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Creating Blue Ocean in Indonesia's Decorative Paint Industry: A Strategic Analysis of PT Avia Avian Tbk

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ABSTRACT

The Indonesian decorative paint industry has grown rapidly due to urbanization and infrastructure development, yet faces intense competition among global and local players, price pressures, and rising sustainability demands. PT Avia Avian Tbk (Avian Brands), the market leader with ~24% market share, has maintained its position through superior distribution, vertical integration, and innovation. This qualitative single-case study uses secondary data (financial reports 2025–2026, sustainability reports, industry publications) to analyze Avian's environment, competitive position, and Blue Ocean strategy. Findings show a strong internal position (IFE 3.24) with key strengths: 129 own distribution centers, >60,000 retail outlets, 66.67% internal raw materials, 40 Green Label products, 83% water-based portfolio, healthy financials (current ratio 5.15x), and PROPER Hijau 2022–2025. External opportunities (EFE 2.94) include market growth (CAGR 9.8%) and rising green demand; threats include import dependency (30–40% specialty chemicals) and price competition. The proposed Blue Ocean strategy based on ERRC and Six Paths, eliminates technical jargon, reduces import reliance, raises sustainability and customer education, and creates a digital ecosystem (AR + Disney) and a design partnership platform. The new strategy canvas shows a significant value leap with the tagline: "Visualize Imagination, Realize Design Solutions in an Instant.".

Keywords: *Blue Ocean Strategy, Decorative Paint, Avian Brands, Sustainability, Digital Ecosystem*

1. INTRODUCTION

The Indonesian decorative paint market is projected to grow at a CAGR of 9.8% from 2021 to 2025, reaching US$3,001 million (PT Avia Avian Tbk, 2021). However, per capita paint consumption remains low at 4.2 kg (2024), compared to 8 kg in Thailand and 12 kg in Malaysia (APCI, as cited in Kompas.com, 2024). The industry faces intense competition among global giants (Nippon Paint, Dulux) and local players (Propan Raya, Decolith), with competition based on price, innovation (low-VOC, water-based), distribution, and sustainability credentials.

Blue Ocean Strategy, explained by Kim and Mauborgne (2015), offers a framework for creating uncontested market space through value innovation, using tools such as the Strategy Canvas, ERRC Grid, and Six Paths. Porter's Five Forces (1980) and Value Chain (1985) provide complementary frameworks for external and internal analysis. Murhadi (2024) emphasizes the integration of these tools in strategic management research.

Most previous studies on the Indonesian paint industry have focused on financial performance or competitive positioning, but few have comprehensively integrated external analysis (PEST, Five Forces, EFE), internal analysis (Value Chain, IFE), and Blue Ocean formulation using the most recent data (FY 2025–Q1 2026). This study fills that gap by: (a) analyzing Avian's external and internal environment, (b) evaluating its competitive position, (c) formulating a Blue Ocean strategy that incorporates digital ecosystems and ESG as value drivers, and (d) providing strategic recommendations.

2. RESEARCH METHODS

This study employs an exploratory qualitative single-case study approach (Yin, 2018). All data are secondary, collected from credible public sources: Avian Brands' financial statements (Q1 2025, Q1 2026, FY 2025 audited), Sustainability Report 2025, Climate Risk Report 2025, Annual Report 2025, IDX and OJK publications, Sustainalytics ratings, and industry associations (APCI, UNGC). No surveys or interviews were conducted.

For matrices (EFE, IFE, CPM, Strategy Canvas), weights and ratings were determined through structured judgment based on empirical evidence, with triangulation across sources to reduce subjectivity. Limitations include lack of primary data, limited competitor information, and case-specific results that cannot be generalized.

3. RESULTS AND DISCUSSIONS

3.1. External Analysis

A PEST Analysis of Avian highlights several strategic factors shaping its position in Indonesia. Politically, the country's stable post-transition government and full BRICS membership since January 2025 open wider export opportunities. Regulatory developments, such as Permenperin No. 2/2026, encourage the growth of green industries, benefiting Avian which already holds Green Label certification and PROPER Hijau recognition from the Ministry of Industry (2026). Economically, Avian recorded an 8.7% revenue increase in FY 2025, reaching IDR 8.12 trillion, though 30–40% of specialty raw materials remain imported (Avian Annual Report 2025). Socially, online shopping is surging, with more than 30% of Indonesians purchasing FMCG products online at a frequency 2.8 times higher than offline (CNBC Indonesia, 2025). Avian has responded with an AR color visualizer and dynamic social media campaigns. Technologically, the company has implemented the Avian Portal ESG for real-time monitoring, alongside DCS, WMS, and LMS systems to accelerate R&D (Avian Sustainability Report, 2025).

A Five Forces analysis of Avian's industry reveals several dynamics shaping its competitive environment. Industry rivalry is high, reflecting intense competition among established players. Supplier power is medium, as Avian's vertical integration helps reduce dependency on external suppliers. Buyer power is high, but Avian mitigates this through product differentiation strategies. The threat of new entrants is medium to high, since the industry is capital intensive yet still offers room for innovative niche players. Finally, the threat of substitutes remains low, as paint continues to be superior in terms of flexibility and cost compared to alternative solutions (Porter, 1980).

The industry life cycle for Avian's sector is currently in the Growth Stage, characterized by strong expansion and rising demand. The market shows a CAGR of 9.8%, with per capita paint consumption reaching 4.5 kg. Repainting cycles have shortened to about 3-4 years, indicating more frequent product usage and replacement. Additionally, sustainability trends are becoming increasingly influential, pushing companies to adopt greener practices and innovations. These factors collectively highlight that Avian operates in a rapidly growing industry with significant opportunities for expansion and differentiation (PT Avia Avian Tbk, 2021).

The External Factor Evaluation (EFE) Matrix (Table 1) for Avian shows a total score of 2.94, above the 2.5 benchmark. This means Avian is effectively seizing opportunities like market growth and rising demand for green products, while also managing external threats.

Table 1 EFE Matrix of PT Avia Avian Tbk

External Factors	Weight	Rate	Score
Opportunities			
Growth of the decorative paint industry (CAGR ~9.8%) and low per capita consumption	0,12	4	0,48
Rising demand for housing and infrastructure (government programs, BRICS initiatives)	0,10	4	0,40
Increasing consumer awareness of environmentally friendly products (low-VOC, water-based)	0,09	4	0,36
Government policy support for green industry (Permenperin No. 2 Tahun 2026)	0,08	3	0,24
Expansion of distribution networks (129 distribution centers, 60,055 stores) and digitalization	0,09	4	0,36
Per capita paint consumption remains low compared to regional benchmarks	0,06	3	0,18
Threats			
Intense competition from global brands (Nippon, Dulux) and local players (Propan, Decolith)	0,12	2	0,24
Fluctuations in imported raw material prices (pigments, resins) and exchange rates	0,11	2	0,22
Stricter emission regulations and potential carbon taxes	0,07	2	0,14
Physical risks of climate change (floods, extreme weather) affecting supply chains	0,06	2	0,12
Shifts in consumer preferences toward fast online shopping	0,05	2	0,10
Rising logistics and energy costs	0,05	2	0,10

Total Score	1,00		2,94

Source: Compiled by authors based on Avian Brands Annual Report (2025), Sustainability Report (2025), Climate Risk Report (2025), and Industry Publications (IDX, 2025; Kemenperin, 2026).

3.2. Internal Analysis

Avian's Value Chain highlights strong advantages across both primary and support activities. In outbound logistics, the company operates 129 distribution centers and supplies more than 60,055 stores, achieving 90% one-day delivery coverage in Java. Operationally, Avian maintains the largest production capacity with ISO-integrated plants, ensuring efficiency and quality. Marketing strength is evident through the launch of 12 new products in 2025 and impactful digital campaigns. On the support side, Avian emphasizes good corporate governance, invests in its 9,330 employees with 125,554 training hours, and leverages the Avian Innovation Center with 88 experts to drive R&D. Green procurement practices further reinforce sustainability, making the value chain a key source of competitive advantage.

Table 2 IFE Matrix of PT Avia Avian Tbk

Internal Factors	Weight	Rate	Score
Strengths			
Extensive distribution network (129 distribution centers, 60,055 stores)	0,12	4	0,48
Vertical integration (66.67% internal raw materials, in-house resin and packaging production)	0,10	4	0,40
Strong brand reputation, market leader (~24% market share)	0,10	4	0,40
Product innovation (40 Green Label certifications, 12 new products, 83% water-based portfolio)	0,09	4	0,36
Integrated ISO certifications (5 standards) and PROPER Green Rating	0,07	4	0,28
Healthy financial position (current ratio >5x, low leverage)	0,08	4	0,32
Comprehensive sustainability program (ESG roadmap 2030, decarbonization targets)	0,06	4	0,24
Weaknesses			0,00
Dependence on imported specialty raw materials (30–40%, vulnerable to exchange rate fluctuations)	0,09	2	0,18
Exports remain minimal (<5% of revenue)	0,08	2	0,16
Digital loyalty programs not yet fully developed	0,06	2	0,12
Limited expertise in automation and digital marketing	0,05	2	0,10
Some products still solvent-based (16.9%)	0,05	2	0,10
Workplace accident rates in distribution entities remain relatively high	0,05	2	0,10
Total Score	1,00		3,24

Source: Compiled by authors based on Avian Brands Annual Report (2025), Sustainability Report (2025), Financial Statements Q1 2025–Q1 2026, and Industry Publications (Sustainalytics, 2025; UNGC, 2025).

Create: Avian created new sources of value beyond functional paint. A key initiative was securing an exclusive Disney license for children's room paint, shifting buyer decisions from price to emotional experience. It also created a digital ecosystem including a color visualizer and an integrated partnership platform for contractors and architects.

3.3. Competitive Profile Matrix (CPM)

The Success Factor Matrix highlights Avian Brands' competitive standing compared to its rivals. Avian achieves the highest total score of 3.72, outperforming Nippon Paint (3.63), Dulux/Akzo (3.30), Propan Raya (3.13), and Decolith (2.37). Avian Brands' competitive advantages are clearly reflected in several key success factors. First, in distribution network and supply chain reliability, Avian scores the highest (4), supported by its unmatched reach of 129 distribution centers and 60,055 stores, as well as vertical integration with 66.67% of raw materials sourced internally, making its supply chain more resilient than Nippon or Dulux, which rely heavily on imports. Second, in brand reputation and sustainability (ESG), Avian also excels with a score of 4, distinguished by its PROPER Green rating, Singapore Green Label certifications, decarbonization targets, and UNGC membership. Its strong local brands such as Avitex and No Drop further reinforce its market leadership, even against Nippon's global reputation. Third, in product innovation, Avian matches Nippon and Dulux with a score of 4, demonstrated by the launch of 12 new products in 2025, 40 Green Label certifications, and a portfolio that is 83% water-based, showcasing robust R&D capabilities. Finally, in digital marketing, Avian again scores 4, on par with Nippon, through initiatives like AR color visualizers, interactive social media, and e-commerce integration, which strengthen engagement with younger consumers. These factors collectively highlight Avian's core strengths in distribution, sustainability, innovation, and digital transformation, positioning it as a market leader in Indonesia's decorative paint industry.

3.4. Strategy Canvas (Existing)

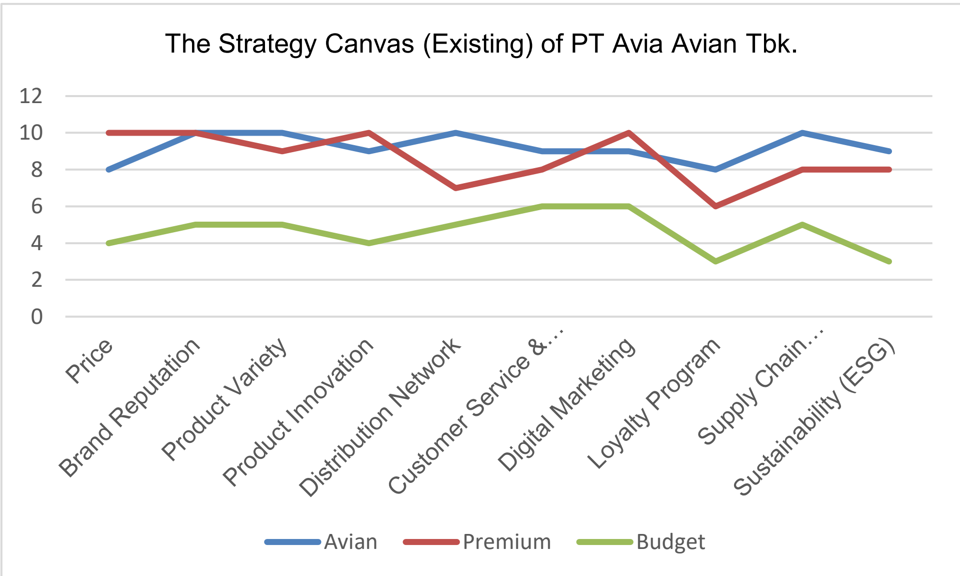
The Strategy Canvas (Existing) of PT Avia Avian Tbk shows a very strong market leader position. Avian's biggest edge is in distribution and product availability, supported by 129 company-owned distribution centers and more than 60,055 retail outlets. Its brand reputation is solid with Avitex, No Drop, and Glotex, while innovation through the Avian Innovation Center has matched global standards with eco-friendly, low-VOC products. On pricing, Avian stays in the middle segment to balance margins, leaving premium space to global players and budget space to aggressive local brands. Loyalty programs are effective but still traditional, with digital loyalty needing further development to meet 2025 digitalization trends.

Table 4 Level of Offering (Existing)

Competition Factors	Avian	Premium	Budget
Price	8	10	4
Brand Reputation	10	10	5
Product Variety	10	9	5
Product Innovation	9	10	4
Distribution Network	10	7	5
Customer Service & Education	9	8	6
Digital Marketing	9	10	6
Loyalty Program	8	6	3
Supply Chain Reliability	10	8	5
Sustainability (ESG)	9	8	3

Source: Authors' compilation based on industry analysis and competitor benchmarking (2025–2026).

Figure 1 The Strategy Canvas (Existing) of PT Avia Avian Tbk.



Source: Authors' compilation based on industry analysis (2025–2026).

The Value Curve Analysis (Rating 1–10) shows a sharper profile of Avian Brands' strategic positioning. Avian achieves absolute dominance in distribution and supply chain reliability with perfect scores of 10, supported by its 129 distribution centers and strong vertical integration that ensures supply stability. In customer service and education, Avian scores 9, outperforming both premium (8) and budget (6) competitors thanks to applicator training programs, responsive customer care, and digital education initiatives. For product innovation, Avian earns 9, slightly below premium players (10) due to their stronger global perception, yet its 40 Green Label certifications, 12 new product launches in 2025, and 83% water-based portfolio demonstrate robust R&D capabilities. Finally, in sustainability (ESG), Avian scores 9, surpassing premium competitors (8) and far ahead of budget brands (3), driven by its PROPER Green rating, Singapore Green Label, decarbonization targets, and UNGC membership. This analysis highlights Avian's key success anchors in distribution, ESG leadership, and customer engagement, while continuing to close the gap in product innovation against global premium rivals.

3.5. ERRC Grid and Six Paths

Avian Brands applies the Blue Ocean framework by eliminating jargon and overly technical language on product labels, reducing ineffective mass ATL promotions, and removing batch quality inconsistencies through standardization. It seeks to reduce the number of slow-moving SKUs, dependence on imported raw materials, product application time, and harmful chemical content. At the same time, Avian aims to raise sustainability standards by targeting 40% renewable energy in production by 2030, expanding its independent distribution reach, strengthening certified applicator training programs, and offering interactive educational content. Finally, Avian will create a digital ecosystem featuring AR tools, licensed Disney content, and a collaborative design platform that connects architects, contractors, and homeowners.

Table 5 ERRC Grid

Eliminate	Raise
Technical jargon on labels (GHS simplification)	ESG standards beyond compliance
Mass ATL promotions (ineffective)	Own distribution reach (129 DC, >60k stores)
Batch quality inconsistency (standardization)	Certified applicator training
	Interactive educational content
Reduce	Create
Low-rotation SKUs (rationalization)	Digital ecosystem (AR app with Disney license)
Import dependency (target <50% by 2028)	Design partnership platform
Product application time (quick-dry)	
Hazardous chemicals (VOC, heavy metals)	

Source: Adapted from ERRC framework (Kim & Mauborgne, 2015) and authors' strategic analysis.

The Create elements, which include the digital ecosystem (AR app with Disney license) and design partnership platform, are strategic recommendations that have not yet been fully implemented by Avian Brands. These represent the core of the proposed Blue Ocean strategy, aiming to create new market space that competitors have not yet explored.

The Six Paths Framework for Avian demonstrates how the company reconstructs market boundaries to unlock new opportunities. First, in alternative industries, Avian’s AR technology provides certainty similar to wallpaper solutions. Second, across strategic groups, it bridges premium quality with local affordability. Third, in the buyer chain, Avian extends its focus to architects and contractors as key decision-makers. Fourth, through complementary offerings, it positions itself as a provider of total architectural solutions. Fifth, by leveraging emotional appeal, Avian introduces licensed Disney designs for children’s rooms. Finally, in terms of time, the company proactively embraces decarbonization and digitalization, setting ambitious targets for 2030 and achieving net zero emissions by 2050.

3.6. New Strategy Canvas (Blue Ocean)

Table 6 Level of Offering New vs. Existing

Competition Factors	Existing	New
Price	8	8
Brand Reputation	10	10
Product Variety	10	10
Product Innovation	9	10
Distribution Network	10	10
Customer Service & Education	9	10
Digital Marketing	9	10
Loyalty Program	8	9
Supply Chain Reliability	10	10
Sustainability (ESG)	9	10
Digital Ecosystem		8
Design Partnership Platform		8

Source: Authors' compilation based on Blue Ocean strategy formulation (ERRC and Six Paths analysis, 2026).

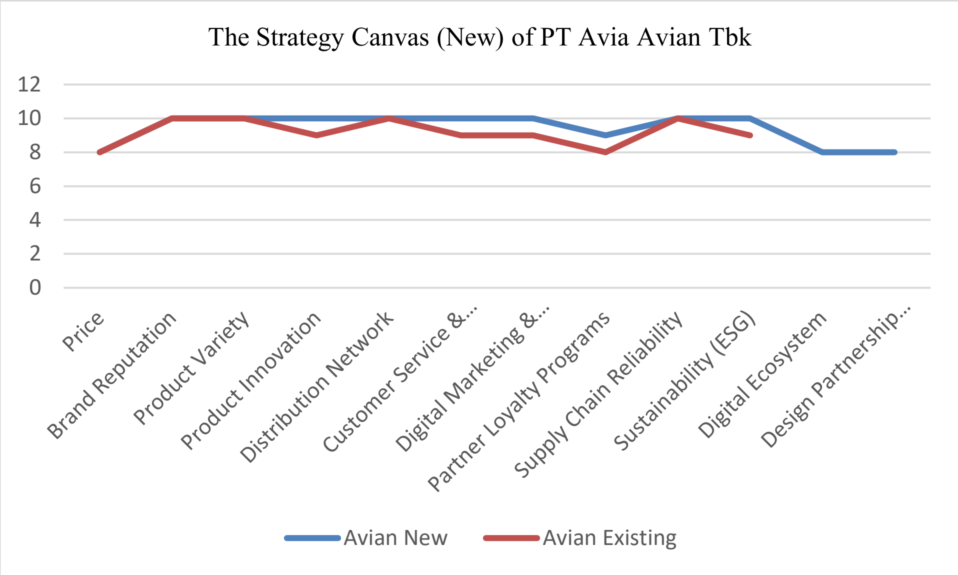


Figure 2 The Strategy Canvas (New) of PT Avia Avian Tbk
Source: Authors' compilation based on Blue Ocean strategy formulation (2026).

The new curve shows a significant value leap. Two new factors jump from 1 to 8, creating divergence that makes price-based competition irrelevant. Tagline: "Visualize Imagination, Realize Design Solutions in an Instant."

4. CONCLUSION

Avian Brands demonstrates a strong strategic position, with an IFE score of 3.24 reflecting robust internal capabilities and an EFE score of 2.94 showing effective capture of external opportunities. Its competitive advantages are anchored in distribution scale, vertical integration, innovation capacity, and ESG leadership. The proposed Blue Ocean strategy simplifying complexity, reducing import dependence, elevating service and sustainability, and building a digital ecosystem with design partnerships, creates a clear path for value innovation and long-term differentiation.

Avian Brands is recommended to accelerate vertical integration so that import dependence falls below 50% by 2028, expand regionally into Southeast Asia to capture new growth opportunities, and pilot AR-based digital campaigns to strengthen customer engagement. At the same time, the company should enhance digital loyalty programs for applicators to build stronger relationships, advance its energy transition through solar panels, hydropower (PLTA), and biomass initiatives, and improve ESG reporting transparency by adopting IFRS S2 and TCFD standards to attract green investors. These actions collectively reinforce resilience, innovation, and sustainability leadership.

This study has several limitations. It relies entirely on secondary data, without primary surveys or interviews to capture firsthand insights. Competitor information is limited to public sources. The case study is single-company, so results cannot be generalized without contextual adjustment. Future research could incorporate primary surveys of applicators and homeowners to validate the proposed Blue Ocean strategy.

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