

PROPOSED MARKETING STRATEGY FOR NORDEASE

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Abstract—The research was conducted to form a strategy in effort to help Nordease overcome the problem. Nordease, as one of the new players in the industry, sees there are a lot of other existing and newly emerged brands that can be definitely regarded as its either main or potential competitor leading to the tight competition. In order to survive in the coming days, the strategy for Nordease was generated through the use of 5C Situation Analysis, which examines both External and Internal Environment covering Company, Collaborators, Customer, Competitor, and Climate. Having finished analyzing the situation, the root cause was found out to be the lack of marketing activities, particularly promotional. Therefore, the proposed strategy is more likely a newly-formed Marketing Mix (Product, Promotion, Price, Place) supported by TOWS Matrix yet the emphasis is focused more on Promotional which will be realized through several programs.

Keywords: Makerting, Product, Promotion, Place, Price

1. Introduction

Over the past few years, business is always evolving and increasingly dynamic. It is characterized by the emergence of new innovations that make the competition even more stringent despite at which industry a business lies on. Each of the companies is trying to display their best creations to be able to achieve the profit target that has been set before. One of the most rapidly changing industries is the fashion industry. As we know, fashion is very closely related to our daily lives. Quick transfer of information has led to the inevitable development of the fashion world. Talking about fashion, nowadays not only women but also men are now apparently making experiment and they become aware of it. They have come to the point in which they try to show their real personality through the clothes (t-shirts, polo shirts, pants, jackets, jeans, and so on) and accessories (glasses, hats, shoes, watches, and bags) they wear in daily life. Bags especially have been growing in terms of perspective so that now men not only see it over the function but more likely to the design. No wonder these days the competition is going tight.

Therefore, in addressing this, Nordeasae a brand new player whose field in the fashion industry, particularly men bags, currently still dictates what kind of marketing strategy it must apply and this will matter if not handled seriously. Thus, they should prepare themselves by developing a good marketing strategy because as we all know, a business with a very good product will not be able to generate a profit if not supported by a good marketing strategy as well. It is very important for the future development of Nordease itself in facing the increasingly competition. Furthermore, the main objective of this research is to find what problem that mostly affects Nordease as a new start-up through External and Internal Research. Having found the problem, the strategy is expected to be suitably formed and able to solve it. The other objective is to provide those who read with the lesson so that once they are facing the similar problem, they know what they have to do. Finally, this thesis is hoped to be giving beneficial for author and for other people as well.

2. Business Issue Exploration

The following are the main chapters that will be discussed in this journal:

- Conceptual Framework
- Research Methodology
- Research result discussion
- Closing or Conclusion
- References

2.1 Conceptual Framework

The picture above generally explains the conceptual framework that the author uses to find the objective, the main issue; which then leads to business solution and its implementation for the certain time range.

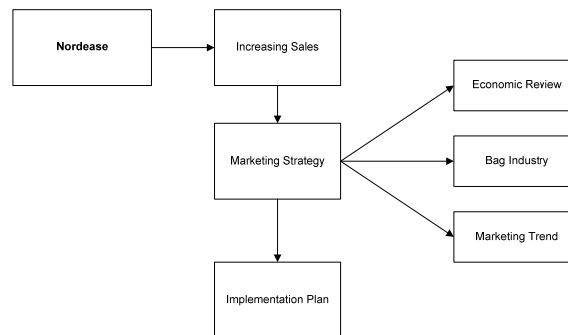


Figure 2.1 Conceptual Framework

2.2 Research Methodology

Research methodology is the steps that author should go in order to analyze the problem from the start to the end. The figure below will explain it more.

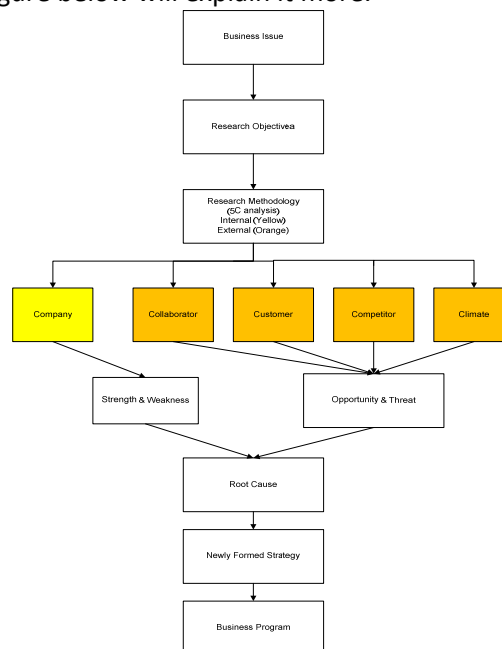


Figure 2.2. Research Methodology

2.2.1 5C Analysis

In order for a company to satisfy customer needs, it must recognize its external and internal situation. Moreover, it as well needs to forecast trends in the dynamic environment in which it operates. One of the most useful frameworks in performing situation analysis is 5C Analysis. According to Mark Arnold (2011) on his article about 5C situation analysis, (http://www.lcul.com/Headline_News_102.html?article_id=2411), it is a tool that takes a deeper dive, zeroing in on the marketing applications inherent to internal and external dynamics shaping the business. Particularly, it covers both the micro-environmental and the macro-environmental situation faced by company, which are applicable to marketing decisions. The 5C is basically consisting of Company, Collaborators, Customer, Competitors, and Climate. Each of them thus will be explained in detail to provide a better understanding.

2.2.1.1. Company

The analysis of the company involves the assessment on company's product line, objective, and its experience in the industry. Going straight to the object of this research, which is Nordease, this point has actually been explained in brief in the previous section. The product line that Nordease offers is an array of men's bag such as messenger, rucksack, and backpack. As has been mentioned earlier, the main reason of choosing men's bag as the core products was the occurrence that at the present time men tend to be more conscious with fashion including the use of bags in daily activities. Thus, Nordease is determined to take advantage of that circumstance through the stylish manner. The images of Nordease products are as following:



Figure 2.3 Nordease Product 1



Figure 2.4 Nordease Product 2

Human Resources

Since Nordease is considered a start-up, the human resource it employs is not counted that much. As mentioned in the company profile, there are only three people who run Nordease with the help of other parties such as tailor, emboss maker, packaging, and screen printing. At some point, this simple organization is easy to handle yet on contrary when everyone is busy doing their own thing, this will be a problem barely having no one handling the company. Thus, in the future perspective, this must be addressed carefully. By now, there is no other person outside those three that helps manage Nordease internally.

Finance

For financial matter, at the beginning, the three people initiated to build Nordease decided to spare their own saving for starting this company. As the time goes by, presently there has been no serious problem regarding to financial stuff. The commitment to build and grow the company from scratch has made them think not to borrow money or ask for investment as long as possible. However, the problem is we are still struggling to find the right way to sell the product; which then leads to Nordease having not reached the sales target set before. Below is the table describing the initial investment of Nordease

Table 2.1. Initial investment

Initial Investment		
Type	Each	12 pcs
RUCKSACK (12pcs)	Rp157,361	Rp1,888,332
MESSENGER (12pcs)	Rp144,388	Rp1,732,652
SLING (12pcs)	Rp104,339	Rp1,252,064
Total COGS		Rp4,873,048
Other Expenses		Rp2,045,000
Unspent Investment		Rp3,539,552
Total		Rp10,457,600

Operation

Operations management is an area of management concerned with overseeing, designing, and controlling the process of production and redesigning business operations in the production of goods or services. In terms of operation, day-to-day operation is supervised by one of three Nordease founders, by means of if one is not eligible to handle the operational activity at one day, the other has to be ready to serve it. By far, the problem that has occurred is lack of management so that sometimes the product creation process is not being well controlled. Moreover, Nordease has not had any offline store therefore there is no operational problem by far. Furthermore, the operational activities of Nordease will be shown in the following figure

Nordease, in running its business process is helped by craftsmen; who can be regarded as the alliances that are directly connected to Nordease. Each of the craftsmen has a different job and they work sequentially. The following figure will farther explain the connection among them.

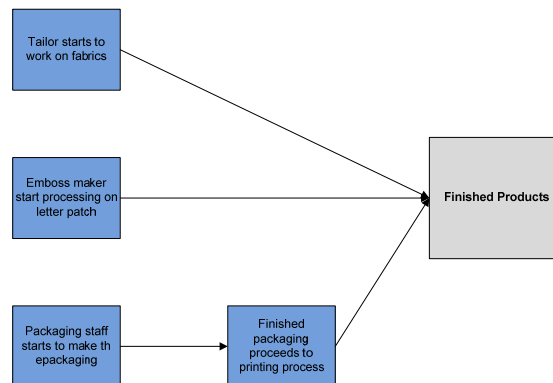


Figure 2.6 Product-making Scheme

Marketing

According to economic experts Kotler and Armstrong (2006:3) marketing is a social and managerial process that makes individuals and group obtain what they need and want through the creation and exchange of reciprocal products and value with others.

- Product is something produced by the company and is the cornerstone of the marketing program. In addition to being the foundation of marketing programs, product definition according to Kotler and Armstrong (2006:5),
- Promotion is one of the important aspects in marketing of goods or services. This is due to promotion raises a series of further activities of the company. Promotional activities include, among others: advertising (advertising), personal selling (private sales), sales promotion (promotion sales), and publicity (publicity). Furthermore, promotion can later be separate into two aspects; Above the Line (ATL) and Below the Line (BTL).

In relation to Nordease, the promotional activities it performs are not that intensive. Since the selling activities has just started, Nordease only maximizes the use of direct selling and still have no idea what marketing activities that should be conducted in the beginning stage in order to gain brand awareness.

- Price is basically the amount that customers pay for the product. In this case, it is very important for any company to charge the proper price to the product. Adjusting the right price will be extremely critical that it brings impact in formulating the marketing strategy. In relation to its competitors, which are classified in the middle-up class the price range of Rp 400,000 – Rp 500,000 is believed competitive enough. So that, actually, in terms of price, author thinks it is not that critical yet it should be taken into account if any changes in the market take place.
- Place refers to providing the product at a place which is convenient for consumers to access. However, Nordease has a point of view of thinking it would be wise through the online store, websites, and consignment with prominent concept store rather than building our own store. For the time being, Nordease has not established an offline store so there's no physical place accommodating the sales of the product. This should be addressed critically since offline store is bringing the magnitude of physical place as one of its alternative selling points.

2.2.1.2. Collaborators

Collaborators are the ones outside the company who help Nordease run its business process. They are useful for business as they allow for an increase in the creation of ideas, as well as an increase in the likelihood of gaining more business opportunities.

- As has been explained before in the previous sub-chapter, alliances that Nordease hold are divided into four people; they are the tailor, emboss maker, packaging, and screen printing. The bargaining position of Nordease towards them is quite moderate as in this first phase, the production was started in small scale so that is still possible to look for other alliances if one day Nordease would like to increase its production capacity. So far, Nordease have produced 36 bags consisting of 12 rucksacks, 12 messengers, 12 sling).
- Suppliers are other parties that provide Nordease, in this case, the raw materials such as canvas and vegetable tanned leather. These materials should meet the requirement that Nordease has set earlier. The discussion for this section will likely be about the list of suppliers trusted by Nordease to be their partners.
- Basically, the bargaining power of the suppliers are quite high, especially the leather producer which is by far the one that meets Nordease requirement in terms of quality and minimum order quantity. On the other hand, the other suppliers for other details such as for zipper, strap, and rings are considered fair knowing that there are still similar supplier selling those kind of things.

Table 2.2 Lists of Suppliers

Name	Description
PT. Indah Mas	PT. Indah Mas provides Nordease choices of fabrics (canvas); which then used as the main trademark in its products. PT. Indah Mas is located in Jalan Tamim, Otista, Bandung. This area has become widely known as the biggest fabrics supplier in Bandung regarding varieties available in its store.
PT. Kias Leather	In order to fulfill the needs of leather and suede, Nordease trusts PT. Kias Leather as its partner. Vast collection of leather gets Nordease easier to choose the fabrics they wish to use.

2.2.1.3. Customer

In terms of this point, the customer of Nordease will be explained through market trends to identify the market potential and the existing market by using Segmenting, Targeting and Positioning.

Market Potential

According to the survey conducted by Boston Consulting Group (BCG), Indonesia's economy is experiencing a good period seeing that a large of population is entering the middle-class and affluent consumer (MAC) socioeconomic category. The majority of this category begins to extend their spending in key segments, such as home goods, vehicles, consumer durables (Bags), and financial services.

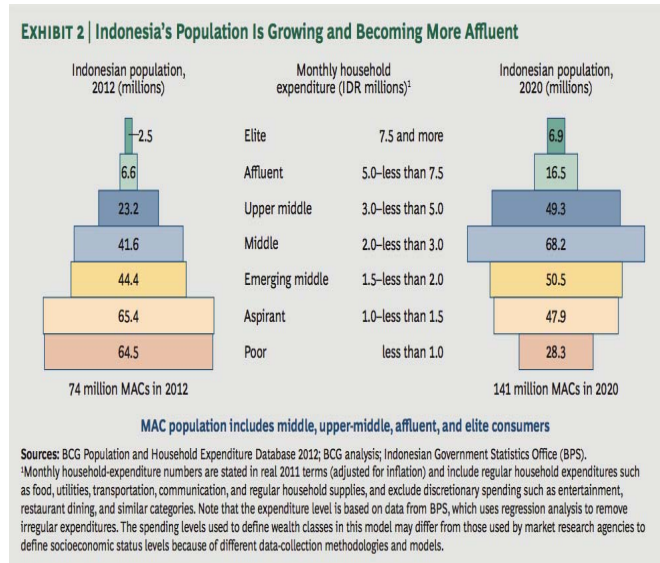


Figure 2.7 Growth of Indonesian Middle Class and Affluent Consumer

Source: www.marketeers.com

Source: www.jana.com/blog

The figure above provides an illustration of how Indonesian middle class have come to grow over years. The Indonesian middle class and affluent consumer (MAC) is expected to grow from 74 million to more or less 141 million people by 2020. In the next eight years, about 8 or 9 million Indonesians will enter the middle-class and affluent consumer (MAC) socioeconomic category each year. This surely will affect the purchasing habit of people in that category and thus it is a very good moment to snatch the opportunity for companies that sell consumer goods.

Additionally, in order to get this situation more convincing, another survey conducted by Euromonitor International on Bags and Luggage in Indonesia, the growing number of urbanization has changed the lifestyle of people especially when it comes to fashion industry. People tend to be more aware of them staying up to date with the latest trends. Thus, as bags are classified as fashion items, people are buying bags as fashion purpose rather than functional items. This piece of evidence will be reflected by the figure below.

Table 10 Forecast Sales of Bags and Luggage by Category: Volume 2012-2017

'000 units	2012	2013	2014	2015	2016	2017
Everyday Bags	7,669.1	7,940.5	8,213.6	8,483.1	8,748.1	9,012.6
- Backpacks	3,499.6	3,622.0	3,745.2	3,865.0	3,981.0	4,096.4
- Crossbody Bags	936.3	969.1	1,002.0	1,034.1	1,065.1	1,096.0
- Duffel Bags	233.3	241.5	249.7	257.9	266.2	274.4
- Handbags	2,999.9	3,107.9	3,216.7	3,326.0	3,435.8	3,545.7
Business Bags	55.8	67.0	79.7	94.1	110.1	127.7
Luggage	300.0	343.5	391.6	444.5	502.2	565.0
Wallets and Coin Pouches	2,181.4	2,257.7	2,334.5	2,411.5	2,488.7	2,565.8
Other Small Bags	-	-	-	-	-	-
Bags and Luggage	10,206.3	10,608.7	11,019.4	11,433.2	11,849.1	12,271.2

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Figure 2.9 Forecast Sales of Bags and Luggage

Source: www.euromonitor.com

Segmenting, Targeting, Positioning

Nordease mainly targets the people who live in Jakarta and Bandung, as they are considered quite consumptive with allegedly highest average spending of previously unplanned goods (referring to the table in Background). Demographic, Nordease targets the people whose age are ranging from 19 – 27 years old, living in the middle-upper class with steady monthly income/expenses and work either as students or professionals. According to BPS in selected area that Nordease mainly targets, Jakarta and Bandung the number of populations are about 520,000 and 140,000 people. Additionally, other supporting data that strengthens that young-aged people is the promising markets is shown as follows:

“Young people is a wet market, especially if we see in terms of numbers. Indonesia's population of 237 million, 40 percent are young people aged 14 to 35 years. Surely this is a promising market for marketers.” (www.marketeers.com)

The table shows how young people are, by some means, easily to spend their money in an unplanned manner on fashion stuffs, as seen on the left hand side of the table. The tendency that the young people possess in terms of their shopping pattern can be related with the next sentence quoted from one of the most well-known and credible marketing magazine in Indonesia, Marketeers, stating that the market for young people in Indonesia is ultimately big given the fact that **40%** of the total populations of Indonesia. Therefore, many believe this market is very potential and promising if worked properly.

For Psychographic, Nordease purposely looks for the customers who are dynamic, demanding high pace of mobility yet still consider the degree of looking good with what they wear every day. According to the value, the positioning in customers' mind that Nordease would like to achieve is to be highly detailed yet stylish look made from quality fabric and worth the price.

Table 2.4 Top 5 Young People Expenses – Planned vs Unplanned

Young People Spending		
Top 5 Planned		Top 5 Unplanned
Entertainment	1	Transportation
Clothes, shoes, accessories	2	Food and beverages
Charity	3	Communication
Internet	4	Savings
Health (vitamin, sports)	5	Body care

2.2.1.4. Competitor

Competitor is other parties that sell similar products or service or substitute products that may pose threat to the one business continuity. For this competitor section, Nordease is competing with numerous brand yet in this case, it will only be scrutinized into four competitors regarding to its closeness to Nordease. They are Exsport, Mouton Leatherworks, Maleo, and Jansport. Each of them will be explained in the following tables.

Furthermore, as the number of bag producers keeps growing from time to time, it increases the rivalry among competitors seeing that each of brand tries to offer different thing in their products. This fact also proves that the barrier to entry for this bag industry is quite low as there's no real obstacle if a new brand wants to enter the market.

2.2.1.5. Climate (PEST Analysis)

Climate or context can be as well regarded as PEST Analysis. According to Ward and Peppard (2002), PEST analysis is analysis aimed to examine the external environment of a business that might be turned out to be either threat or opportunity. This analysis includes a few aspects such as Political, Economic, Social, and Technology. Each of them will be discussed in accordance to the current environment situation.

- Political: creative industry has turned into a new driving force in our country, Indonesia. Quoting the words from the minister of Tourism and Creative Economy of Indonesia, she said that creative industries in GDP at current prices for the year 2010 amounted to Rp 473 trillion.
- President of Republic of Indonesia had their mind occupied leading to the creation of a policy in which instructs all of the government institutions to support the creative industry development that is continually growing (Instruksi Presiden Republik Indonesia Nomor 6 Tahun 2009).

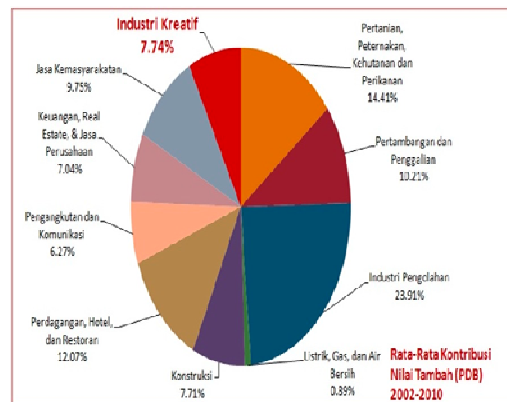


Figure 2.11 Creative

in comparison with other industries

Source: www.indonesiakreatif.net

Industry GDP Contribution

- Economic: Indonesia has one of the fastest-growing middle classes since 2001. The better economic situation in the country helped this growth. Recently, the annual growth rate of Indonesia is staying at the level of 6.5%, quoted from the Official Website of Indonesian Bank. Hence, it is safe to say that people's buying power is undergoing an increase.
- Social: Rapidly growing urbanization has changed the lifestyle of people living in the urban areas. With the promising economic growth, most of the people tend to become more consumptive and being under consumerism. In addition, young people are now much more economically powerful than the previous generation. That is, the purchasing power of this group is now higher than the previous era. The group began to leave the print media. They seek information and interact through the Internet. There is increasing among young people to shop online. The biggest reason that emerges is not necessary to go to the store again.
- Technological: Being examined from technological side, the development of technology that is still going so quickly has brought the world into the new era. It carries changes in many areas of human life. One of the most influential of all technological development is the existence of Internet and Indonesia is no exception.

2.3 SWOT Analysis



Figure 2.12 Growth of Internet User in Indonesia as per 2011

Source: www.teknokompas.com

SWOT Analysis is a method or tools to identify the summarized Internal and External Environment which drawn to Strength, Weakness, Opportunity, and Threat. After analyzing both of them, each aspect will be described in the following table and continued with further explanation

Strength

- Quality Products
- Experienced Tailor
- Good Relationship with Tailor
- Solid Organization

Weaknesses

- Unproven Reputation
- Less organized Marketing Activities
- Lack of Distributors
- Small Production Scale

Opportunity

- The growing number of young people
- Men get more aware of fashion
- Increase in Disposable Income
- Good climate of Local Product

Threat

- Less Expensive Products
- Foreign and Established Brand
- Increase in raw Material

2.4 Root Cause

After seeing the real state of Nordease by using 5C Situation Analysis and 4Ps Marketing Mix Analysis, authors sums up that the root of the problem that resulted in Nordease struggling to sale its product was not caused by the surrounding environment but most likely to the less vigorous and less planned promoting activities so that it impacted brand awareness of Nordease itself.

3. Solution

3.1 TOWS

The TOWS Matrix; which is one of the solutions will be explained as follows:

ST Strategies

S1T2 Collaborate with competitors to decrease foreign products
S3T3 Keep communicating with tailors about economic material price.

WO Strategies

W4O4 Look for more distributors to reach more local market
W2O5 Participate in marketing seminars, particularly digital marketing

WT Strategies

W3W5T1T2 Add more human resources, especially tailor, so that the productivity will be raised and the products will cover more audience
W2W4T1T2 Improve the marketing activities and find more distributors to compete with other entrants

SO Strategies

S1O2 Develop new products that are more suitable with men preference
S1O5 Make the products look good when displayed on the Internet
S1O4 Take part in exhibition

3.2 Newly 4P

Basically, the solution for Nordease is generated by using the more complete promotional activities as seen on the following figure:

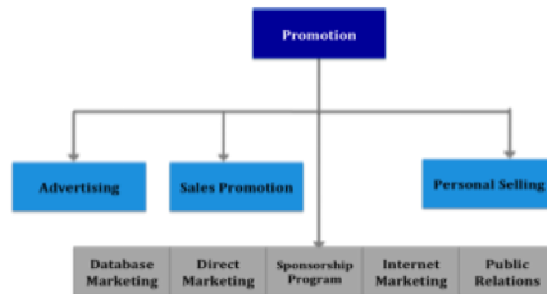


Figure 3.2 Aspects of Promotion

Source: Clow Baack, 2007

For details, each step in the figure will go into realization in programs within timeline.

4. Implementation

The Implementation Plan will be featured in the appendices since it is not eligible to be put in this section

5. Conclusion

Nordease, as one of the new players in the industry realizes that it is facing some problems at the time being yet it must address one that may have biggest impact to its continuity. After conducting survey on both internal and external conditions, the thing that mainly Nordease lacks of is its marketing activities resulting in unachieved sales target. Though the product crafted is good enough, it means nothing if the marketing activities don't function well. Furthermore, in order to overcome this main source of problem, Nordease would like to apply few kinds of strategies that is summed up in 4P (Product, Promotion, Place, Price) or originally known as Marketing Mix.

For Products, Nordease has to start thinking about new product development by means of avoiding the customer from being bored; which may results them turning their choices to other brands. For Promotion, this is the most decisive point that Nordease must definitely take into account. The strategies are to make the marketing function more viral in affecting customers' attention. The emphasis on this aspect is Sales Promotion; which is conducted by giving discounts to customers that are buying the products repeatedly, or those who successfully ask their friends or relatives to purchase Nordease product. Additionally, the discount will also be given to the ones holding Credit Cards from selected bank that Nordease form a partnership with. Besides discount, the promotional activities will be going through Internet Marketing, Social Media and website in particular, and endorsement by partnering with public figures. Later, other promotional activities like taking part in exhibition or any events have to be monitored well in order to help Nordease reach more audience so that people will be more aware of who Nordease is. Meanwhile, promoting Nordease through Media Advertising can be put behind a little bit, as it surely requires pretty much amount of money, which Nordease can use for strengthening other promotional activities mentioned before. For Place, Nordease absolutely will find at least distributors who can help supply its products tangibly to more areas. On the other hand, consignment place may be a good idea as well as it will provide Nordease with greater exposure especially if placed in accordance with target market. Finally, an offline store, which is able to strengthen its existence, will be built once it has been well. recognized For Price, though it is not the first priority, Nordease can still apply a strategy of establishing a collaboration project with prominent designer. Doing so, the product will be easily known by people and the price will be definitely increasing which is good for Nordease to gain more reputation.

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PROGRAM TIMELINE

Aspects	Programs	Activities	Timeline Schedule																											
			2013					2014												2015										
			Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul			
Product	New Product Development	Opportunity Identification and Evaluation																												
		Concept Generation																												
		Concept Evaluation																												
		Product making																												
Promotion	Advertising (Magazine)	Initial meeting with potential magazines																												
		Concept discussion and negotiation																												
		Publish																												
	Advertising (Radio)	Meeting with potential radio																												
		Discussion and negotiation																												
		Airing																												
	Sales Promotion	Discount																												
		Commision giving																												
		Meeting with potential bank																												
		Discount for CC holder																												
	Database & direct marketing	Data gathering																												
		Sending email to customers																												
	Sponsorship Program	Searching for some potential events																												
Discussion and negotiation																														
Annual or semi-annual event																														
Internet Marketing	Website construction																													
	Website launching																													
	Content updating																													
	Video making																													
	Social media sounding																													
Public relations	Corporate Social Responsibiliy																													
Personal selling	Going on some prominent spots																													
Endorsement	Artist or public figure selection																													
Place	Distribution Points	Potential Consignment Stores																												
		Distributors																												
Place	Offline Store	Concept Generation																												
		Establishment																												
		Launch																												
Price	Collab Project	Searching for collaborators																												
		Concept Generation																												
		Concept Evaluation																												
		Product making																												
Launch																														