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Strategic International Marketing Plan with Reference to Chemical Industry

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Contemporary Management Thoughts

Executive Summary:

Global marketing is about developing of international channels in order to provide marketing programs that can meet the international context. Factors such as social and cultural environmental factors and differences are taken into considerations. Pricing policies and strategies must be carefully evaluated before final announcements. Prices must satisfy both the company profitability and the affordability of the consumers.

The company Amc. Chemicals (M) Sdn Bhd's Purified terephthalic acid is made from raw materials called para-xylene a by product of petroleum. PTA is the preferred raw material for manufacturing polyester which is used in the polyester production of polyester fibre, bottle resin and polyester film. The industry using PTA products are mainly the textile industry and food and beverages container industry. Amc. Chemicals plan to expand its business internationally and it is hereby proposed that the possible expansion be to Indonesia a neighbouring country in South East Asia (ASEAN) which has a vast business potential.

The Indonesian Government has attracted increased foreign investment in recent years. It plays an important part in the textile industry and mainly due to their initiative together with the collaboration by the private sectors there is tremendous increase in

the production of raw materials to the delivery of finished products for the domestic market as well as to meet the world demand and this industry is a major contributor to the country's economy.

Due to the nature of the product produced by Amc. Chemicals i.e. PTA and looking at the conducive and fair market industry as a whole in Indonesia, the suggested market entry into Indonesia for Amc. Chemicals would be by direct entry into the host country; this is more so after having reviewed Indonesia's current political stability under the new President Susilo Bambang Yudhoyono in terms of the political climate, and the fast growing economy.

With Indonesia huge population of almost 242 million people, the country's consumer base itself is a significant consideration for Amc. Chemical's direct expansion into this country for its product.

INTERNATIONAL MARKETING PLAN

The company and the product:

Amc. Chemicals (M) Sdn. Bhd. was incorporated in Malaysia in 1994 as a private limited company. Its core activities are in the manufacture and marketing of petrol chemicals products, the main being Purified Terephthalic Acid or "PTA" in short.

Purified terephthalic acid is made from raw materials called para-xylene a by product of petroleum whereby Petronas is the local supplier and BP Hong Kong does the sourcing from foreign suppliers. PTA is the preferred raw material for manufacturing polyester which is used in the polyester production of polyester fibre, bottle resin and polyester film. The industry using PTA products are mainly the textile industry and food and beverages container industry.

Over the past 16 years Amc. Chemicals has grown significantly and established an excellent base in Malaysia. Since it started operating, Amc. Chemicals has grown to include a group of wholly owned, joint venture and subsidiary companies engaged in the full spectrum of activities in the petroleum and chemicals industries. The company's maximum (annual) plant production capacity is about 650,000 metric ton of PTA of which the average annual sales in the Malaysian market are only about 480,000 metric ton. The current price of PTA in the open market is approximately USD 650.00 per metric ton. With a huge rotating reserve fund of about USD150 million, Amc. Chemicals has the ability to venture into the foreign market to boost its sale further in line with the company's business aspiration and its plant's production capacity.

Amc. Chemicals with its vast experience and dedicated workforce and its strong and sound financial resources, should look up to venturing into new markets especially into the international market where there are more business opportunities and a good returns on investment.

Background of the foreign country selected- Indonesia.

Indonesia's huge population of almost 242 million people has a booming textile industry; and textiles have played a major role in Indonesia's economic growth which is one of the fastest in the free world. The textile sector is expected to grow 25 percent. Reflecting this growth, PTA consumption is expected to remain strong. Due its closeness to Malaysia, Indonesia is the best option country to venture internationally.

Indonesia plagued with persistent natural disasters is lacking behind in the fast changing global environment, facilitated by the technological advances in the production of better quality products and improved manufacturing plants. It needs to be introduced to global marketing and its implications. At least for a few years to come, the Indonesian government will continue to rely on textile exports as one of the main sources of foreign earning outside of the oil/gas sector. In line with this, the government has continued to make efforts to secure its textile exports.

Rationale for introducing Amc. Chemical's PTA product into Indonesia

Developing of the international channels in order to provide marketing opportunities directly to the host country Indonesia can meet the local demand without having to resort to imports from Malaysia which can further reduce cost considerably in terms of transportation cost and the hire of vessels and also the high costs of insurance premiums payable to transport the finished product-PTA to the host country through the seas. The high cost is also due to the increase rate of piracy in certain parts of the world especially in the Middle East and also the Straits of Malacca. Factors such as "prices" is also another consideration that must satisfy both the company's profitability and the affordability of the consumers in the host country.

Staying competitive means continuously adjusting and adapting to the customer approach to meet changing needs and expectations. Rapidly changing global market forces are challenging even the most successful companies to adapt their business models and re-think their market strategies. Having set the leverage for speed and responsiveness to the local market needs and opportunities locally in

Malaysia which has become somehow saturated though it still maintains the 65% Malaysian market share, Amc. Chemicals' going international is definitely to gain the bigger international market share.

The worldwide markets for Purified Terephthalic Acid (PTA) is on the rise in thousands of tons which are mainly for the textile industry in use for Polyester Fibre, and for the bottling industry for PET resin, film and other applications.

With a huge population and the fast improving economy that is evolving for the better there is a rise in the affluent society in Indonesia. This current market trend has brought about an increase in the purchasing power of the general masses and more and more people in Indonesia are able to afford better and quality products especially clothing and these trends are in Amc. Chemicals favour.

Environmental analysis

Marketing Plan

Marketing as defined by *Wysocki, 2001*, is "The identification of customer wants and needs, and adding value to products and services that satisfy those wants and needs, at a profit." And According to *Philip Kotler*, "marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others". Appendix "A" shows a Simple Marketing Plan.

In the fast and constantly changing international marketing environment, the ability to constantly assess the turbulent environment and continually trying to improve all aspects of its business by introducing new products or to deliver promptly the finished products to meet emerging consumer needs is an important competitive advantage as to enable Amc. Chemicals to stay competitive and improve its share in the shrinking and competitive market.

The Plant's location and advantage.

The proposed Amc. Chemicals (Indonesia) Private Limited is to be located at or around the region of East Sumatra in Indonesia. This location has vast areas for development and is within the industrial area already zoned and allocated by the Indonesian Government. Pertamina, the oil and gas industry operating nearby and belonging to the Indonesian Government is Indonesia's national oil company. It

will afford Amc. Chemicals easy access to its Purified terephthalic acid) PTA) a by product of petroleum.

Another advantage of this location is that it is centrally located on the eastern part of the island of Sumatra where it borders the Straits of Malacca and the nearby port of Dumai which is convenient for the transport of the finished product for export purposes to the international market and also to the other ports in Indonesia's bigger islands of Java and Bali for use by the local textile industry and also the bottling industry.

International Trade System

International trade is exchange of capital, goods, and services across international borders or territories. It represents a significant share of gross domestic product (GDP) in most countries. In other words it has a high impact on the economic, social, and political situation of any countries in the world. Increasing international trade is thus crucial to the continuance of globalization.

Without international trade, nations would be limited to the goods and services produced within their own borders. For an organisation to stay in business and stay competitive it has to look at both the domestic market as well as the international market to carry out its trade.

However before going across the borders of the domestic market, the organisation needs to look at the factors of production or trade in the international market or other factors in the host countries. Organization also needs also to look into the regulation of international trade which are usually regulated through bilateral treaties between nations. Regulations like the World Trade Organization (WTO) and the General Agreement on Tariffs and Trade (GATT) were formulated to promote free trade in the global environment. These treaties were however unfavourable to the developing nations.

The PESTLE framework below analyses the dynamic and unpredictable environment in Indonesia where Amc. Chemicals wants to operate by identifying the forces that have the most impact on Amc. Chemicals's performance.

Government and Political Environment:

Indonesia is a Republic with a elected President for a term of 5 years and providing for a separation of

executive, legislative and judicial power. The country has a huge population of almost 242 million people of diverse ethnic groups and with a government elected by the people. The political environment in Indonesia includes all laws, government agencies, and lobbying groups that influence or restrict individuals or organisations in the society.

The textile industry contributes about 10.1 per cent of the total export representing US\$8,670 million in 2008/2009. The Government plays an important part in the textile industry and mainly due to their initiative together with the collaboration by the private sectors there is tremendous increase in the production of raw materials to the delivery of finished products for the domestic market as well as to meet the world demand.

Economic environment:

Currently Indonesia is experiencing a 6.5 per cent annual growth and this has greatly helped the country to support the local industries and its people. The government plays a significant role in the market based economy and has taken steps to eliminating regulatory obstacles to economic activity. It is becoming recognised as a newly industrialized economy and emerging major market. The exports have also increased due to the low labour cost and foreign companies have started to take the opportunity to directly invest here. With the growing per capita income rising to about US\$3,200-00 the people have become more affluent and this has changed their spending habits, thus a robust growth.

Social-Cultural Environments:

Indonesia has a diverse demography culture which is spread across the densely populated island nation. Traditionally Indonesia is influenced by local culture, geography and climate. It is also promoting clothing fashions with a large export market. These developments played an important role in the clothing styles.

Demographic trends in Indonesia are changing with increase in disposable income levels, consumers' awareness and tendencies to spend. With Indonesia's working population with earnings of an annual income of almost US\$2,000-00 there is change in the consumer mindset that has led to a trend of increased consumption on personal care and lifestyle products. These trends offer great growth opportunities for companies including textiles.

Technological environment:

With the present strong elected government, the lacking technological sectors have been highlighted and the government is looking into upgrading the infrastructure for better production level to meet the local market as well as the export market. They have also set up Technical Colleges and Universities catering for the information and knowledge based industries. As the economy has gained momentum of growth these have greatly improved the productions and costs. During this period of time many sectors of the economy have developed and enjoyed the advancements in technology and greatly improved the productions and costs.

Legal environment

The present legal jurisdiction and laws of Indonesia are based on the Panchayat's system and currently followed to the highest level of integrity. However there is also a high level of corruption in the country. All foreign companies are subject to the Indonesia's Jurisdiction and Laws and assured of fair justice.

Environmental factor

The country has a whole through the commitment of the President has significantly increased Indonesia's global profile on environmental issues. They have also pledged to reduce green house gas emissions to meet the world body's requirements. This puts Indonesia on the world map of countries pledging to protect the nature and its resources.

Economic Environment

Looking at the Indonesian market, there is a rapidly growing population and an ongoing push by the government to modernise and improve its wealth and stay competitive. These means investment opportunities are on the rise and foreign companies have started to invest directly into Indonesia economy.

There is high employment which represents a positive picture of the economy and the high level of productivity supports the economic environment. The economic environment has a direct impact on consumer spending, business investment, employment rates, government progress and tax policies.

Interest rates are more favourable which has brought down the cost of borrowing and the flow of money towards businesses. Exchange rates have impacted the price of imports, the profits made by exporters and investors and employment levels have risen sharply.

Whereas the monetary and fiscal policy currently imposed has helped in attaining full employment, price stability and economic growth.

Political –Legal environment

The laws and regulations that businesses have to follow in order to make sure the business owners do not get arrested, or have the business fined for non compliance of some regulations.

The stable political environment in Indonesia has directly influenced the changes and challenges in the social-cultural and economic environment. The direct consequence of the political parties in power has further helped represent a conducive business environment. The rules and regulations created by the legislative have significant influence on the cost of running a business and the way it can market products and services.

Cultural Environment

Cultural environment means surroundings in terms of culture. The Culture has both a pervasive and changing influence on the market environment. Marketers must either respond or change to it. As “culture” is the essence of a society so does the product or service which is culture bound.

There is little differences in the cultural values of the major population and this has helped determine the human organization and behaviour which has created the country’s economic growth. Terpstran (1987) has defined culture as ‘the integrated sum total of learned behavioural traits that are manifest and shared by members of society’

Target Market and Competitive Analysis

Target Market

Even though our target market is the manufacturing industries like the textiles, bottling and film industries, the end product mix (finished product) as produced or manufactured by the manufacturers are targeted at the greater mass population of Indonesia including meeting the needs of even the most hard core poor.

It is no surprise therefore that the surge in economic growth was attributable to the rise of Indonesia’s rapidly growing middle class, as a strong middle class. This amounts to almost 45 million people which has also directly uplifted the economic status of the general population.

Optimism about consumers spending has been a driver of investor sentiment. So, too, has economic growth of about 6.0%, a tame inflation, high foreign currency reserves and financing reform. The Jakarta Stock Exchange, which has attracted billions in foreign capital inflows, reached a record high this year. (The Financial Times Limited 2011)

Competitor Analysis

Amc. has only two (2) other significant competitor in the host country that is PT Indorama Ventures PCL and the other PT Polysindo Eka Perkasa situated in Sumatra both of whom combined currently have a 45% share in the supply of PTA in Indonesia. In general, both these competitors are in our targeted portion of the market.

However, their existing plants are of the old technological era having being commissioned some 15 years ago and have a lower production capacity and high maintenance cost.

This should give Amc. Chemicals an edge in that respect as their technological expertise in hand and with the latest state-of-art machineries and newer plant being commissioned by Amc. Chemicals, the lower maintenance costs and with the faster production capacity will be able to meet the high demand for its products and out beat any competition.

Another area that Amc. Chemical feels it will enjoy a distinct advantage over much of its competitors is the sourcing of the raw materials. Due to the past experience in purchasing, it has a vast number of supplier contacts within the petroleum industry. It also have a good, long term, solid relationships with many of these vendors who are willing to allow Amc. Chemicals achieve decreased cost of goods and additional terms. Many of these suppliers have already committed to special deals for Amc. Chemicals, such as waiving their buy in requirements, additional payment terms and sales referrals.

Target Market entry strategy

Direct investment

In this mode of engagement, Amc. Chemicals should directly plan to set up a manufacturing plant within Indonesia, with the aim of manufacturing the product PTA within the said foreign market.

Direct investment has the most control and the most risk attached. As with any capital expenditure, the return on investment (defined by the payback period, Net Present Value, Internal Rate of Return, etc.) has to be ascertained, in addition to appreciating any related sunk costs with the capital expenditure.

Also it is to be noted that the liberalisation of the textile industry and the Indonesian government's call to the international business fraternity for more direct investment into their country has in a way placed Amc. Chemicals intention to go international in a profitable venture as the suggested Indonesian market entry into Indonesia for Amc. Chemical would be maximize its business over there by using the local cheap labour cost and resources especially the oil and gas which are readily available.

Indonesia is an important global source for textiles and clothing and one of the world's leading exporters of textiles.

Recommendation

Indonesia with a huge domestic market, that is ever growing due to its economic growth projected at 6.5 per cent in year 2011-2012 and the purchasing power of the middle class of almost 45 million people, and the willingness of the Indonesian government to open its doors has become more friendlier to international business, thus making it a potential market to any business especially Amc. as its core business is in the productions of PTA for the textile industry and bottling industries. Indonesia's domestic market being a significant consumer of textiles in the global market is a strategic market for Amc. Chemicals to consider for expansion. The appropriate marketing strategies to be considered i.e. the 4Ps are as follows.

The Place

By locating the proposed Amc. Chemicals (Indonesia) Private Limited in close proximity to Pertamina, the national oil company of Indonesia's refinery located in Dumai in the Eastern region of Sumatra, the company can have easy access to the raw materials called para-xylene a by product of petroleum.

Another advantage of this location is that it is centrally located on the eastern part of the island of Sumatra where it borders the Straits of Malacca and the nearby port of Dumai which is convenient for the transportation of the PTA for export purposes to the international market and also to the other ports in Indonesia for use by the local textile industry and also the bottling industry.

This location has also vast areas for future development and is within the industrial area already zoned and allocated by the Indonesian Government which currently enjoys a Free Trade Zone and is

accorded a 10 years free tax exemption by the Indonesian government.

Product strategy

Amc. Chemicals is world known for its quality products especially PTA and PTA is the preferred raw material for manufacturing polyester which is used in the polyester production of polyester fibre, bottle resin and polyester film. The name 'Amc. Chemicals' is a well regarded brand globally and the company intends to make the Amc. Chemicals brand name more global and vibrant, a continued symbol of quality.

With this the product standardization, product adaptation and product brand are considered universal as it involves the global manufacturing industries directly being the customers.

International distribution and marketing strategy

Since the new plant's proximity is near to the oil and gas refinery of Pertamina's Dumai Oil Refinery which is confronting the port of Dumai thus the PTA produced can be easily transported via the Dumai port to other major parts of Indonesia through the Straits of Malacca and the Jawa Sea by cargo ships. The major ports in Indonesia cater well for the handling of big cargo vessels to the international market as well as to the domestic market. The finished product PTA will be warehoused at the plant silo tanks which has the capacity to store approximately 75,000 metric tons at a time. The product can also be transported within the country through the roads by way of hooper trucks from the plant to factories across the country as the road system are well integrated, organized and systematically maintained and developed by the Indonesian government.

Promotional/communication strategy

Amc. Chemicals' most important vehicle for sales promotion will be through the international media, the press and cataloguing its inventory of products and sending it directly to the textile industries and prospective manufacturers. And as a means to drive sales through will be engaged in international and domestic trade fairs to showcase its products and to advertise special sales promotions. The internet through its webpage is another form of disseminating the company's range of products that can be used to target customers at large and acquire new customers.

Pricing strategy

Our experience has shown that most people's preference is for low prices. We believe we can offer

products that indeed are lower in price without sacrificing the quality concerns that our customers will demand. Amc. will provide precisely the level of quality that today's entry-level racer requires.

A large part of the population of Indonesia is involved in the agriculture industry but with the growing economy a lot of manufacturing industries have started to be built in the last 10 years both by the local businesses and the foreign companies who have brought in billions in foreign capital and started to invest directly into the economy and through joint ventures. These have brought about a middle class that is affluent and the general consumers are sensitive to value. As to enable the textile industry to capture these consumers Amc. Chemicals needs to ensure that its price of its raw product i.e. PTA sold to its customers i.e. the textile industries are perceived to be competitive and a good value so that the end users (consumers) can in turn enjoy the lower cost transmitted down to the end product.

Conclusions

Since no product or service will survive unless it meets a true need in the marketplace, opportunity to meet that need better, more quickly, or less expensively often provides the real purpose for an organization. The key to the continued success of Amc. Chemicals (M) Sdn. Bhd. due to the saturated Malaysian market is the importance of identifying opportunities in the international marketplace, especially into the Indonesian market, and developing products that satisfy the opportunity or need while producing a profit and long term sustainability and to stay relevant to the core business it is in.

We are confident that this strategic international marketing plan for the product "PTA" to be launched into the Indonesian market is able to achieve its desired results in terms of profits and ultimately the return on the investment. Moreover Indonesia and Malaysia has agreed earlier this month to take measures to increase bilateral trade, including by increasing trade across mutual border areas and encourage bilateral investment.

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(Appendix "A")

