

## CHAPTER 1

### INTRODUCTION

#### 1.1 Background

Trade is increasingly global in scope today. Because of improved transportation and communication opportunities today, trade is now more practical. Thus, consumers and businesses now have access to the very best products from many different countries. Increasingly rapid technology lifecycles also increases the competition among countries as to who can produce the newest in technology. In part to accommodate these realities, countries in the last several decades have taken increasing steps to promote global trade through agreements such as the General Treaty on Trade and Tariffs, and trade organizations such as the World Trade Organization (WTO), North American Free Trade Agreement (NAFTA), and the European Union (source: World Trade Organization, <http://www.wto.org/>, October 22, 2008).

The saturation of domestic markets in the industrialized parts of the world forced many companies to look for marketing opportunities beyond their national boundaries. The economic and population growths in developing countries also gave those companies additional incentive to venture abroad. Now companies from emerging economies, such as Korea's Samsung and Hyundai and Mexico's Cemex and Grupo Modelo, have made inroads into the developed market around the world. The same logic applies equally to companies from developed countries, such as Australia and New Zealand, geographically isolated from the major industrialized parts of the world. For example, unbeknownst to most Americans, Dome Coffees Australia is building a multinational coffee shop empire by expanding into Asia and the Middle East (Kotabe and Helsen, 2008).

Kotabe and Helsen (2008) further defined 5 stages characterizing the evolution of global marketing activities from domestic marketing, export

marketing, international marketing, multinational marketing and global marketing. In domestic marketing, a domestic firm focuses only on its home market, has no current ambitions of expanding abroad, and does not perceive any significant competitive threat from abroad. Such a firm may eventually get some orders from abroad, which are seen either as an irritation (for small orders, there may be a great deal of effort and cost involved in obtaining relatively modest revenue). As the firm begins to export more, it enters the export stage, where little effort is made to market the product abroad, although an increasing number of foreign orders are filled.

In the international stage, as certain country markets begin to appear especially attractive with more foreign orders originating there, the firm may go into countries on an ad hoc basis, that is, each country may be entered sequentially, but with relatively little learning and marketing efforts being shared across countries. In the multi-national stage, efficiencies are pursued by standardizing across regions. Finally, in the global stage, the focus centers on the entire World market, with decisions made optimize the product's position across markets—the home country is no longer the center of the product.

Olympic Furniture Group through one of its subsidiary, PT. Cahaya Sakti Furintraco (PT. CSF) exported their products since 1990's and recently has already export to more than 100 countries. Around 90% of the export goes to Middle East and the rest mainly goes to Africa and Asia.

Philippine, with over 100 million populations and GDP US\$1,192, (Source: UNDP, 2007-2008 Human Development Report [http://hdrstats.undp.org/countries/data\\_sheets/cty\\_ds\\_PHL.html](http://hdrstats.undp.org/countries/data_sheets/cty_ds_PHL.html) ; December 12, 2008), still in ASEAN region and have almost similar culture with Indonesia, provide good market for Olympic Furniture to expand the market. Recently, their panel furniture is mostly come from Thailand and Malaysia because of suitable products with affordable prices.

Knowing these opportunities, Olympic Furniture through PT. CSF has try to export to Philippine since 1998 trough 3 main buyers and still continue up to now.

## 1.2 Problem Identification

PT. CSF began exporting their product since 1990's with annual export volume US\$ 20 million per year, but the growth is going slower since 2005. 90% of the export goes to Middle East trough one buyer, and the rest goes mainly to Africa and Asia trough small buyers and agents.

This is not comfortable situation for Olympic Furniture. Once this big buyer get out of the business or have some problems internally or externally, Olympic Furniture Group will get direct significant negative impact. So now, the management is trying to find new strategy to expand the export market. One of the alterative strategies is to open a Representative Office abroad to get deeper knowledge and get more aggressive in export market.

The trial project is to open a Representatives office in Philippine. This country has been chosen because they have great potential market with 100 million of populations, still in ASEAN region, have almost similar culture with Indonesia and they do not have any strong domestic panel furniture manufacturing company. The main player in panel furniture in Philippine is Thailand and Malaysian products, and some from China and Indonesia, and little bit of Philippine local furniture.

Olympic Furniture it self has already export to Philippine trough 3 main buyer, that is Infinite, Modii and Moonhouse, since 1998, but the volume and the growth is very small and even going slower because now the Thailand and Malaysian product enter the market with very competitive price, good quality and suitable design with Philippine market.

Olympic Furniture Group now faced these problems:

1. 90% of export sales depends on one buyer for Middle East, this is too risky situation

2. Local market competition is already saturated. It is hard to have good growth in local market where PT. CSF is already as market leader, so PT. CSF needs to find other market.

### **1.3 Topic Discussion**

We categorized Olympic Furniture products as Panel Furniture, its means the main material are form Particle Board (PB) or Medium Density Fiber (MDF) with knockdown system (need to assembly before use). The products ranges are:

- a. Bed room set, Including wardrobe, dresser, bed size, and night stand.
- b. Living room set, Including audio video rack and wall unit display
- c. Kitchen set, Including upper and lower kitchen set
- d. Office set, Including office table, book cabinet and computer desk

### **1.4 Goal of The Business Plan**

As written in the problem identification, PT. CSF needs to find other market to have a good growth, and the trial project is to open a Representatives office in Philippine. So, the objectives of this business plan are:

1. To identify the furniture market situation in Philippine, and how is the competition among the main player ; Thailand, Malaysian, China, Local and Indonesian
2. To identify the internal and external condition of Olympic Furniture in Philippine market, this includes the strength, weakness, opportunity and threat for Olympic Furniture.
3. To decide whether is it feasible to open a representative office in Philippine or not, and give alternatives strategy to expand the market.

## **1.5 Business Plan Method**

Primary and Secondary data will be collected for this business plan. Primary data will come from interview from existing buyers as the importer and also from furniture retailers both in Modern Retail Outlets and Traditional Retail Outlets.

Secondary data will be collected from company internal data used for decision making, and data from other sources like literature, documents from Indonesian Embassy, formal web site for Philippine government, etc.

Those data will be used to analyze external and internal Company situation will use SWOT analysis (Strength, Weakness, Opportunity and Threats).

## **1.6 Content of Business Plan**

This Business Plan have 6 chapters as follow:

### **1. CHAPTER 1 - INTRODUCTION**

This chapter explains the background of the business plan, problem identification, topic discussion, goal of the business plan, research methodology, and writing scheme

### **2. CHAPTER 2 – THEORY BACKGROUND**

This chapter explains the related theory for the business plan. This includes International Marketing definition and strategy, SWOT analysis and Net Present Value (NPV) of the project.

### **3. CHAPTER 3 – COMPANY PROFILE**

This chapter explains the general condition of the company, the history, the products, and the organization structure.

### **4. CHAPTER 4 – PHILIPPINE FURNITURE MARKET**

This chapter will describe the Philippine market condition, from the general basic data to more specific data such as recent furniture market condition and its challenge to Olympic Furniture.

## 5. CHAPTER 5 – ANALYSIS AND DISCUSSION

This chapter will explain the current furniture market situation in Philippine, the internal and external condition faced by Olympic Furniture in Philippine market using SWOT analysis, feasibility study of Representative Office in Philippine and the general strategy should applied.

## 6. CHAPTER 6 – CONCLUSION AND RECOMMENDATION

Based on the analysis in chapter 5, this chapter will give conclusion and suggestion to Olympic Furniture for what strategy need to apply to expand the market in Philippine.

