

## PROPOSED STRATEGY FORMULATION AND THE IMPLEMENTATION FOR PT. XYZ

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**Abstract**— Indonesian paint market is one of the fastest growing markets in the world (CAGR 2009-2011 at 8.3 %) and the market still has huge potency to grow due to the paint consumption per capita (PCP) still low at 2.8 kg/person (world PCP at 6-7 kg/person). On the other side, paint companies currently faced pressure on profit margin due to the more strict competition and increase of the key raw materials price (e.g. TiO2 and binder). PT.XYZ, a paint company, has established in Indonesia since 1983. By 2010, its sales just accounted for 2.2 % market share, and just use 48.3 % of its total production capacity. From the external and internal environmental analysis concluded that the main problems (weaknesses) faced by XYZ are the lack of advertising programs that cause low brand awareness of its products, and lack of high skills marketing human resources. The root cause of the problems is the absence of strategic management processes at PT. XYZ. The purpose of this research is to propose the strategy formulation and the implementation plan for PT. XYZ to improve its performance through strategic management processes. The corporate strategy generated from SWOT matrix is “concentration (horizontal) growth strategy”. The alternative strategies to accomplish the growth strategy are generated through Ansoff matrix that include: market penetration, product development, market expansion to new geographical markets, and enter into industrial paint segment. The proposed business strategy is “differentiation” strategy via its distribution, products, and services. The functional strategy generated via TOWS matrix are categorized into marketing strategy, operation strategy, financial strategy, and human resources strategy. A Focused Group Discussion (FGD) was performed to evaluate, select, and make prioritizing of the selected strategies. The selected strategies and the priority are: market penetration strategy, product development strategy, and market expansion to other geographical markets. The implementation of the advantage of the huge opportunities. Paint companies also faced pressure on profit margin due to increase of the key raw materials price (e.g. TiO2 and binder) and the intense competition. PT. XYZ as one of the domestic participants in Indonesian paint industry also be exposed to the threats of the increasing competition, and situations that make pressure to the profit margin, and has chance to take the opportunities from the huge potential growth of Indonesian paint market.

### 1.1. Company Background

selected strategies are through developing integrated programs and actions plan at each functional departments. The marketing programs are focused to increase its product brand awareness and increase sales via advertising, sales promotion and more focus in project channels. The operation programs are increase actual production capacity and establish efficient operation. The human resources programs are to provide the HR needed to execute the selected strategies and establish good HR management practices at SCI for the long-run program. Then, the financial program is raising external funds and manage funds efficient and effectively.

**Key words:** strategic management, corporate strategy, business strategy, functional strategy, program and action plan

### I. INTRODUCTION

Indonesian paint market is one of the fastest growing markets in the world . The average annual growth for 2009-2011 was at 8.3 % (Frost & Sullivan, 2010). The potency of growth is still high for the coming years due to the paint consumption per capita (PCP) is still low at 2.8 kg/person (world PCP at 6-7 kg/person), its high population, and continuing its high economic growth.

The competition in Indonesian paint market was very intense. There are currently over than 125 paint companies of various sizes, local and foreign companies operating in Indonesia. The competition will become more strict due to both the existing participants and new entrants attracted to take

PT. XYZ was founded in 1983 by Mr. Beny Hermawan in West Java. The products were decorative paints served mainly low- and mid- tier segments. In 1993 under the second generation leadership, Mr. Andi Hermawan, established a license agreement with a Paint Company in USA to producing and distributing a premium-tier decorative paint under trademark of Kem-Tone\*. PT. XYZ gained many advantages from this license agreement that include: transfer knowledge and technology in paint formulation, manufacturing, and testing. The new technology in manufacturing and delivering paint that PT. XYZ has transferred was *Tinting System*.

Currently, PT. XYZ focus on decorative paint segment, and it has a series of products in low-tier, mid-tier and premium-tier segment. The mode of deliverance for its low-tier paint is ready mix (RM) and for the mid-tier and premium-tier are point of sale (POS) tinting. The products were distributed to the whole of its marketing branch offices at : Bandung, Jakarta, Purwokerto, Semarang, Surabaya, Lampung, Palembang, Medan, Balikpapan, Ujung Pandang and some stockpoints. The branch offices and stockpoints, then directly distributed the paint products to the point of sales that comprises the traditional point of sales (paint and building materials stores) and modern point of sales like Depo Bangunan, BJ Supermarket, etc. There were about 1710 paint shops (2011) that have become its partners to sale its products to the end users. In 2011 the sales to retail channels (household consumers) represents for 95% of its total sales, and to project channels represents 5% of its sales.

### 1.2. Business Issue

Based on personal interview with the XYZ Director (Owner), Mr. Andi Hermawan, evaluation of XYZ current performance, and Indonesian paint industry situations overview, the business issues that currently faced by XYZ are:

- High growth of the decorative paint market
- Shift of market demand to premium and mid-tier segments.
- Growth of the Point of Sale (POS) Tinting deliverance
- Growth of industrial paint markets
- Strict competition among existing participants and high threats of new entrants
- Pressure on profit margin (due to the intense competition and raw materials price increase)
- PT. XYZ just hold market share about 2.21% by 2010
- Lack of high skills marketing human resources

These business issues represent opportunities, threats, and internal weaknesses faced by PT. XYZ. In dealing with the business issues, PT. XYZ need to review and reformulate its strategies to take advantage from the opportunities and improve its performance in the future.

### 1.3. Research Scope

The research scope is limited to performing strategy formulation to generate alternative strategies, selecting strategies and formulating the implementation plan of the selected strategies for PT. XYZ.

## II. BUSINESS ISSUE EXPLORATION

### 2.1. Conceptual Framework

The purpose of this research is to perform strategy formulation to propose the best strategies and the implementation plan for PT. XYZ in dealing with the business issues to improve its performance and sustain its business in paint industry. A strategic management processes model proposed by Wheelen and Hunger

(Figure 2.1) is adopted as conceptual framework for this research .

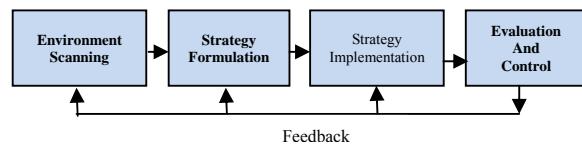


Figure 2.1 Conceptual Framework

The conceptual framework is translated into several research steps as depicted in figure 2.2 below:

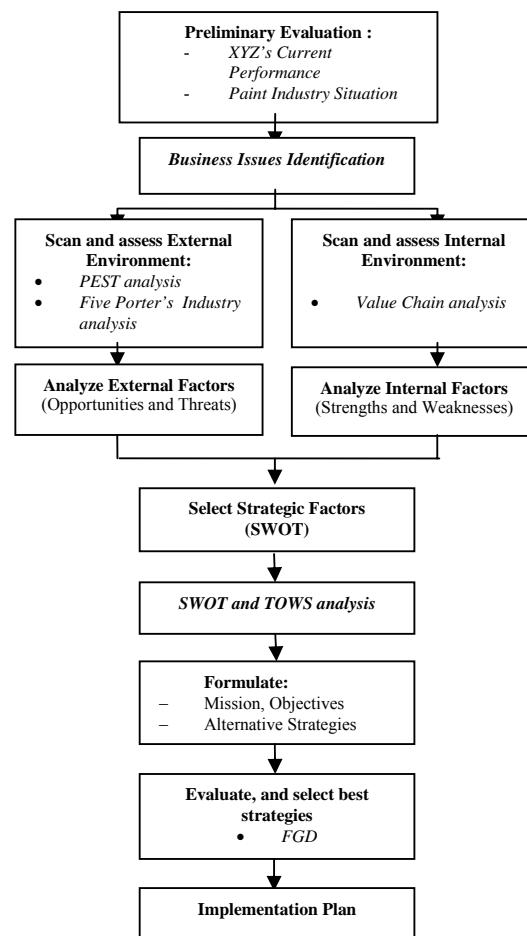


Figure 2.2 Research Steps

### 2.2. Data Sources

The analysis performed in the research was supported by internal and external data that involves primary and secondary data:

- The sources of data for internal factors analysis are: structured/unstructured personal interview with the XYZ director and functional managers, XYZ internal

documents, and direct observation, which are categorized as *primary data*.

- *The sources of data for external factors analysis* are: data from suppliers, internet, and coating journal, books which are categorized as *secondary data*.

### 2.3. External and Internal Environmental Analysis

The internal environmental analysis is performed using Porter Value-Chain Analysis, and the external analysis using PEST analysis and Porter Competitive Forces industry analysis. The results of the internal and external analysis is summarized into strengths, weaknesses, opportunities, and threats (SWOT) as below:

#### *Strengths:*

Some strengths of PT. XYZ that likely can be used to take advantage of the available opportunities include:

##### 1. *Competency in tinting system technology*

Point of Sale (POS) tinting system deliverance provides some advantages over Ready Mix (RM) deliverance such as: more efficient in stocks both for paint manufacturers and retail shops, ability to offer unlimited colours choice to consumers in immediate time, and reduce possibility paint stocks to obsolete. PT. XYZ has established the POS tinting since 1995, so it has long experience or learning curve for this technology.

##### 2. *Wide distribution network and good relationships with paint retail shops*

Due to Indonesia is large geographical areas that contains large numbers of islands, paint manufacturers which have wide distribution networks will have high potency to increase sales. Currently PT. XYZ has 1710 retail shops partners to distributing its products in its 10 branch offices.

##### 3. *Good consistency of its products quality and good reputation of its services.*

PT. XYZ always has commitment to maintain the consistency of its products quality in all segments and provide good services (responsiveness, reliability, and speed) to its customers, and the current customers realized it (Antonius Gunawan, Personal interview, 2012).

##### 4. *Good relationships and wide networking with suppliers*

As one of largest paint companies in Bandung, long history its presence in paint industry and a company that hold license agreement with Sherwin William company, XYZ has attracted many suppliers of paint raw materials and built wide networking with them. Wide access to suppliers provides some advantages such as: possibility to get high quality raw materials with competitive prices and choose the reliable suppliers, gain new informations of knowledge and technology, new raw materials products, new trends in paint industry, and gain informations about competitors.

##### 5. *Knowledge, experiences in paint formulation and in understanding its customer needs.*

The long experiences of its R&D human resources, the management commitment to increase the skills and capability of its R&D personnels, has made XYZ owned capability to develop high quality products, maintain its quality, develop new products, even beyond decorative paint segment. The ability to implementing the POS tinting system is an example of that XYZ capability. Moreover, the long experiences of its presence in paint industry with its own distributors has made XYZ had good understanding in its customers needs. Both are very important in providing products and services, including product development to meet the customers values.

##### 6. *Access to the Sherwin William company technology*

According to Mr. Andi Hermawan, PT. XYZ also allowed to access the Sherwin William technology beyond the decorative paint. It is one of PT.XYZ strengths to take opportunities in industrial paint segment.

#### *Weaknesses:*

Some weaknesses in internal PT. XYZ should be improve in order to improve its performance or take advantage of the opportunities include:

##### 1. *Lacks of advertising programs*

According to the Marketing & Sales Manager (Mr. Antonius Gunawan), the focus of PT. XYZ marketing promotion activities from year to year were sales promotion to boosting its short-term sales. The advertising activities were very little, due to its limited financial capability to funding the advertising programs on television, newspapers, and radio. The lack of advertising programs caused the low brand awareness of its products compare to its key competitors (ICI, Mowilex, and Nippon).

##### 2. *Lacks of high skills marketing human resources*

According to Mr. Andi Hermawan, PT. XYZ experienced lack of the marketing personnels with leaderships and marketing skills capability. The quality of some branch office managers assessed still low. Currently, PT. XYZ has no programs to develop the existing managers and new talents in marketing to anticipate the opportunities of increasing paint demands both in existing and other geographical markets.

##### 3. *Limited of internal funds ability to finance its business expansion*

To take advantage of the available opportunities XYZ should expand its activities whether in its existing and/or to new markets and products. The more aggressive business expansion required large fundings in order to achieve significant growth. The internal fund available will not enough to funding this growth type, so XYZ need to raising funds from external sources. As so far, XYZ follow the incremental growth style that its internal funds still enough to financing it.

##### 4. *XYZ has no brand of Industrial Paint products*

Currently PT. XYZ just serves the decorative paint segment. The industrial paint segment also provide opportunities to grow and higher profit margin. The customers of industrial paints mostly are businesses that very sensitive to brand recognition. It is very difficult to offer industrial products with little or unknown brand to the businesses customer base.

*Opportunities:*

The opportunities available in current and future Indonesia paint markets include:

1. *Trend of high growth demand of decorative paint*

The Indonesian decorative paint market is considered one of the fastest growing markets within Asia-Pacific region. With a population of 237.6 million, low decorative paint consumption per capita (at 2.8 kg per capita), and a rapidly evolving economy, the potential for decorative paint market growth is high. Based on Frost and Sullivan data, the Compound Annual Growth Rate (CAGR) of Indonesian decorative paint market for 2004-2008 is at 7.9% and for 2008-2013 is predicted at 6.8%.

2. *High growth trend of the mid and premium-tier paint segment*

The continuing of its high growth economy has caused the fast growing the number of middle class in Indonesia. Based on World bank data, in 2010 the number of middle class reach to 56.6% of population or 134 million. With the increasing of its citizens purchase power and standard of living, the consumers need to upgrading their lifestyle increase, demand for high-quality paint from consumers is also expected to increase.

3. *Growth of the Point of Sale (POS) tinting system deliverance mode*

The POS tinting growth is driven by: increasing of market acceptance or end-user perception for this technology and consumers being more demanding to have unlimited color choice offerings.

4. *Growth of the industrial paint (Protective, Marine, Automotive, etc.)*

The demand of industrial paint will be increase in line with the growth of manufacturing industry. Annually production growth of the manufacturing industry is at 4.45% in 2010, sharply increase from 2009 which only at 1.34%. The projects in infrastructures such as power plants, bridges, marine sectors, etc in Indonesia also contribute as market demand for industrial paint.

5. *Potential markets regions that XYZ has not yet entered*

Currently the major PT. XYZ existing markets are in the west-Indonesian regions. Some regions in middle- and east-Indonesia such as Bali and Lombok, NTB, North Sulawesi, West Kalimantan, South Kalimantan, Papua, and also some regions in Sumatra such as Riau, Bangka Belitung, West Sumatra, and DI Aceh are considered as potential markets into which XYZ has not entered. Those regions have enough high of population and have

achieved significant economic growth as is indicated by its high Gross Regional Domestic Product (GRDP).

*Threats:*

1. *Intense rivalry among the existing competitors*

Currently there are more than 125 paint manufacturers (both local and foreign companies) operating in Indonesia that all of them must want to grow, expand the market to take advantage from the opportunities and improve or defense their market position can represent a threat to each other. For example: ICI has extended its production facility at Cikarang factory become two-fold of the current capacity in 2010. ICI has a good distribution network, but is yet to penetrate the market into whole of Indonesia regions. Nippon has three manufacturing facilities at Jakarta, Surabaya, and Medan. With large number of competitors, couple with many firms that have equal size and product overlapping, the intensity of rivalry is high.

2. *High threat of new entrants (both from local and foreign companies)*

The big potency of growth of Indonesian paint market likely will attract the new entrants both local and foreigns participants. Couple with relatively low barriers to entry in decorative paint, the threat of new entrants is high. The Asean Free Trade Agreement (AFTA) and Asean-China Free Trade Agreement (ACFTA) also will facilitate foreign new entrants. According to the Indonesian industry minister, MS.Hidayat, China and some Southeast Asian manufacturers are attracted by the growing buying capacity in Indonesia, and will take advantage from this agreement (APCI, 2011: 08).

3. *Raw materials price increase due to oil price fluctuation and supply shortage*

The sharp oil price in 2008 caused a series of raw materials price increases that significantly affected final cost of products. The price of TiO<sub>2</sub> that in 2006-2009 in average at US \$2.35, in 2009 the price start to rise to US \$2.8, and in 2011 the price sharply increase reach US \$4.5 (Internal XYZ, 2011). The TiO<sub>2</sub> price increase was caused by supply shortage and predicted to continue until 2013.

4. *Indonesian Financial Ministry regulation about 5% tax import for paint raw materials*

The Indonesia's Finance Ministry issued a regulation, (PMK) No 241/PMK.011/2010, imposed in December 2010 requiring 5% import tax on paint raw materials which used to be duty free. This policy has impact to reducing paint manufacturers profit margin.

## 2.5. Root Cause

The internal issues/problems facing by PT.XYZ as mentioned in the business issues involve: low market share, and lack of high skills marketing human resources. After performed internal environment analysis and external environment analysis, writer concluded that the problems were caused by the fact that XYZ has not established strategic management

processes. The absence of strategic management cause XYZ can not accurately identify its strengths and weaknesses, current and future opportunities and threats. Then, XYZ also can not set appropriate short and long-term company objectives based on the actual opportunities, its strengths and weaknesses. In turn, XYZ does not maximize its strengths and anticipate to improve its weaknesses to take advantage of the current and future opportunities.

### III. BUSINESS SOLUTION

#### 3.1. The Process of Strategy Formulation

After performed exterior and interior environmental scanning, the strategy formulation can be processed through three stages as follows :

- *Stage 1. The input stage:* This stage consists of External factors analysis summary (EFAS) and Internal factors analysis summary (IFAS). This stage summarizes the basic input informations needed to formulate strategies.
- *Stage 2. The matching stage:* Generating feasible alternative strategies by aligning key external and internal strategic factors. The tools or techniques that can be used include: the Grand Strategy matrix and the TOWS matrix.
- *Stage 3. The decision stage:* Evaluate, and select the best strategies among the alternative strategies generated in stage 2. A focused group discussion (FGD) is performed to evaluate and decide the best strategies to be implemented for achieving the firm's objectives.

#### 3.2. IFAS and EFAS for PT. XYZ

Focus Group Discussion (FGD) was established to determine the final strategic factors (SWOT), and assign the "weight" and "rating" for each strategic factors to build the IFAS and EFAS table for PT.XYZ. The members of the FGD are Director, Factory Manager, Marketing Manager, Finance Manager, and Personnel Manager. The final strategic factors (SWOT) for PT. XYZ is shown in table 3.1

#### 3.3. Vision, Mission, and Objectives Formulation

The FGD concluded that the owner's vision, mission and objectives still match with XYZ's current and future SWOT, and decided it as the XYZ's vision, mission, and objectives:

**Vision:** Become top big five paint company in Indonesia in ten years

#### Mission:

- Provide high quality, affordable paint products in each segment.

- Commitment to expand the tinting technology to achieve a high efficiency operation.
- Commitment to increase the customer satisfactions.

**Objectives:** Achieve average sales growth at 25% and net income growth at 15% annually.

Table 3.1 Strategic Factors (SWOT) for PT. XYZ

INTERNAL KEY FACTORS
<b>Strengths:</b>
1. Competency in "Tinting System" technology
2. Wide distribution network and good relationships with paint retail shops
3. Good consistency of its products quality and good reputation of its services.
4. Good relationships and wide networking with suppliers
5. Knowledge, experiences in paint formulation and in understanding its customer needs.
6. Access to the Sherwin William company technology
<b>Weaknesses:</b>
1. Lacks of advertising programs
2. Lacks of high skills marketing human resources
3. Limited of internal funds ability to finance its business expansion
4. XYZ has no brand for Industrial Paint products

EXTERNAL KEY FACTORS
<b>Opportunities:</b>
1. Trend of high growth demand of decorative paint
2. High growth trend of the mid and premium-tier paint segment
3. Growth of the Point of Sale (POS) tinting system deliverance mode
4. Growth of the industrial paint (Protective, Marine, OEM, Automotive coating, etc.)
5. Potential markets regions that XYZ has not yet entered
<b>Threats:</b>
1. Intense rivalry among the existing competitors
2. High threats of new entrants (both from local and foreign companies)
3. Raw materials price increase due to oil price fluctuation and supply shortage (e.g. TiO2)
4. Indonesian Financial Ministry regulation about 5% tax import for paint raw materials

#### 3.4. Corporate Strategy

The corporate strategy formulation is based on the position of PT. XYZ in the grand strategy (SWOT) matrix. The position of PT. XYZ is on the quadrant I "Growth" with the coordinate total (strengths - weaknesses) weighted scores ,  $(\sum S - \sum W)$  at 0.850 and the coordinate total (opportunities - threats) weighted scores,  $(\sum S - \sum W)$  at 0.629. This mean that in facing the current external environment situations and the internal conditions the best *corporate strategy* that XYZ should follow is **growth strategy**. *Concentration growth strategy* is the most appropriate growth strategy for XYZ in current situations for reasons:

- Paint industry in which XYZ operates still has high potential to grow or attractive . The

attractiveness of paint industry is shown by the total of  $(\sum O - \sum T)$  is positif value at 0.629.

- The internal XYZ conditions are supportive to grow means that XYZ can use its key strengths and improve its weaknesses to take the opportunities. It shown by the total of  $(\sum S - \sum W)$  is positif value at 0.850.

The alternative strategies to accomplish the growth strategy are generated through Ansoff matrix that include: *market penetration, product development, enter into other new geographic markets, and enter into industrial paint market segment.*

### 3.5. Business Strategy

According to Frost and Sullivan, the key success factors for gaining competitive advantage in decorative paint market are: brand awareness and market penetration, wide distribution, competitive pricing, good relationships with paint dealers, and able to generate demand through new distribution routes and differentiated products.

Based on those key success factors, XYZ should follow "**differentiation strategy**" for gaining competitive advantage in its business. PT. XYZ can create differentiation over its competitors through its: delivery sistem and distribution, products, and services. Considering that paint consumers in Indonesia are still very price sensitive, the facts that the majority consumers always compare the prices among products and choose to buy the cheaper product given comparable products quality among known brands (*Antonius Gunawan, Personal Interview, 2012*), XYZ should seek the ways in its value-chains to reducing its costs that do not affect its differentiation.

### 3.6. Evaluation and Selection the Alternative Strategies

A FGD was performed to evaluate, select, and make prioritizing the alternative strategies to accomplish the growth strategies: *market penetration, product development, enter into other new geographic markets, and enter into industrial paint market segment.* Pros and cons opinions are raised during FGD to evaluate and select the strategies. To prioritizing the selected strategies, FGD use a simple decision methode based on some criteria that include: *meet to the key strategic factors, potential outcome, level of risks, and resources requirements and availability.*

The selected strategies and the priority of implementation are: *market penetration, product*

*development, and enter into other new geographic markets.*

### 3.7. Functional Strategy

The functional strategies for PT. XYZ derived from TOWS matrix can be categorized into marketing strategy, operation strategy, financial strategy, and human resource strategy are shown in (table 3.2.) below:

**Tabel 3.2 PT. XYZ Functional Strategy**

Function	Functional Strategy
Marketing	Market penetration (S2, S3, O1)
	More aggressive in developing POS tinting deliverance channels (S1, O2, O3)
	Increase advertising and sales promotions (W1,O1,O2)
	Seeks efficient and effective ways to promote its products (W1,T1,T2)
	Differentiation through products, services, and distribution (S3, T1, T2)
	Market development (S1, S3, O5)
Operations	Product development to serve its current markets (S5, O1, O2)
	Establish efficient operations (S1,T3, T4)
Financial	Seeks alternative raw materials from other sources (S4, T3)
Human Resources	Seeks attractive external financings (W3, O1, O5)
Human Resources	Establish good human resource practices (W2, O1, O5)

## IV. IMPLEMENTATION

The selected strategies for PT.XYZ to be implemented are market penetration, product development, and market expansion into other geographic regions. Those strategies are executed through developing of integrated programs in each functional department as detailed breakdown of the each functional strategies that include: kind of the programs and the objectives, action plans, scheduling, resources requirement, and costs-benefits analysis.

The marketing programs are focused to increase its product brand awareness and increase sales via advertising, sales promotion and more focus in project channels. The operation programs are increase actual production capacity and establish efficient operation. The human resources programs are establish good HR management practices that strategy oriented. Then, the financial programs is raising external funds and manage funds efficient and effectively. The functional strategy and programs to implement the selected strategy are shown in table 4.1.

**Table 4.1 Strategy, Programs & Objective**

Strategy	Programs & Objective
Market Penetration	<p><b>1. Advertising:</b>  <i>Objective:</i> Increase brand awareness; increase sales</p> <ul style="list-style-type: none"> <li>- Billboard Ads, Permanent Billboard at retail shops</li> <li>- Non-permanent Billboard/ Street banner</li> <li>- Brochures</li> <li>- Point of Sale Display</li> <li>- Redesign the Website</li> </ul> <p><b>2. Sales Promotions:</b>  <i>Objective:</i> Increase sales</p> <ul style="list-style-type: none"> <li>- Sales promotion for consumers (gift)</li> <li>- Sales promotion for retails (cash back)</li> </ul> <p><b>3. Increase Distribution Coverage:</b>  <i>Objective:</i> Increase Sales</p> <p><b>4. More Focus on Project Channel</b>  <i>Objective:</i> Increase brand awareness &amp; image, increase sales</p> <p><b>5. Below the Lines Programs</b>  <ul style="list-style-type: none"> <li>- Stakeholders Gathering</li> <li>- Exhibitions/ Trade shows</li> </ul> <i>Objectives:</i> to create more close relationships with the customers/consumers, and generate positive word of mouth .</p>
Product Development	<p><b>1. Product Modifications:</b>  <i>Objective:</i> Attract new buyers and maintain existing buyers.</p> <ul style="list-style-type: none"> <li>- Repositioning Spectrum</li> <li>- Improvement of key products features</li> </ul> <p><b>2. New Product Development</b>  <i>Objective:</i> Serve new consumers needs</p>
Enter to new geographic markets	<p><b>1. Market expansion to other regions</b>  <i>Objective:</i> Increase sales</p>
Establish Efficient Operation	<p><b>1. Anticipating demand increase</b>  <i>Objective:</i> Avoid inventory shortage &amp; production, delivery delayed</p> <ul style="list-style-type: none"> <li>- Increase actual production capacity</li> </ul> <p><b>2. Efficient Operation</b></p>

	<i>Objective:</i> Reduce costs, increase profits
	- Expand POS tinting deliverance
	- Other operation practices to reduce costs
	- Establish formal SOP
	- Procuring TiO2 from China

*Table 4.1 Strategy, Programs & Objective (continued)*

Strategy	Programs & Objective
Establish good HRM Practices	<b>1. Revitalization the role of HR department</b> <i>Objective:</i> establish good HRM practices that strategy oriented
	- Personnels recruitment <i>Objective:</i> recruit high qualification people
	- Training and retraining <i>Objective:</i> increase performance
Seek external funds	<b>1. Raising funds from bank loans</b> <i>Objective:</i> obtain attractive bank loans

#### **Resources Requirements**

The resources needed to implementing the selected strategies include: human resources,

machines/equipments, cars, and funds. The kinds and quantity of each resources needed to implement the selected strategies is shown in table 4.2.

*Table 4.2 Resources Requirements*

Resource	Quantity		
	2012	2013	2014
Tinting Machines	67	123	121
Retail Billboards	235	123	121
Stager	0	30	0
Delivery Cars	2	2	2
Sales force	31	0	0
Sales project	19	0	0
Project manager	1	0	0
Senior project staff	2	0	0
Supervisor project	6	0	0
HRD specialist	1	0	0

#### **Income Projection**

The projection of PT. XYZ income /loss (2012-2014) is shown in table 4.3. The income/loss projection

is just related to the implementation of market penetration and product development strategy (the market expansion strategy has not yet estimated due to

the target regions have not determined). In building the income projection, the “2009 sales” value is converted to 100, and other items are relative to this value.

**Table 4.3 PT. XYZ Income Projection (2012-2014)**

	RELATIVE VALUES				
	2009**	2010	2011	2012*	2013*
Sales	100.0	118.8	131.9	171.5	227.1
COGS	(78.6)	(93.0)	(103.7)	(134.6)	(165.9)
Gross Profit	21.4	25.8	28.2	36.9	61.2
Marketing Administrative & General Expenses	(10.7)	(12.6)	(14.0)	(21.6)	(30.0)
EBIT	10.7	13.2	14.2	15.2	31.2
Interest Expenses	(1.3)	(1.5)	(1.7)	(1.9)	(2.5)
EBT	9.4	11.7	12.5	13.3	28.7
Income tax	(2.3)	(2.9)	(3.1)	(3.3)	(7.2)
Net Income	7.0	8.8	9.4	10.0	21.5
					28.2

\*Projection

\*\*The value of “2009 Sales” converted to 100, and all of the items are relative to this value (“2009 Sales”).

## CONCLUSION

Indonesian paint market provides high opportunities of growth and some challenges: more intense competition both from existing paint companies and threats of new entrants (local and foreign companies). PT. XYZ should take advantage of the opportunities by adopting growth strategy through market penetration, product development and market development. The appropriate business strategy is differentiation through its POS tinting delivery system, its high quality and consistency products, and high responsive its services.

XYZ also should focus to increase the brand awareness of its products (mid- and premium-tier), and improve its HR weakness by establishing good HRM practices.

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