THE COMPETITIVE ADVANTAGE OF SIDO MUNCUL:
USING PESTLE, PORTER’S FIVE FORCES, AND SWOT MATRIX ANALYSIS

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ABSTRACT
Sido Muncul is a company engaged in herbal medicine, pharmaceutical, traditional medicine, health food and beverage, cosmetics, and herbal processing. It is continuously innovating its products and keeping an eye on market needs. Sido Muncul gains a place in the hearts of consumers and is one of its business strategies. In addition, Sido Muncul is also expanding into foreign markets to market and sell its products. This study uses the description of PESTLE analysis, Porter 5 Forces, and SWOT Matrix because it experiences significant challenges from competitors, regulations, the economy, internal companies, and changes in consumer behavior. Based on the PESTLE, Porter 5 Forces, and SWOT Matrix analysis, Sido appears to have strength in market growth and has unique products and competencies to survive in competition, gain profits and continue improving efficiency and product innovation. The company needs to improve: the younger generation does not use herbal products for health.

Keywords: Sido Muncul; PESTLE; Porter’s Five Forces; SWOT Matrix

INTRODUCTION
Sido Muncul is a company engaged in the herbal medicine and pharmaceutical industry, trade, land transportation, services, and agriculture. It was first established in 1951 as a home-based herbal medicine industry. Its main product at its establishment was the Tujuh Angin brewing medicine, which effectively treated and prevented colds. This Tujuh Angin medicine was then packaged under the Tolak Angin trademark, which is well-known in the market today. Due to increasing demand, Sido Muncul opened a factory in 1953 to increase production capacity. In 1970, Sido Muncul officially became a legal entity under CV Industri Jamu & Farmasi Sido Muncul, and in 1975 it became a Limited Liability Company. Sido Muncul continues to innovate to create new products, and Tolak Angin was launched in 1992 with the tagline "Orang Pintar Minum Tolak Angin” which is still known today. As of 2022, Sido Muncul has launched seven new products to meet the community’s needs that are already circulating in the market. Overall, Sido Muncul has a strong history and presence in the herbal medicine and pharmaceutical industry, focusing on innovation and meeting the needs of consumers. Its continued expansion into new product lines suggests a commitment to growth and adaptation in a changing market.

According to the 2022 Annual Report, the vision of PT Sido Muncul is “to become a pharmaceutical, traditional medicine, health food and beverage, cosmetic, and herbal processing company that can provide benefits to the community and the environment.” Meanwhile, the company’s mission is: 1. Developing herbal-based products in pharmaceutical preparations, traditional medicine, health food, beverages, and cosmetics based on rational, safe, and honest research. 2. Continuously developing research on herbal medicines. 3. Assisting and encouraging the government, educational institutions, and the medical world to play a more significant role in researching and developing herbal medicines.
and treatments. 4. Increasing public awareness of maintaining health through healthy lifestyles, natural ingredients, and naturopathic treatment. 5. Conducting intensive Corporate Social Responsibility (CSR). 6. Managing an environmentally friendly company. 7. Becoming a world-renowned herbal medicine company. Sido Muncul instills four cultural values that are highly valued by all of its employees. These four cultural values are: 1. Stakeholder Focus PT Sido Muncul strives to maintain strong relationships with shareholders, investors, customers, suppliers, and the government. In addition, the company values making a positive contribution to society and the environment. 2. Integrity PT Sido Muncul upholds integrity, which means consistently doing everything correctly, honestly, openly, ethically, and sincerely. 3. Respecting Differences PT Sido Muncul respects different ideas, strengths, interests, and backgrounds, harnesses collective intelligence, creates excitement, and encourages engagement and a desire to strive for the best. 4. Excellence PT Sido Muncul continuously and sustainably improves and strives to achieve performance beyond targets, constantly enthusiastic about learning and development. Overall, the strategy implemented by PT Sido Muncul is continuously innovating its products and keeping an eye on market needs. This has helped Sido Muncul gain a place in the hearts of consumers and is one of its business strategies. In addition, Sido Muncul is also expanding into foreign markets to market and sell its products

LITERATURE REVIEW

PESTLE Analysis is a strategic framework used to identify and analyze critical external factors that can affect the performance of an organization or company. PESTLE evaluates the external environment and identifies opportunities and potential threats. By analyzing these factors, a business can better understand its external environment and make strategic decisions to remain competitive in achieving its company goals. PESTLE stands for Political, Economic, Socio-Cultural, Technological, Legal factors, and Environmental. Political factors refer to the impact of government policies and regulations on the business environment. This includes tax policies, trade restrictions, labor laws, and government stability. Economic factors include macroeconomic indicators such as inflation rates, exchange rates, and economic growth that can affect market demand and supply. These factors can impact a company’s profitability, consumer behavior, and overall market conditions. Socio-cultural factors refer to societal values, beliefs, and cultural norms that may impact a company’s operations. This includes demographics, lifestyle changes, and social trends. Technological factors include technological advancements that may impact a company’s products, services, and operations. This includes automation, digitization, and innovations. Legal factors include laws and regulations that may impact a company’s operations. This includes consumer protection laws, employment laws, and intellectual property laws. Environmental factors refer to the impact of environmental regulations and concerns on the business environment. This includes climate change, sustainability, and natural disasters. In summary, conducting a PESTLE analysis can help a company understand the macro-environmental factors that may impact its operations, allowing it to make informed strategic decisions (Paramadita et al., 2020; Yüksel, 2012).

Porter's Five Forces Analysis can help understand the competition in an industry, identify business positions, and position companies so that they are superior to competitors. Porter's five forces strength analysis is also part of a competitor analysis strategy that companies cannot ignore to develop their business. Michael E. Porter, a professor from Harvard Business School, was the one who first coined this method in 1979. Until now, Porter's five forces analysis is still being used in various business analyses. Especially in a
business plan or business planning. Porter's five forces analysis can also be used by the company, especially in this case Sido Muncul, to analyze whether the company has done the proper marketing so far. In addition, this method can also analyze the shortcomings of the company that needs to be improved in the future because this method analyzes starting from the inside of the company itself, such as marketing methods and products, to how the company's position in the market compares to its competitors are (Fiorenita & Dwianika, 2021).

Porter’s Five Forces analysis aims to enable companies to know the competitive advantages and competitive advantages possessed by companies; competition from the industry itself can be seen from a combination of five forces, namely competition between companies in the same industry, new competitors trying to enter, the potential for substitute products to develop, bargaining power of suppliers or sellers, and bargaining power of consumers or buyers (Foris & Mustamu, 2015). Porter's Five Forces describes a company's strategy based on its relationship to its product and market position. Porter's Five Forces emphasizes the external impact of developing corporate strategy and advises companies to evaluate the forces in the industry that can create opportunities and threats. The right strategy will help position the company in the right industry (Asad, 2012).

SWOT analysis is used to find the strengths, weaknesses, opportunities, and threats that can ensure the company's performance. The SWOT analysis itself compares external factors (opportunities and threats) with internal factors (strengths and weaknesses) (Stefani, 2021; Qanita, 2020). Many companies use SWOT analysis in the early stages of strategic planning to help identify existing resources internally and externally and investigate trends and patterns that will positively or negatively impact the business (Namugenyi et al., 2019).

**RESEARCH METHOD**

This study uses a qualitative research approach with a descriptive methodology to describe the observed phenomena and identify the factors that influence them. This study provides a basis for researchers to develop alternative strategies to address the research object’s problems. Descriptive research involves describing existing phenomena through observation and explaining social conditions. This research also prioritizes solving actual problems during its implementation; as stated by Morissan (2012), analysis from start to finish is carried out inductively to find patterns, models, and theories.

**Data collection**

In this study, the data used came from secondary data. Secondary data is data that comes from pre-existing sources or documents. Secondary data sources can be obtained from various sources such as published reports, be they annual reports in 2022. In addition, secondary data in this study were also obtained from company profiles, scientific article publications, business reports, and news publications related to the company's external and internal environment.

**RESULTS AND DISCUSSION**

The PESTLE analysis that affects PT Sido Muncul’s business is as follows:

**P - Political:** Government policies and the unstable political situation in Indonesia can affect a company’s performance. Sido Muncul must continue to prepare and strengthen its strategy to avoid conflict with politics in Indonesia because if the political situation is problematic or heats up, it can reduce the company’s revenue. Indonesia's herbal medicine and
The pharmaceutical industry is tightly regulated, especially regarding production standards and regulations. PT Sido Muncul must ensure its products meet the Indonesian Food and Drug Administration (BPOM) standards. In addition, the company must also pay attention to political policy changes that may affect its business.

**E - Economical:** The condition of Indonesia’s economy also affects the sales of PT Sido Muncul. Market economic imbalances can disrupt the price of raw materials, which affects the production of Jamu and other Sido Muncul products. Inflation that occurs in the world also contributes to Indonesia’s economic conditions. The continuous turmoil of inflation changes the behavior of consumer spending. As a result, Sido Muncul’s sales are also affected. In the first and second quarters of 2022, it was reported that Sido Muncul experienced a significant decrease in sales compared to 2021. Tax burdens that companies must pay also affect Sido Muncul’s operations. Also, economic conditions in Indonesia can affect the purchasing power of consumers toward Sido Muncul’s products. In an economic downturn, consumers may reduce their spending on health products like herbal medicine. However, Sido Muncul can take advantage of stable or growing economic conditions to increase the sales of its products.

**S - Sociocultural:** Sido Muncul, synonymous with Indonesian local wisdom, namely traditional spices and Jamu, is produced based on the fact that Indonesians love traditional drinks that are rich in natural spices and processed traditionally. Sido Muncul must understand the needs and preferences of consumers in using herbal medicine and adjust its products to meet market demand. In addition, Sido Muncul must also pay attention to social issues related to health and traditional medicines. Therefore, Sido Muncul creates products that now have become a characteristic of Indonesia, even sold abroad (Sido Muncul, 2022).

**T - Technology:** The challenge for Sido Muncul when starting came from a home-based business, where all production equipment was still traditional. However, as demand increased and the times continued to develop, Sido Muncul had to follow the existing developments to improve production efficiency. The advancement of technology in the production of herbal medicine and pharmaceuticals has had a positive impact on Sido Muncul. They can utilize modern technology to improve production efficiency and product quality. Moreover, technology can also be used to expand the market and increase product promotion. Thus, the machines used for production must be the most sophisticated to keep up with daily production and meet all demands in the market. Sido Muncul must also continue to innovate so that it can continue to compete with competitors in the market.

**L - Legal:** The regulations and laws in the herbal medicine and pharmaceutical industry are stringent. Sido Muncul must ensure that its products meet the quality standards BPOM sets and do not violate applicable laws. The company must also consider regulatory changes that may affect its business. Also, all companies in Indonesia are regulated by the law. Sido Muncul has standards and is protected by the law, namely Undang-Undang RI No. 7 Tahun 1963 regarding Pharmaceuticals; in Article 4, it is stipulated that regulations regarding production and distribution in the pharmaceutical field are established. In addition, one of Sido Muncul’s business strategies is to expand overseas, so the company exports sales to various countries worldwide. This is also regulated in the law on the import or export of drug providers. Overall, PT Sido Muncul faces external challenges in the political, economic, sociocultural, technological, environmental, and legal aspects. These factors can affect the company’s sales, production, and operations. However, the company has implemented various strategies to overcome these challenges, such as strengthening innovation, promoting environmentally friendly movements, and complying with existing laws and regulations.

**E - Environmental:** The company needs to pay attention to the environmental impact of its production activities. Although production continues to run, the company must also think
about the waste generated by the factory that should not pollute the environment. Thus, the
challenge for the company is to promote an environmentally friendly movement and process
industrial waste. The company must comply with applicable environmental regulations and
strive to reduce negative impacts on the environment through sustainable environmental
programs. Sido Muncul has started to support the government in the Go-Green movement to
reduce environmental pollution, namely by processing wastewater from production in a
Wastewater Treatment Plant (IPAL) and processing domestic wastewater with bio septic
tanks so that the water released meets standards before being released into the river.
Meanwhile, other solid waste is processed into organic fertilizer and boiler fuel. Inorganic
solid waste is used by the community for recycling as a handy craft to empower the economy.
The company also created 51 infiltration wells and bio pores to return rainwater to the
ground.

Here is Porter's Five Forces Analysis of Sido Muncul:

**The threat of new entrants.** In the current market, new players have entered with products
that are more or less similar to products from Sido Muncul, including Antangin, Rahsa
Nusantara, and even more modern ones, such as Rejuve, which are sold in malls with herbal
flavors as well. However, even with these new competitors, products from Sido Muncul
remain strong in the hearts and minds of the people, such as when you are sick or have a cold
and need herbal medicine which is quite simple, namely by consuming it in sachet form, the
first thing that comes to mind is the ordinary some Indonesian people are Tolak Angin. Or
when an athlete needs additional power and energy, the first thing that comes to mind is
Kuku Bima. Even though it is undeniable that products from Sido Muncul are solid in
people's minds, Sido Muncul must still innovate, especially in how Sido Muncul markets its
products. This can be seen from one of the new players who entered, namely Rejuve, where
Rejuve is one of the new competitors that offer the same products, namely herbal and healthy
drinks, but in a modern way, modern in terms of how Rejuve combines herbs, healthy drinks,
and juices. Also, from a marketing point of view, where before, it was scarce for herbal
drinks to be marketed in shops at malls, but Rejuve did it. Because if you look at this day and
age, what is bustling and can survive is how companies can continue to fulfill the needs of
many people.

**Bargaining power of suppliers.** Sido Muncul has bargaining power, although it is not that
high. Currently, the products from Sido Muncul are in great demand by the public, not only
in demand but also the brand image of Sido Muncul products has been formed in the minds
of the public. The superior products from Sido Muncul that everyone knows are Tolak Angin
and Kuku Bima. The sense that Sido Muncul has bargaining power but not high because if
the community is not satisfied and their needs cannot be met, the community can use other
products even though the quality is different from Sido Muncul products. Because the price
of any other product is not much different. Apart from that, getting other products differs
significantly from Sido Muncul. Because as is well known, Sido Muncul's weakness is that
its products can only be found in supermarkets or some stalls.

**Bargaining power of buyers.** On the buyer’s side, buyers have little bargaining power.
Buyers can get other products with the same benefits as Sido Muncul products. Prices are
also not much different. Namely Antangin and Kratingdaeng for the energy drinks. These
products are also quite attractive to the public. However, again, what causes buyers to choose
Sido Muncul products finally is that the brand image that has been formed for dozens of years
is so strong that, as a result, buyers still choose Sido Muncul products as their first choice.

**The threat of substitutes.** Sido Muncul has a threat of substitute goods. As we know,
products from Sido Muncul promote health or herbal medicine to be healthy when consuming
these products. The threat of these substitutes can come from the majority of older people (over 40 years) and conservative who prefer to consume natural fruit because, according to the view of some people in this category, consuming natural fruit can also fulfill these healthy goals. Even more healthy. In addition to energy drinks, they have substitutes, such as consuming pure food or drinks without any mixture, such as brown rice, eggs, bananas, and others. This is a record for Sido Muncul to be able to continue to innovate in terms of products so that it can attract the hearts of this reasonably conservative community. That is like increasing the levels of natural fruit or native plants in these drinks so that people get a healthier sensation higher than just the delicious side.

**Rivalry among existing competitors.** For the company’s side, Sido Muncul's competitor is PT Bintang Toedjoe, where PT Bintang Toedjoe produces Extra Joss drinks, then drugs such as Komix, Bejo, C1000, and others. PT Bintang Toedjoe was founded not much different from Sido Muncul, founded in 1946. However, competition between the two companies is still tight today. You can say this is because the products sold are more or less identical, namely herbal medicines, herbal drinks, or beverages, which can increase energy. The only difference is how the two companies package their products. Meanwhile, regarding products, Sido Muncul's competitors for herbal medicines or drinks are, as mentioned and explained earlier, namely Antangin. Meanwhile, the competitors for energy drinks are the same, namely Extra Joss. From a sales and export perspective in the current market, Tolak Angin remains number 1 and the people's top choice. However, for Kuku Bima, currently, he is still in competition with extra joss. It can even be said that Extra Joss has a more significant influence because of the advertisements offered on television and even the sponsor of many television shows. This is again a note for Sido Muncul to increase its brand image beyond its competitors, even though currently Sido Muncul has built its brand image and attachments very well (Lontoh et., 2017).

**SWOT Analysis**

The COVID-19 pandemic has led to an increase in demand for herbal and traditional medicines in Indonesia. This trend has presented a significant opportunity for companies operating in the industry. Taking advantage of Indonesia's rich biodiversity, which provides a wide range of medicinal plants and herbs, these companies have been able to innovate and create new products to meet the growing demand. This opportunity has been seized by many businesses operating in the herbal and traditional medicine industry, which have been using their strengths to stay competitive. These companies have been investing in research and development to create new herbal remedies and supplements that meet the needs of modern consumers. With the pandemic ongoing, the demand for herbal and traditional medicine will continue to rise. This presents an opportunity for companies to continue to grow their market share and expand their reach beyond the domestic market. However, companies must also be aware of potential threats such as competition from modern medicine and regulatory challenges.

The fact that many Indonesians are choosing to seek medical treatment overseas due to a lack of trust in the domestic healthcare system underlines the need for improvements in the quality, affordability, and accessibility of healthcare services in the country (Pradono & Sulistyowati, 2013). Furthermore, it highlights the limited government support for funding and policies, which has hindered Indonesia's healthcare industry's growth and development. The shortage of medical professionals, inadequate infrastructure, and limited access to medical facilities and services are significant challenges that need to be addressed to strengthen the healthcare sector and meet the needs of the growing population. As noted earlier, Sido Muncul has capitalized on the growing demand for herbal and traditional
medicine by leveraging its strategic planning capabilities. In response to the increasing demand, the company has produced and innovated more than 7 SKUs (stock-keeping units) in the year to meet the market needs. Furthermore, the company has demonstrated robust financial performance, as evidenced by its revenue growth and profitability, despite inflation and rising supply chain costs that caused losses in quarters 1 and 2 (Koe, 2020).

Sido Muncul has adopted several measures to optimize its strategies and recover its business to overcome these challenges. The company has focused on new product innovation, tapped into the digital market, optimization in the supply chain system, and expanded into international markets. These initiatives are expected to drive growth and enhance the company's market position in the herbal and traditional medicine industry (Sido Muncul, 2023b). Sido Muncul has not been immune to the challenges and threats facing the herbal medicine industry in Indonesia. One such challenge is regulatory issues, which have hindered the growth and expansion of the industry. The Indonesian government has been implementing various regulations that have affected the production, distribution, and marketing of herbal and traditional medicine products. These regulations have increased compliance costs and made it more difficult for companies like Sido Muncul to innovate and bring new products to market. In addition, Sido Muncul also faces stiff competition from modern medicine, which continues to dominate the healthcare industry in Indonesia. This competition presents a significant challenge for the company in attracting and retaining customers, especially those who may prefer modern medicine. Moreover, Sido Muncul's international presence is limited, which leaves the company vulnerable to economic and political instability in Indonesia. As the country faces ongoing economic and political uncertainties, Sido Muncul must continue to navigate these challenges to ensure the longevity and success of its business. (Sido Muncul, 2023a).

In order to know about the competitive advantage of Sido Muncul Group, we first should identify the Strength and Opportunities from the SWOT and their Strategic Implementation from the year before (Sari et al., 2021). Currently, the Strategic Implementation could be considered a Competitive advantage due to the company being sure enough to boost what they believe they are strong with, with the Strategic Implementation. The Strength and Opportunity part from SWOT played more role in the Company differentiation, and its current uniqueness differs from other companies; this was the input for the company to keep striving for its goals.

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<th>SWOT ANALYSIS</th>
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<td>- Increase demand due to pandemic</td>
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<td>- Rich biodiversity in the Indonesia market</td>
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<td>- Strong brand value to fulfill the demand</td>
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<td>- Create more new SKUs to fulfill the demand</td>
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<td>- Dependence on herbal and traditional medicine</td>
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<td>- Expansion to an international market</td>
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<td>- Innovate new products &amp; strengthen R&amp;D</td>
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<td>- Great financial performance</td>
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<td>- Expansion in the International and digital market</td>
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As mentioned before in the SWOT Part, the Strengths, Opportunities, and Strategic Implementation from Sido Muncul could be listed and concluded as follows:

- Sido Muncul is the only Brand that can capitalize on Indonesia's herbal and traditional medicine market (Sido Muncul, 2022).
- Sido Muncul can develop good standardized Research and Development Lab Facilities that are certified with ISO 17025 with other certified laboratories CPOB and CPOTB-standardized production facilities (Sido Muncul, 2023c).
- The only localized herb and medicine that can open new global markets across Africa, Malaysia, and Other Asia countries (Sido Muncul, 2022).
- Product variety, Sido Muncul is the herb brand that consistently proves its ground in developing the variety of its product line; within 2022, there are seven new products already (Sido Muncul, 2022).
- Strength in digital platforms such as e-commerce platforms and other social media activities with the collaboration of young influencers to promote brand awareness and boost sales from e-commerce platforms (sidomunculstore.com, tokopedia.com/sidomuncul) (Sido Muncul, 2022).
- A brand with many signature awards from the Indonesian awardee committee and other certifications such as BPOM.

In other words, Sido Muncul does spike down its foundation in building the trusted herb and traditional medicine product that is believed and well-known used by each generation to be the only herb that could cure morning sickness and unpleasant tummy fever or to keep maintaining reasonable body condition. Their slogan, “Orang Pintar Minum Tolak Angin” has proven to be stigmatized in Indonesia’s market and audiences. Their competitive advantage should remain on its opportunity, strength, and strategic implementation. Not only that, but the competitive advantage could also be taken from the value chain on the Primary Activities, such as the Operation part because FMCG Company would always try to stay ahead on supplier cost.

**CONCLUSION**

We can conclude the competitive advantage of Sido Muncul company after reading their annual reports and BOD Reports as follows:

- Raw-Material & Supplier Cost Efficient
- Trusted and well-known brand & product with tons of awarding and certifications - Advanced Research and Development team and facilities (ISO Certification)
- Global Market Pioneer in herb and traditional medicine from Indonesia
- The brand that can develop a web business e-commerce shop on sidomunculstore.com and maximize using the well-known marketplace to boost sales
From the conclusion above, we can acknowledge the competitive advantage owned by Sido Muncul group as listed above, the competitive advantage should play the 360 degrees of daily activities from the company or the group and how the company or group acts and adapts to business as usual per daily, the point that is strong enough to be the core could be considered as the competitive advantage, because that point is what differs the company or the group with another competitor. The unique strength and opportunity completed with the strengthening in strategic implementation and value chain could deliver a competitive advantage because those are all activities applied to the business’s daily operations. If the company fails to gain one or two things that there is strength within some categories, it is not at a competitive advantage yet.

In conclusion, Sido Muncul has capitalized on the opportunity presented by the growing demand for herbal and traditional medicine in Indonesia. The company has demonstrated its ability to innovate and produce new products while achieving robust financial performance. However, Sido Muncul must remain aware of the industry’s challenges and threats, including regulatory issues, competition from modern medicine, and limited international presence. To remain competitive, the company must continue to invest in research and development, expand its international footprint, and improve its regulatory compliance. Based on the above information, it is suggested that Sido Muncul should consider investing in technology and digitalization to improve its operational efficiency and reach a broader customer base. The company should also explore opportunities for strategic partnerships and collaborations to expand its international presence and mitigate the risks of economic and political instability. Additionally, Sido Muncul should continue to innovate and invest in research and development to stay ahead of the competition and meet the evolving needs of modern consumers. Finally, the company should work closely with the government to advocate for policies and regulations supporting the growth and development of Indonesia’s herbal and traditional medicine industry.

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