

**MARKETING STRATEGY ANALYSIS: A CASE  
STUDY ON PABRIK MESIN TENERA, NORTH  
SUMATRA INDONESIA**

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**ABSTRACT**

This study aims to examine the strengths and weaknesses of Pabrik Mesin Tenera (PMT) Dolok Ilir PT. Perkebunan Nusantara IV, North Sumatra Indonesia in developing its production and creating appropriate strategies to compete in the market of palm oil industry. This industry is very much in demand, especially in North Sumatra as the land area of palm oil in 2007 itself has reached 970,603 hectares. The research findings revealed that the marketing mix of PMT, as outlined in the Cartesius diagram, as well as Place and Price are considered important factors by consumers in viewing Place as a kitchen that produces sufficient products on demand. Consumers also found the Prices offered are reasonable. The company should also upgrade its Product, Promotion and Service. The factors of People and Process seem to comply with the consumers' expectation, thus the company does not need to tackle these factors as their top priority. The company also needs to reform its organisation, marketing mix and strategies in order to boost its profit and image.

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**Keywords:** *Social Network Service, Society-Based Communication, Internet*

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## **Introduction**

North Sumatra is a province, which is located on the island of Sumatra, Indonesia. The province is PT. Perkebunan Nusantara IV, specialising in palm oil industry. Pabrik Mesin Tenara (PMT)<sup>1</sup>, located in Dolok Ilir, PT. Perkebunan Nusantara IV, North Sumatra Indonesia, is a company that engages in engineering and palm oil industry. PMT handles demand of manufacturing components and equipment of palm oil and agriculture, apart from its ability to build and repair the infrastructure of palm oil factories in PT. Perkebunan Nusantara IV (PTPN IV). Alongside its company's policy, PMT is also able to expand its market not only within the PTPN IV, but also outside PTPN IV. Consumers for the PMT products are still limited to the factories within PTPN IV, which do not yet have adequate market linkages. In viewing the existing market shares, it seems that the PMT can still increase its sales growth in production, having a development of 135 palm oil factories in North Sumatra province (Perkebunan Indonesia 2006-2008).

The ordering strategy used by PMT follows the PTPN IV budget plan policy, which coordinates with other factory units. This step does not seem optimal because PMT itself has adequate assets, experienced managers in the palm oil industry, and products with tested quality. As one of the palm oil factories within PTPN IV with a clear market share, its sales record is constantly increasing. Other aspects include a well-trained human resource, adequate components of palm oil industry, convenient location to obtain any equipment, and competitive prices of its products.

The potential market seems large enough, where there are 135 units of palm oil factories in North Sumatra. With an installed capacity of 5207.16 tonnes/hour and the capabilities of the PMT, the market opportunity of PMT seems quite good and still has a wide open market that can be entered. However, until now only about 17.7% market share is owned by PMT, whereas 82.3% is still held by private competitors. This phenomenon indicates that the strategy of PMT partnership plan, which only meets the environmental needs of PTPN IV, does not match with the potential of PMT.

The management of PMT should review small market shares in order to enlarge its potential for good use. Several factors leading to market opportunities are not fully utilised, such as lack of strategy in reaching the market, not having sufficient networking market, less responsive to changes in business, and lack of professionalism in providing a broader service to consumers and business partners. The total sales in 2003 looks very small, amounting to Rp14 billion, but increased from year to year until 2006 and declined in 2007. The sales development of PMT during the last five years can be seen in Figure 1.

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<sup>1</sup> Literally translated as Mesin Tenara Factory

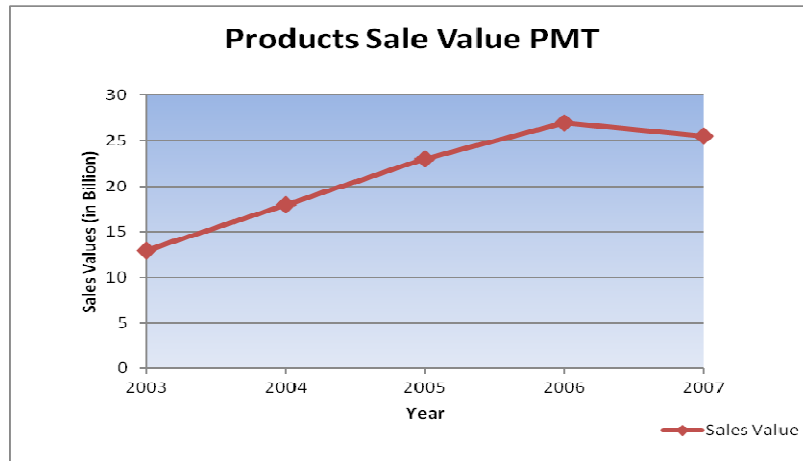


Figure 1: Value of Product Sales of PMT 2003-2007

In terms of sales value, PMT has a graph that increased from 2003 until 2006 and declined around Rp5 billion in 2007. However, when considered in the profit/loss margin, PMT has undergone experiences that are not optimal as shown in Table 2.

Table 2: PMT Realized Income Gain/Loss 2003 – 2007

Year	Target	Realization
2003	473, 777, 000	1, 677, 404, 721
2004	430, 308, 000	671, 710, 442
2005	1, 200, 944, 000	1, 411, 642, 140
2006	6, 282, 206, 000	2, 627, 531, 431
2007	6, 067, 549, 000	1, 165, 016, 056

Briefly, the data indicate that the achievement of corporate performance is not optimal. Therefore, the internal and external factors affecting the marketing and corporate earnings should be taken into consideration.

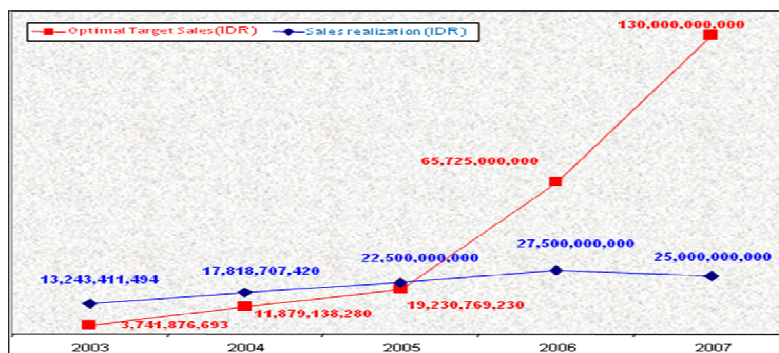


Figure 2: PMT Optimal Target Sales and Actual Sales 2003 – 2007

Figure 2 depicts that the losses suffered by PMT as seen in 2003, 2004, and 2005 sales have exceeded the target, but from 2006 to 2007, the amount has reached far below the sales target. The graph shows unexpected result of sales throughout those years. So, it is very necessary for future efforts and strategies to achieve better sales performance. The main strategies adopted by PMT in building its brand identity are through the production of equipment components and strengthen consumers' loyalty.

It seems that PMT still has potential in market opportunities among its competitors. Therefore, PMT should always try to improve its quality and strive to maintain the prices of its production. Some competitors include PT. Jiwa Bangun, PT. Anugrah Teknik, PT. Sempurna Jaya Laju, PT. Duta Prima Takkindo, and PT. Era Karya. In terms of market share and the opportunities that exist among its competitors, PMT requires a strategy to expand market share. Hence, this study aims to examine the strengths and weaknesses of Pabrik Mesin Tenera (PMT) Dolok Ilir PT. Perkebunan Nusantara IV, North Sumatra Indonesia in developing its production and create an appropriate strategy to compete in the market of palm oil industry. This industry is very much in demand, especially in North Sumatra, having the land area of palm oil plantation that has reached 970,603 hectares in 2007. Hence, This study aims to examine the strengths and weaknesses of Pabrik Mesin Tenera (PMT) Dolok Ilir PT. Perkebunan Nusantara IV, North Sumatra Indonesia in developing its production and creating appropriate strategies to compete in the market of palm oil industry.

### **Literature Review**

Strategic management is defined as the art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organisation to achieve its objectives. As implied in the definition, strategic management focuses on integrating management, marketing, finance and accounting, production and operations, research and development and computer information systems in order to achieve organisational success. Strategic management is used interchangeably with another term, so-called strategic planning. This term is commonly used in the business world (David, 2006). Any organisation or company needs a strategy when facing situations such as having limited resources, uncertainty regarding the company's competitive strength, unchanged commitment to available resources, and coordinated decisions by each decision-maker. In situations like these, companies need a strategy (Tjiptono, 2000). Anticipatory strategies may reconcile external changes that occur with internal conditions of a company or organisation through available resources, capabilities and compensation.

In a business world, competition within the same company is usually the largest force within the five competitive forces. According to David (2006), the nature of industrial competition combines five forces: competition among its peers, the entry of new competitors, potential development of substituted products, the bargaining power of sellers or suppliers, and bargaining power of consumers. The company can succeed in its strategies if it gives a competitive advantage compared to competitors' strategies. Strategic planning is a long-term process, and thus requires analysis process. The goal is to develop a strategy to fit the mission, goals and policies of the organisation (Rangkuti, 2002).

## **Theories of Marketing**

Marketing and production are the main functions of an enterprise to meet consumers' needs. Marketing decisions should be made to determine product, market, price and promotion. For a successful marketing of a strategic planning, necessary effort is needed to develop and maintain strategies that fit between the objectives and organisational capabilities and changing marketing opportunities. The purpose of strategic planning is to find ways that allow companies to use their power well and take advantage on exciting opportunities that exist in the market. According to Kotler (2005), marketing is a social and managerial process undertaken by individuals or groups in acquiring their needs and desires, by creating and exchanging products and value with others. The definition of marketing is based on core concepts involving needs; desires and demands; product; utility; value and satisfaction; exchanges; transactions and relationships; market; and marketing. From this description, it could be suggested that marketing is the creation of a standard of living that includes several activities such as investigating and finding out what consumers want, planning and developing products to meet consumers' desires, paving the best way to determine price, promotion and distribution, as well as achieving consumers' satisfaction. Marketing management in this study, therefore, is to produce component tools in palm oil industry with two major concerns: how are internal and external analyses conducted on PMT; and how can all the abovementioned factors satisfy the goals of consumers and organisation; thus enabling PMT to improve its business.

## **Segmenting, Targeting, and Positioning**

Operating companies should realise that it would not be possible for them to serve all consumers in a market. This is because a market is made up of various consumers' characteristics, and each consumer has different desire. Therefore, the heart of modern strategic marketing should be applied to marketing segmentation, target markets (targeting) and market placement (positioning). Market segmentation is an act of identifying and forming groups of buyers or consumers separately. Each consumer has his/her own characteristics, desire, and thus requiring his/her own product and marketing mix. Targeting will be the next step once the company identified its market segment opportunities. Then, it evaluates various segments to decide which segment suits the target market. In evaluating different market segments, the company must look at two factors: the overall market attractiveness and the company's objectives and resources (Kotler, 2005). Positioning is the act of designing products and marketing mix in order to create certain impression in the mind of consumers (Kotler, 2005). This act will help consumers to recognise a definite difference between competing products so that they can choose the best one. This includes image branding, attractive benefits and competitive advantages. Positioning, thus, requires PMT to deliver its orders and services on time.

## **Market Entry Strategies**

In order to improve the present business, a company needs to develop an intensive and integrated growth by using five strategies: (i) market penetration strategy, whereby the management seeks to increase market share for current products (long products), by stimulating more customers; (ii) market development strategy, whereby the management intends to find new markets for its products. This can be done by increasing the number of dealers at the current location or find a new location; (iii)

product development strategy, whereby the management intends to develop existing products to be marketed at the current market price; (iv) diversification growth; and (v) integration strategy.

### **Marketing Mix**

The scope of marketing activities is determined by the marketing concept called the marketing mix, whereby all existing variables can be controlled by a company and mutually influence each other, so that if one element is not exactly organised, it will affect the overall marketing strategy. The marketing mix consists of product, place, price, promotion, people, process, and customer service. The product is a result of the work, in the form of equipment components that meet consumers' expectations, with reliable lifetime quality and easily operated. Product mix is a series of all products offered by a particular seller, which allows a company to have its width, length, depth and consistency. Wide product mix refers to the extent of the company's product lines. The length of the product mix refers to the number of units in its product mix. The depth of product mix refers to the variance offered to every product in the line, whereas the consistency of product mix refers to an extent of relationship among various product lines in the end use, production requirements, and distribution channels.

Place is also known as a location in doing business, management, transportation, product storage, order processing and stock recording. It is the central part of production. Next is Price, an important factor of business, because it provides income. Price gives the perception of quality goods. Price is the only factor in the marketing mix that generates revenue, while all other factors incur cost. Price is also considered as one of the most flexible factors in the marketing mix, and it undergoes quick changes. Several factors are involved in setting prices such as internal factor, which includes target marketing, cost and organisational considerations, and external factor, which includes supply and demand, competition, regulation and environment.

Promotion is a programme used to communicate with the organisation's target market. It consists of advertising, which is any form of presentation and promotion of personal ideas, goods or services that are paid by the sponsor; individual selling, involving personal presentation by a salesperson in order to sell and build relationships with customer; sales promotion, short-term incentives to encourage the purchase or sale of a product; and public relations, which could foster good relations with various community groups. Industrial goods are usually sold to other organisations, whose influences may determine changes of emphasis in the marketing mix, thus promoting a flexible and competitive marketing tool. The marketing success of a product is very dependent on the selection, training, motivation and human resource management. The importance of people in marketing service leads the company to attract, motivate, train and retain quality employees by developing jobs to satisfy each individual consumer.

### **Methodology**

The population in this study involves all the agencies working with PMT from 2005 to 2007. A total number of consumers who collaborated with PMT come from 24 palm oil factories. Due to a relatively small population, the sample is scattered throughout North Sumatra. This study uses descriptive method to collect, tabulate, clarify and interpret the available data. The approach used is a case study involving a survey of consumers of

PMT, Dolok Ilir in North Sumatra. An Interview was conducted with the management and employees of PMT as well as product users. The list of questions asked is associated with product, price, place, promotion, people, processes and services. Secondary data were obtained from regulatory and procurement documents, sales and reserved component. The collected data were analysed by systematically identifying various factors to formulate a firm marketing strategy. The analysis covers product, price, place, people, promotion process, and service. General conclusions shall be utilised for further research on the marketing strategy of PMT Production in order to obtain a bigger market share in North Sumatra.

## **Results and Discussion**

The discussion begins by displaying the data of PMT's consumers, competitors and the marketing mix and followed by an alternative strategy in controlling the marketing mix. The executed strategy considers product choice, promotion policy, pricing policy, wisdom, resource availability, policy process, and customer service policy.

Both primary and secondary data are used in identifying and discussing the internal and external problems. In the perspective of internal environment, the PMT has not yet been able to perform well because it is still bound by the bureaucracy or the policy of PTPN IV. The organisational structure of PMT is still too modest. Until now, it only meets the needs of the factories in the PTPN IV (captive market), as it does not have adequate market network. The factory does not have a coordinated programme to communicate with buyers and other parties that affect the ordering and purchasing decisions. Meanwhile, for external environmental aspect, the consumers' segmentation is still based on expenses with limited number of suppliers entering the palm oil industry, and there is a kind of business competitors who are able to distribute products with more competitive price. Therefore, the company is able to provide bonus to subscribers in a large capacity. Next, fluctuation rate of material prices is fast changing in the market, thus affecting the price of orders made by buyers. Sponsored promotional activities among competitors are very highly competitive and unrivalled.

It can be interpreted from Table 3 that for the promotion strategy analysis, the company does not make a breakthrough campaign. Promotion as a supporter of productivity must be done by PMT. This can be done through exhibition, brochures and information on electronic media, especially in introducing superior products. The next issue deals with human resource, whereby the company employed skilled manpower to provide services to consumers in order to create confidence among them. Among the aspects which require the company's attention include administrative processes, product demand, material supply and speeding up the completion of work orders, timeliness of product orders and distribution to consumers as optimal and appropriate as possible. Regarding speed in the handling of service complaints, 10.4 percent of the respondents state that the speed of handling complaints of PMT product damage is still not in line with their expectations.

Table 3: Survey of Customers' Opinions on PMT Products

No.	Opinions of Respondents	% Respondents Answer			Total %
		Appropriate	Enough	Not appropriate	
1	Product conformity	38.9	59.7	1.4	100
2	Product Price	50	45.8	4.2	100
3	Ease of Obtaining Services	58.3	37.5	4.2	100
4	Ease of Obtaining Information	41.7	47.9	10.4	100
5	Corporate HR Skill Proficiency	38.8	50.1	11.1	100
6	Product Procurement Process	41.7	47.9	10.4	100
7	Speed Complaint Handling. Product Services	45.8	43.8	10.4	100

In the aspect of Price, PMT has adjusted the market price and pricing method by either maintaining the existing price or adjusting to the percentage, which is higher or lower than its competitors. Easy access to PMT services receives good responses from the consumers, especially on the analysis of location where PMT is located near the factory in North Sumatra.

**Importance- Performance Analysis**

Table 4 illustrates the position of each variable using the Cartesian diagram. Meanwhile, Figure 3 shows a Cartesian diagram of importance and performance marketing mix where the combination of the X-axis (performance) shows the variables to be measured and the Y-axis (importance) shows the importance of those variables for the consuming company. Coordinates of the midpoint of the quadrant refers to the grand mean of the average of all factors on the performance and the average of all factors on the importance.

Table 4: Results of Performance Assessment and Importance

No.	Factor	Performance	Importance	Gap
		$\bar{X}$	$\bar{Y}$	
1	Products	3.46	3.58	0.13
2	Price	3.50	3.71	0.21
3	Place	3.79	3.67	-0.13
4	Promotion	3.25	3.54	0.29
5	People	3.38	3.33	-0.04
6	Process	3.58	3.17	-0.42
7	Service	3.38	3.54	0.17
		$\bar{\bar{X}}$	$\bar{\bar{Y}}$	

In terms of product analysis, the result reflects that PMT has already used certain indicators of products, as illustrated in Figure 3 through importance-performance marketing mix, where the company is still required to make top quality products and



guarantee the durability of these product to measure the strengths and weaknesses in the capacity of products to meet consumers' demand. Quadrant I reflects the target of priority to be upgraded, whereas quadrant II, quadrant III and quadrant IV receive lower priority. Certainly, the factors of Product, Promotion, and Service are essential but these factors are still in quadrant I. Thus, the company has not performed well, and it should strive to improve its Product, Promotion and Service as desired, so that these factors can move towards quadrant II.

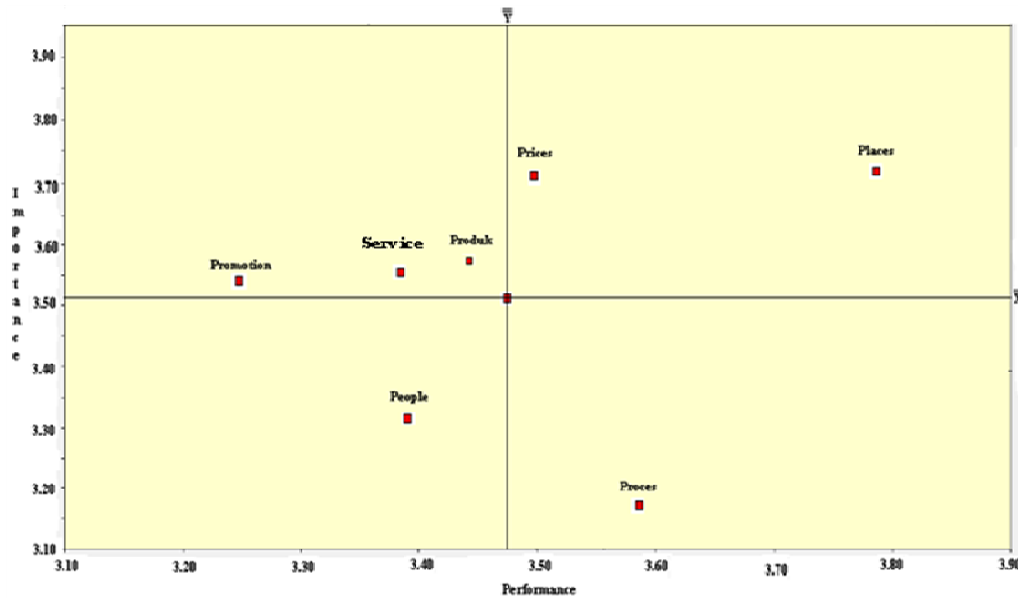


Figure 3: Diagram of Cartesian Importance - Performance Marketing Mix

Figure 3 depicts that Place and Price are considered important by consumers. Place is considered as the product manufacturer to fulfill their desire, whereas Price seems to meet the consumers' expectation. Both People and Process are found in quadrants II and III, thus indicating that these factors have performed well among consumers. Hence, the company does not need to give priority on improving People and Process. However, technology continues to change people and this process must adapt to the advances and demands of consumers.

In conjunction with plans to expand market share, there is a need to adjust the organisational structure in order to allow PMT to renew and control its delegation of tasks to 150 employees. Technically, this total number of employees seems sufficient to help PMT to perform well in its target market. In general, the most important aspect of the operational management of production is to carry out the ideas underlying the concept of organisation itself, such as forming business coordination; achieving similar goals and objectives through the coordination of activities; and establishing a hierarchy of authority. Therefore, the success of this coordinated effort seems to be determined by the organisational structure and the top management. The PMT organisation needs to be upgraded to spearhead its performance in marketing and research. The proposed PMT organisation is illustrated in Figure 4.

Unit Manager

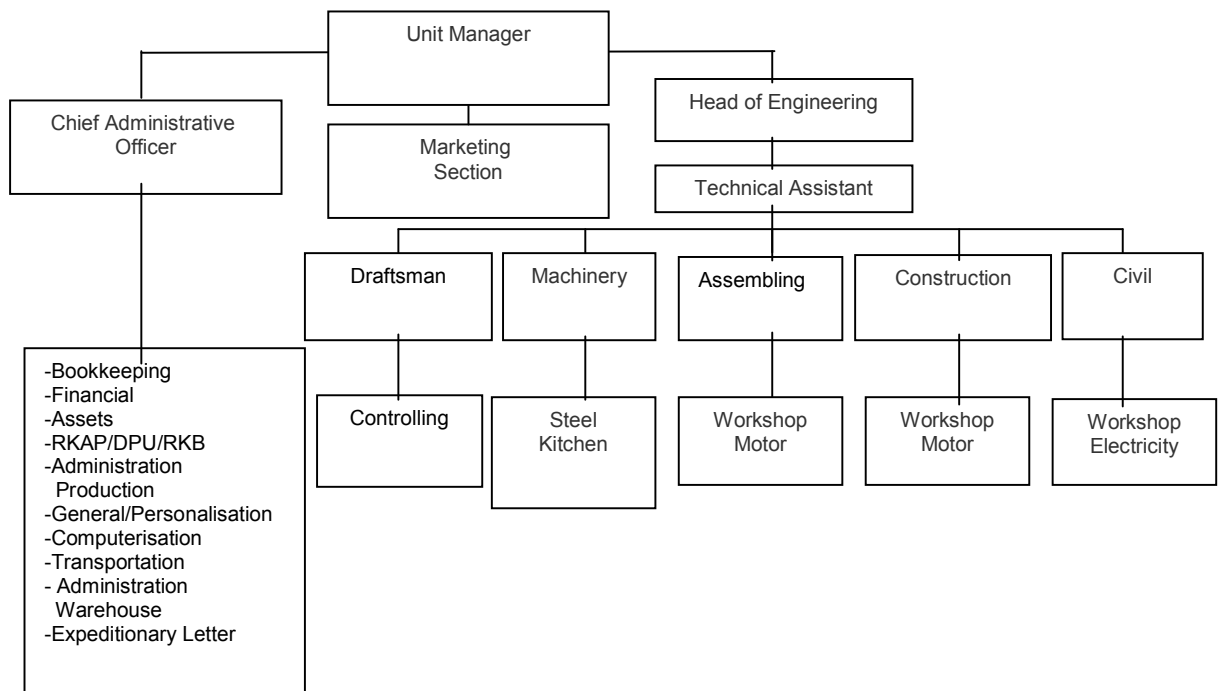


Figure 4: Proposed Organisation Chart

The reformation of this company seems important with respect to a benchmark of PMT progress to improve the quality of its products. Several weaknesses have been observed. An example is happening in the installation of field equipment that requires a precise checklist of sub-optimal management. This is due to tasks, which are carried out simultaneously in several places, causing an inability to complete them on time. In terms of marketing, it seems that there is an absence of division in PMT to promote the products at the optimal level. In conducting field works, every supervisor has his/her responsibility and expertise to complete the task that has been ordered by the PMT management. However, building confidence among customers is not enough. For instance, a supervisor also requires supervision of the PMT management so that the consumers are able to see the commitment of the PMT employers and employees at different hierarchies.

To anticipate the weaknesses in the field of supervision of work and product marketing of PMT, the organisation needs to add more staff. Among others, one staff is required to assist the Head of Mechanical Engineering to monitor production in the workshops and field, so that an optimal quality of work can be achieved in upgrading the image of the company. In addition, a marketing division should be established to optimise the marketing of products and innovation. This move will allow potential consumers to keep abreast with the latest development and innovation of the company.

## Conclusion

This study aims to examine the strengths and weaknesses of Pabrik Mesin Tenera (PMT) Dolok Ilir PT. Perkebunan Nusantara IV, North Sumatra Indonesia in developing its production and creating an appropriate strategy to compete in the production market of palm oil industry. The results indicate that the factors of Product, Service and Promotion, as described in the Cartesian diagram above, are necessary elements to

expand the company's market share. PMT should implement major strategic steps to achieve greater market such as increasing business production and minimising defects in the manufacturing process; creating superior products that become the brand image of PMT in order to boost up the name of PMT among consumers; and replacing production equipment in line with the new technology. The existing technology should also be upgraded in the production process of technoware, humanware and infoware. PMT also should compete and actively keep abreast with the existing market price and the rising cost of material and transportation. By doing so, the company can adjust its product prices and compete with competitors. Meanwhile, promotion could be enhanced either through print or electronic media, particularly in advertising, personal selling, sale promotion events and technical exhibition both at national and regional levels.

PMT should also strive to build confidence among its consumers by providing excellent services, especially after sales service, on time delivery service, and consumers' complaints service. Besides, it should also improve the competency of human resource to upgrade productivity and produce knowledgeable employees in order to deal with consumers, who are getting critical in demanding products and services. Certainly, the company should create a special communication channel to serve the consumers' complaints and make a good solid network of loyal and potential consumers in order to sustain the partnership.

In order to realise its profit, survival, growth and image, PMT then needs to deliver products with more competitive prices, so that it can claim to be more observant in determining marketing strategies, namely in terms of sale price and product quality. Devising the organisational structure in accordance with the its needs and forming part of product marketing under one Head of Department and several assistants, handling marketing issues more accurately and quickly in order to face an increasingly competitive rivalry could also increase the company's performance. The establishment of the marketing division could address aspects, related to the planning up to evaluation and improvement of dynamic marketing. The company should also establish partnerships with other parties that have advantages both in terms of technology and capital market network in the future. For early stage partnership, it would be more appropriate to select those who have extensive market network to further enhance and consolidate market share. Another way that the company could embark upon is by implementing Quality Management System ISO 9001:2008 and ISO 14001:2004 as a manifestation of compliance with quality and environmental standards that will enhance its control of quality and image.

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