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Building Affordable Homes for Indonesians

Project Strategy for PVCPLANK

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PVCPLANK®

LISPLANG PVC



**BUILDING
AFFORDABLE
HOMES FOR
INDONESIANS**
*Product Strategy for
PVCPLANK*

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This PAE reflects the views of the author and should not be viewed as representing the views of the PAE's external client, nor those of Harvard University or any of its faculty.

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Executive Summary

Introduction

This Policy Analysis Exercise (PAE) is a business plan for a small-medium enterprise company in Indonesia, PT. Anugerah Mitra Semesta (AMS). AMS is founded in 2011 in Jakarta, Indonesia and it is operating in the manufacturing and building materials space [i]. As a producer, the company has been innovating and manufacturing various high-quality poly vinyl chloride (PVC)-based building materials products that are environmentally friendly and have affordable price points for the mass Indonesian market.

Recently in January 2019, the company has just launched its newest product line – PVCPLANK (pictured in Figure 1) – which is a plank for building exteriors and interiors that is formulated from recycled plasticized PVC. Some of the product variations have a faux wood grain appearance and given PVC’s characteristics that include water resistance and longwearing durability, the product provides a much better alternative in terms of price, weight and environmental-friendliness than the current building boards and planks in market, which are primarily made of gypsum and wood. Given PVCPLANK’s lower cost of production as compared to substitutions in the market, PVCPLANK will be targeted for the mass Indonesian market and to the low and lower-middle income population in Indonesia. Its affordable price point provides accessibility for millions of Indonesians living in Tier 2 and 3 cities to build proper housing for their families, instead of relying on zinc and scrap materials to build their temporary homes in slums.



Figure 1: PVCPLANK Product Variant (Source: PT. Anugerah Mitra Semesta Product Catalogue)

Currently, PVCPLANK is the only one of its kind in Indonesia and the market needs to be educated on this innovation to drive product acceptance, sales and usage. This PAE will aim to provide a robust product launch strategy in terms of a sales and marketing plan for PVCPLANK in Indonesia.

Approach

In devising this strategy, we have applied the methodology of design thinking to better understand the needs of customers and consumers in the relevant space, as well as customers and consumers' purchasing behavior of building materials. Given the complexities of distribution and sales channels in the industry, we have first sketched out the supply chain for a typical building material product in Indonesia. PT. AMS operates its factories in the city of Tangerang in Greater

Jakarta. Being a production house and thus a producer in the supply chain, PT. AMS usually finds itself detached from the market, especially with its end consumers. Furthermore, being a manufacturing company also means that it rarely sells directly to its end consumers, and it is usually dependent on different levels of distributors in various regions and cities to sell its products. Therefore, it is important for PT. AMS to first gain a good grasp of understanding of both its customers and consumers, in order for it to devise and execute a sustainable marketing and sales plan for its products.

We have also applied Porter's Five Forces framework to gain a solid understanding of the market and used various marketing frameworks, such as the marketing funnel and 4Ps (Product, Price, Promotion and Place), to devise the marketing plan for PVCPLANK, which has the primary aim to increase brand and product awareness in the market, given that PVCPLANK is a new product in Indonesia. Most importantly, we have come up with an end-to-end sales strategy and detailed implementation plan for PT. AMS to sell its products in a profitable and sustainable way going forward, and achieve a dominant market position.

Finally, recognizing that Indonesia is an emerging market and developing economy, we have highlighted some of the key challenges and risks that might come along the way, and how we could pre-empt and mitigate them. For example, recruiting, hiring, managing and retaining talent for PT. AMS will be one of the key challenges that the company faces. With only 17% of 127 million Indonesians with jobs have finished high school and less than 10% with a university degree [ii], skill gaps in the workforce has widened. Furthermore, with 55-65% of employment that is categorized as informal jobsⁱⁱⁱ, information asymmetry in the job search space is prevalent and it is by no doubt that fulfilling human resource requirements as part of the business plan will be a key challenge for PT. AMS.

Problem Statement

How do we devise a successful go-to-market product launch strategy and implementation plan for PVCPLANK in Indonesia?

Since its launch in January 2019, PVCPLANK has not been achieving its target sales growth. Breaking into the market for a new product is extremely challenging, given that both customers (e.g. regional distributors, wholesalers and retail shops) and consumers (end users e.g. independent contractors, developers and homeowners) have no knowledge of the product. They are hesitant to “try” it because purchasing a building material product is almost an once-in-a-lifetime purchase and having a “trial” period is currently not possible. Part of their hesitancy comes from the fact that PVCPLANK as a product is light-weighted and has a porous appearance, unlike its substitutes products – gypsum and wooden planks – that are heavy and have a strong appearance. Therefore, as a building material product for homes’ exteriors such as walls and roofs, people generally have a psychological barrier in accepting that PVCPLANK is equally as strong and durable as the alternatives.

In addition, PT. AMS has voiced out concerns from the past for its other products in the market that it has been having difficulties in controlling the market price of its products that are sold to consumers. For instance, some distributors practiced the technique of having a massive price discounts in the market, thus “spoiling” the market price for certain products and puts a downward pressure on price over time. This price pressure would soon translate up the supply chain and affect PT. AMS when distributors start demanding lower prices for its products. Being a manufacturing firm who sells a mass-market product, PT. AMS have always pursue a “high

volume, low margin” strategy for its products and there is a limit on how much margin can be squeezed by its distributors before the company is unable to sell its products at a profit.

Finally, in a country where it is difficult to safeguard and enforce intellectual property rights [iv], PT. AMS also regularly finds that competitors in the space are ever ready to copy its latest product innovation and technology. Before the company knew it, its products have already faced fierce competition in the market. This is especially so in recent years where the country has been a hot market for Chinese firms to expand in Southeast Asia, with Indonesia as their primary destination [v] given the country’s huge domestic market of 268 million population [vi]. Therefore, it is becoming more important than ever for PT. AMS to build brand loyalty through either exceptional product quality or excellent customer service, or both, in addition to keeping up with innovation and producing new product variants.

In light of the above issues facing PT. AMS, a well thought-out and designed sales and marketing plan for its new product line (PVCPLANK) will be useful in building brand awareness and loyalty from the start, making the brand a dominant and favorite one in the market.

Market Opportunity

Business Opportunity

According to Euromonitor, the plastic based building materials market in Indonesia is estimated to be approximately IDR 1,407 billion (USD 101 billion [vii]) in 2019, and reaching IDR 3,592 billion (USD 262 billion [viii]) by 2029 with a projected compounded annual growth rate (CAGR) of 10% [ix]. A more detailed historical and projected data of the market size is shown in Figure 2 below.

Indonesia Plastic Building Materials Market (in IDR billion)											
2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
1,281	1,407	1,555	1,710	1,884	2,071	2,276	2,499	2,741	3,004	3,287	3,592

Figure 2: Plastic Building Materials in Indonesia, 2018 – 2029 (Source: Euromonitor)

As shown from the market data, the Indonesian market for the building materials industry is certainly promising with high growth potential. Since the election of President Joko Widodo (or more well known by his nickname “Jokowi”) in 2014, President Jokowi has announced his ambitious \$412 billion infrastructure plan to rebuild the country [x]. Greatly lacking in terms of infrastructure development such as toll roads, ports and power plants, Indonesia has a lot to catch up on in this front. According to World Economic Forum’s Global Competitiveness Report 2018, Indonesia’s infrastructure scored 67 out of 100, with poor performance especially on road quality, connectivity, density and liner shipping connectivity [xi], thus causing the country to be ranked at 71 out of 140 countries surveyed, which is below India (63) and its Southeast Asian peers Thailand (60) and Malaysia (32) [xii]. In particular, President Jokowi has a focused plan to develop the Tier 2 cities across the Indonesian archipelago, thus spreading urban development outside from the

overcrowded and over-populated capital of Jakarta, and beyond the main island economic powerhouse of Java [xiii]. This outward and widespread infrastructure and urban development policy from the Indonesian government plays well in terms of timing with PT. AMS business and expansion strategy in Indonesia's building materials sector. Infrastructure development such as toll roads and ports will allow villages and towns surrounding the ports and along toll-roads to develop as commercial and residential areas will be built. As shown in Figure 3 below, a large number of cities with a population with at least 2 million will emerge by 2030 [xiv]. In addition, many cities other than Jakarta are projected to achieve of economic growth rate of at least 7% per year [xv]. This will mean a growing market and business opportunities for companies in the construction, real estate and building materials sector, and thus explaining the high projected future CAGR of 10% by Euromonitor. As seen in Figure 3 below, many of these new cities will primarily be in Central Java, East Java, and Sumatera. Given the size and complexities of the Indonesian archipelago, as it is made up of more than 17,000 islands [xvi], this set of data will have implications on which regions in Indonesia PT. AMS should focus on first for its sales and marketing strategy.

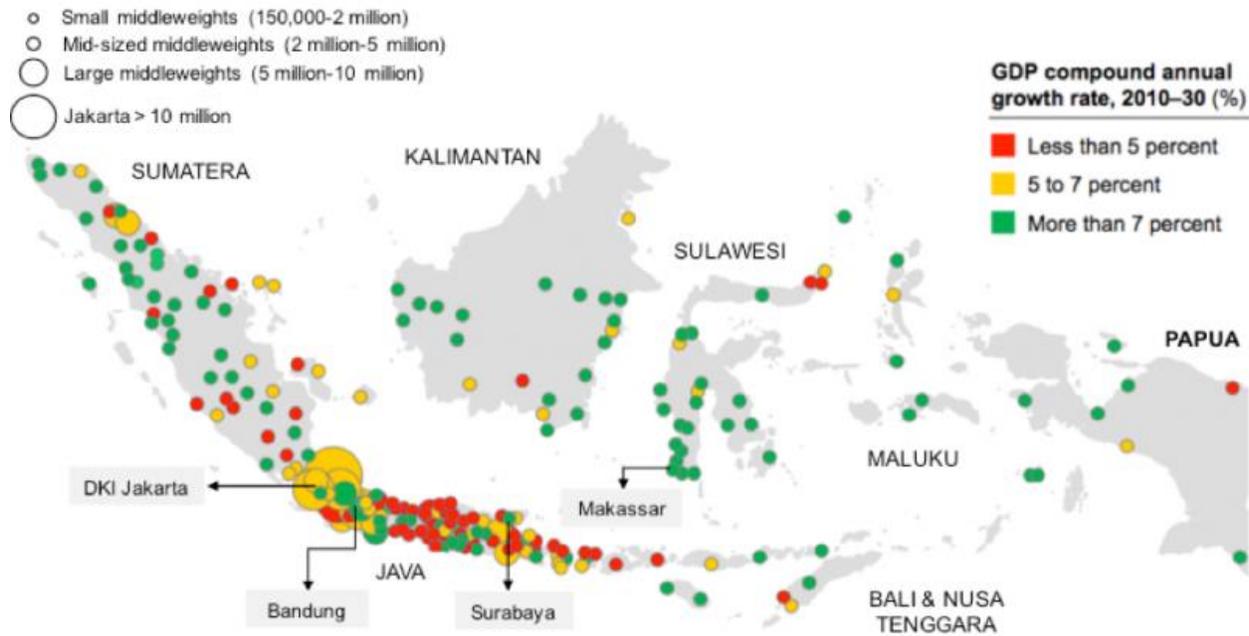


Figure 3: Indonesian Cities by Population and Annual GDP Growth Rate, 2010 – 2030 (Source: Asia Green Real Estate)

Creating “Shared Value”

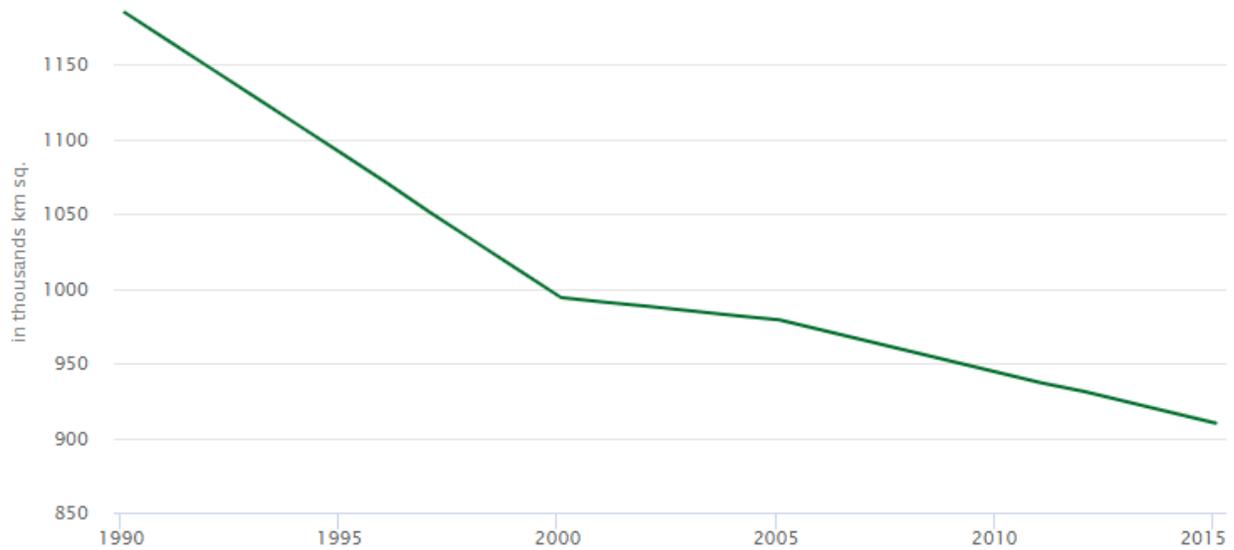
Other than business opportunities presented by the Indonesian government infrastructure development policy, the fact that a significant portion (22% [xvii]) of the Indonesian population is still living in slums also provide an opportunity for businesses like PT. AMS to create social value and contribute back to the society. The core of PT. AMS business model is in the mass-market segment where the company’s mission is to provide affordable building materials to enable Indonesians to build proper housing for themselves and their families. Therefore, PVCPLANK could be an excellent opportunity to create a “shared value” [xviii] for both PT. AMS as a business and the Indonesian community who are still living in slums. With a robust and promising future economic growth rates in currently low-income based cities as described earlier in Figure 3, numerous people can be lifted out of poverty and start affording proper homes for the first times

in their lives. This has various meanings and implications for the people who had been living in slums all their lives, as they will now be able to access proper sanitation, waste management system and electrification. Millions of Indonesians can now have increased public hygiene standards and electrification means that people could start their own microbusinesses at homes to supplement their monthly household incomes. Furthermore, with proper building materials for their homes instead of zinc and other scrap metals in slums, people could have houses that could withstand bad weathers, especially during the monsoon season when heavy rains and thunderstorms usually caused severe flooding in low-income neighborhoods and causing thousands of people to lose their homes ever year. As mentioned in the Straits Times, housing still remains a pipe dream for a majority of slum dwellers and a housing survey estimated a housing backlog in Indonesia of 11.8 million [xix].

Positive Environmental Impact

The current existing alternative to PVCPLANK in the market for building materials is wooden planks. Wooden planks come from trees in the forest and is one of the main reasons why Indonesia has been losing almost a quarter of its forest area in the past 25 years [xx], as shown in Figure 4 below.

Indonesia's forest area, 1990–2015



Excludes trees in agricultural production areas and urban parks.

Figure 4: Indonesia's Forest Area, 1990 – 2015 (Source: World Bank, UN Food and Agriculture Organization, Public Radio International)

The good news is, since the Indonesian government has embarked on several policies to reduce the rate of deforestation and strengthened law enforcement to prevent land clearing and forest fires [xxi], the rate of forest loss has been declining since 2016 to 2018 [xxii]. As shown in Figure 5 below, Global Forest Watch also reported that there is a 40% decrease in the rate of deforestation in Indonesia's primary forests in 2018, compared to the average annual rate of loss from 2002 – 2016 [xxiii]. This implies that the Indonesian government's policies towards fighting deforestation will present more motivations for Indonesian consumers to switch to a more environmentally products, including products in the building material industry, especially given that goods from this particular sector do consume a large quantity of wood from the forests. From an environmental perspective, PVCPLANK presents the right product for the market and a better

substitute from the currently widely used wooden planks, as recycled PVC forms the main component of its raw materials.

Indonesia Primary Forest Loss

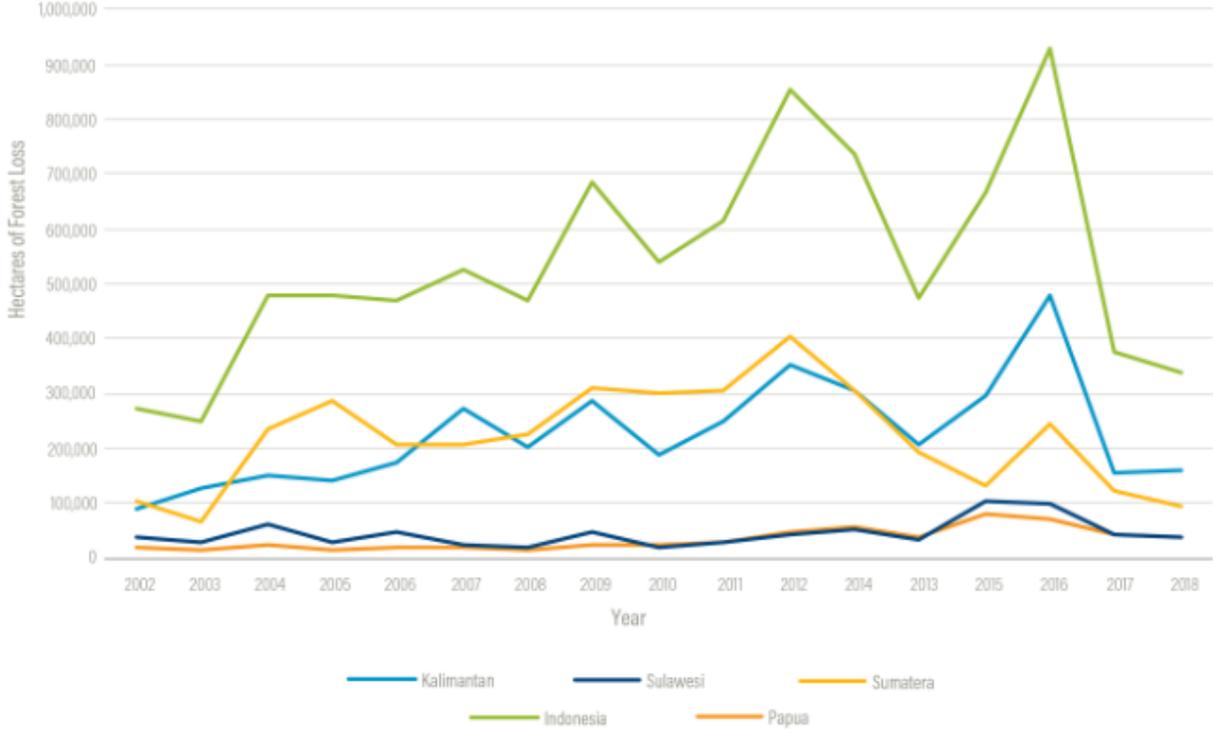


Figure 5: Indonesia’s Primary Forest Loss, 2002 – 2018 (Source: Global Forest Watch)

Building Materials Industry Value Chain and Understanding the Customers

Value Chain Overview

In order for us to better understand how to craft out the appropriate sales and marketing strategy, we first need to develop an understanding of the building materials industry value chain in Indonesia – who are the key players in each step of the value chain, what do each player care about and what is their value add. By doing so, it will help us gain a deeper level of understanding of the market and be more targeted in our marketing and sales efforts. For instance, it is crucial that we figure out which players within the value chain have the most decision making power in terms of purchase decision, who are the “gatekeepers”, and who have the most bargaining power in terms of pricing.

Figure 6 below maps out a high level picture on what a typical building materials industry value chain look like. In the upstream portion of the value chain lies the producer, which is typically a factory that manufactures building material products (i.e. the client, PT. AMS). From production in the factory, goods are either sold to 1) distributors, or 2) national chain retailers, or 3) major developers and contractors (not pictured in Figure 6):

- 1) A majority portion of goods from the factory is typically first sold to very large distributors. These are usually regional or provincial distributors control the regional market to quite a large extent. These regional or provincial distributors will typically then sell the goods to mid-level distributors, who are smaller in terms of scale and control the market on a city or county level. Sometimes, these mid-level distributors will sell the goods further to smaller distributors of wholesalers, who will then sell the goods to independent building

material shops of varying sizes. The end users and consumers are the independent contractors who help to build, improve or renovate peoples' homes, or the homeowners themselves.

- 2) Some percentage of goods from the factory is sold directly to major national chain retailers like Mitra 10 and Depo Bangunan, which are the two largest building materials superstore chain in Indonesia. End users and consumers will then browse and shop for building materials goods at these stores.
- 3) Some percentage of goods from the factory is sold directly to major contractors and developers in the country through business-to-business (B2B) projects. Often, such deals are made through connections and introductions within the closely-knit business community in the real estate and construction sectors. In such cases, relationships with key procurement personnel in major contractors and developers and solid track records matter the most in getting the project contracts.

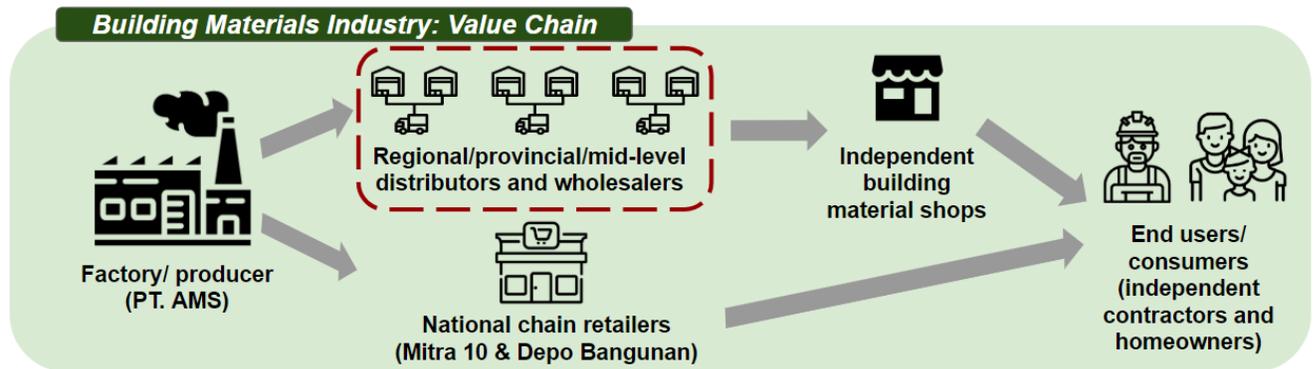


Figure 6: Building Materials Industry Value Chain

Value Additions

After sketching out the value chain, we applied the design thinking approach (the “empathize” step in the framework) in finding out what each player in the value chain cares about

and what is the value addition that each player is bringing to the table. In doing so, we have interviewed the several managers and key decision makers from the client side, three to five people in each type of distributors, two to three sales people and purchasing managers in each national chain retailers, five to seven independent building material shops in two selected postal codes, and ten independent contractors and homeowners. Figures 7a-e below gives a brief summary on the key findings from the various interviews.

Dissecting the Building Materials Industry Value Chain – Summary of Key Findings	
	Factory/ Producer
What do they care about?	<ol style="list-style-type: none"> 1. Ability to produce and manufacture goods at high volume (due to high capital expenditure and overhead cost of running a factory) → therefore, high volume of goods produced will help to achieve economies of scale and decrease the marginal cost of production. Critical to ensure factory is maximizing production volume and operating and 100% capacity and utilization rate. 2. High inventory turnover rate. This means that it is crucial that goods manufactured in the factory could be sold and delivered as quickly as possible, spending as little time as possible in the factory’s limited warehouse and storage space. This is because the space that is used for storage is ‘expensive’ for a producer, as that space could be turned into more productive uses when used to produce more goods. The importance to achieve a high inventory turnover rate also implies that there needs to be an extremely close coordination and strategic planning between the sales and marketing team on the ground and production team in the factory. Sales and marketing team needs to be able to provide customer feedback in terms of products specs that customers need and want in a timely fashion. 3. High operational efficiency rate. This is especially important for a factory/producer like PT. AMS who is selling mass-market products at low price points. Given the razor thin margin per unit, it is important to play the volume game and have the factory running as efficiently as possible in order to keep unit cost to the minimum possible. 4. Maintaining a healthy, stable and positive cash flow. Perhaps the most important thing as voiced out and reiterated by the owner, the company needs to maintain a positive cash flow and ensure that there is always sufficient cash and credit line in the bank to cover daily operating expenses

	(i.e. purchase of raw materials, paying electricity bills, workers' salaries, repaying bank loans and interest rates, etc.).
What is their value add?	<ol style="list-style-type: none"> 1. Ability to produce goods at mass quantity and at the lowest cost possible. 2. Constant product innovation to meet ever-changing consumers' needs and demands, and stay ahead of market trends.

Figure 7a: Key Findings from Value Chain Stakeholder Interviews

Dissecting the Building Materials Industry Value Chain – Summary of Key Findings	
	Distributors
What do they care about?	<ol style="list-style-type: none"> 1. Ability to get 20-25% margin to cover sales and other operational costs (e.g. storage/inventory storing cost, logistic/delivery cost, extending credit facilities to their customers). Larger sized distributors (typically the major regional distributors) will demand a higher margin, sometimes up to 30%. Smaller scale distributors, on the other hand, could be content with a lower margin, sometimes down to 15%. All these depend on the relative bargaining power of each distributors and the portion of the market that they control.
What is their value add?	<ol style="list-style-type: none"> 1. Warehouse space for inventory stocking 2. Providing credit terms to their customers, because usually the smaller size distributors and independent shops are not able to pay cash upfront for the goods that they bought, and require a 2-3 months payment terms (without interest rate) 3. Distribution network of smaller sized customers (i.e. wholesalers and independent building material shops), given that distributors are closer to the market than a factory/producer 4. Logistical services such as goods delivery to smaller shops. Most of the times, these distributors have their own fleet of trucks for delivery 5. Running their own sales team to sell goods to their network of customers and expand the market

Figure 7b: Key Findings from Value Chain Stakeholder Interviews

Dissecting the Building Materials Industry Value Chain – Summary of Key Findings

	National Chain Retailers
What do they care about?	<ol style="list-style-type: none"> 1. Ability to get 30-35% margin to cover sales, marketing and operational costs. Major national chain retailers run their own sales team in their stores to promote various goods and brands displayed in their stores. They also frequently run their own marketing campaigns and promotions (especially during holiday seasons or annual sale). Other operational costs include rents for their stores and warehouses, administrative costs, procurement costs, and logistic/delivery costs. 2. Ability to carry a wide range and variety of brands and stock keeping units (SKUs) in their stores. This will enable them to attract their target customers (usually the end users) into their stores, because end users usually come to their stores in a “browsing” mode and want to find out what are the latest brands and products that are “in the market” 3. Ensuring that they are carrying the highest quality brands and products in their stores, and displaying only the best of the bests. This is because national chain retailers have built up their brand value and reputation in the market, thus end users have known them for the product quality that they carry in their stores. Because of the need to maintain their brand equity and reputation, national chain retailers have a very tight-run and strict process for adding new goods and brands in their stores.
What is their value add?	<ol style="list-style-type: none"> 1. Offering a wide variety of brand and SKUs, thus providing options and choices to consumers 2. A one-stop shop for consumers to fulfil their building materials needs 3. Wide network coverage throughout the Indonesia archipelago (Mitra 10 has 31 stores nationwide and Depo Bangunan has 9 stores nationwide) → provide a massive reach and accessibility to consumers and end users (for a producer, that means that their goods are able to almost instantaneously reach a wide segment of the market) 4. Given the high brand equity of these retailers, being able to list goods/brands in these stores provide a stamp of approval for a producer’s goods. Furthermore, given the large amount of audience and high level of traffic flow in these stores, being able to display a good/brand in the stores also mean that the good is getting massive market exposure and brand awareness 5. Sales team in the stores provide product education to end users and help end users in their purchasing decision. This is especially true for new products

	<p>that the store carry. National chain retailers are able to educate the market about new products</p> <ol style="list-style-type: none"> 6. Market and consumer insights given their very close proximity to end users (they interact directly with end users on a daily basis) 7. Some inventory storage and warehouse space, and delivery services (for customers who shopped within the delivery coverage area)
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Figure 7c: Key Findings from Value Chain Stakeholder Interviews

Dissecting the Building Materials Industry Value Chain – Summary of Key Findings	
Independent Building Material Shops	
What do they care about?	<ol style="list-style-type: none"> 1. Ability to capture 5-10% margin to cover their operational costs (shop rental, salary for 1-2 storekeeper, limited delivery services). A larger size shop will demand a higher margin, as they believe that their store carry a wider variety of products/SKUs and could attract a bigger audience. 2. Ability to get some variety of products, brands and SKUs in their stores. Usually, building materials stores are quite targeted on the type of building material products that they carry. For instance, a predominantly cement shop will carry mostly cement products and bricks, while a predominantly home improvement shop will mostly sell different types and brands of paints. 3. Not keeping a high amount of inventory in the shops, due to very limited storage and inventory space. Therefore, these independent shops only tend to buy a smaller quantity and buy only what is necessary. At times, they only place orders to their suppliers (the wholesalers or smaller scale distributors in their cities) only when they receive an order from their customers. In such cases, these independent shops tend to buy on an ad-hoc basis. 4. Ability to get friendly credit terms with their suppliers. Most often, they require a 2-3 months payment terms with zero interest rates and option to pay by installments. Given the smaller scale of their business, most independent shop owners are not able to get a credit loan from the bank and they have to rely on their suppliers to extend credit facilities to them.
What is their value add?	<ol style="list-style-type: none"> 1. Product knowledge and education to end users (especially independent contractors, who are their main customers). 2. Market and consumers insights given their proximity to end users. Their suppliers are able to get accurate market information in terms of which

	<p>products/brands are trending and in high demand by consumers based on the orders that independent shops place.</p> <p>3. Offering some variety of goods, brands and SKUs to consumers</p>
--	--

Figure 7d: Key Findings from Value Chain Stakeholder Interviews

Dissecting the Building Materials Industry Value Chain – Summary of Key Findings	
End Users / Consumers (Independent Contractors and Homeowners)	
What do they care about?	<ol style="list-style-type: none"> 1. Product quality, especially durability of the product and the ability to withstand heat from the sun and rain. This is especially true for homeowners because building materials like PVCPLANK is something that they would only like to buy once in their life or once every 10-20 years, given that it would be their “home”. 2. Product variety, in terms of wide range of patterns and colors → consumers want options and choices, and the ability for customization and personalization when building or renovating their own homes. 3. Easy application of products, especially for independent contractors. 4. Recommendation from peers (especially for independent contractors), because they think that if their peers have used it and liked it, it is considered a stamp of approval and will reduce the probability that the product is of bad quality. For independent contractors, what they want at the end of the day is the ability to provide high quality work to their customers (e.g. homeowners) as quickly as possible and with as little re-work as possible. Therefore, getting a good quality and trusted brand/product is key for them. 5. Low price point, value for money
What is their value add?	<ol style="list-style-type: none"> 1. Purchasing power 2. For independent contractors: helps in decision making for their customers (e.g. the homeowners). More often than not, independent contractors have all the say and decision making power on which product and brands to used, especially when their customers have entrusted them in doing so

Figure 7e: Key Findings from Value Chain Stakeholder Interviews

It is important for us to understand the value chain and the different players involved in the market in order for us to figure out who has the decision making power in different parts of the selling and marketing process for PT. AMS. That player should be the main customer target for PT. AMS as they can influence how products and brands are chosen and distributed throughout the value chain.

For PT. AMS situation, PT. AMS as a producer has been selling almost exclusively to distributors (especially the large size regional and provincial distributors), given the distributors' value adds to the customers and end users, as well as the distributors' appetite and ability to purchase a large amount of quantity in a single order routinely. As shown above, the large volume purchased by distributors gives PT. AMS as a factory the ability to both produce goods at large volume and sell them quickly in order to minimize inventory space and cost. However, selling exclusively to distributors have come with its own set of challenges. Over the past few years, this kind of selling practice has proven to be challenging, especially with sales of products like PVCPLANK, which is considered as a “commodity” product in the market with very little differentiation.

Other challenges also surfaced for PT. AMS. First, as a factory and being placed at the most far end of the value chain, PT. AMS has no proximity to the market and end users, and therefore have very limited oversight and control over retail prices in the market, market trends and consumer needs and insights. Second, PT. AMS has been facing a constant downward pressure on price by its customers – the large scale distributors – especially for a “commoditized” product like PVCPLANK. Given the already razor thin margins of PVCPLANK, the downward pressure on price cannot continue, if not PT. AMS will not be able to breakeven. Third, distributors are currently reluctant to spend marketing dollars to educate the market and end users for a new

product like PVCPLANK. Therefore, they have been less willing to buy up large volume of quantities of PVCPLANK, and would rather stock up on substitutes products like gypsum and wooden planks. This will change once the market has shown product acceptance and create demand for PVCPLANK.

Therefore, for PVCPLANK's sales and marketing strategy, PT. AMS needs to rely less on distributors and invest in marketing and sales by itself first to educate the market on its new product. Eventually at steady state, it needs to diversify its channel mix and leverage on all parts of the value chain.

Marketing Strategy

Marketing Funnel

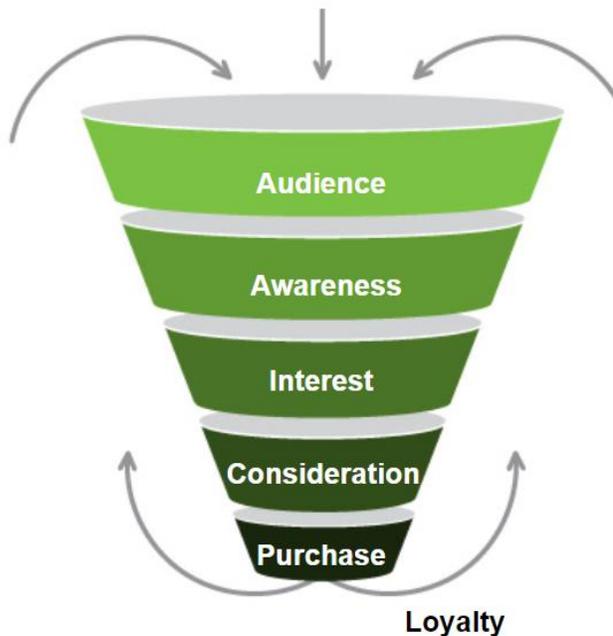


Figure 8: Marketing Funnel

Using the marketing funnel (Figure 8 on the left) to illustrate the overall approach to the marketing strategy, we would first segment the market to select our target audience that we want to bring into our “funnel”. For PT. AMS, our target audience are the independent building material shops and end users (independent contractors and homeowners). We would like PT. AMS to be closer to the market and invest their marketing dollars in educating the market

about PVCPLANK, especially key decision makers in making building materials product purchases. In the process of doing so, we also have the goal of driving consumers’ brand loyalty to PVCPLANK from various product and brand differentiation strategies (outlined below in “4Ps” section) so that PVCPLANK can be less “commoditized” and less substitutable with other brands and alternatives.

Second, we will emphasize our marketing efforts on creating brand awareness of PVCPLANK to the set of audience captured. We aim to use both online and offline marketing channels to build brand, product awareness and product knowledge. Online platforms include various social media platforms such as Facebook, Instagram and Line, as well as e-commerce sites

such as Tokopedia, Shopee, Bukalapak and Lazada). Offline platforms will include a door-to-door sales team for building materials shops and “store-in-store” displays in national chain retailers.

Third, our task will be focused on generating interest and consideration for independent building material shops and end users to make their first purchase to try our products. We understand that in this case, a “trial” may be challenging to do, as this product is something that one will purchase for a longer time use. Therefore, we plan to have model mini samples for independent shops to display in store, as well as a mini display exhibition stand inside national chain retailers. Furthermore, we will focus our marketing message on demonstrating and advertising the value of PVCPLANK through showcasing successful product use cases and projects (for example, a small portion of the sales currently have been done to major developers and contractors for their new residential and commercial sites, which we could leverage on to market PVCPLANK to the market).

Fourth, heavy promotion campaigns will be done in the first three months of launch for independent building material shops to encourage first time trials and purchase. PT. AMS will need to bring in some of the distributors’ value adds to incentivize these shops to purchase a new product directly from producer. For example, PT. AMS might have to invest in providing free delivery services for the independent shops during the first three month of trial period.

4Ps – Product, Price, Placement, Promotion

We will adopt the 4Ps (Product, Price, Placement and Promotion) framework to design a comprehensive marketing strategy for PVCPLANK. The main marketing message to be communicated across the 4Ps will be a “value for money” product. Figure 9 below describes and explains each part of the framework.

4Ps Framework – Product, Price, Placement, Promotion

Product	Placement
<ul style="list-style-type: none"> • Low margin, mass-market and affordable product targeted for low to lower-middle income groups of consumers who are primarily living in Tier 2 and above cities in Indonesia • Higher product quality in terms of durability, lightweight material, and ease of application and installation when compared to substitutes (i.e. gypsum and wooden planks). Refer to Figure 10 below on product comparison chart that lists out pros and cons of PVCPLANK, gypsum plank and wooden plank • Product specs: 0.8cm x 20cm x 400cm; 4.5kg • Because PVCPLANK could be easily categorized as a commodity, a creative differentiation strategy is needed: product bundling with higher margin differentiated product offering that is within PT. AMS umbrella (e.g. acrylic decorations for wall and ceilings, installation services) 	<ul style="list-style-type: none"> • More diversified channel mix relative to historical sales done by PT. AMS for its other products • Majority (~80%) will be sold through large scale, regional and provincial distributors, given that PT. AMS is a manufacturer. It is therefore important to find who are the big and strong distributor players in each region/province in Indonesia. However, this can only be achieved after PVCPLANK gained sufficient traction and market acceptance • A small portion (~10%) will be sold through national chain retailers across Indonesia (Mitra 10 and Depo Bangunan), as sales through this channel can boost brand awareness for a new product and brand to other independent shops and end consumers. Mitra 10 as 31 stores^[xxiv] nationwide and Depo Bangunan has 9 stores^[xxv] nationwide • A small portion (~10%) will be sold through independent shops in the various cities. Even though manufacturers usually do not sell directly to independent shops, it is important that the effort is made for a new product like PVCPLANK, as the market/end consumers need to know about this new product. Once PVCPLANK has gained some traction in the market, it would be easier to find the large scale distributors to buy a large volume from the company. Independent shops that we are targeting includes both online and offline shops, starting with shops that are located closest to PT. AMS factory location and/or in cities with highest density of building materials and home improvement shops

Price	Promotion
<ul style="list-style-type: none"> • Affordable price points and priced within the same range as substitutes at ~5-10% lower than substitutes • Unit retail price (i.e. selling price to end users in the market): IDR 60,000 (USD 4.23) <ul style="list-style-type: none"> ○ Selling price to distributors: IDR 43,000 <ul style="list-style-type: none"> ▪ Distributors' margin: 20-25% ○ Selling price to national chain retailers: IDR 42,000 <ul style="list-style-type: none"> ▪ National chain retailers' margin: 30% ○ Selling price to independent shops: IDR 54,000 <ul style="list-style-type: none"> ▪ Independent shops' margin: 10% • Initial introductory price discounts will be given in the first three months of launch (10% lower than retail price) • Add-on prices for product and service bundling 	<ul style="list-style-type: none"> • Aggressive online marketing campaign on various social media platforms and e-commerce sites <ul style="list-style-type: none"> ○ Indonesia is ranked as one of the most active social media countries in the world with 80 million monthly active users on Facebook^[xxvi] ○ Indonesia's e-commerce size is now at a stunning size of \$27 billion, and growing rapidly at 27% CAGR, with 182 million users in the sector^[xxvii] • With the presence of social media platforms, product promotion can be done at a much lower price and reach a wider base of targeted sets of audience across the country, as compared to the more traditional alternatives like newspaper ads, TV ads and billboards. With the ability to set preferences for target demographics on platforms such as Facebook, it is also possible to reach our target consumers directly through social media platforms. For instance, we can directly target new homeowners in new residential sites that are recently developed • Figure 11 below shows examples of social media posts for PVCPLANK to be posted on PT. AMS' Facebook and Instagram pages • For e-commerce platforms, PT. AMS can build up its e-commerce presence on platforms such as Tokopedia, Shopee, Bukalapak and Laada. These online shops have very minimum (or even zero) setup cost and have the ability to provide the sales and marketing team with real time, on the ground data regarding the market and consumers • Offline marketing and sales: despite the increasing online presence of

	<p>consumers, the majority of retail sales (92%) in Indonesia are still done offline^[xxviii]. Therefore, it is also important to recruit an offline sales team to promote the products on the ground. Training, sales tools as well as promotional materials will be provided to the sales team.</p> <ul style="list-style-type: none"> ○ Mini PVCPLANK displays will be put in independent shops (Figure 12) ○ Large scale exhibition displays will be put in national chain retailers (Figure 13) <ul style="list-style-type: none"> ● Introductory price promotions of 10% price discounts for independent shops during the first three months of launch to encourage trial purchase ● Free delivery cost with minimum purchase of 10 units for independent shops. Sometimes, small independent shops are hesitant to get their first purchase because of the high delivery cost that they need to pay. If PT. AMS can pool customers in the same neighborhood or postal code together, PT. AMS can offer free delivery for customers in the same neighborhood once a minimum quantity order is made ● Bonus with minimum purchase of 10 units: given that PT. AMS also manufactures other building material products (e.g. PVC pipes and containers) and these products share the similar set of customers as PVCPLANK, it is possible for PT. AMS to carry out product bundling promotions in this manner. For example, PT. AMS can give 1 box of PVC pipes for every purchase of 10 boxes of PVCPLANK
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Figure 9: 4Ps Framework

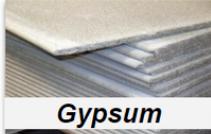
				
Key Purchasing Criteria	Lightness	✓ Lightweight due to PVC based material	✗ Twice as heavy as PVCPLANK on average	✗ 1.5x as heavy as PVCPLANK on average
	Strength	✓ Not easily broken or chipped	✗ Prone to be broken into pieces/chipped if not careful	✓ Not easily broken but prone to be chipped
	Design Variation	✓ Plain and wooden patterns with ease of paint application for customization	✗ Only plain motif is available; usually need an external layer for decorative purposes	✓ Only wood motif available; pain can be applied for customization
	Durability	✓ Able to withstand extreme weather (sun and rain)	✓ Able to withstand extreme weather (sun and rain)	✗ Not able to withstand UV rays and rain/water
	Bendability	✓ Able to be bended under heat (for curved designs)	✗ Unbendable	✗ Unbendable
	Anti-fire	✓ Not prone to catching or spreading fire	✓ Not prone to catching or spreading fire	✗ Prone to catching or spreading fire
	Anti-termites	✓ Not prone to be eaten by termites	✓ Not prone to be eaten by termites	✗ Prone to be eaten by termites
	Ease of Application	✓ Easy application due to lightness	✗ Difficult to apply given heavy weight	✗ Difficult to apply given heavy weight

Figure 10: Product Comparison Chart

PVC PLANK
 Yesterday at 12:57 AM

PVCPLANK berfungsi sebagai pengganti papan kayu & papan fiber semen. Selain bisa digunakan sebagai pagar, dinding eksterior, interior. PVCPLANK juga bisa berfungsi untuk terrace loh ! PVCPLANK adalah pilihan yang tepat untuk Anda.

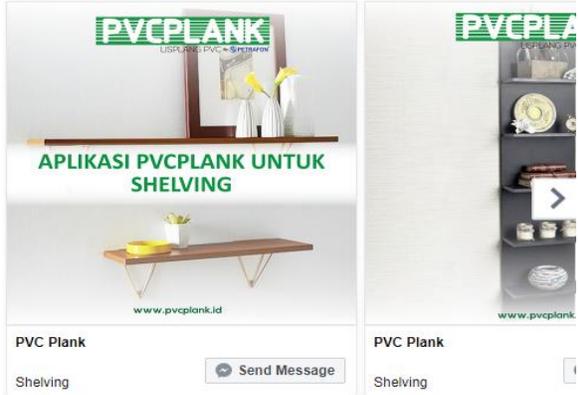
#PVCPLANK #PVCPLANKbyPetrofon #Lisplang #Lisplangpvc #PartisiPVCPLANK #Petrofon #Petrofonpvc #Petrofonplafonpvc #Petrofonpartisipvc #Plafonpvc murah #Partisipvc murah #Rumahidaman #Rumahimpian



PVC PLANK
 January 5

Inilah contoh dari berbagai macam aplikasi PVC PLANK mulai dari Shelving, Interior, dan Terrace.

Tersedia di Tokopedia: Pvc Plank dan Depo Bangunan Serpong
<https://tokopedia.com/pvcplank...> See More



PVC PLANK
 December 9, 2019

PVCPLANK anti air, anti rayap, dan anti jamur, jadi anda tidak perlu khawatir untuk digunakan di area outdoor. Dengan material PVC menghasilkan produk berkualitas tinggi yang tidak mudah rusak, tidak mudah lembab & terhindar dari rayap & jamur. PVCPLANK adalah pilihan yang tepat untuk Anda.

Tersedia di Tokopedia: Pvc Plank dan Depo Bangunan Serpong
<https://tokopedia.com/pvcplank...> See More



PVC Plank
 Lisplang PVC
 WA: 085697681598
 Send Message
 Anti Air, Anti Rayap, Anti Ja...

PVC PLANK
 November 18, 2019

Tidak perlu khawatir menggunakan PVC PLANK di area outdoor, karena dengan campuran anti UV, PVC PLANK tidak mudah rusak. PVC PLANK adalah pilihan yang tepat untuk Anda.

Tersedia di Tokopedia: Pvc Plank dan Depo Bangunan Serpong
<https://tokopedia.com/pvcplank...> See More



PVC Plank
 Anti UV
 Send Message

Figure 11: Examples of Social Media Posts



Figure 12: Sample Model of PVCPLANK (straight – for the base – and bended) to be placed in independent building material shops



Figure 13: Exhibition Displays for National Chain Retailers

Sales Strategy

Sales Process

The sales team has to work hand-in-hand with marketing team and closely coordinate with other business divisions, especially production team and logistics team. Figure 14 below briefly outlines the sales process and sketches out how various business division in PT. AMS can work together to ensure a smooth pre-sales, at-sales and post-sales process.

At a high level, there will be six steps to the sales process. First, data collector will collect data on the ground (namely, size of independent building material shops, purchasing potential of each one, contact details, owner, estimated credit ratings, etc.). Second, data entry team will input all data into PT. AMS' potential customers' database. This database will be accessed and used by the sales team, where they could filter customers with highest potential of purchase and sell to them. The goal is to use a data-driven approach for selling and help sales team to focus their time and effort on customers that have the highest probability of converting. Next, account manager will keep track of potential customers that have converted and follow up with subsequent orders every month or every two months. The goal here is to ensure that PT. AMS can capture as many repeat sales as possible, so that the return on marketing investment is positive. After a sales order is made, the account manager has to coordinate closely with logistics team to arrange for product delivery, especially first time purchases where PT. AMS provide free delivery. Finally, the account payables team will track down payments from customers, especially for customers that are paying on credit. The account payables team are also supposed to keep track of customers' paying patterns and filtering customers with bad debt expense on PT. AMS' account receivables. This is important

for a company like PT. AMS to keep track, as cash is key and king for a manufacturing factory and producer where maintaining a positive cash flow is key to keep the business running healthily.

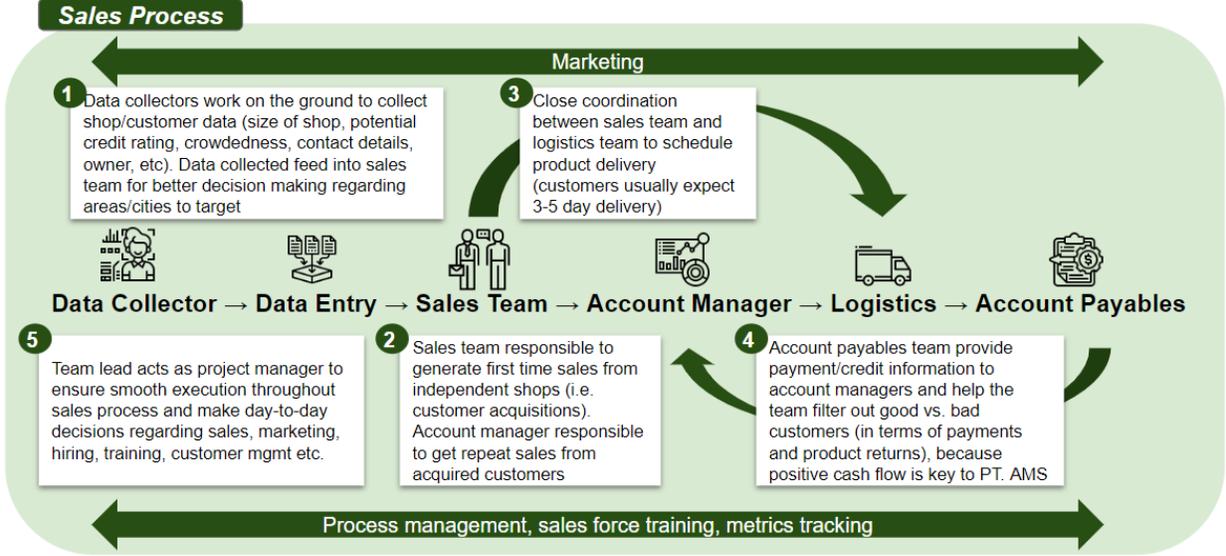


Figure 14: Sales Process

To keep the entire end-to-end sales process smooth and successful, the various teams within the sales process have to work closely with one another. In addition, a cohesive marketing strategy (described prior) and a tightly run sales process management will be needed. We will recruit one project management manager to ensure that the entire process is ran tightly and he or she is able to solve day-to-day bottlenecks and problems. He or she will also be responsible for recruiting data collector team, data entry team, and salesforce team (for offline and online sales). Account manager, logistics and account payables team already exist in PT. AMS. The project manager is also responsible for sales force training and keeping track of key metrics and key performance indicator (KPI) for the team.

Hiring and Compensation Plan

Figure 15 below shows a plan for hiring of key team members and their respective sales compensation plan.

PVCPLANK Team Hiring and Compensation Plan		
Team/Role	Number of People	Compensation Structure
Data Collector	>10, as many as possible. Number of data collectors hired is proportionate to rate of data collection and number of data collected.	<ul style="list-style-type: none"> • Hired as part time employees, with flexible work hours • Compensation is almost 100% dependent on amount of data collected accurately (thus possible to hire part timers with flexible working hours) • Compensation calculated on a weekly basis: <ul style="list-style-type: none"> ○ Each data collector receives IDR 200,000 after successfully collecting data on 10 independent building materials shops ○ 11 – 30 shops → IDR 300,000 ○ 31 – 50 shops → IDR 500,000 ○ 51 – 70 shops → IDR 750,000 ○ 71 – 100 shops → IDR 1,000,000
Data Entry	1-2	<ul style="list-style-type: none"> • Monthly base salary of IDR 3,000,000 • Full-time employee

<p>Sales Team</p>	<p>Sales team for online sales: 3 Sales team for offline sales: 5 <i>Note: number of sales team members will grow as we expand sales to other cities and provinces</i></p>	<ul style="list-style-type: none"> • Compensation structure is a combination of fixed monthly salary and sales commission (with emphasis on a higher sales bonus for every new customer converted, as the goal is to introduce PVCPLANK to the market as quickly as possible) • Fixed monthly salary: IDR 1,500,000 • Sales commission percentage on total sales generated: 1% of sales revenue • Sales bonus for number of independent shops converted (i.e. number of first time sales made): <ul style="list-style-type: none"> ○ 5 new customers → IDR 500,000 ○ 6 new customers → IDR 720,000 ○ 7 new customers → IDR 910,000 ○ 8 new customers → IDR 1,120,000 ○ 9 new customers → IDR 1,350,000 ○ 10 new customers → IDR 1,700,000 ○ >10 new customers → IDR 200,000 per new customer • Expected average monthly salary: IDR 8,000,000 to IDR 12,000,000
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Figure 15: PVCPLANK Team Hiring and Compensation Plan

Implementation Plan

Figure 16 below shows a high-level overview of the implementation approach that we are taking for the marketing and sales execution of PVCPLANK. There are three big steps on the implementation plan: first, doing a pilot test in one postal code, then test, learn and reiterate using the pilot, and finally scaling up nationwide once we have found the right “formula” in executing the marketing and sales strategy flawlessly and smoothly in one small area of a city.

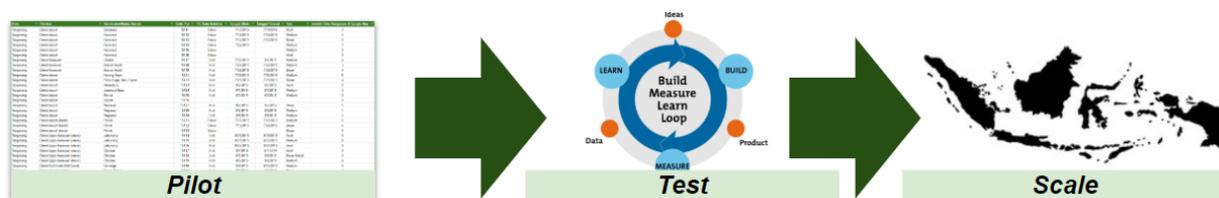


Figure 16: Implementation Approach

The first step is pilot testing the conceived marketing and sales strategy as described in this paper in one postal code in Greater Jakarta, ideally at a postal code with high density of independent building material shops that is within 5 mile radius of PT. AMS factory and marketing office. The proximity to PT. AMS will enable the sales and marketing team to get a better control and understanding of the market and closely monitor the first pilot test. We have chosen to work in “postal codes”, as this geographical scale will be the most manageable and micro enough to try out with for the first time. Furthermore, Indonesia is a large archipelago and complex environment to conduct business in with its 17,508 islands [xxix] and limited infrastructure. Thus, it is important for us to break the massive market down into “chewable” sizes. In addition, it is also important to prioritize and target postal codes and cities with the highest density of independent building material shops, highest sector growth potential, and feasibility of low cost delivery.

The second step is adopted form “The Lean Startup” methodology [xxx] of build, measure and learn through an agile mindset. This includes incremental, iterative learning that is backed by data and customer feedback. An agile mindset is crucial for constant collaboration with stakeholders, as well as continuous improvement and iteration at every stage of the sales and marketing process (for example, in hiring sales team, training sales team, tracking performances, etc.). The goal here is to develop the right “formula” to execute the complex marketing and sales plan flawlessly in one chosen postal code first before scaling it across the nation quickly.

The third step is scaling up once we have found the right recipe to succeed selling in the first postal code. We will “copy-paste” the formula to scale up nationwide, starting with priority provinces and cities with the highest growth potential in the building materials industry. Then, once a minimum target revenue size is reached (about IDR 1,000,000,000 monthly sales revenue) by selling through independent building material shops and national chain retailers (i.e. once PVCPLANK has gained acceptance from the market), the sales team will focus on finding large provincial and regional distributors to double down on sales and drive up sales volume quickly. As a factory and supplier, PT. AMS will ultimately still need to sell a majority (70-80%) of its products through the distributor channel.

We will have a detailed “City Launch Playbook” to detail out each component and each step of the implementation plan. The city launch playbook will mainly be a reference for the project manager, as well as to document the standard of operating procedures (SOPs) and systems that have been put in place.

Key Performance Indicators (KPIs)

Figure 17 below details out the key performance indicators (KPIs) that we will be tracking on the team level as well as on an individual level. The quantitative metrics will be shared with all team members, while the qualitative metrics will be held upon the assessment of PVCPLANK project manager.

PVCPLANK Key Performance Indicators		
	Factors	Description
Quantitative (team)	Sales Growth	<ul style="list-style-type: none"> Monthly sales growth >100% in first 3-6 months
	Growth of new customers	<ul style="list-style-type: none"> Monthly new customers growth average >100% in first 3-6 months
	Quality of new customers	<ul style="list-style-type: none"> All/most customers pay cash make repeat orders with increasing sales volume
	Customer Acquisition Cost (CAC)	<ul style="list-style-type: none"> Lifetime value of customers (LTV) is >10x of CAC
	Sales team response time	<ul style="list-style-type: none"> All customers inquiries responded within 24 hours on weekdays
	Social Media Reach & Engagement	<ul style="list-style-type: none"> Facebook and Instagram ads score >5; monthly page likes growth >100%
Qualitative (personal)	Effective Communication	<ul style="list-style-type: none"> Clear and detailed updates Strikes good balance for update frequency and level of details Exercise good judgment on what to update Builds strong trusting relationship with customers
	Strong Leadership Skills	<ul style="list-style-type: none"> Delegate tasks to team effectively Manages team's work effectively and accurately Coaches and develops others Makes sound judgment and decisions as leader Able to act independently most of the time without much guidance (i.e. always weighs

		pros/cons, think of alternatives when faced with roadblocks, etc.)
	Problem Solving Skills	<ul style="list-style-type: none"> • Generates creative and pragmatic solutions • Identify roadblocks beforehand and thought of alternative plans • Persistency in problem solving • Able to act with minimal guidance
	Ownership, Responsibility & Initiatives	<ul style="list-style-type: none"> • Strong ownership of tasks/brand given • Willingness to learn and improve • Positive attitude • Proactive, can-do attitude, goes above and beyond, Entrepreneurial spirit
	Process Management & Work Planning	<ul style="list-style-type: none"> • Manages and runs process smoothly and tightly • Independent work planning with weekly objective, agenda and deadlines • Strong organizational skills • Organized filings and clean/organized database management

Figure 17: PVCPLANK Key Performance Indicators

Key Risks, Challenges and Mitigations

While operating in a developing economies like Indonesia certainly bring about numerous business and market opportunities, it has absolutely come with a handful of challenges as well. This section will highlight the top three biggest challenges and risks that we foresee for PVCPLANK.

Recruiting and Retaining Talent

First, talent is scarce in a country like Indonesia, especially managerial talent. Every firm in the country, from small medium enterprises to large multinational corporations and professional services firms, is fighting for managerial talent who possess deep vertical expertise and yet able to go broad and horizontal at the same time. Part of the reason for this is the low investment in human capital that the government has made [xxxi]. Furthermore, an ownership mindset is not typical for the average Indonesian employees. PT. AMS' owner has lamented multiple times on the difficulties of finding employees who displays a strong sense of responsibility and ownership. He commented that most Indonesians are finding jobs for the sake of making through their daily living, and do not have much ambitions to build a career out of their jobs. Many Indonesians ended up taking more than one day-job (i.e. part time workers) and/or switching jobs and companies regularly, sometimes changing employers every three months. This has posed serious bottlenecks and challenges in getting programs and initiatives executed, as the company is often faced with a roadblock in the human resources aspect. Furthermore, the Head of Human Resources in PT. AMS also added that there were numerous instances where potential candidates decided to bail on interviews after getting invited, and they did not show up without notifying the company.

To mitigate this, it is ever so more important to grow and promote talent internally whenever possible. In this case, capable, committed and loyal human resources could be a huge competitive advantage for PT. AMS.

Logistics and Limited Infrastructure

Being an archipelago of 17,508 islands [xxxii], the Indonesian government has one of the world's most challenging task of achieving equitable infrastructure development across the country. Despite the difficult yet crucial task of building infrastructure, past government regimes before President Jokowi have failed to commit sufficient policies that are dedicated towards infrastructure development [xxxiii], thus causing massive infrastructure gaps that the country desperately needs now to spur economic growth. The poor infrastructure in Indonesia is evidenced through the logistics cost as a percentage of GDP, where Indonesia spends an astonishing 27% of its GDP in logistics cost [xxxiv]. Compared to other advanced and ASEAN countries for example, South Korea's logistics cost as a percentage of GDP stands at 16.3%, Singapore at 8% and Malaysia at 13.0% [xxxv]. What this means for PT. AMS and the sale of PVCPLANK is added logistical cost for PT. AMS as well as distributors and other actors across the value chain. The high cost of shipping PVCPLANK from one part of the country to the other part of the country might mean that PVCPLANK might not be accessible to customers and consumers at parts of the country that is not serviceable due to limited infrastructure. For instance, Figure 18 below shows the cost of shipping from Tanjung Priok port in Jakarta to various cities in Indonesia, as well as internationally to Singapore and Guangzhou. We can see here that the shipping cost to Singapore and Guangzhou are only \$185 and \$400 respectively, as compared to \$650 and \$1,000 when the same unit of good is shipped domestically to Banjarmasin in and Jayapura [xxxvi]. In this case, the high shipping cost could be the hurdle for PT. AMS to scale up nationwide.



Figure 18: Domestic Shipping Cost from Tanjung Priok, Indonesia, to Select Locations, 2013 (Source: Henry Sunde, “Implementing Logistics Reform: The Challenges of Regional Connectivity in Indonesia”, World Bank Indonesia Office, September 2013)

Given the high cost of shipping due to limited infrastructure to some parts of Indonesia, especially provinces outside the main island of Java, it will be hugely important for PT. AMS to work with large scale provincial distributors in the more remote parts of Indonesia who can purchase massive volume and quantities of PVCPLANK, so that the high cost of shipping can be distributed over a larger volume. We need to ensure that the unit economics of shipping cost can make sense and that it could be feasible to ship PVCPLANK to regions that are more expensive to serve.

Novel Coronavirus Situation and Other Global Macroeconomic Risks/Shocks

As the world welcomes the New Year in 2020, no one would have thought that the world would be fighting a massively painstaking battle against the novel Coronavirus. The Coronavirus has hit 199 countries [xxxvii] and affected numerous economies on top of taking away human lives and putting a huge strain on countries' public health resources. When the novel virus first hit China in January and February 2020, it created a massive shock to the global supply chain, as factories in China has to close and stop production [xxxviii]. Assembly parts and other raw materials that originate from China cannot be transported to factories in other countries who need them, creating a supply side shock to the world economy [xxxix]. For PT. AMS who still sources some components of its raw materials for PVCPLANK from China, the company has faced troubles in getting in sufficient raw materials in a timely manner and thus have to diversify its raw materials sources by doubling down on domestic sources and suppliers.

Secondly, as China recovers from Coronavirus while the virus hit more and more countries globally, the world economy now faces more of a demand shock issue, rather than a supply side shock. As countries resort to practicing social distancing and partly or fully shutting down its economy, global market demand for goods decreases, creating a demand shock [xi]. Like many other countries around the world, Indonesia is not spared from the serious public health and economic impact of Coronavirus. Even though President Jokowi is still committed to not locking down the country or the capital city of Jakarta [xii], demand for products such as PVCPLANK has plummeted drastically. PT. AMS is not spared from this decline in demand, where the owner said that overall firm's revenue has declined by at least 30% in the past month.

To mitigate this, more creative and aggressive marketing strategy has to be deployed to smoothen the sharp decline in demand. For example, PT. AMS has to consider about giving even

bigger promotions to its key customers, such as distributors and national chain retailers, to incentivize them to purchase more goods at a lower price during a crisis and being able to sell at a higher margin when the economy bounces back. It is crucial to keep demand up for PVCPLANK, as the factory is still producing goods and PT. AMS has to keep selling PVCPLANK in order to not increase inventory cost and maintain a positive cash flow to keep the factory in production.

Coronavirus is only one example of the type of global macroeconomic shocks that PT. AMS might experience again in the future. It is therefore important for PT. AMS to pull through this crisis and learn from it.

Financials

PVC Plank Marketing Plan (Tangerang city) - figures in IDR

Selling price to distributor	43,000		
Distributor's margin	25%		
Selling price to retail store	42,000		
Retail store's margin	30%		
Selling price to independent shop	53,750		
Promotions			
Delivery cost	500,000		only to end users
Introductory discount (%)	10%		
Introductory discount (Rp)	4,30		only to distributors based on volume
Referral discount (existing customer)			based on volume
Referral discount (new customer)			
Channel mix			
Distributors	80%		
Independent shop	10%		
Retail store (e.g. Depo)	10%		
Revenue Target (per month)			
Total volume (number of pieces)	10,000		
Number of pieces per box	10		
Total volume (number of boxes)	1,000		
Revenue (in IDR)			
Volume (number of pieces)	8,000	Distributors	1,000
Volume (number of boxes)	800	Independent shops	100
Revenue (in IDR)	344,000,000		53,750,000
			42,000,000
			439,750,000
Target number of customers			
<i>Distributors</i>			
Average purchase per distributor (number of boxes)	5		
Target number of distributors	1		
<i>Independent shops</i>			
Average purchase per independent shop (number of boxes)	1		
Target number of independent shops	1		
<i>Retail stores</i>			
Average purchase per retail store (number of boxes)	5		
Target number of retail stores			

Marketing Cost (per month)

1 Online marketing (FB/Instagram/Google ads)

Number of ads per week	3
Running time per ad	5
Daily spend per ad	88,750
Ad spend per week	881,250
Ad spend per month	3,525,000

2 Limited introductory discount

Discount amount (%)	10%
Discount amount (Rp, per piece)	4,300
Promotional period (number of months)	3
Cost of introductory discount	34,400,000

3 Free delivery fee (to end users only)

Minimum purchase for 100% free delivery fee (number of boxes)	50
Minimum purchase for 50% free delivery fee (number of boxes)	10
Minimum purchase for 100% free delivery fee (number of pieces)	500
Minimum purchase for 50% free delivery fee (number of pieces)	100
Delivery fee for >50 boxes	100%
Delivery fee for 10 - 49 boxes	50%
% end users with min purchase >50 boxes	20%
% end users with purchase 10 - 49 boxes	80%
Number of end users w min purchase >50 boxes	2
Number of end users w purchase 10 - 49 boxes	8

Delivery cost for end users >50 boxes	1,000,000
Delivery cost for end users 10 - 49 boxes	2,000,000
Total delivery cost	3,000,000

Assume don't sell to end users with <10 boxes and don't want to pay own delivery fee

4 Referral program (to distributors and end users)

Discount given for new user purchase	Existing customer	New customer	Average purchase (no. boxes)	Average purchase (no. pieces)	Average purchase (Rp)	Average discount amount
Discount given for new user purchase 10 - 29 boxes	2%	2%	20	200	10,750,000	430,000
Discount given for new user purchase 30 - 49 boxes	5%	5%	35	350	18,812,500	1,881,250
Discount given for new user purchase 50 - 99 boxes	10%	10%	55	550	23,650,000	4,730,000
Discount given for new user purchase >100 boxes	15%	15%	100	1,000	43,000,000	12,900,000

Number of customers 10-29 boxes	8
Number of customers 30-49 boxes	2
Number of customers 50-99 boxes	2
Number of customers >100 boxes	5

Total discount 10-29 boxes	3,440,000
Total discount 30-49 boxes	3,762,500
Total discount 50-99 boxes	9,460,000
Total discount >100 boxes	64,500,000
Total referral program cost	81,162,500

Total promotional cost

Total promotional cost	122,087,500
Total promotional cost (with FB ads credits)	118,582,500

5 Sales people salary and commissions

Number of sales people	2
Base salary per person	1,000,000
Commission rate (% of sales)	1%
Commission cost	4,367,500
Total sales people cost	6,367,500

Total marketing cost

Total marketing cost	128,485,000
Marketing cost % (of revenue)	29%

Profitability by channel

	Distributors	Independent shops	Retail stores
Revenue	344,000,000	53,750,000	42,000,000
Online marketing (% of total)	10%	80%	10%
Online marketing (Rp)	352,500	2,820,000	352,500
Limited introductory discount	34,400,000	-	-
Free delivery	-	3,000,000	-
Referral program (Rp)	73,960,000	7,202,500	5,375
Sales people (% of total)	50%	50%	-
Sales people (Rp)	3,198,750	3,198,750	-
Total marketing cost	111,911,250	16,221,250	357,871
Marketing cost (% of revenue)	33%	30%	1%

additional 10% margin given

Slide Deck

PVCPLANK

Building Affordable Homes for Millions of Indonesians



Marketing and Sales Strategy for PVCPLANK

Melina Anlin
MBA/MPP 2020

Advisors: Richard Cavanagh & Kate Barasz
Seminar Leader: John Haigh

“How do we devise a successful go-to-market product launch strategy and implementation plan for PVCPLANK in Indonesia?”

Problem Statement

Context

PVCPLANK: Poly vinyl chloride (PVC) based building material product that is new in the market

Quick Facts



Produced by PT. Anugerah Mitra Semesta (AMS), a **SME firm** operating in the **manufacturing and building material sector** in Indonesia



Formulated from **recycled** plasticized PVC, making the product a more **environmentally friendly** option as compared to wood-based planks



Recently launched in 2019, **first of its kind** in the market



Product targeted for the **mass market** in Indonesia with its **affordable price points**



Substitutes for gypsum and wood-based planks



As a producer/factory, PVCPLANK is a **high volume and low margin** play for PT. AMS



Uses: **building exteriors and interiors**



PVCPLANK product variant



Application: Building exteriors



Application: Housing interiors

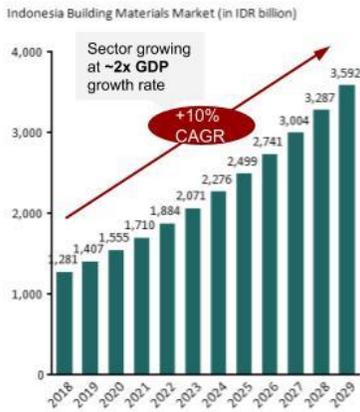
Source: Company profile

PVCPLANK is a lighter, more durable and user-friendly alternative to gypsum and wooden planks

				
Key Purchasing Criteria	Lightness	✓ Lightweight due to PVC based material	✗ Twice as heavy as PVCPLANK on average	✗ 1.5x as heavy as PVCPLANK on average
	Strength	✓ Not easily broken or chipped	✗ Prone to be broken into pieces/chipped if not careful	✓ Not easily broken but prone to be chipped
	Design Variation	✓ Plain and wooden patterns with ease of paint application for customization	✗ Only plain motif is available; usually need an external layer for decorative purposes	✓ Only wood motif available; pain can be applied for customization
	Durability	✓ Able to withstand extreme weather (sun and rain)	✓ Able to withstand extreme weather (sun and rain)	✗ Not able to withstand UV rays and rain/water
	Bendability	✓ Able to be bended under heat (for curved designs)	✗ Unbendable	✗ Unbendable
	Anti-fire	✓ Not prone to catching or spreading fire	✓ Not prone to catching or spreading fire	✗ Prone to catching or spreading fire
	Anti-termites	✓ Not prone to be eaten by termites	✓ Not prone to be eaten by termites	✗ Prone to be eaten by termites
	Ease of Application	✓ Easy application due to lightness	✗ Difficult to apply given heavy weight	✗ Difficult to apply given heavy weight

Huge market opportunity given 10% CAGR in building materials sector and potential to create social impact

HIGH FUTURE MARKET GROWTH IN PROMISING BUILDING MATERIAL SECTOR



Source: Euromonitor, The Guardian, Bloomberg, World Bank, The Straits Times, UN Food and Agriculture Organization, Public Radio International

OPPORTUNITY IN REDUCING HOUSING BACKLOG IN INDONESIA

Goodbye, Jakarta? Indonesia's president suggests new capital

Indonesia Has a Grand \$412 Billion Plan to Rebuild the Country

President Jokowi's ambitious \$412 billion infrastructure plan to develop Tier 2-3 cities and plans to relocate capital city from Jakarta will expand housing and commercial market beyond urban areas

22% of population still live in slums with Indonesia having an 11.8 million housing backlog

PT. AMS' mission to provide affordable and quality housing to low-income population fits with national agenda

POSITIVE ENVIRONMENTAL IMPACT BY ENCOURAGING USE OF PVC SUBSTITUTES

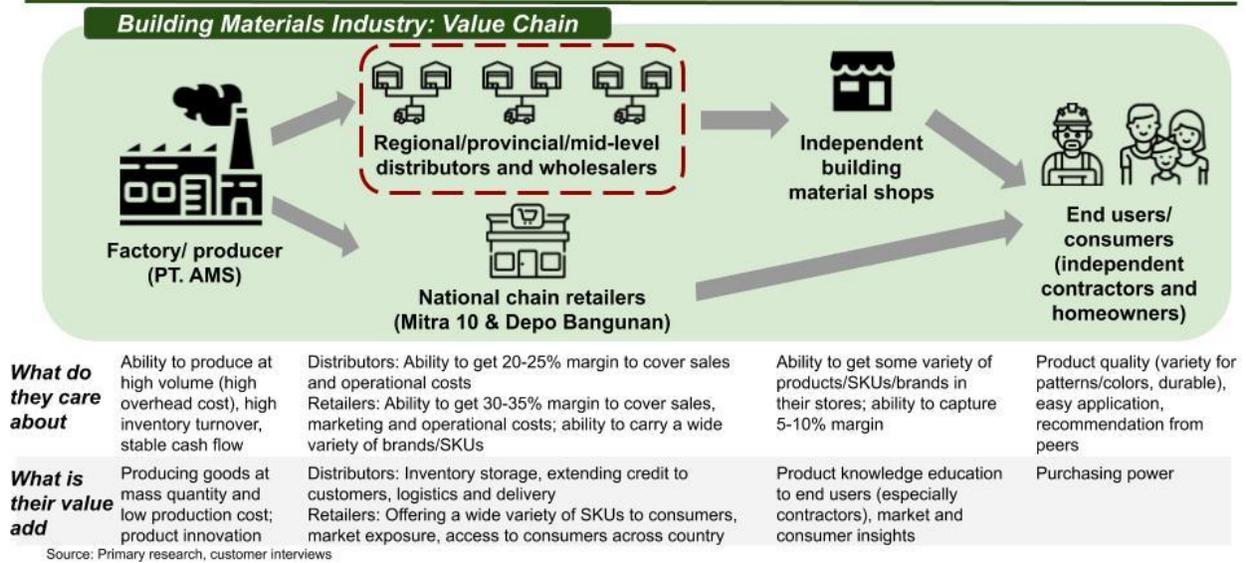
Indonesia's forest area, 1990-2015

Indonesian ban on clearing new swaths of forest to be made permanent

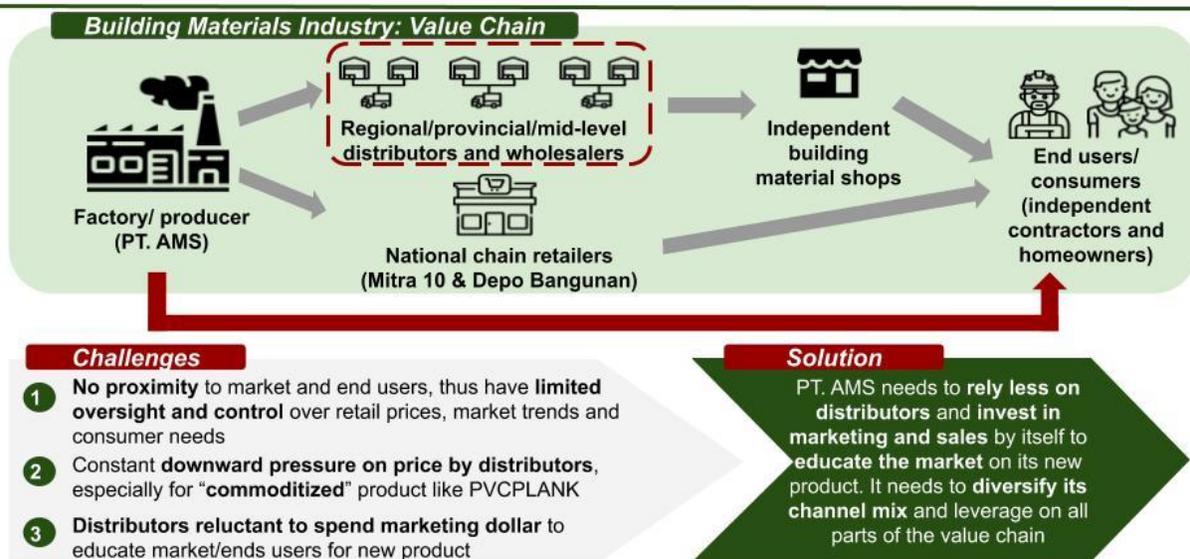
Indonesia historical deforestation partly caused by usage of wood for building and architectural designs (part of Javanese and Balinese culture)

Indonesian government has embarked on stringent policies to reduce wood cutting, encouraging market to shift to more environmentally alternatives

PT. AMS has been selling almost exclusively to distributors, given distributors' value add to end users



However, this has proven to be challenging, especially with sales of new “commodity” product in the market

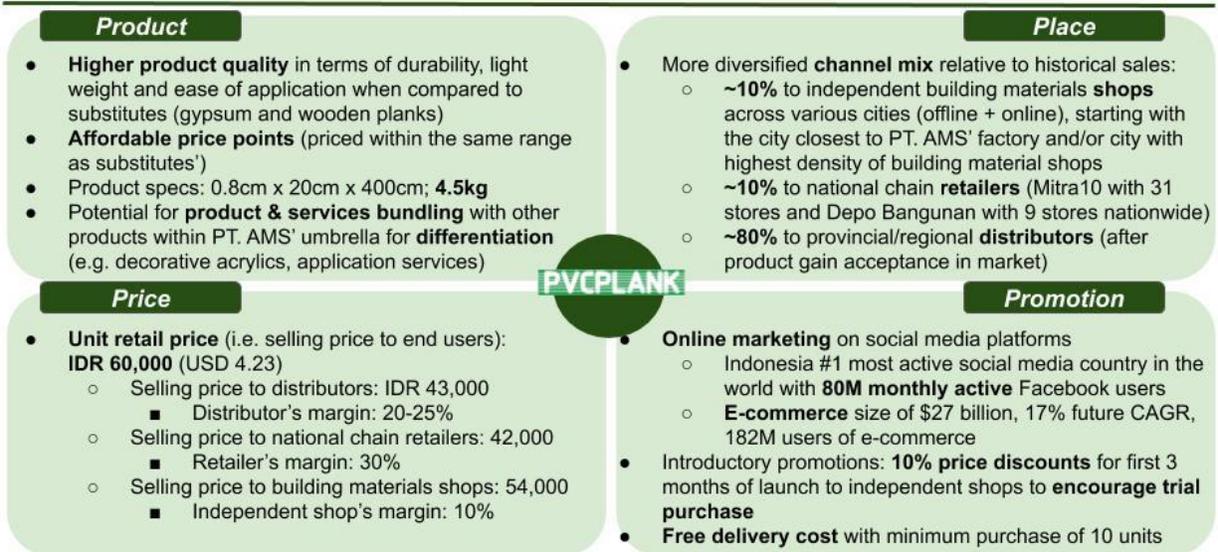


Marketing & Sales Plan

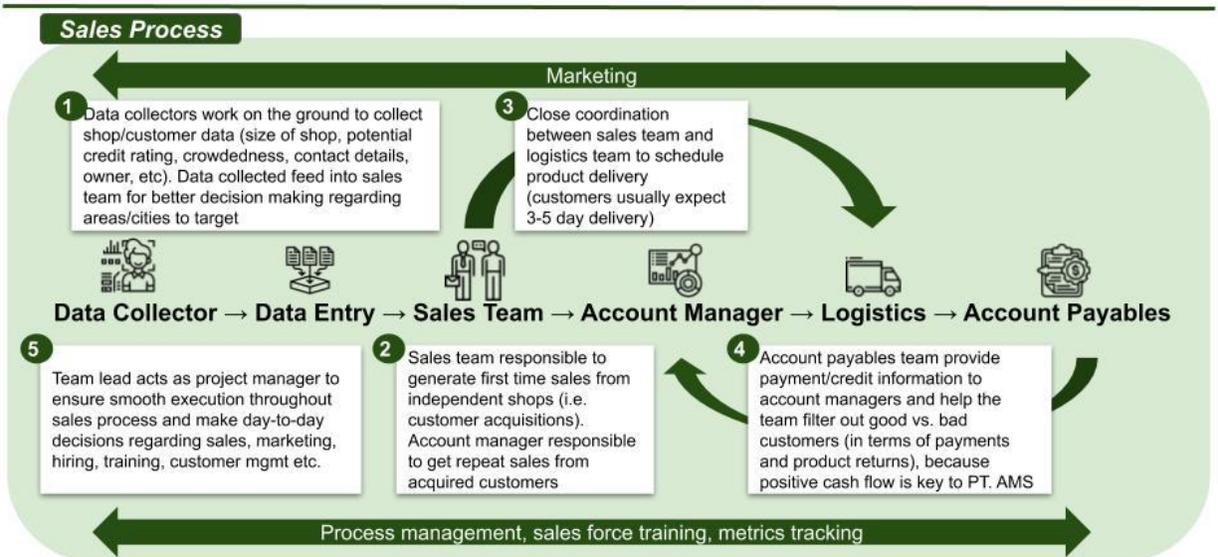
Marketing Funnel: Focusing on product awareness and encouraging trials as first steps



Marketing Plan: Consistent “value for money” strategy across the 4Ps

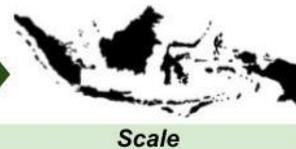
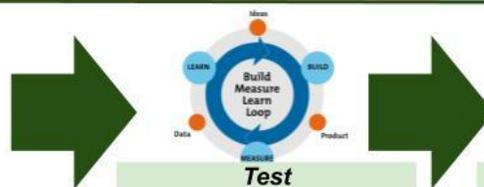


Sales to work hand-in-hand with marketing and coordinate closely with other business divisions



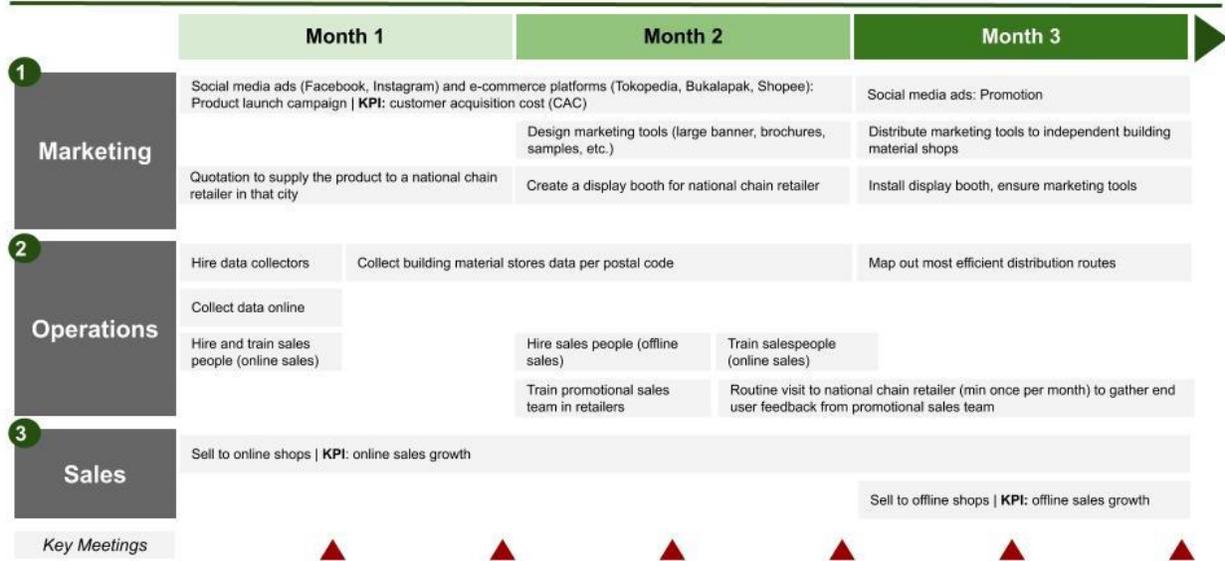
Implementation

Implementation Plan: Conduct pilot test and reiterate before scaling nationwide



- Indonesia is a **large archipelago** and **complex environment** to conduct business in
 - **17,000+ islands** with **limited infrastructure** (poses challenge in low-cost delivery)
- Thus, important to prioritize and target cities with:
 - **Highest density** of independent shops + sector growth potential
 - Feasible **low cost delivery** (proximity to factory, availability of logistic provider)
- Pilot methodology: province → city → **postal code**
- Adopt “**lean startup**” model in pilot test: **Build → Measure → Learn**
 - Incremental, iterative methodology that is backed by data and customer feedback
- ‘**Agile**’ mindset: constant **collaboration** with stakeholders, **continuous improvement** and **iteration** at every stage (e.g. hiring sales team, training sales team, tracking performance, etc.)
- Goal is to **develop the right “formula”** to **execute marketing and sales plan flawlessly** in each postal code and scale it across the nation quickly
- “**Copy-paste**” formula to **scale nationwide**, starting with high priority provinces and cities
- Once a **minimum target revenue size has been reached** by selling through independent building material shops and national chain retailers (i.e. **product has gained acceptance from the market**), sales team will focus on finding **large provincial/regional distributors** to double down on sales

Implementation Timeline: Goal for PVCPLANK gain market acceptance in 3 months post each city launch



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