

A MARKETING STRATEGY ANALYSIS: MARKET ENTRY PLAN OF FOCUS TO INDONESIAN MARKET

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ABSTRACT

Flocus is a textile company pioneering sustainable and regenerative textile solutions based on kapok fiber, and it has been creating a responsible supply chain for kapok since 2016. By doing what they can do best such as planting kapok trees in Indonesia to cover the increasing demand and planting kapok in areas where the desertification risk is high to help the poor and delicate ecosystem to find a new balance, testing and investing the wide range of applications of kapok, and building partnership with companies to help them using kapok for a wide range of products.

Since Flocus has invested in Indonesia for its supply chain, the company is thinking of entering the Indonesian market by offering its Fibers, Yarns, Fabrics, and Non-Woven products with a B2B business model in order to increase its profit. Flocus wants to expand its operations and market in Indonesia by creating a new sustainable kapok supply chain in Semarang and trying to sell its products to the locals. This expansion would be in the hope of increasing their revenue and creating a better sustainable supply chain. This study examines the enter plan to Indonesia market, including market segmentation, market size, and market growth. These studies are critical for the Flocus entrance strategy to succeed. This paper also examines cultural variations that have a large impact on marketing techniques, such as people's ideas, behaviors, and communication. The research method that the researchers will use is primary and secondary data with SWOT and PESTLE analysis.

The result shows that Flocus can get into the market by selling its product in massive volume or small volume, with massive volume it means that Flocus will sell its product to another company or manufacturer, and small volume means that Flocus will sell its product more towards the consumer. The strategy to compete in Indonesian market is to target middle to big company or manufacturer, why this is a better approach than targeting small company is because there is not a lot of big textile or garment manufacturer in Indonesia, and usually in Indonesia, the small company is buying product from big company instead of creating on their own this is because the machinery in Indonesia is costly and not a lot of small company can afford it. So, targeting middle to big company is better than targeting small company.

Keywords: *enter, kapok, market, plan*

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1. INTRODUCTION

1.1 Research Background

Flocus is a textile company pioneering sustainable and regenerative textile solutions based on kapok fiber, and it has been creating a responsible supply chain for kapok since 2016. By doing what they can do best such as planting kapok trees in Indonesia to cover the increasing demand and planting kapok in areas where the desertification risk is high to help the poor and delicate ecosystem to find a new balance, testing and investing the wide range of applications of kapok, and building partnership with companies to help them using kapok for a wide range of products. Flocus offers a range of kapok textile materials: fibers for stuffing, yarns, fabrics, nonwovens for thermal and sound insulation, waddings, foam replacement, medical, automotive, technical uses, and many more. In addition, Flocus has the most advanced technology in the market, that can spin the highest kapok percentage, and offer yarns in the thinnest counts with the possibility of a low minimum order quantity per blend.

1.2 Problem Description

The main problem that Flocus encountered was that Flocus wanted to expand its market in Indonesia. With the Flocus B2B business model, Flocus focuses on the volume market for Fibers, Yarns, Fabrics, and Non-Woven with kapok. With plans to enter the Indonesian market, Flocus hopes to increase its profitability and market share in the kapok industry.

1.3 Research Question

- 1 How is the kapok Industry in Indonesia?
 - a) How big is the kapok market in Indonesia?

This question can be answered by secondary data such as data on total kapok sales or textile sales in Indonesia. The information is gathered through other

research and government-published data. This question can provide Flocus with information about its chance of expanding into the Indonesian market.

b) What external factors affect the kapok industry in Indonesia?

To determine the external factors that will affect Flocus in Indonesia, the appropriate analysis the researcher can use is the DESTEP analysis. A DESTEP analysis clarifies how a company can better deal with these macroeconomic factors and adapt its strategy accordingly. This factor is related to the composition of the demographic, economic, sociocultural, technological, ecological, and political factors, which would provide a better understanding of what could be vital for an organization.

2 How is the kapok market competition in Indonesia?

a) Who are Flocus's Competitors in the industry?

This question will help the researchers to determine Flocus's competitors. Therefore, Flocus can decide on its competitive advantage. The method to answer this question is through an internet search.

b) What are Flocus's competitors' competitive advantages in Indonesia?

The researcher will use Porter's 5 forces analysis to determine a competitor's competitive advantage. Using Porter's 5 forces will provide information regarding the threat of new entrants, competition in the industry, power of suppliers, customers, and the threat of substitute products.

3 What type of consumers is present in Indonesia?

a) What are the factors that affect consumer buying behavior?

This question can be answered using secondary data such as previous research, related books and journals, and the internet. Using this data will assist the

researcher in figuring out factors that affect consumer buying behavior. This question is crucial to understand the needs and wants of the consumers in the region so it can be personalized.

- b) What is the consumer's perspective toward sustainable products in Indonesia?

This question could be answered using secondary data such as journals, books, and articles on the internet. Therefore, the researcher can understand and determine consumer perspectives toward sustainable products. By understanding how consumers decide on a product, they can fill in the gap in the market and identify the products that are needed and the products that are obsolete.

- 4 Is Flocus ready to enter the Indonesian kapok industry?

- a) What kind of strategy does Flocus need to enter the Indonesia kapok industry?

To determine the strategy for Flocus, the researcher can use SWOT analysis. By assessing the four aspects of Flocus (strength, weakness, threats, and opportunity), be able to deter threats, address weaknesses, take advantage of the company's strengths and develop a business strategy, such as do Flocus need to recruit new or Flocus only needs to train the existing employees.

- b) What pricing segmentation strategy should Flocus implement for the Indonesian market?

The researcher can use Flocus data reports and data from the internet to understand the cost and profit objectives, consumer demand, and competition. Flocus can position itself in the market through opportunities and threats.

2. THEORETICAL FRAMEWORK AND RESEARCH QUESTION

2.1 SWOT Analysis

SWOT analysis is a strategic planning tool developed at Stanford in the 1970s. SWOT stands for Strengths, Weaknesses, Opportunities, and Threats, and it is a systematic planning tool for evaluating the four parts of an organization, project, or commercial initiative. A SWOT analysis is a basic yet effective framework for utilizing an organization's strengths, fixing weaknesses, reducing threats, and capitalizing on opportunities (Kotler et al., 1991).

2.2 PESTLE Analysis

A PESTLE study is a method used by organizations to evaluate macroeconomic issues that affect their operations. Macroeconomics is the study of large-scale economic factors, frequently pertaining to whole countries. This analysis includes political, economic, social, technological, legal, and environmental issues. The circumstances of a country have an impact on the businesses that operate inside it, and PESTLE analysis assists these firms in understanding the potential implications of these elements (Kotler et al., 1991).

3. RESEACH METHODOLOGY

3.1 Research Design

This study examines the enter plan to Indonesia market, including market segmentation, market size, and market growth. These studies are critical for the Flocus entrance strategy to succeed. This paper also examines cultural variations that have a large impact on marketing techniques, such as people's ideas, behaviors, and communication. The research method that the researchers will use is primary and secondary data.

3.2 Collecting Data and Analysis

As to primary data, the researcher will collect the data through interviews and surveys through owners, staffs of Flocus. The secondary data is going to be collected with desk research through books, articles, and journals on types of research methods, customer behaviors, and marketing

4. RESULT AND DISCUSSION

4.1 Market Size

The kapok market in Indonesia is wide spread between the governmental plantages and the non governmental. Official figures show that the total market of kapok fruit is 50 million Kilogram. The content of the fruit is 22% fibers, which makes the official fiber market around 10 to 11 million Kilogram. Unofficially the market is around 160 million kg of kapok fruit, which is spread over various Islands like Java, Lombok, and Sumbawa Island (Van der Wolde, 2022). Indonesia is one of the world's largest manufacturers and distributors of kapok. In the case of kapok exports, Indonesia is tied for first place with its neighboring country. The Indonesian kapok distributor frequently sends their kapok filling and seed products to a variety of countries (A, 2020a).

4.2 PESTLE Analysis in Indonesia

1. Politics

Indonesia's politics are unstable, with a political stability score of -0.5; the Political Stability and Absence of Violence/Terrorism index evaluate perceptions of the chance that the government would be destabilized or toppled by unconstitutional or violent means, including politically motivated violence and terrorism (Statisata, 2021). In addition, Indonesia is dealing with a serious corruption problem. It has infiltrated every corporate, political, and government institution in the country. Many

Indonesian provinces wish to be independent, which is worth noticing. It is causing political instability in the country (Shaw, 2021). Furthermore, Indonesia maintains very good foreign relations with the neighboring countries and avoids being entangled with conflicts among other countries. It is a founding member of the Association of Southeast Asian Nations (ASEAN) and the East Asia Summit. It is also a member of the UN, the Organization of Islamic Cooperation (OIC), and the World Trade Organization (WTO) (Rahman, 2022).

2. Economics

Indonesia's nominal GDP is expected to reach around \$1270.00 Billion in 2022 (Trading Economics, 2022). The country's economy grew tremendously in the last two decades, though it was heavily hit by the Asian financial crisis in 1997. Similarly, global lockdowns in 2020 have also slowed down the economy, though moderate recovery is evident (Rahman, 2022). Private companies and foreign investors dominate the Indonesian economy; however, it is worth noting that the government is one of the largest owners of businesses (Rahman, 2022). Furthermore, the corporate tax rate in Indonesia is 22% (Trading Economics, 2022). Personal tax rate is calculated in line with the residential status of individuals.

3. Social

The population of Indonesia is over 277 million which represents 3.51% of world population (World Meters, 2022). Indonesia is the largest Muslim country in the world and approximately 10% of Indonesians are Christian (Rahman, 2022).

Indonesians are divided by seas and concentrated on islands. The biggest cluster is in Java, where 152 million people (56 percent of the country's population) live (Direktorat Jendral Kependudukan dan Pencatatan Sipil, 2021).

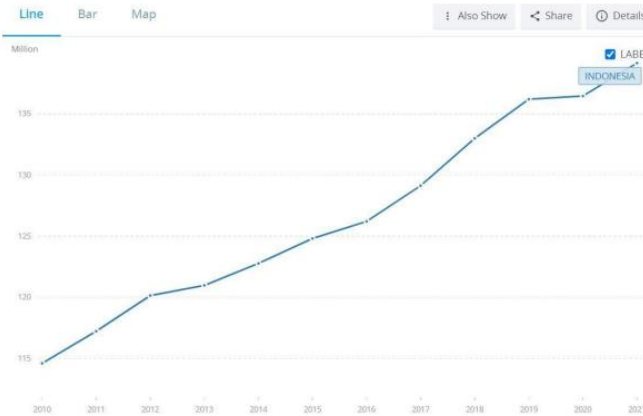


Figure 1. Labor Force in Indonesia (The World Bank, 2021)

The government spends heavily on both the education and health care system. The middle class is growing rapidly in the country, so is the pace of change in consumer behavior. The desire for Western food and technology items, as well as ready meals, frozen and processed foods, healthy foods, and fashion, is steadily increasing. However, Indonesia confronts significant social issues, including human rights violations, corruption, nepotism, a high smoking rate, malnutrition, and poverty (Rahman, 2022). As shown in Figure 2, there is around 139 million estimated labor force in Indonesia in 2021, and approximately 40% of the labor force is women.

4. Technological



Figure 2. Individuals Using Internet (The World Bank, 2020)

In 2020, around 54 percent of the Indonesian population was using the internet, with approximately 191 million individuals using the internet in Indonesia (see Figure 3).

Indonesia is one of the world's largest online markets, with over 171 million internet users. As of July 2021, the country's online penetration was over 70%. Mobile communications and social media are popular internet activities (The World Bank, 2020). Indonesians are among the world's most active users of Twitter. Other networks that are doing very well in the country are YouTube, WhatsApp, Facebook, Pinterest, and Instagram (Rahman, 2022). Over the years, Indonesia has achieved significant progress in terms of technological adoption. The government has unveiled a plan, dubbed as the Making Indonesia 4.0, to increase the use of technology to stimulate growth and increase industrial capacity in five key areas i.e., food & beverage, automotive, textile, electronics, and chemicals (Rahman, 2022).

5. Legal

Indonesian laws protect the rights of employees. For instance, businesses and companies must provide them social security, religious holiday allowance, specific working hours, pay for overtime, and paid leaves to their employees. However, it's not easy for foreign companies to launch their business smoothly in Indonesia (Shaw, 2021). The Indonesian government enacted the Job Creation Omnibus Law. The Law tackles topics such as the ease with which business permits may be obtained, land acquisition for commercial purposes, taxation, and labor. The Omnibus Law does not replace existing laws on those issues; rather, it supplements and revises various items in current laws. Civil society and experts have criticized the law, mainly on employment rights owing to minimum pay, contractual obligations, working hours, land certification, and property purchases that might harm the environment (Overseas Business Risk: Indonesia, 2021).

6. Environmental

Climate change is expected to influence water supply, health and nutrition, disaster risk management, and urban growth in Indonesia, particularly in coastal areas, with

consequences for poverty and inequality (The World Bank, 2022). Indonesia has the world's third-biggest tropical rainforest (94.1 million hectares), as well as the world's most extensive tropical peatlands (14.9 million hectares) and mangrove forests (3.31 million hectares). These natural resources store vast amounts of carbon that reduce the effects of climate change, which is critical to sustaining Indonesian livelihoods and supporting the country's long-term growth (The World Bank, 2022). Indonesia is home to thousands of islands between Australia and Asia. They attract the attention of tourists from across the globe and promote her tourism industry. According to an estimate, Indonesia has earned average annual revenue of 2655.81 million dollars from 2010 to 2020 (Shaw, 2021).

4.3 Culture in Indonesia

Working in Indonesia requires some knowledge, as those who travel to this country will find that language is not the only barrier to working in this country (Indoservice, 2021). Businesses must navigate the process of obtaining the relevant licenses and permits in addition to finding acceptable office space and creating the essential business connections.

Cultural differences might include socially acceptable values, beliefs, and standards of action. The structure of the Indonesian corporation was composed of multiple levels, indicating the presence of a strong hierarchy (Indoservice, 2021).

4.4 Consumer perception of Sustainability

According to Indonesian customers, environmentally friendly goods are required to reduce pollution, overcome the energy crisis, provide safety, and prevent risks. Furthermore, these items can help to prevent the extinction of fauna and flora, as well as the spread of serious illnesses. Eco-friendly items must be created for future usage. The

determinants are customer attitudes toward green products as well as environmental worth (Arlin, et al, 2018).

4.5 Competitor's Analysis

The potential competitors of Flocus are Candra Kapok Factory, Rajo Java Kapok, Agro Raya Co. PT. Sri Rejeki Isman Tbk., PT. Asia Pacific Fibers, and PT. Knitto Tekstil Indonesia. These competitors are chosen based on the industry of the companies that are involved in the same industry as Flocus, then it is based on the size of the companies, and main target customers of the company.

1. Rajo Java Kapok

Rajo Java Kapok is one of the famous fiber companies that has several production locations, such as in Karang Kukun, Pasrepan Village, and Pasuruan. The kapok fiber will be used in the textile industry, life-saving equipment and more (rajojavekapok.com, 2019). Currently, the company promotes the products by using social media like facebook, instagram, twitter, and youtube. But none of them are active, but the potential partner can use an email to contact the company

2. Agro Raya Co.

Agro Raya Co is in Central Java, mainly supplier and manufacturing of Kapok Fiber, Kapok Seed Meal, Wood Pellet, etc for industrial and retail. The company sells the products not only in Indonesia, but also exports it to other countries (Agro-raya.com, n.d). Agro Raya co has advantages like the product is environmentally friendly, the organic product is safe to use, registered in export customs, trade & industry, the relationship of confidence for the future., and best quality is a priority for satisfied customers (Agro-raya.com, n.d).

3. PT. Sri Rejeki Isman Tbk.

PT. Sri Rejeki Isman Tbk is one of the biggest fiber companies in Indonesia and established in 1966. Currently, PT. Sri Rejeki isman became a vertically integrated textile company with more than 17 thousand employees. The Company concentrates most of its operations at a 79 hectare of land in Sukoharjo, Central Java. Four production lines consisting of spinning, weaving, printing, dyeing and garment. The Company becomes an integrated textile garment company with high quality control standards (sritex.co.id, n.d). The market of the company not only occupies the Indonesian market, but also South Korea, Philippines, India, Germany, and China. The customers of the company also come

from large retail companies such as H&M, Walmart, K-Mart, and Jones Apparel (sritex.co.id, n.d).

4. PT. Asia Pacific Fibers

Asia Pacific Fibers is a publicly traded textile company headquartered in Jakarta, Indonesia. The company was founded in 1984 under the name Polysindo Eka Perkasa until 2009 (Wikipedia contributors, 2022). PT. Asia Pacific Fibers is a leading global integrated polyester producer. Driven by vertical integration, professional management, advanced machinery, and consistent quality in manufacturing. As a leading manufacturer and marketer of polyesters, staple fibers, filament yarns, and fleece fabric together with captive PTA (purified terephthalic acid, APF can meet the ever-changing demands in the apparel, furniture, and textile industries. (Kendalkab, n.d). PT. Asia Pacific Fibers currently uses LinkedIn and their website to advertise their business. Although the business has more or less than 2,500 followers on the latter platform, it does not frequently post there.

5. CONCLUSION

1. How is the textile Industry in Indonesia?

a. How big is the textile market in Indonesia?

According to research, Indonesia is one of the largest textile industries in the world. It is stated that the textile industry has contributed 1.2 percent to the country's gross domestic product (GDP) in 2015, with exports valued at \$12.28 billion, or 8.2 percent of overall export value (according to the Indonesian Textile Association, 2017) In Indonesia, the textile industry is mainly in western part of Java Island, near the capital city of Jakarta. In addition, in Indonesia both state and non-governmental businesses participate in the Kapok market. The Indonesian distributor of Kapok regularly exports its Kapok filling and seeds products to a variety of countries (A, 2020a).

b. What external factors affect the kapok industry in Indonesia?

Indonesia is dealing with a serious problem in its country. Such as corruption, changing regulations, and so forth (Shaw, 2021). The application of the rule of

law and democratic principles is impacted by corruption. Moreover, Indonesia has a regulation called the Omnibus Law regarding business permits, thus making it difficult for foreign companies to launch their business in Indonesia. In addition, Indonesia has some regulations related to export and import that are easily changed, which might impact the Kapok industry.

2. How is the kapok market competition in Indonesia?

a. Who are Flocus's Competitors in the industry?

Some of Flocus's main competitors are Rajo Java Kapok, Agro Raya Co, PT. Sri Rejeki Isman, and PT Asia Pacific Fibers. Each company has its own strengths and weaknesses that influence Flocus's approach in Indonesia.

b. What are Flocus's competitors' competitive advantages in Indonesia?

After conducting the competitor analysis, conclude that the competitors of Flocus already have established customers within Indonesia and around the world. In addition, they also supply for many big brand companies such as H&M, WalMart, and K-Mart.

3. What type of consumers is present in Indonesia?

a. What are the factors that affect consumer buying behavior?

According to the data, consumers in Indonesia still prefer offline channels in shopping compared to online channels. However, it is predicted that the consumers will shift their preference more towards online channels. In addition, according to Xendit (2022) that to reach B2B customers in Indonesia, it is necessary to combine online and offline channels to create high-quality customer experience by connecting all sales channels.

b. What is the consumer's perspective toward sustainable products in Indonesia?

Consumer concerns in Indonesia about the environment and sustainability have grown in recent years. They grow increasingly worried as a result of their

perception that the effects of the environmental deterioration may have an impact on their health. Therefore, Indonesian customer perception regarding sustainable products is that they have a strong desire to purchase sustainable products.

4. Is Flocus ready to enter the Indonesian kapok industry?

a. What kind of strategy does Flocus need to enter the Indonesian kapok Industry?

The strategy that Flocus needed is by focusing on offline channels because based on the data, it found that most Indonesian customers prefer to buy through offline channels. However, it is also found that in the future there is a possibility for customers to change the channel preference by using an online channel. Additionally, according to the data, East Java produces the most kapok in Indonesia, therefore Flocus may concentrate its kapok production there. In Indonesia, consumer purchasing intentions are significantly influenced by consumer perceptions about environmentally friendly products. Therefore, Flocus can market their company related to sustainability.

b. What pricing segmentation strategy should Flocus implement for the Indonesian market?

The pricing strategy that Flocus is good for Flocus to enter the Indonesian market, it is good because the price can vary depends on the customer's needs, which is a manufacturer. Because from the data we can see that the Indonesian people is not ready to adapt to use a fully green products but have good perception about green products, this is good for the company who wants to start to product that more eco-friendly. The price that Flocus set currently is also not far off from the market price, the price for kapok fibers, which is around US\$1 to US\$2 depend on the quality, and price for the fabrics, which sells around US\$ 6 to US\$ 15, even the competitors' fabrics is made from cottons.

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