INTRODUCING A LOCAL PRODUCT OF INDONESIA (SOFA FROM USED DRUM) TO EUROPEAN MARKET
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ABSTRACT

International Marketing is a kind of activity business which can improve relationship between each country. Besides, international marketing also useful to fulfill of needed in each country by exporting or importing typical goods from each country and expand the market for Indonesia. CV Cahaya Mustika is a company which is trying to export a local product from Indonesia which is a Sofa made from used drum. According to company condition right now, CV Cahaya Mustika isn’t readiness to enter the international marketing because of the financial burden. So, with Nusantara Project that give a solution and idea for joining the international marketing, CV Cahaya Mustika have a potential to joining the International Marketing. Nusantara Project also selection a country that which country have a high demand of goods sold from Company based on the data and Nusantara project gave an information of which fright forwarder that have a low prices and high trust for exporting goods. So, with the condition of company, as Nusantara Project should gave a solution to joining the company into international Marketing for improving quality of the company also expand the market of Indonesia.

Keywords: International marketing, Export, Import, CORE analysis, European Market, Nusantara Project, CV Cahaya Mustika
1. COMPANY PROFILE

Before addressing the business case, the companies’ timeline will be presented:

In 2005 Cahaya Mustika, CV has been established at MT. Haryono Street, Ruko Istana Dinoyo B11, Malang City. The main output of the company comprises the sales of office equipment. In addition to that, the company is committed to provide a comprehensive service for all sectors of public needs, either on officer equipment, furniture, educational equipment or home and office decoration. CV Cahaya mustika already has provided more than 1000 services for different types of customers.

In 2006, Cahaya Mustika, CV began to cooperate with educational institutions. After this, Cahaya Mustika, CV official appointment under the notary act in 2007. Afterwards, Cahaya Mustika, CV became the supplier of many products destined for hospitals in Indonesia in 2009. In 2010 the business even grew further, the company started a cooperation with Universities in Indonesia, government instances and private agencies like banks. In 2013 Cahaya Mustika, CV has been appointed as the IT COMM authorized dealer for Panasonic products. The firm’s last accomplishment already dates from a few years ago, in 2014 it had become a member of APKOMINDO (Association of Indonesia Computer Entrepreneur)

1.1 Cahaya Mustika, CV Vision

The vision of the firm comprises to become a professional, excellent, prominent, and advanced general supplier company in the market of office equipment. Special attention will be put on performance and customer service satisfaction. Additionally, Cahaya Mustika, CV also values the team and its surrounding environment highly.

1.2 Cahaya Mustika, CV Mission

Committed to provide the customer with a proper service experience given in a friendly, fast, precise, and accurate manner to improve customer satisfaction.

Committed to develop a high performing and innovative human resources management system

Committed to optimize a profitable business growth strategy to improve continued, blessing, and abundant sales

1.3 Current situation

Cahaya Mustika, CV has a low potential in marketing its products abroad. This is due to the fact that the company does not yet have a market network in other countries. In addition, the company is also constrained by the expedition and education network on the policy on the export of goods.

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Website: http://www.cahayamustika.com
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2. COMPANY READINESS

2.1 Readiness Level based on CORE (Company Readiness to Export) Methods

![CORE graphic on Cahaya Mustika, CV](image)

Table 1. CORE graphic on Cahaya Mustika, CV

2.2 Core analysis

Cahaya Mustika, CV has a diagram chart as shown above. This chart data is based on the interview with the owner of Cahaya Mustika, CV. The chart is divided into 4 categories. These comprise management of commitment, export method, marketing strategy, and product potency.

The management of commitment score in Cahaya Mustika, CV is 4.5 out of 10. As the score is less than half, it can be inferred that the management commitment of this company is still weak and therefore the firm can still gain progress on this aspect. Based on interview, it became clear that sometimes the company does not operate in accordance to the vision and mission that has been established before. Consequently, this could potentially bring a big negative impact to the company.

The export method score in Cahaya Mustika, CV is 2.5 out of 10. This score is the lowest compared to the other categories since the company never sold a single product to another country. In other words, the company only sent its product throughout Indonesia so it only has experience it doing business in Indonesia.

The marketing strategy score for the company is 5 out of 10. This score means that the marketing strategy of this company is sufficient, however not as good as the best company. The company is more focused on ‘taking care’ of old consumers compared with new consumers. Cahaya Mustika, CV operates this way so that old consumers become more loyal towards the company. Although this being a good thing, if Cahaya Mustika, CV wants to expand, it also must gain
knowledge in marketing new customers. Fortunately, the company also began to focus on branding efforts by using social media which is already a good beginning.

The product potency score for the company is 7 out of 10. This score means that the product potency of this company is suitable for the export to a foreign country even if the company feel the objection of shipping cost. In our opinion, Cahaya Mustika, CV has unique-local products ready to be marketed to other countries.

3. RECOMMENDED PRODUCT IDEA

“The accumulation of solid waste or garbage, can practically occur as consciously and unconsciously. Consciously, the accumulation of waste in one place is deliberate.” (Bimbingan.org, 2017, paragraph 2) This deliberate over time will bring health problems. “The buildup of waste, necessarily synonymous with the accumulation of harmful organisms such as viruses and bacteria. The accumulation of waste also always invites flies to feed and breed. As is known, that the flies attached or perched on top of the garbage, will add or bring the bacteria in the place where it is seized.” (Bimbingan.org, 2017, paragraph 7).

“Java Island is the smallest island in Indonesia from the biggest 5. The amount is very significant, reaching almost 21.2 million tons per year. This correlates with population density in Java. West Java Province is the largest province of waste producers and the city of Bandung as the capital of West Java produces waste with a range of 0.61 kg per person each thing. (Central Bureau of Statistics, 2013)” (Amir, Ecep, 2016, paragraph 4).

“Most household waste in Indonesia is less utilized and tends to be transported to Temporary Disposal Sites (TPS) and End of Disposal (TPA). In fact, only a small fraction of household waste is converted into more economic commodities, for example only 7.15% of the collected waste is converted to fertilizer. The implication is that most of the waste is delivered to the landfill, about 60% of the landfill in Indonesia will reach the maximum capacity limit by 2015. (Ministry of Environment, 2008)” (Amir, Ecep, 2016, paragraph 7).

“The final waste disposal site in Indonesia is expected to release large quantities of methane gas (major components of biogas). The amount of methane produced from organic waste in landfills in Indonesia can reach 1,581.74 tons per year (Mediana and Gamse, 2010). This indicates that household organic waste such as food waste has a large production output to be used as an energy source.” (Amir, Ecep, 2016, paragraph 8).

“In 2016 there are about 65 million tons of waste per day produced by the people of Indonesia. This amount is up one ton compared to 2015 production of around 64 million tons of waste per day, "said Tuti Hendrawati Mintarsih at the National Coordination Meeting (Rakornas) waste management and Working Meeting (Raker) waste management, waste and hazardous materials (B3) 15/3) in Palembang.” (Aries, Maspril, 2017, paragraph 2).

Based on some sources above, it can be concluded that the amount of waste produced every day and the amount of waste reused in Indonesia is not aligned. Product idea aimed at Cahaya Mustika, CV that is by lifting local products that have not been published well. Thus, local Indonesian products will have competitiveness in the international market.
The product certainly has a uniqueness compared with other products. Because without uniqueness, the product will not be able to compete. One of Cahaya Mustika, CV’s products to be marketed is the sofa from the recycled drums. The product utilizes used drums that have less reusable value. Drums are often found in iron collectors. By utilizing the drum to be the main ingredient of a sofa, it can reduce waste, especially in the country of Indonesia. Therefore, Cahaya Mustika, CV also is supporting a better environment which can be seen as a comparative advantage since nowadays a lot of customers prefer environmental positive products.

4. COUNTRY SELECTION

The countries we selected for the target markets are European, Asian, and USA. The selection of destination countries is based on data released by ASMINDO (Indonesian Furniture and Handicraft Industry Association) in 2016 stated Indonesian furniture exports could penetrate 1.7 to 1.9 US dollars per year. ASMINDO states if Indonesia’s creative products get a very high appreciation abroad, such as United States, Japan, France, England, and the Netherlands in absorbing 50 percent exports of creative products from Indonesia.

Other data obtained from the Economist Intelligence Unit shows the needs of furniture products in the United States (US) in 2014 reached US $ 148 billion. This amount is expected to increase up to US $ 178 billion in 2019, or grow by 4.2% per year. In the exhibition Las Vegas Market 2015 held August 2-6, 2015, the Indonesian pavilion crowded with visitors to successfully record a transaction of US $ 1.5 million. Director General of National Export Development Ministry of Trade, Nus Nuzulia Ishak, explains if the United States so appreciate environmentally friendly products. Certification becomes a key aspect in choosing a supply of products to import into the country. One of the producers of wood furniture from the former can directly order 20 feet on the first day of the exhibition.

Another source stated that in 2016 Indonesia controlled about 40% of the share of tropical timber markets in Europe. According to Timber Legality Information System data, Indonesia’s exports to the European Union from January 2013 to December 2015 reached US $ 211.9 million, or about 9.23 percent of the total of US $ 22.5 billion. The government targets the export value of furniture and handicrafts to rise to US $ 5 billion by 2019. While in 2015, the value of Indonesian furniture exports reached US $ 1.9 billion, up 1.3% compared to 2014.

In addition to the furniture export data recorded by the Timber Legality Information System, there are regulations on timber legality (S-LK) issued under the Timber Legality Verification System (SVLK) recognized as FLEGT licenses by the European Union. This is an opportunity for Indonesia to dominate the market of tropical wood products in the region. Recognition as an FLEGT license is part of a voluntary partnership agreement for law enforcement, forest governance and trade management (FLEGT VPA) between Indonesia and the European Union signed in September 2013. As part of the agreement, Indonesia developed SVLK to ensure that all timber and exported timber products come from legal sources.

Other sources also state that the global market has confidence in Indonesia’s strong and top-quality furniture market production. This is evidenced by the 5th International Furniture Manufacturing Components Exhibition (IFMAC) and Woodworking Machinery Exhibition...
(WOODMAC), 2nd hall at the Jakarta International Expo Kemayoran in 2016. More than 250 international companies from 23 countries such as USA, China, Taiwan, France, and other European countries are exhibiting their latest technology to improve competitiveness in Indonesian furniture producers and buyers around the world.

Another source, stated that the world market increasingly recognizes Indonesian furniture products. The growth of the furniture and timber industry reached a figure of seven percent in 2017 declared by the Ministry of Industry of the Republic of Indonesia. Especially in Asia, demand for handicraft products and furniture made by craftsmen from Indonesia increased rapidly. This condition is encouraged by the quality improvement and socialization of craftsmen at regional and international exhibitions.

Asian markets are known to be selective in choosing products. Typical furniture products from Indonesia are considered to have competitiveness among similar products in other countries in Asia.

This year Indonesia again held IFFINA for the fourth time. Noted, as many as 4,000 buyers from 150 countries attended the largest furniture and handicraft exhibition in Indonesia. The amount increased by 30 percent compared to 2016. ASIMINDO is targeting a total of 400 million US dollars in IFFINA this year. Last year, total transactions reached 300 million US dollars.

5. MARKETING STRATEGY

Marketing strategy for a company is very useful and much needed. Without strategy, companies will not be able to survive against competing competitive competitors. Basic strategy for companies are STP strategy and 4P strategy. This strategy can basically keep the company alive and maintain its vision and mission. The strategy is very helpful for the company so that the company can compete with a competitor company. Based on data analyzed from Cahaya Mustika, CV, the recommended strategies comprise using STP strategy and 4P strategy.

5.1 STP strategy

Description:

Segmentation:

Using geographical segmentation for this company because based on the data from Reportlinker (2016) and article on website kememperin.go.id (2016) USA is the highest demand for furniture, number two is Europe and number three is Asia. Other that, mostly in Europe like a classic design for the furniture and in Indonesia mostly they produce their furniture are look like a classic which is Europe want.

Targeting:
Based on the selected segmentation the target countries are European, USA, and Asian and concern in European market, because European mostly like a unique goods.

Positioning:

Using low prices, high quality, and good services for consumer.

5.2  4P strategy

Description:

Product:

Product from the company that can be seeded is sofa from used drum. It has a unique model and have more value because it comes from used goods.

Promotion: Push strategy

Because of Cahaya Mustika, CV focused on business to business (B2B) where the consumer can be calculated or the consumer from another company, push strategy can be suggested for the company. By using the push strategy, the best strategy for push strategy is giving a best service for another company. By using personal selling emphasis, Cahaya Mustika, CV use an agent for other company to market and promote the product.

Pricing: Multipoint pricing

Using the multipoint pricing caused the price are based on the consumer order of the product. The prices are depending on the consumer order, but it also depend with what Cahaya Mustika, CV sell of the product.

Places: By using website and promotion agent

The places suggested for Cahaya Mustika, CV to use agents for promotion. With these agents, costumers do not need to contact or visit the company for the product, but just ask the agents for the clarity of product. Besides, by using website also help the company for promotion in international. E-commerce suggested to use for the company are alibaba.com and go4wordbusiness.com. The website is very helpful for promotion in international and export services.

5.3 Promotion

Promoting the product is the best way for a company to introduce the product. Promotion can be a discount. The recomended promotion strategies for Cahaya Mustika, CV are:

Informative advertising, by making a description of the product to be marketed so as to educate a consumer on a product.

Sales promotion, by providing a purchase price package. A money-back offer if the item does not match the one ordered can also be an attractive offer for the company.

Direct marketing, by using a catalogue. This method already use in Cahaya Mustika, CV. The company use a catalogue and digital catalogue to convince potential customers of the goods offered.
Another idea based on the company problem right now are, even the company ready for export from managerial, human resource, operational and market side but this company hasn’t ready yet from financial side. The financial side meaning in this is Cahaya Mustika, CV right now still endure the cost of shipment around Indonesia. During this time, Cahaya Mustika, CV used own expedition to reduce the cost of shipment so a responsibility for goods is a policy from this firm.

Because of that problem, the cost of shipping their goods are very expensive and sometime the price can achieve until doubled from the original price. This problem so far just happened in Indonesia, so this firm still didn’t sure if they move on the international market. This firm still confuse how to pay or endure they ship cost for their consumer in international. The reason this firm endure their cost of shipping for giving consumer convenience on every consumer.

Based from that problem, so our ideas are, we make the company become close enough with another expedition. If the company already close enough with the expedition agent even an expedition around in Indonesia or for international, the company can do a corporation with the expedition agent which is can make both parties mutually benefit. If both of parties feel yet the benefit of corporation, Cahaya Mustika, CV can ask a good service corporation like negotiation from every transaction with the expedition. Even this solution strategy seems difficult and have a big risk but this strategy can make the firm reduce the cost of shipping, so the financial problem can be solved by this strategy and the firm ready to go on international market.

Another idea for reduce the financial cost of shipping is, we suggest that the company if want to deliver their product to foreign country, they just need to make an MOU with the expedition for export in Indonesia. Based on export theory and article we found from http://finishgoodasia.com/fob-cnf-dan-cif/ (2015), if we export products using letter of credit or L/C payment, they will be a loading of shipping charges in international trade logistic there are, FOB, CNF and CIF and we suggest for this company use the FOB method. FOB is an abbreviation from Free on Board, it means that an exporter has an obligation to pay freight costs just until the port or the nearest port from the warehouse. It means that when goods are already on the ship, the cost is borne by the importer or the buyer. This method can help the company for economize the cost of shipping for export. For CNF and CIF method, briefly the meaning is exporter endure the cost of shipping until the goods come to the importer or the buyer which mean the cost are higher than FOB method.

Those idea are the based on the company problem right now and we solved it by those two ideas because, according to our discussion this idea can solve this problem as well for this time. The reason we use this idea is just because the company right now facing that problem, so in this case since the current bottleneck is primarily export expenses, we suggest to investing in that part of the supply chain. Other, that we have another market strategy idea which can make this company readiness for export and just not by the financial side anymore, but in every side from Cahaya Mustika, CV Company by suggesting the STP strategy and 4P strategy.

6. EXPORT PROCESS

There are so many term in export process which is need notice by the exporter to reduce the cost of export product. In export procedure, there have two method of payment there are T/T payment and L/C payment. T/T is telegraphic Transfer it means a colony or territory placed under the administration of one or more countries by commission of the United Nations also called
trusteeship and L/C is letter of credit which mean a document issued to provide a payment undertaking. The conclusion is T/T is a payment method which do not used task from bank. This method usually used by a company which is buy from supplier in long term. L/C is a payment which is through a bank with the MOU of export between two parties which is buyer and seller, it means the method payment has a warranty from the bank. In L/C payment, it will be a loading of shipping charges in international trade logistic there are, FOB, CNF, and CIF. FOB mean that an exporter has an obligation to pay freight costs just until the port or the nearest port from the warehouse. It means that when goods are already on the ship, the cost is borne by the importer or the buyer. Consequently, this method can help the company for economize the cost of shipping for export. For CNF and CIF method, briefly the meaning is exporter endure the cost of shipping until the goods come to the importer or the buyer which mean the cost are higher than FOB method.

Cahaya Mustika, CV produce a furniture which is ready for export to Australia Based on Cahaya Mustika, CV research in several week ago and from website www.trend.google.co.id, people from Australia right now like a unique furniture likewise chair and table made from drum or barrel. Cahaya Mustika, CV already set that a furniture which made from barrel and drum are the product which is have a great potential to export in foreign country especially in Australia. Based on the freight forwarder, the determination of cost and procedure are:

By freight forwarder PT Hermes Transindo from tanjung perak port Surabaya, Indonesia to port Jackson, Australia

- Ocean Freight USD 360/20’ Container
- USD 450 /40’ Container
- USD 525/HC Container
- USD 50 per CBM/MTO
- Surabaya Canal fee IDR 120.750/20” – IDR 220.500/40”
- Seal fee IDR 85.000/container
- BL fee IDR 100.000 / Document
- Documents which is need for export goods are:
  - Document of packing list invoice
  - Tax ID Number
  - Taxable Employer Confirmation Letter
  - Government Internal Supervisory Apparatus
  - Certificate of Company Registration
  - Business license
  - Another Document (like SKEP or district permit).
To the arrangement of documents, that not prohibited to arrange by the company self because it to complicated and dangerous. Via the freight forwarder is the best choice to arrange documents which is need for export. In FOB method, documents are from the region from the exporter, so it profitable for the exporter for arrangement documents.

7. EXPORT RISK

Risk is the usual thing in business which is always come whatever the strategy of the company. Every risk can be solved by a company by how the company utilize the Human resource and the market strategy to be maximize. If the company can utilize it, so the company can reduce the risk what the company get from business. Maximum quality of human resource can resolve risk what the company gets, it because Human resource are the heart of company which can make the company alive and move according to vision and mission of the company.

In market strategy, risk can be resolve because the company must look for another strategy for change the old strategy. The new strategy can be adapted from the competitor. A company need to analyze the competitor to compete whit the competitor. If the company position below the competitor, company should utilize the data from competitor and then adopt and develop the competitor strategy. Those two ways are the usual way which are company usually do to resolve risk, so with that statement a company can resolve a risk.

Cahaya Mustika, CV is a company which is rarely do an export activity, so there will be a risk if Cahaya Mustika, CV do another export activity again. To resolve the risk of export, Cahaya mustika, CV must obey or follow what the freight forwarder want. The freight forwarder will help Cahaya Mustika, CV for preparing documents and needed for export activity. Freight forwarder can’t deceive a company which want to export product, it because freight forwarder in Indonesia has a regulation whit the government in Indonesia and every freight forwarder in the world has each of regulation based on what country is it. Therefore, there will be not a criminalization from freight forwarder in every country moreover if the company using L/C payment. There was an agreement from the bank which is produce letter of credit payment and agreed upon by both parties that are exporter and importer.

Right now, the risk of export expedition is minim not like the old time. Every company which is in need to export products are obliged to hand in documents which mean they are serious on export expedition and on the other side, freight forwarders are incorporated whit the government in each country. So, with the regulation that have been set by the government, Freight forwarder can be trusted and risk for export can be resolve by the regulation of government.

8. RECOMMENDATION

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9. CONCLUSION
Cahaya Mustika, CV is a company comprises the sales of office equipment and furniture but in this case, Cahaya Mustika, CV focused on selling sofa which made from used drum. It because based on the company report, that sofa which made from used drum has high demand in international market. Right now, Cahaya Mustika, CV has low potential in marketing its product abroad due to the company does not yet have a market network in other countries.

Based on Team analyze that Cahaya Mustika, CV has a great potential product to export, they have great management commitment and great marketing strategy, but Cahaya Mustika, CV does not know about export method because this company does not yet do an export activity.

The basic strategy for this companies are STP Strategy and 4P strategy. This strategy is very helpful for the company so that the company can compete with a competitor company. So, with using this strategy Cahaya Mustika, CV can more be ready to enter in international marketing. Another idea based on the company problem right now, even Cahaya Mustika, CV ready for marketing its product aboard, this companies still have another problem which is about companies financial. So, with using L/C payment on export that use FOB method, so this company can save more cost on export aboard.

Based on ASMINDO, country which have high demand of Cahaya Mustika, CV product are European, Asian and USA. But this company is ready for export to Australia based on Cahaya Mustika, CV research in several time ago and from website www.trend.google.co.id. As a team we suggest this companies for use PT Hermes Transindo for their freight forwarder because this freight forwarder has a good service than other freight forwarder and the cost by this freight forwarder are cheaper than other freight forwarder.
Risk what Cahaya Mustilka CV get from do an export is the human resource of this company which is still don’t know about the export method, so for solving the risk, Cahaya Mustika, CV must trust on their freight forwarder. Right now, every company which is in need to export are obliged to hand in document which mean they are serious on export expedition and freight forwarder incorporated whit the government of each country. With that explanation that Cahaya Mustika CV no need to worry about trusting on freight forwarder.

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