

MARKETING STRATEGY FOR 3M PPE PRODUCTS AT COAL MINING IN EAST KALIMANTAN

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Abstract — The use of Personal Protective Equipment (PPE) in the coal mining industry is very important. Beside its use is required by the government to succeed the Health and Safety Environment (HSE) program, as it is known that the potential dangers of coal mining jobs are very large. A large number of coal mines in East Kalimantan, and the requirement of PPE product by the coal mining companies, there is a business opportunity for the company, which sell PPE product to market its product. PT. 3M Indonesia, which has been operating in Indonesia since 1975, has a mining division to offer PPE products under Security Protection System (SSPS) business unit. Currently, the mining division of PT. 3M Indonesia is wanted to increase the revenue from the sale of its PPE products. The number of coal miners in East Kalimantan has reached 63.538 (Dinas Pertambangan Prov. Kalimantan Timur) workers, while the total number of coal miners in East Kalimantan who already using 3M Indonesia's PPE product are around 17.700 workers (source: PT. 3M Indonesia). These opportunities can be exploited by PT. 3M Indonesia to penetrate the PPE product sales to coal mining companies that have not use 3M Indonesia's PPE products yet. To penetrate PPE sales to mining companies in East Kalimantan, the root cause of the business problem is need to be determined. It required an in-depth analysis of the internal sector, external sector, and the company's business growth strategy. Internal analysis conducted by analyzing Segmenting, Targeting and Positioning, Marketing Mix (4Ps) of PT. 3M Indonesia's PPE product. While the external analysis is done by analyzing Porter's Five Forces analysis, PEST analysis, and customer analysis. Ansoff market/product expansion grid and strategic direction options are used to analyze the company growth strategy. Interviews with customers were also conducted to strengthen all analysis. Based on the analysis and interviews conducted, the root cause of the business is from the internal side of the company, the positioning statement of PPE products, distribution side, and promotion activities. The purpose of this final project is to provide solutions and recommendations as well as the stages of implementation of marketing strategies for PT. 3M Indonesia to then be able to increase the PPE products sales. The solutions proposed to PT. 3M Indonesia are to, manage its sales force, improve the distribution channels, conducting several promotional activities, and maintain customer relationship by creating customer intimacy.

Keywords: Personal Protective Equipment, East Kalimantan Coal Mine, Health and Safety Environment, customer intimacy, customer relationship.

1. Introduction

3M has been operating in Indonesia since 1975. Like many other 3M subsidiaries around the world it was established to bring the wide range of 3M products and services to the local marketplace. With a large product offering, PT. 3M Indonesia serves the following diversified markets such as, industrial, automotive, electrical & telecommunications, health care, traffic & safety, construction, and office & consumer.

The market for PPE in Indonesia is very promising due to the great number of users that are doing activities that require the application of safety equipment. The vendors are not utilizing PPE market in the full potential, because the vendors considered the market to support heavy industries such as mining and oil and gas more profitable and promising than playing in the PPE market.

Currently PT. 3M Indonesia mining division would increase revenues by increasing the number of sales of coal mining potential number of employees who have not using 3M PPE products.

2. Business Issue Exploration

A. Conceptual Framework

The preparation of this thesis is preceded by creating a conceptual framework to look at the related factors that could be the root of the problem. Conceptual framework is also used as a guide to develop strategy for tackling the problems faced by the mining division of PT. 3M Indonesia, which is to increase revenue from ITS PPE products selling at the coal mining companies in East Kalimantan.

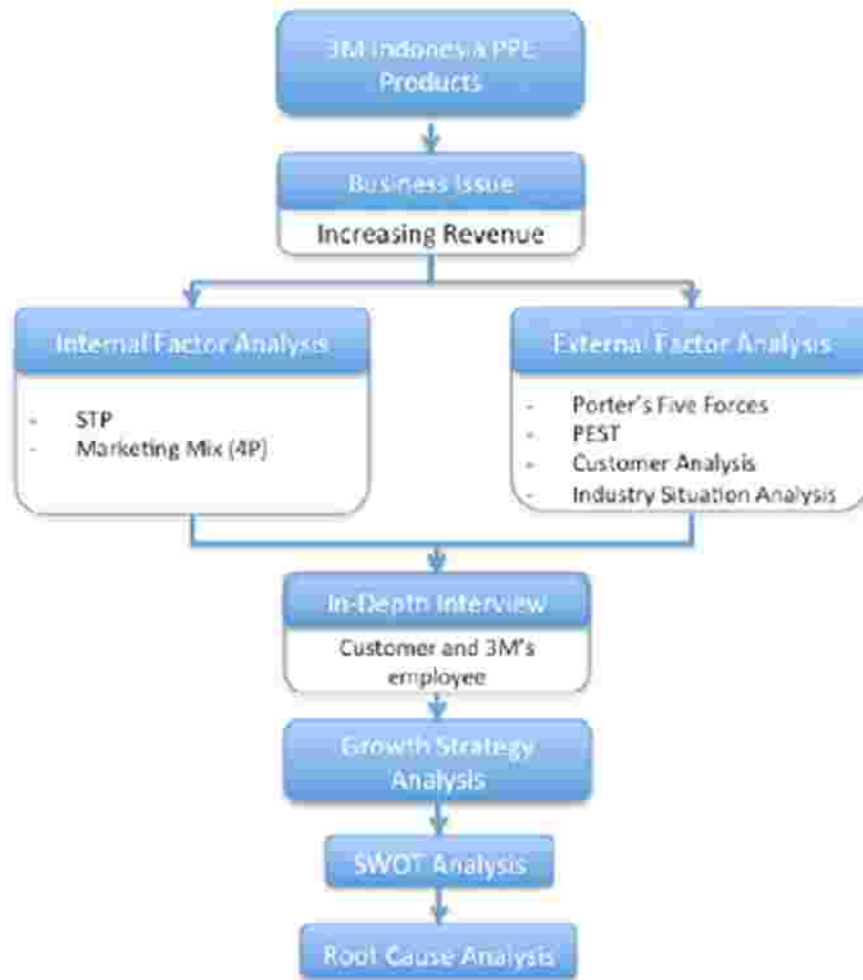


Figure 1. PT. 3M Indonesia PPE Products Conceptual Framework

B. Method of Data Collection and Analysis

The research methodology is conducted by using a literature study approach to explore the effective growth strategy for PT. 3M Indonesia. The first step is to perform an environmental scanning to know the internal and external condition of the company. Strategy formulation then generated based on the data collected from the environmental scanning and analyzed using information gathered from literatures. After formulating strategies the next step is to propose the strategies to the company so that it can be implemented.

C. Data Collection

The data collection is conducted by using a qualitative approach to explore the effective growth strategy for PT. 3M Indonesia. The methods that are used in this research include:

- a) Literature study is conducted from books, papers, journals and cases review, to understand PPE in mining industry, and growth strategy concepts.
- b) In-depth interview with PT. 3M Indonesia mining division representatives to understand the internal and external condition of the business.
- c) Interview with PT. 3M Indonesia customer to gather customer's insights.

D. Analysis of Business Situation

To discover the current business situation of PT. 3M Indonesia's PPE product, the analysis is divided into external and internal factors analysis. After conducting the internal and external factors analysis, growth strategy analysis was next to be analyzed.

From internal and external analysis, can be concluded that:

- 1. PT. 3M Indonesia focusing on tier A target market.
- 2. 3M PPE products need a clear positioning statement.
- 3. The prices for 3M PPE product line are premium.
- 4. The number of distributor in East Kalimantan is still small.
- 5. Lack of promotional activities in East Kalimantan area.
- 6. The business condition for PPE industry is still attractive.
- 7. The selling prices for 3M PPE products are depending on IDR exchange rate.
- 8. Required a continual education for miners regarding health and safety environment.

The external factors represent the opportunities and threats that the company should face and take advantage while the internal factors represent the strengths and weaknesses that the company has.

Next, is to determine the company's growth strategy. The purpose of growth strategy is to create an uncontested market place and growth opportunities.



Figure 2. Strategic Direction Options

Ansoff's product/market growth matrix suggests that a business' attempts to grow depend on whether it markets new or existing products in new or existing markets. The output from the Ansoff matrix is a series of suggested growth strategies which set the direction for the business strategy.

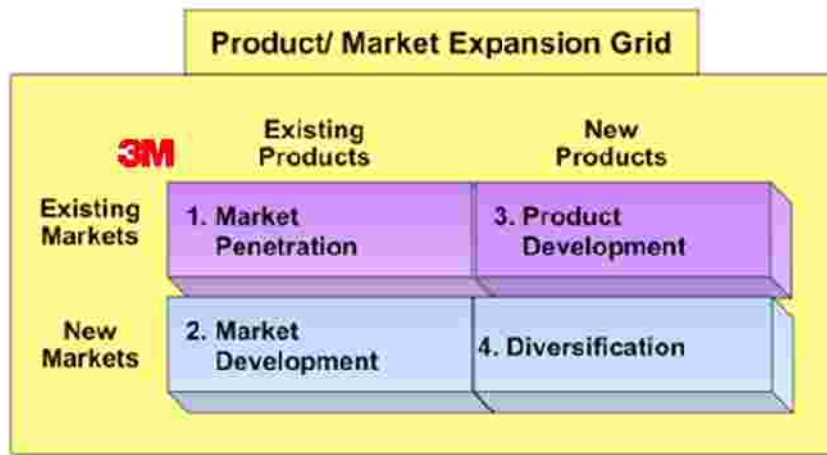


Figure 3. Ansoff Matrix

From the growth strategy analysis, can be concluded that PT. 3M Indonesia:

1. Using conglomerate-unrelated as a company strategy.
2. Classified into market penetration in Ansof products / market expansion grid.

The external and internal factors analysis then summarized into the SWOT table as an assessment tools for the strategy.

Table 1. SWOT Table Summary

Strength
<ul style="list-style-type: none"> • High quality products • Products variety according to customers needs • All of the products offered are matched international standards • All the products are convenient to use
Weakness
<ul style="list-style-type: none"> • High price • No sole distributor • Long time delivery • Product availability • Store unavailability • Lack of promotional activities
Opportunity
<ul style="list-style-type: none"> • Increased production from coal mining companies • Potential customers • Loyal customers • Expansion of Indonesia's coal-fired power plants
Threat
<ul style="list-style-type: none"> • Decline in coal prices • Competitor penetration • Indonesia's economic condition

Base on the external and internal factors the company, then the strategy can be generated based on SWOT analysis.

3. Business Solution

In order to increase its revenue on PPE products selling, PT. 3M Indonesia has to evaluate and improve the appropriate practices. Business solution identification is performed to identify solutions to help PT. 3M Indonesia to solve the problems. The identification is based on root causes of the problems that became barriers for PT. 3M Indonesia to increase its revenue. After identifying and analyzing the root cause of PT. 3M Indonesia's problem to improve its PPE product sales revenue, and after conducting interviews with some of the parties relating to the use and marketing of PT. 3M Indonesia PPE products, this section will describe the analysis of business solutions for PPE products from PT. 3M Indonesia.

After conducting both internal and external analysis, growth strategy analysis and SWOT analysis, the TOWS Matrix is next to be analyzed as an assessment tool for the strategy, which next to be suggested for PT. 3M Indonesia.

Table 2. TOWS Matrix Strategies

<div style="text-align: center;"> <p>Internal</p> <p>External</p> </div>	<p>Strength (S)</p> <p>(S1) High quality products</p> <p>(S2) Products variety according to customers' needs</p> <p>(S3) All products are international standards</p> <p>(S4) All the products are convenient to use</p>	<p>Weakness (W)</p> <p>(W1) High price</p> <p>(W2) No sole distributor</p> <p>(W3) Long time delivery</p> <p>(W4) Product availability</p> <p>(W5) Store unavailability</p> <p>(W6) Lack of promotional activities</p>
	<p>Opportunities (O)</p> <p>(O1) Increased production from coal mining companies</p> <p>(O3) Potential customers</p> <p>(O4) Loyal customers</p>	<p>SO Strategy</p> <ul style="list-style-type: none"> • Penetrate to potential customers
<p>Threat (T)</p> <p>(T1) Decline in coal prices</p> <p>(T2) Competitor penetration</p> <p>(T3) Indonesia's economic condition</p>	<p>ST Strategy</p> <ul style="list-style-type: none"> • Determine values for customer through differentiation from proper marketing mix element and positioning statement 	<p>WT Strategy</p> <ul style="list-style-type: none"> • Determine effective marketing strategy

From root cause analysis, can be concluded that the barriers for PT. 3M Indonesia to gain its PPE sales are from:

1. Internal Organization

- a. Salesperson
2. Positioning
 - a. Positioning statement
3. Place
 - a. Sole distributor
 - b. Retail store
4. Promotion
 - a. Product demonstration and testing
 - b. Product brochure and information
 - c. Industry updates and newsletter
 - d. Website and product catalogue
 - e. Product knowledge
5. Low customer intimacy

4. Implementation plan

After the analysis and solution described before, the implementation plan for 3M Indonesia PPE products to overcome its problem that is to gain its sales revenue was next to be described. From the root cause analysis, the problem is caused by the internal organization factor, the ineffective marketing communication and promotion, and also the relationship with customer that is not well maintained.

A. Managing Salesforce

To manage its salesforce, the strategy suggested for PT. 3M Indonesia is:

1. Periodic Training.
2. Supervision and Motivation.
3. Performance measures.

B. Positioning

3M PPE is targeting tier A, coal-mining businesses in East Kalimantan, which are companies that highly concern about the product that has high quality, prioritize its worker's safety, wants to operate effectively and efficiently, not price sensitive and have been using international standards in workplace safety.

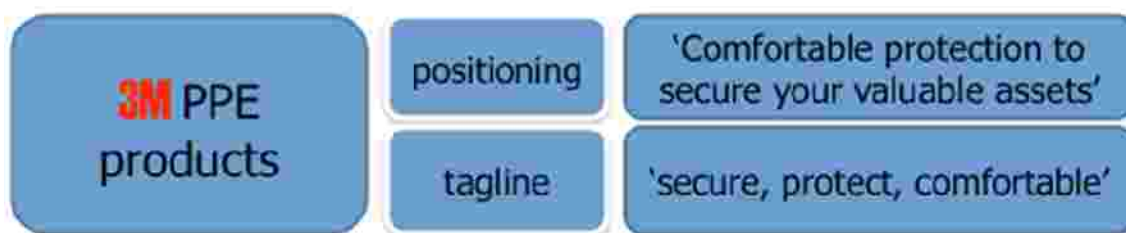


Figure 4. Proposed Positioning Statement and Tagline for 3M PPE Products.

As for KSA, The Quantitative Strategic Planning Matrix approach attempts to objectively select the best strategy using input from other management techniques and some easy computations. There are total of 6 different QSPM assessment calculated in Table 4.1, Table 4.2, Table 4.3, Table 4.4, Table 4.5, and Table 4.6.

Base on the scoring in those tables, KSA should prioritize the strategies to execute with the order: (1) Raise extra capital or long-term loans strategy, (2) Stability strategy – proceed with caution strategy, (3) Consumer service – human resource strategy, (4) Establish branch, (5) Creative-based tourism strategy, (6) Innovation strategy, (7) Eco-tourism resort strategy.

C. Marketing Mix Elements

The next strategy is to improve PT. 3M Indonesia PPE product's marketing mix elements, which contain place for distribution system and promotion activities.

The distribution place strategy that suggested to be implemented for 3M PPE products is exclusive distribution. The distribution place of 3M PPE products should be available at several cities in East Kalimantan near the potential target customers.

Promotion objectives are determined by problems the target or product category may encounter and any market opportunities the product has to solve to overcome these problems.

The promotional activities suggested for PT. 3M Indonesia's PPE products are:

1. Building brand awareness.
2. Website improvement.
3. Newsletter.
4. Mobile Site Unit.

D. Customer Relationship

To build such a good customer relationship, PT. 3M Indonesia has to maximize its salesperson function. Salespersons are the selling arm for companies, they making contact with customers, writing down orders, following up on orders, and linking the company with the end users. Most of salespersons are thoroughly experienced in the industries they serve. They can offer technical advice while enhancing the customer's leverage with suppliers in selling, repair, and delivery. Salesperson also provides customers with a continuing flow of information on innovations and trends in equipment, in this case is in PPE industry.

E. Timeline Activities

After the strategy is being proposed, next is to implement all the strategies using timeline activities. The timeline is made for marketing strategy in East Kalimantan area. With this time frame, marketer of 3M PPE products at mining division will be able to prepare the proper marketing strategy implementation. The timeline also made for two objectives. One, is to capture potential customers and two, is to maintain the loyal customers.

Activation	Q3 2013			Q4 2013			Q1 2014			Q2 2014			Q3 2014	
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG
Positioning	█	█												
Mobile Site Unit Vehicle		█	█											
Improve mining website		█	█											
Create Mining Newsletter			█			█			█				█	
Build Awareness			█	█	█	█	█	█	█	█	█	█	█	█
Company Visit			█	█	█	█	█	█	█	█	█	█	█	█
Product Demonstration			█	█	█	█	█	█	█	█	█	█	█	█
Product Trial					█		█		█		█		█	
Maintain relationship with customer														
Workshop and Seminar		█			█			█			█			█
Company Visit				█		█		█		█		█		█
Maintain relationship with distributor														
Incentive Program	█			█			█			█			█	
Maintain Employees' Knowledge														
Training			█			█			█			█		

Figure 5. Timeline Activities for 3M PPE Strategies

Time frame or scheduling for strategy implementation process is very important to keep the schedule remains on track. In addition, scheduling time is also required to make budgeting for the overall strategy.

In order to implement the proposed strategies, it is required several parties to get involved. In table 3, can be seen the implementation plan table.

Table 3. Implementation Plan Table

ACTIVITIES	OBJECTIVE	EXECUTION TIME	INVOLVOED PARTIES
Positioning	To serve as one of strength in selling and marketing 3M PPE products.	Two months	<ul style="list-style-type: none"> • 3M mining marketer • 3M salesperson
Mobile Site Unit Vehicle	Increase salesperson mobility, building & increase customer's awareness.	Three months	<ul style="list-style-type: none"> • 3M mining marketer • 3M salesperson • Karoseri dealer
Improve Mining Website	Build awareness & reassure what is been offered by PT. 3M Indonesia.	Two months	<ul style="list-style-type: none"> • 3M mining marketer • 3M salesperson • 3M IT division
Create Mining Newsletter	Deliver information regarding to all the new program and activities that will be conducted.	Once every three months	<ul style="list-style-type: none"> • 3M mining marketer • 3M salesperson
Build Awareness	Build awareness for potential customer, maintain current customers.	12 months	<ul style="list-style-type: none"> • 3M mining marketer • 3M salesperson
Maintain relationship with customers	Create customer intimacy, keep customer informed	Several months according to timeline	<ul style="list-style-type: none"> • 3M mining marketer • 3M salesperson • 3M technical

	and updated,		engineer
Maintain relationship with distributors	Boosting PPE products sales by giving incentives.	Once every three months	<ul style="list-style-type: none"> • 3M mining marketer • 3M salesperson • Distributors
Maintain employees knowledge	Sharpen the skills of salesperson, performance measures, injecting motivations.	Once every three months	<ul style="list-style-type: none"> • 3M mining marketer • 3M salesperson • 3M technical engineer

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