



Proposed Marketing Strategy for Commercial Single Branding Product of PT Agriculture (Case of Urea Fertilizer)

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ABSTRACT: A fertilizer firm with management responsibilities for subsidiarized businesses is PT Agriculture's Company. PT Agriculture will become an activist holding in August 2020. The business of PT Agriculture is still working toward a number of strategic objectives, such as corporate transformation, decarbonization, and sustainability initiatives. The PT Agriculture Company had over 100 product brands prior to the restructuring function, which led to bad market circumstances as a result of multiple brands being offered in the same marketing territory. Due to the fact that each PT Agriculture Company group has a unique strategy, this leads to a silo mentality that is not consolidated. The company's flagship urea product, produced by PT Agriculture, has been designated the Urea Fertilizer Brand. The right marketing strategy is necessary for PT Agriculture's business to be able to commercialize items that could end up representing the company's products and compete in the market.

Companies must be aware of both internal and external business situations in order to conduct a company analysis. External analysis examples include the PESTEL analysis and Porter's Five Forces. In the internal analysis, VRIO and the Diamond Model are utilized.

The results suggest that PT Agriculture's Company should concentrate on its advantages. Then, PT Agriculture's Company must improve its marketing plan from upstream to downstream. To be more specific, regarding the product urea.

KEYWORDS: *Activist Holding*, Business model, fertilizer commodity, Marketing Strategy.

1. INTRODUCTION

In Indonesia, a nation known for its agriculture, one of the most significant industries is farming. Land, seeds, fertilizers, and land management are just a few of the variables that will affect how successful agriculture is. One aspect that needs to be controlled is fertilizer dosage, as this element can be used to gauge the success of an agricultural endeavor.

Urea fertilizer is a popular fertilizer among farmers and consumers among the numerous forms of fertilizers. This is due to the fact that nitrogen elements in plants have a number of benefits, such as speeding up photosynthesis, encouraging plant growth, speeding up root growth, increasing nitrogen in the soil, increasing crop yields, making plants strong and disease-resistant, and being easily soluble so that they are easily absorbed by plants.

PT Agriculture has five companies that manufacture urea fertilizer, and each subsidiary has a distinct name based on where the product is made. A division of PT Agriculture currently sells products under its own name in the market. When implementing its business strategy, this leads to a silo mentality. Sometimes every subsidiary fights for market share in the same region. Customers would then give up on the product out of quality worries since they think the PT Agriculture brand has different quality standards. This is particularly risky for the PT Agriculture, which focuses on non-subsidized sales at the moment.

2. BUSINESS ISSUE

Each PT Agriculture subsidiary manufactures urea fertilizer and NPK fertilizer to meet the needs of non-subsidized products. In addition to subsidized products, each subsidiary firm also makes non-subsidized goods that are offered for sale at retail. The PT Agriculture Company has over 100 brands, some of which are in the same product line as urea and nitrogen fertilizer and have almost identical requirements. Each of these subsidiaries has its own brand from each manufacturer.

Conflicts in promotional and marketing operations in particular locations are also common because the PT Agriculture Company's marketing territories regularly overlap.



In order to determine the present market circumstances, which were examined by the Markplus Brand Strategy Study in 2019 and identified as follows:

1. Complex Digital Ordering

The market situation is changing very fast from conventional to digital. The existence of multiple brands carried out by each subsidiary has a negative impact on the mindset of customers who perceive that the brand of each company is different so that customers perceive multiple brands to have a negative impact on external and internal.

2. Silo Mindset

Currently, each Subsidiary manages management independently starting from production, marketing strategy and brand building strategy. So that each subsidiary/manufacturer can create and execute a different business strategy.

3. Low kiosk Engagement

Each Subsidiary has its own way of packaging and building a brand based on its products, resulting in kiosks not having loyalty to products from one manufacturer. This is because each subsidiary has a brand that is not mutually consolidated.

4. Customer Centric

PT Agriculture's Company has the same vision in building a brand and increasing the non-subsidized product market, namely customer centric. This has become one of the pillars of PT Agriculture's Company business transformation in building.

3. METHODOLOGY

The study question, business difficulties, and business strategies are examined and understood using qualitative research methods. While VRIO Analysis and Diamond Framework are used for internal analysis, PESTEL Analysis and Porter's Five Forces are used for external analysis. The long-term plan for this company is created using the results of both internal and external analyses linked into strategy formulation. Strategy In order to concentrate the company's production, composition, and strategic design, the Diamond Model is the first technique that is chosen as the ultimate strategy analysis. To ascertain the history of persons who would be interested in becoming consumers and buying at PT Agriculture.

4. DATA ANALYSIS

A. PESTEL ANALYSIS

Political Factor

PT Agriculture business climate of the global fertilizer industry start from 2020. Regarding to The Minister of Agriculture Regulation Number 28 of 2020 on components of subsidized Cost of Goods sold in The Agricultural sector which superseding previous regulation at The Minister of Agriculture of Regulation No 01/Permentan/SR.130/1/2012. The policy changes the calculation components of subsidized in term of costs:

1. Operating Cost and Bonuses
2. Health insurance excludeing BPJS
3. Research and Development cost
4. Decrease margin for organic fertilizer manufactured from 10% to 3% by partners.

Economic Factor

As a commodity, the cost of urea has been rising significantly. The main product that PT Agriculture sells to consumers is urea, which is also the most widely utilized fertilizer in agriculture. Due to the fact that natural gas is utilized as a raw material in the production of urea, this product is produced not only in Indonesia but also in other areas with a plentiful supply of natural gas.

Sociocultural Factor

The social and cultural aspects of a society are represented by the sociocultural component. Because sociocultural influences not only change constantly but also differ depending on the group, According to PT Agriculture's annual report, urea fertilizer production would increase from 2016 to 2020. It has increased from 17,2 million tons to 19,3 million tons. Between 2016 and 2020, Indonesians' urea fertilizer use is anticipated to increase by 27%. Indonesia uses enough urea fertilizer to meet domestic and export needs as a result. It has been demonstrated that the annual growth in urea fertilizer consumption is correlated with increases in agricultural land area, active farmer support, and extensive agricultural cultivation.



Technological Factor

The utilization of technology aspects to create new processes and products is captured. Two significant advancements in process technology are the monitoring of products and the creation of strategic applications to increase advantageous and efficient performance. Technology not only plays a critical role in the internal operations of the business, but also in the external operations, namely expansion. The establishment of a client network and the use of numerous social media marketing strategies.

Given that 205 million people in Indonesia utilize the internet, it is essential to use it to the fullest extent possible when promoting PT Agriculture's commercial products and developing the brand. The graph shows that there are more internet users in Indonesia than ever before, but it also shows that Indonesians' access to social media sites like Facebook and WhatsApp is declining. Additionally, in 2021, there will be more faith in Youtube and Instagram.

Ecological/ Environment Factor

Examples of ecological variables include environmental problems like land destruction and chemical fertilizer pollution. They have the capacity to reduce long-term economic growth as well as develop critical land in Indonesia. Organizations and the natural world interact in a way that is mutually beneficial. Additionally, PT Agriculture produces organic fertilizer and offers farmers fertilizer application guidance. Based on region and soil characteristics, PT Agriculture promotes the cultivation and usage of land for all plants. As a result, it motivates farmers to tend to and get the most out of their plant. Because healthy soil has a range of environmental advantages, such as boosting farmer output, decreasing Indonesia's need for valuable land, and preventing soil contamination brought on by improper fertilizer use.

Legal Factor

Among the legal considerations were the official outcomes of political processes as expressed in laws, mandates, regulations, and decisions. The potential earnings of a company may be directly impacted by all of these variables. The administration is still committed to increasing agricultural productivity as a way to guarantee food security. To ensure the program's success, the government has devised a policy to promote farmer capacity building, revitalize the national food system, and create integrated and sustainable contemporary food areas (food estate).

B. PORTER's 5 Forces Analysis

Michael Porter created the widely used five forces model to help businesses understand the profit potential of various industries and how to position their businesses to obtain and maintain competitive advantage (Rothaermel, 2017). When studying the industry environment and devising competitive strategy, companies should consider five fundamental competitive forces identified by Porter's model.

a. Threat of New Entry

The prospect of new competitors entering the market is referred to as the threat of entry. There are two main hazards to take into account when a new company enters the market. The first is that established businesses may lower prices to deter possible new competitors from entering the market. The second reason is that established businesses could feel pressured to spend more money to maintain their current clientele. The agricultural commodities sector needs a lot of capital since it needs a lot of heavy equipment to support operations including modern factories, warehouses, and qualified staff. This company needs funding as well as a government permit because it is closely related to government programs for food security. The cost of fertilizer is controlled by fertilizer prices around the world, and the government regulates subsidized goods to maintain market price stability. Commodity products cannot be sold for too much or too little money. As a result, there is LOW chance of new competitors entering this market in Indonesia.

b. Power Of Supplies

The pressures that industrial suppliers may exert on the profitability potential of an industry are captured by supplier bargaining power. Suppliers are essential to supporting production activities in the agriculture sector. As a result, the manufacturing process, distribution, and pricing will be significantly impacted by the raw material supply from suppliers (gas industry). However, in this market, the manner of client distribution is also essential. The commodity's availability on the market will be hampered if the distribution is hindered in any manner, which would have an impact on the selling price due to an imbalanced supply and demand. As a result, this company's suppliers have a HIGH level of influence in Indonesia and throughout the world.



c. Power Of Buyer

The bargaining strength of the buyer is opposite that of the supplier. Potential customers are buyers, and the agricultural sector is no different. Customers can demand a lower price or a better product, which would decrease sales for a company. Because there are so many competitors in the market for commodity products, the buyer's power is unquestionable because the consumer is searching for the product with the best value and quality available. The same will apply to non-subsidized goods. As a result, this industry in Indonesia has MEDIUM purchasing power.

d. Threat Of Substitutes

The idea that products from outside the business will even come close to meeting the needs of current customers constitutes the threat of substitutes. Fertilizer is a unique commodity with a unique composition, making it impossible to substitute many agricultural business commodities with other items. The likelihood of success or failure if a consumer tries to use this product as a replacement for their plants is very high. For instance, a buyer might think that the cost of a bag of 46 percent urea chemical fertilizer is too excessive. The customer wishes to switch from urea chemical fertilizer to an organic substance with a composition of barely 3%, which costs more and requires the purchase of more than 10 bags. Organic substances also take longer for plants to absorb. As a result, there is LOW danger of using substitutes in this field.

e. Rivalry among Existing Competitors

A term used to describe how businesses in the same industry struggle for market share and profitability is "rivalry among existing competitors." PT Agriculture faces a large number of rivals, including manufacturers of other commodities goods. On the other side, PT Agriculture has a competitive advantage in terms of manufacturing location. Indonesia also has a strong infrastructure, which includes a digitizing system and local and international distribution systems. Retailers and distributors are connected via PT Agriculture. The government then helped PT Agriculture contact Indonesian farmers after that. There is LOW competition in this sector.

C. VRIO Framework

Internal analysis is carries out by conducting VRIO Analysis to access an organization's internal strength and resources. It is beneficial to identify which of its internal and resources can be a sources Sustained Competitive Advantage. The Internal analysis was performed to determine PT Agriculture's Company strength and Weakness as a company.

Resources or Capabilities	Valuable (V)	Rare (R)	Inimitable (I)	Organized (O)	Competitive Implications
Company Reputation and Image	✓	✓	×	–	Temporary Competitive Advantage (TCA)
Financial Strength	✓	✓	×	–	Competitive Parity (CP)
Stakeholder Proximity	✓	✓	✓	✓	Temporary Competitive Advantage (TCA)
Product Quality	✓	✓	×	–	Temporary Competitive Advantage (TCA)
Production Capacity	✓	✓	✓	✓	Sustainable Competitive Advantage (SCA)



Market Coverage	✓	✓	✓	✓	Sustainable Competitive Advantage (SCA)
Supply Chain	✓	✓	✓	✓	Sustainable Competitive Advantage (SCA)
Business Transformation	✓	✓	✓	✓	Sustainable Competitive Advantage (SCA)

Figure 1. VRIO Analysis in PT Agriculture’s Company

D. Interview Analysis

An Internal Interview is a more reliable and valid way to collect data on employees. Internal interview were conducted to obtain information about the business condition experiences by PT Agriculture

Table 1. Interviewee Profile of PT Agriculture

No	Interviewee	Position	Role
1	RF	Project Manager Operational	Develop policies to support activities carried out with non-subsidized offline sales.
2	WA	Project Manager Product Retail	Develop Retail Sales Policy offline and build network of Retailers
3	PC	Acting Assistant Vice President	Carry Out the Offline Retail Sales and build relationship with other stakeholders
4	HS	Acting Assistant Vice President	Carry Out the Offline Retail Sales and build relationship with other stakeholders
5	SN	Staff Of Product Retail	Implement and monitor retail sales of Indonesian fertilizer products

Table 2. Summary of Interview

	RF	WA	PC	HS	SN
Political	A duty from the government	A duty from the government	A duty from the government	A duty from the government	A duty from the government
Economy	Price of Raw Material and Farmer’s Production influence economy	Price of Agriculture’s Production depend on large/medium quantity	Price of Agriculture’s Production depend on quantity	Customer purchasing power determines quantity of selling product	Price of Raw Material determines selling price
Sociacultural	Local Preference	Local Preference	-	-	-
Technology	Promotion	Promotion	Promotion	Promotion and Digitalization	Business Transformation
Environment	Utilization Fertile Soil For agriculture’s activities	Depend on Climate	Depend On Harvest’s Season	Depend On Size Farm	Threat of drought and flood
Legal	Permendag No 22	Subsidize Policy	-	Subsidize Policy	Subsidize Policy



E. Diamond Model Strategy

The study proposed strategy as follows, as a formulation based on Strategy Diamond Framework :

1. Arenas

Arena is about to address the question, “Where will be active?” In order to accomplish PT Agriculture mission, the company works to develop its business, to be more focused on customers and to increase profitability. The following is a proposed strategy definition in arenas of strategy Diamond of PT Agriculture:

- Direct sales to distributor and customers for chemical products
- Farmers that focus on agriculture and farming are the most segmented market for agriculture.
- PT Agriculture must expand to Indonesia, Souteast asia, south America, East Asia and Australia as well as more distributor channels via brokers.
- PT Agriculture can be more effective in its business processes of providing chemical fertilizer manufacture, distribution product monitoring system, and overall digitalization.
- PT Agriculture will pursue open innovation during the value-creation stage to differentiate itself from competition. The revenue stream strategy is designed to keep distributor and reseller loyalty high

2. Vehicle

The vehicles that PT Agriculture will deploy to compete in the area are part of a well thought-out strategy. The first vehicle is to build human resources within the organization by distributing tasks to those who are competent of performing them. The second vehicle is developing a marketing strategy to broaden the market and increase sales. In the regions, PT Agriculture implements direct selling to distributors and retailers. The next vehicle is to work with a reputable institution to develop a high-quality product based on academic research and study. Last but not least, PT Agriculture is committed to continual product development through advanced R&D.

3. Differentiators

“How will we win in the marketplace” is determined by differentiation. PT Agriculture was renowned as a corporation that was committed to innovation. Each employee's yearly routine activities to innovate in their specific job divisions serve as evidence of this. Following that, PT Agriculture works to offer its customers items of the highest caliber and to create a well-known brand across all of its products. In order to meet client demands for agricultural products, PT Agriculture offers a comprehensive range of products (pesticides, herbicides, and fertilizers).

4. Staging

What will be our speed and sequence of moves? Is analyzing in Staging The production of fertilizer products should be PT Agriculture's primary focus. PT Agriculture has been able to survive to this day thanks to the backing of devoted retailers and distributors all around Indonesia (recorded more than 62 years provide Fertilizer In Indonesia). On the other hand, PT Agriculture collaborates with a global broker to market petrochemical and fertilizer products to clients abroad.

5. Economic Logic

The Diamond Strategy Framework's economic logic is focused with maximizing profit or “How will we obtain our return?”. In order to produce new products, PT Agriculture needs collaborate with a reputed university to carry out product research. As a result of their efforts, PT Agriculture was able to reduce R&D expenses while still producing high-quality goods. As a result of these efforts, PT Agriculture will be able to accurately assess and determine the cost of product delivery to clients. As a result, PT Agriculture's shipping expenses are extremely low. Last but not least, PT Agriculture offers lower product costs than rivals, notably private businesses. A port owned by PT Agriculture makes it possible to ship large quantities of goods to other parts of the world. This initiative may increase PT Agriculture's profitability.

5. CONCLUSION

External analysis indicates that PT Agriculture has a significant chance of continuing to see a sizable market in this industry. However, PT Agriculture needs to keep coming up with new ideas to be competitive in such a huge market. In order to compete, PT Agriculture must use its strength as an advantage. Because it is so challenging for newcomers to break into this market, PT



Agriculture must focus on existing rivals. Internal research indicates that the options for urea fertilizer are still too few and unclear. There are several competitive advantages that PT Agriculture provides that might be exploited to increase sales.

First, PT Agriculture employs a marketing analyst. The ideal marketing strategy for your desired target market must be determined by marketing experts. Before posting the single brand of urea fertilizer on other platforms and introducing the new brand to its subsidiaries, PT Agriculture must fix the packaging for that product. The item must be registered by PT Agriculture and be covered by the PT Agriculture Brand Identity patent. The next step will be for PT Agriculture to hire a social media specialist.

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