



Proposed Marketing Strategy to Fight Market Uncertainty for Indonesia Paper Company

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ABSTRACT: The paper industry has faced pressures from the digitalization process and climate change over the past five years. Currently, the war in Europe is adding to the pressure. Companies from the paper industry, such as Indonesia Paper Company, must review their business strategies in facing this global market uncertainty. Using the Scenario Planning approach, this study finds two possible scenarios that companies can prepare for: the economy deteriorates into a world economic crisis, or the economy improves. Both scenarios show significant changes in market segmentation that can impact business and marketing strategies. The company has a Competitive Advantage in the source of raw materials. Therefore, the company can apply the Cost Strategy in facing a crisis. The advantage can also help companies carry out a Focused Differentiation Strategy when the economy improves. When uncertainty is still high, like today, companies can make internal improvements to adapt to rapid technological changes and optimize performance.

KEYWORDS: Economic Crisis, Global Pandemic, Marketing Strategy, Pulp & Paper Industry, Scenario Planning.

INTRODUCTION

The sequence of events in early 2022 has pushed the world into economic uncertainty that could lead to a global financial crisis. This adds to the list of uncertainty factors faced over the last five years for the paper industry. The following is a list of uncertainties facing the paper industry today.

1. Decreased sales of graphic paper due to digitization
2. Pressure on environmental issues due to climate change
3. Pressure on production and distribution due to the pandemic
4. Pressure on energy prices, transportation, and changing markets due to war.

These four pressures of uncertainty impact high inflation in various countries. The paper industry must prepare itself to face multiple possibilities to maintain its performance in five years.

This study aims to analyze the impact of these various uncertainty factors on the company, make appropriate plans to anticipate every possible scenario, and prepare for proper implementation.

LITERATURE REVIEW

In 2021, Loethano Novi Syukriadi and Yos Sunitiyoso, from the Bandung Institute of Technology issued a journal entitled SCENARIO PLANNING APPROACH FOR PT. VIEWTRON INDONESIA IN DEVELOPING ITS BUSINESS IN INDONESIA, published in the STRATEGY Business Journal Vol. 30 No. July 1, 2021, pages 66 – 89, P-ISSN : 1410-1246, E-ISSN : 2580-1171. This study uses a qualitative research methodology to analyze the situation that affects the company. A 2x2 matrix scenario framework was developed that reflects the critical uncertainties that may affect PT ViewTron's business in the future. Scenarios indicate possible future situations and offer strategic options for companies to manage the implications of each scenario. This research uses external analysis of PESTEL and Porter's Five and SWOT as internal analysis. This study was built using a scenario planning component to provide comprehensive results.

METHODOLOGY

This study chooses a qualitative approach because according to the problems seen, researchers will describe the condition of consumers of paper products when facing many uncertainties in the world economy. The data is coming from primary and secondary data. Primary data is obtained with a survey using open-ended questionnaires to 50 respondents, while secondary data is the



company’s private data such as the company’s annual reports, the literature, articles, other research conducted by 3rd parties, and websites. In this study, an external analysis of PESTEL and Porter's Five Forces will be carried out to identify Competitive Advantages, then an internal analysis with STP and 4Ps to identify the internal potential of the company and followed by a SWOT analysis to determine the main factors that need to be adjusted in each scenario. Meanwhile, Porter's Generic Competitive Strategy is used for strategy formulation.

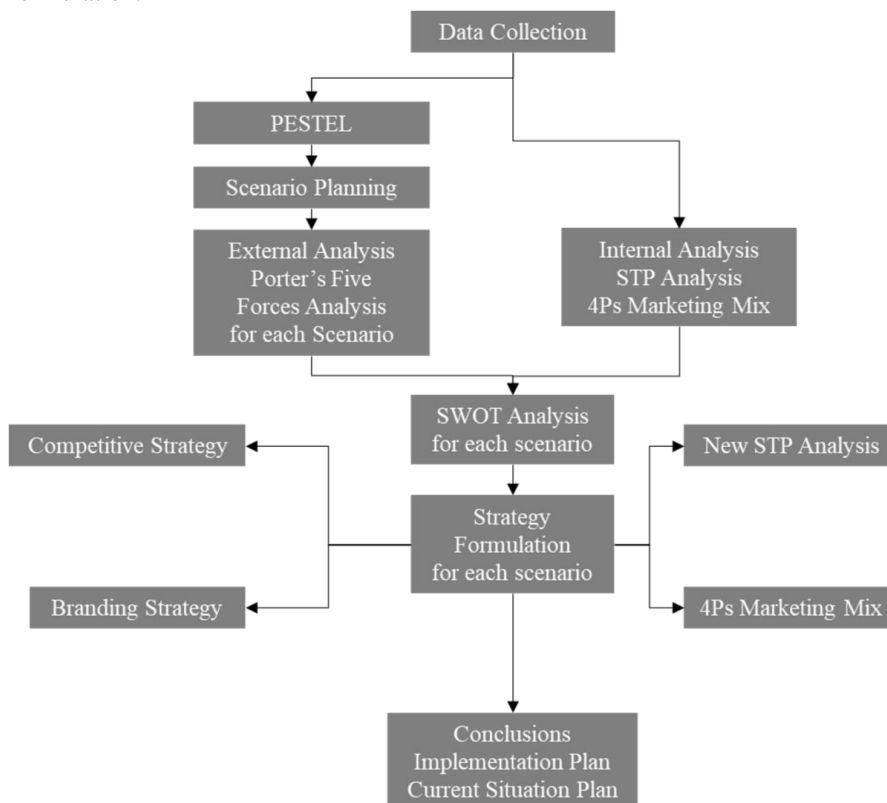


Figure 1. Conceptual Framework

FINDING & ARGUMENTS

In terms of how Indonesia Paper Company deals with global uncertainty, from the PESTEL analysis, there are two areas that promising for the company. **The first** is Technology, where the company already has the technology to turn paper into water-resistant packaging and can replace plastic for packaging food and beverages. With the technological advantages, the company can be at the forefront of environmental conservation efforts in the future, and that is **the second advantage**. So even though the paper industry is considered a bad influence on the environment, paper production technology can make paper products a savior of the environment by replacing the role of plastic.

Table 1. PESTEL Analysis

Politic	Uncertain global political conditions due to war in Europe may spread to the rest of the world. Doing business in Europe become high while in America, and Africa remain the same. Indonesia's political conditions are increasing in temperature due to the 2024 presidential election
Economy	Uncertain global economic conditions due to sanctions against Russia have led to economic wars among many countries and triggered inflation in many countries. Indonesia's economy has not fully recovered from the pandemic and has been affected by world inflation. Indonesia's economic policy focus on optimizing natural resources for economic growth, including forestry



Social	The world's social conditions, which were affected by the war in Europe that polarized social relations between countries, and the impact of the pandemic still left some countries doing lockdowns Indonesia's social conditions leading to the 2024 General Election also increase tension in the community, although the restrictions on people's mobility have returned to normal.
Technology	The paper industry technology has created environmentally friendly packaging, which is expected to replace plastic packaging. Hopefully, it will get better in the next few years. The impact of digitization, which has reduced graphic paper consumption, has tended to be overcome.
Environment	Global warming is still threatening to increase the world's attention to the paper industry, which uses industrial forests to source raw materials. The paper industry's innovation of environmentally friendly products is expected to be developed more quickly to overcome the plastic waste problem immediately.
Legal	The potential issue as some countries start to change their main currency from US dollars, it may impact any transactions. More countries are open from the health protocol, allowing offices and schools to open

Scenario planning begins by identifying the focal issues. There are an infinite number of stories to tell about the future; the focal issue is selected stories that matter, which leads to better decisions. Based on the data and analysis, there is one key question:

How Indonesia Paper Company be able to face the growing uncertainties in the global economy?

The driving forces are the critical uncertainties, it mainly covers the social, technological, economic, environmental, and political domains. Below is a high-impact/high-uncertainty matrix that identifies the driving forces in the macro-environment that influence the key decision factors.

Table 2. Impact and Uncertainties Matrix

<i>Low</i>	Degree of Uncertainty <i>Medium</i>	<i>High</i>	Level of Impact <i>High</i> <i>Medium</i> <i>Low</i>
A. Technology and digitalization that reduce demand for paper	B. Restriction from health protocol and regulations due to pandemic	E. Global & domestic economic condition (Inflation, Recession, and their impact)	
. Cost of logistic . Time delivery of logistic . Raw materials availability	. Global & Local trade regulation	C. Global & domestic political stability (War in Europe)	
	. Energy price & availability . Technological advances to substitute paper	D. Consumers' behavior toward paper products in relation to climate change	

Predictable and anticipated. And with the pandemic under control, although there is still the possibility of the emergence of new variants and some countries are still implementing strict health protocols and lockdowns, the impact on the world economy should have started to be manageable. But climate change and plastic pollution issues have not been controlled, and the war in Europe, which dragged on and had pushed many developed countries into economic wars, had a bad impact on the world economy. The war will potentially create a global economic crisis.



The results of the planning scenario analysis are also qualitative analyses of the open questions from 50 respondents. 90% of respondents predict that there will be an economic crisis. From the Scenario Planning analysis, the study found two scenarios for the company to look for:

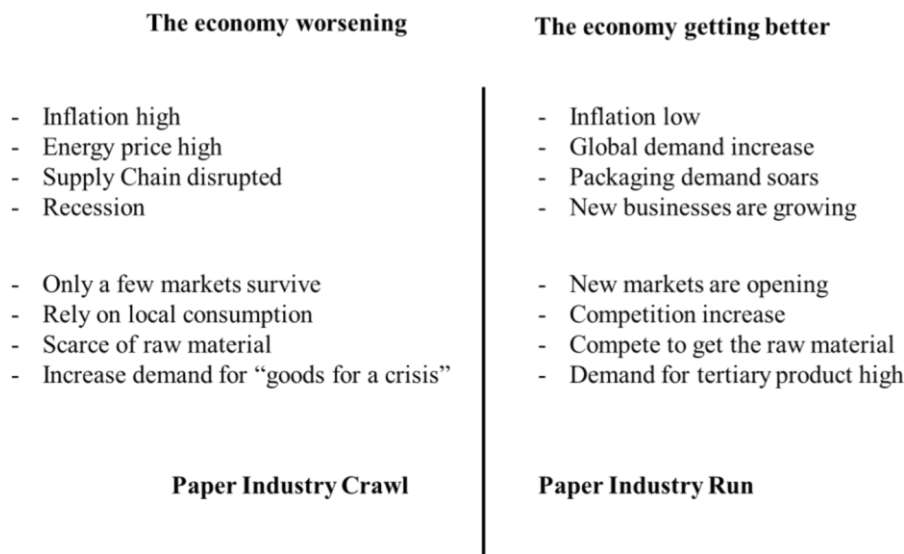


Figure 2. Scenario & Implication Matrix

There are also Early Warning matrix based on the current situation

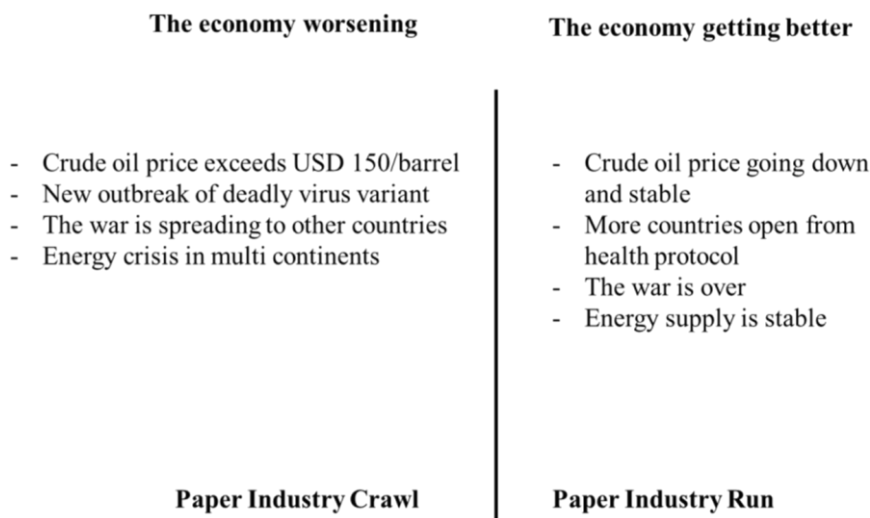


Figure 3. Early Warning Matrix

The significant impact on the market from the economic crisis is the reducing buying power and it will will make a significant difference in strategy for the company. Price will be the main thing in times of crisis, so product diversification may be needed to survive. Meanwhile, innovation will be the primary means to create Unique Selling Point to seize the market when the economy improves.

The study also uses Porter’s Generic Strategy to define the strategy the company need to prepare for each scenario. As a result, there are 2 strategy the company can prepare:

1. The **Cost Leadership** strategy is designed to compete with cost and come with low-cost products among the competitors in the mass market. The company can maximize the company's **Strength** as the source of raw material and the biggest company in Indonesia to deliver the



most competitive price to the consumers and to become the preferred brand during the crisis. The relationship between the company and consumers will also become stronger if it can diversify its products and deliver products that meet the needs in times of crisis.

2. **Differentiation Focus Strategy for when the economy is improving.** A Differentiation Focus Strategy relies on knowing consumer needs and insights to help figure out how to differentiate itself from today's marketplace. Specific target segments may have different types of unusual conditions. With the increasing concern of consumers towards a sustainable future, the effect on the environment is becoming a significant consideration

From the finding, the study builds a new STPs strategy based on each scenario, which later can be implemented in 4P of Marketing.

Title 3. New STP

CURRENT	STRENGTH	OPPORTUNITY	SEGMENTATION	NEW	
Positioned as a producer of all kinds of paper products	Crisis	Able to deliver affordable prices to the consumer	To build a strong relationship with consumers by helping in crisis	1. Looking for a cheaper product 2. Traditionalist - what available at the store	Positioning: Company that understand consumer need in a crisis Target: Primary: People who want affordable quality products Secondary: The traditionalist - go to the nearest store
	Recovery	Has innovation to produce an environmental friendly product	To have a flagship brand to get domination, trust, more margin	1. Environmentally friendly seeker 2. Online shoppers	
Segmentation and targeting to everybody				Positioning: The innovative company that builds for a better future Target: Primary: Environmentally friendly Secondary: The online shopper - growing e-commerce	

CONCLUSIONS

1. The consumer is undergoing a transition due to digitalization when pandemic occurred and fast forward the transition process with the health protocol and restriction of travel. The pandemic has also increased the use of packaging paper significantly through e-commerce and digital shops. Consumers also believe that the current uncertainty could led to global



economic crisis, which further change their shopping habit. They will further reduce their spending. The consumer also wants products that are more environmentally friendly to tackle the climate change.

2. In the scenario planning, there are 2 possibilities that will happen in the future: the economy will deteriorate, or the economy will improve, especially if the war ends and all countries return to recovery mode.

When in crisis, the company can maximize its **Competitive Advantage** as a company has its own source of raw materials to win the market by suppressing prices. The implementation of the **Cost Leadership Strategy** will give companies the ability to offer their products at affordable prices to people who are facing a crisis. At the same time, companies can diversify their products to create products that are more suited to consumer needs in times of crisis.

When the condition improves, the company's **Competitive Advantage** can be utilized to support the **Focused Differentiation Strategy** and develop products that can answer future challenges such as climate change issues. The company can also create new market segments and implement a blue ocean strategy for the eco-friendly market.

3. In a time of crisis, the **Marketing Strategy** should focus more on the local market with the **Branding Strategy** focusing on delivering an affordable product that can help customers to pass the crisis.

During the time of recovery, the **Marketing Strategy** should focus more on bringing added value products to answer the future needs, such as environmental issues, with the **Branding Strategy** focus on associating the brand with building a better future.

4. The study also provides insight on what the company must do in a time with high uncertainties like today,

1. Optimize resources

Both human resources and production resources must be optimized to increase production without increasing costs so the company can increase its financial reserves.

2. Improve human resources skills

Rapid technological changes have had a significant impact on the consumer side paper business. It will need a new approach, a new technology, and of course new skills to approach them. Therefore, the company can provide training, refreshment, or education for new skills to its employees to optimize every opportunity that exists.

3. Avoid high risk

Companies may have to hold off on wanting to expand or open new markets until things become more certain. Excessive spending with unpredictable results can endanger the life of the company. Opening new markets but with the risk of widespread war is also a high-risk thing. Basically, avoiding high-risk things is the wise thing to do at this point.

4. Focusing on Research and Development

With the clear consumer desire for environmentally friendly products, the company should focus on research and development. When economic conditions improve, companies can be at the forefront of product development, while if economic conditions worsen, research may be able to provide solutions for pivoting the business.

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Cite this Article: Widi Hartono, Dr. Muhamad Toha (2022). Proposed Marketing Strategy to Fight Market Uncertainty for Indonesia Paper Company. International Journal of Current Science Research and Review, 5(5), 1535-1541