses interviews with Line 1 and Line 3 PICs to identify internal pricing and margin conflicts, particularly the Rp350/kg price difference that may encourage Line 1 bypassing and contribute to stagnant Line 3 inventory.

### **Interview Guidelines**

The interview guidelines translate the theoretical frameworks into focused field questions for three informant groups: commercial farmers, R1 official distributors, and internal PICs. The interviews investigate purchasing behavior, product differentiation, supply-chain constraints, channel conflicts, price resistance, and promotional effectiveness. The findings provide empirical inputs for developing the STP strategy and 7P Marketing Mix in the strategic formulation stage.

### **Data Analysis Method**

This study employs deductive content analysis to systematically analyze qualitative data from eight semi-structured interviews with commercial farmers, R1 distributors, and internal Line 1 and Line 3 PICs. Interview transcripts are coded against predefined theoretical frameworks, including B2B Marketing, Business Buying Behavior, Product Differentiation, Supply Chain Management, Channel Management, and the 7P Marketing Mix. The analysis follows three stages: open coding to identify recurring issues, axial coding to group related findings into themes, and selective coding to connect these themes with the established theoretical framework.

The resulting findings are synthesized into a SWOT Analysis, which identifies internal strengths and weaknesses and external opportunities and threats. These factors are subsequently incorporated into the TOWS Matrix to formulate actionable strategies. The final outputs guide the development of the Retail ZA Go-To-Market (GTM) Playbook, including STP and 7P strategies for addressing price resistance, channel conflicts, and stagnant inventory.

### **Data Validity and Reliability**

Research credibility is strengthened through data triangulation and member checking. Interview findings are cross-validated with corporate documents, Respons Andalan and APGX transaction data, and historical sales records. Member checking is conducted by confirming synthesized findings with selected informants to minimize interpretation errors and researcher bias.

### **Ethical Commitments**

The study protects participants through role-based anonymity, identifying informants by their organizational roles rather than personal names. Corporate information is also appropriately sanitized to maintain confidentiality while preserving the analytical relevance of the findings.

## **RESULTS AND DISCUSSION**

This chapter presents the empirical analysis of the commercial stagnation of PT Pupuk Indonesia's non-subsidized ZA Petro and ZA Plus Petro in West Java. The analysis addresses the 128,590-ton stagnant inventory through two perspectives: external environment analysis and internal environment analysis. Primary and secondary data are systematically interpreted using the

theoretical frameworks established in Chapter II, including B2B Marketing, Business Buying Behavior, PESTEL, Porter's Five Forces, Value Chain Analysis, and Channel Management.

### **Analysis**

The study applies deductive content analysis to systematically code interview findings and map them against the predefined theoretical dimensions. The analysis identifies the key factors contributing to commercial stagnation and provides the empirical basis for developing the Retail ZA Go-To-Market (GTM) Playbook.

### **External Analysis: Demand Side and Intermediaries**

The external analysis examines macro-environmental pressures, competitive threats, distributor constraints, and farmer purchasing behavior. Interview findings indicate that price resistance, demand for tangible product evidence, and distributor loss aversion are major barriers to market penetration. Commercial farmers tend to prioritize lower-cost alternatives, while distributors hesitate to hold premium-priced inventory due to working-capital risks. At the same time, farmers indicate that demonstrations of measurable agronomic benefits could strengthen confidence in premium ZA products.

These findings demonstrate that the commercial challenge is not solely a product-quality issue but results from a combination of price sensitivity, insufficient value communication, and intermediary risk perceptions. Consequently, a non-price strategy must demonstrate measurable economic value while reducing distributor inventory risk and strengthening product visibility at the farmer level.

### PESTEL Analysis

The PESTEL analysis shows that the commercial fertilizer market is shaped by interconnected political, economic, social, technological, environmental, and legal factors. Stricter fertilizer standards under Kepmentan No. 5/2025, particularly Zinc enrichment requirements, increase production and compliance costs, while rising global raw-material prices further pressure margins and retail prices. At the market level, farmers increasingly prioritize cost efficiency and peer recommendations, making community influencers important in purchasing decisions. Meanwhile, advances in water-soluble formulations and micronutrient enrichment create opportunities for product differentiation but require technical selling and localized demonstrations. Growing attention to soil health and sustainability also strengthens the relevance of nutrient-efficient fertilizers, while regulatory and safety requirements impose additional compliance responsibilities across the supply chain. Overall, these external forces increase competitive pressure and support the need for a value-based commercial strategy that emphasizes measurable agronomic and economic benefits rather than price competition.

### Industry Analysis: Porter's Five Forces

Porter's Five Forces analysis indicates that the West Java commercial fertilizer market faces high competitive pressure, driven primarily by intense rivalry, strong buyer bargaining power, and the availability of lower-cost substitutes. Competitive rivalry is high as private brands compete through cost leadership, flexible commercial terms, and aggressive pricing, creating an Rp80,000–90,000 price gap with premium ZA products. Buyer power is

also high because farmers and retail kiosks have numerous alternatives and tend to prioritize immediate cost savings, increasing distributor loss aversion toward premium inventory. The threat of substitutes is moderate to high, as farmers may replace ZA with cheaper combinations of Urea and organic materials, although these alternatives may provide lower agronomic performance. Supplier power is moderate to high because premium ZA production depends on specialized imported raw materials, particularly high-grade sulfur, exposing production costs to global supply-chain and geopolitical disruptions. Meanwhile, the threat of new entrants is low to moderate: upstream manufacturing requires substantial capital, technology, and regulatory compliance, whereas downstream trading and distribution have relatively lower entry barriers. Overall, the industry structure highlights the need for strong product differentiation, value-based selling, and channel innovation rather than direct price competition.

### Conclusion on Industry Profitability, Distribution, and Customer Analysis

The analysis indicates that the non-subsidized retail fertilizer industry has moderate-to-low profitability potential, driven by high competitive rivalry, rising raw-material costs, strong buyer power, and distributor risk aversion. At the distribution level, high product costs and limited margins encourage R1 distributors to withhold purchase orders, resulting in stagnant inventory and weak promotional support. On the demand side, commercial farmers demonstrate strong price sensitivity, with the Rp80,000–90,000 price premium representing the dominant purchasing barrier. Although ZA Petro and ZA Plus Petro offer tangible differentiation

through fully water-soluble crystals and Zinc enrichment above 5,000 ppm, these advantages are not sufficiently communicated or demonstrated to farmers. Purchasing decisions are strongly influenced by farmer-group leaders and kiosk owners, making localized demonstrations (demplots) and value-based communication essential. Overall, the findings suggest that PT Pupuk Indonesia should shift from price-based competition toward a value-based strategy that demonstrates measurable agronomic benefits, reduces distributor inventory risk, strengthens channel incentives, and converts product differentiation into perceived economic value.

#### **STP, 7P Marketing Mix, Value Chain, and Internal Analysis**

The analysis reveals a significant gap between PT Pupuk Indonesia's intended premium positioning and actual market perception. The current STP approach appears insufficiently segmented, resulting in premium ZA products being offered to highly price-sensitive farmers who perceive ZA Plus Petro as an overpriced commodity rather than a profit-enhancing input. The 7P Marketing Mix further highlights critical weaknesses in price-value communication, retail availability, localized promotion, technical sales support, purchasing flexibility, and physical evidence. Although ZA Petro and ZA Plus Petro possess strong product differentiation, including high solubility and Zinc enrichment above 5,000 ppm, these advantages have not been effectively translated into measurable farmer value. Value Chain Analysis confirms that the company's high-quality internal output is not adequately connected to farmers' priorities of reducing application costs and increasing harvest returns. Internally,

supply-chain analysis identifies significant warehouse congestion and Line 1 bypassing, driven by an approximately Rp350/kg price difference that encourages distributors to purchase directly from the factory rather than Line 3. These findings demonstrate that the commercial deadlock results from interconnected demand-side mispositioning, weak value communication, and internal channel and pricing misalignment, requiring an integrated non-price GTM strategy.

#### **Resources, Supply Chain, and Channel Management Analysis**

The internal analysis shows that PT Pupuk Indonesia possesses strong tangible, intangible, and human resources, including advanced manufacturing facilities, an extensive L1–L3 distribution network, proprietary fertilizer technology, strong institutional brand equity, regulatory credentials, and experienced personnel. However, these resources are constrained by the accumulation of 128,590 tonnes of stagnant inventory, which locks approximately Rp1.18 trillion in working capital and limits asset utilization. The SCM analysis further reveals that commercial retail products receive lower operational priority than PSO fertilizers, resulting in inconsistent replenishment, stockouts, and reduced customer trust. Using Rosenbloom's Channel Management framework, the Five Flows—Product, Negotiation, Ownership, Information, and Promotion—also show significant weaknesses. R1 distributors face rigid pricing, high inventory risk, limited commercial flexibility, incomplete market information, and insufficient promotional support. In particular, the approximately Rp350/kg inter-line price difference encourages distributors to bypass Line 3 and purchase directly from

Line 1, further contributing to regional inventory stagnation. Overall, the findings indicate that the primary internal challenge is not a lack of resources but misaligned resource utilization, supply-chain priorities, pricing policies, and channel incentives, requiring strategic realignment to support commercial inventory liquidation.

**Inter-Line Pricing Discrepancy and Line 1 Bypassing**

The analysis identifies a significant internal pricing distortion in which the Line 1 redemption price is Rp350/kg lower than the Line 3 price. Since the maximum freight cost from Gresik to West Java is approximately Rp250/kg, R1 distributors have a financial incentive to bypass Line 3 and purchase directly from Line 1, generating an estimated Rp100/kg arbitrage benefit. This behavior creates congestion at Line 1 while leaving Line 3 warehouses with stagnant inventory and encourages distributors to withhold

purchase orders through Respons Andalan. The findings demonstrate that the commercial bottleneck is driven not only by market demand but also by misaligned inter-line pricing and channel incentives.

**Business Solution**

The diagnostic analysis indicates that the 128,590-tonne stagnant inventory results from interconnected external and internal factors, including farmer price resistance, distributor loss aversion, flawed inter-line pricing, and low operational priority for commercial products. Addressing these challenges therefore requires an integrated strategic response rather than a single operational adjustment. Through Linkage Analysis, SWOT, and TOWS, the study develops the Retail ZA Go-To-Market (GTM) Playbook as a non-price strategy to accelerate inventory liquidation, realign channel incentives, strengthen value communication, and increase market penetration without damaging profit margins.

**Table IV.1. Linkage Analysis Matrix: Translating Market Behavior into 7P Strategy**

| Empirical Finding (Diagnostic)                                                     | Theoretical Construct                                                                  | Required Marketing Mix (7P) Intervention                                        | Strategic Linkage Rationale                                                                |
|------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| <b>High Price Resistance:</b> Farmers compare the Rp440,000/sack PI price with the | <b>Business Buying Behavior:</b> Buyers are primarily focused on value-in-exchange and | <b>Price &amp; Promotion:</b> Implement Unit Value-Based Pricing communication. | Shift the buyer's evaluation from initial purchase price to <b>ROI per harvest cycle</b> , |

| Empirical Finding (Diagnostic)                                                             | Theoretical Construct  | Required Marketing Mix (7P) Intervention | Strategic Linkage Rationale                                                           |
|--------------------------------------------------------------------------------------------|------------------------|------------------------------------------|---------------------------------------------------------------------------------------|
| Rp350,000 generic alternative, perceiving the premium as an unjustified operating expense. | initial purchase cost. |                                          | demonstrating the premium as an investment that can generate higher economic returns. |

| Empirical Finding (Diagnostic)                                                                                                        | Theoretical Construct                                                                                                   | Required Marketing Mix (7P) Intervention                                                                | Strategic Linkage Rationale                                                                                                                                                          |
|---------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Invisible Agronomic Value:</b> Farmers have limited understanding of the economic benefits of >5,000 ppm Zinc enrichment.          | <b>Product Differentiation:</b> Technical superiority has limited commercial impact without effective market signaling. | <b>Promotion &amp; Physical Evidence:</b> Implementation of localized demonstration plots (demonplots). | Convert technical differentiation into visible agronomic evidence, such as stronger vegetative growth and healthier crop appearance, to influence farmer-group leaders and other key |
|                                                                                                                                       |                                                                                                                         |                                                                                                         | decision-makers.                                                                                                                                                                     |
| <b>Intermediary Paralysis:</b> Distributors hesitate to redeem inventory because of dead-stock risk and unreliable downstream demand. | <b>Channel Management:</b> Loss aversion and supply unreliability constrain distributor participation.                  | <b>Place, Process &amp; People:</b> Realign inter-line margins and strengthen field-sales support.      | Reduce the Rp350/kg inter-line price gap to discourage Line 1 bypassing and deploy regional sales teams to support distributors and reduce inventory risk.                           |
|                                                                                                                                       |                                                                                                                         |                                                                                                         |                                                                                                                                                                                      |

The linkage analysis demonstrates that the main commercial barriers are interconnected across price perception, insufficient communication of product value, and distributor risk. Therefore, the proposed 7P interventions focus on shifting customer evaluation toward ROI, providing tangible agronomic proof through demplots, and realigning channel incentives. Together, these interventions provide the foundation for a non-price GTM strategy aimed at

accelerating ZA inventory liquidation while protecting profitability.

#### SWOT Analysis

SWOT analysis synthesizes the key empirical findings by evaluating PT Pupuk Indonesia's internal strengths and weaknesses against external opportunities and threats. This framework provides the strategic basis for developing the TOWS Matrix and the Retail ZA Go-To-Market (GTM) Playbook, ensuring that the proposed

strategies are aligned with both organizational capabilities and market conditions.

**Table IV.2. Comprehensive SWOT Matrix for Retail ZA Commercialization**

| <b>Strengths<br/>(Internal)</b>                                                                                                                         | <b>Weaknesses<br/>(Internal)</b>                                                                                                                                  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>S1. Strong Upstream Infrastructure:</b> Large-scale manufacturing capacity at PT Petrokimia Gresik supports high-volume production and availability. | <b>W1. Misaligned Inter-Line Margin Structure:</b> A Rp350/kg price difference between L1 and L3 encourages distributors to bypass Line 3.                        |
| <b>S2. Superior Product Differentiation:</b> 100% water-soluble crystals and Zinc enrichment above 5,000 ppm provide strong agronomic differentiation.  | <b>W2. Low Operational Priority:</b> Non-subsidized retail products receive lower priority than PSO and Corporate segments, causing supply inconsistencies at L3. |
| <b>S3. Advanced Digital Integration:</b> APGX and Respons Andalan provide integrated supply-chain and transaction monitoring.                           | <b>W3. High Stagnant Inventory Exposure:</b> 128,590 tonnes of inventory tie up approximately Rp1.18 trillion in working capital and increase holding costs.      |
| <b>S4. Strong Institutional Brand Equity:</b> Established SOE reputation provides                                                                       | <b>W4. Limited Sales Force Capacity:</b> Regional teams have insufficient                                                                                         |

| <b>Strengths<br/>(Internal)</b>                                                                                                                         | <b>Weaknesses<br/>(Internal)</b>                                                                                                               |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|
| trust and reduces perceived risks associated with product authenticity and quality.                                                                     | capacity and incentives for proactive commercial selling and demonstration activities.                                                         |
| <b>Opportunities<br/>(External)</b>                                                                                                                     | <b>Threats<br/>(External)</b>                                                                                                                  |
| <b>O1. Regulatory Support:</b> Kepmentan No. 5/2025 strengthens the relevance of micronutrient-enriched fertilizers.                                    | <b>T1. Aggressive Private Competitors:</b> Generic brands compete through lower prices, creating an Rp80,000–90,000 price gap.                 |
| <b>O2. Demand for Higher Agricultural Returns:</b> Commercial horticultural farmers increasingly seek inputs that can improve productivity and ROI.     | <b>T2. Raw-Material Price Volatility:</b> Global price fluctuations in high-grade sulfur increase production costs and pressure margins.       |
| <b>O3. Established Retail Kiosk Network:</b> A broad R2 network provides an existing channel for market expansion once distributor risks are addressed. | <b>T3. Distributor Loss Aversion:</b> R1 distributors may withhold purchase orders because of stagnant inventory and working-capital concerns. |

*Source: Author, 2026.*

The SWOT analysis shows that PT Pupuk Indonesia possesses significant strengths in manufacturing capacity, product differentiation, digital infrastructure, and institutional reputation, but these advantages are constrained by pricing misalignment, supply-priority issues, stagnant inventory, and limited commercial sales capacity. At the same time, regulatory developments, demand for higher agricultural productivity, and the existing kiosk network provide opportunities for market recovery. However, aggressive low-cost competitors, raw-material inflation, and distributor loss aversion remain major threats. These findings provide the strategic foundation for developing the TOWS Matrix and Retail ZA Go-To-Market (GTM) Playbook.

## CONCLUSION AND RECOMMENDATION CONCLUSION

The study concludes that the 128,590 tonnes of stagnant non-subsidized ZA fertilizer result from interconnected external and internal factors. Externally, commercial farmers demonstrate strong price sensitivity, with the Rp80,000–90,000 price premium perceived as an additional operating cost because the agronomic benefits of 100% water solubility and >5,000 ppm Zinc are not sufficiently demonstrated. Internally, low operational priority for retail products, limited field-sales capacity, and a Rp350/kg inter-line price discrepancy encourage Line 1 bypassing and distributor Purchase Order (PO) Holdbacks. To address these challenges, the study proposes the Retail ZA Go-To-Market (GTM) Playbook, which shifts the strategy from price competition toward value-based selling through targeted STP, Unit Value-Based Pricing,

distributor incentives, conditional consignment, and localized demonstration plots.

## Recommendations

PT Pupuk Indonesia should implement a 120-day liquidation program focused on four priorities: correcting inter-line pricing through an L3 Drawdown Rebate, introducing 45-day Conditional Consignment through Respons Andalan to reduce distributor risk, deploying an Agro-Squad to strengthen field sales and technical support, and launching 100 localized demonstration plots to provide tangible agronomic evidence. ROI calculators and harvest-success documentation should support value-based communication at the retail level. Meanwhile, distributors and kiosks should adopt consultative value-selling rather than relying on price-based transactions. Future research should examine the long-term effects of value-based pricing on farmer loyalty and investigate digital B2B purchasing platforms that can strengthen direct engagement with agricultural decision-makers.

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