

Chapter 2: Literature Review

The purpose of this doing this research is to analyze Batik Keris external environment and internal resources influence in their marketing strategy to provide material for other Batik business owner to compete in Indonesia Batik market. Currently Batik industry is facing both internal and external global challenges from international rivals from China, Vietnam and Malaysia that offers cheaper products. In addition to that, internal economic condition and government play huge roles in Indonesia Batik Market. Comprehensive analysis will be conducted to understand how Batik Keris manage survive in today's fluctuating business market.

A study of international competitive advantages of Batik Danar Hadi Surakarta, a rival of Batik Keris Company, analyzes the impact of external and internal environment of Batik industry and Batik Danar Hadi Company respectively through the use of SWOT analysis and Berlian Porter's theory. The paper gives an in depth outlook on the factors of competitive advantage applying Michael Porter theory, 1990. The factors that are applied in this study are resource factor, demand, supporting industry and related industry, and last is the structure, competition, and company's strategy (Maulida, Sudarmiatin, Siswanto, 2018).

Internal market orientation is a philosophy of management that emphasize in internal management and employee satisfaction to achieve business goals. Human resource one of the most important factor in marketing environment in textile manufacturing because the end product of output is largely determined by their work competence (Pitt & Foreman, 1999). In terms of employee management, research shows that firms with low levels of internal market orientation in this case, textile industry is mainly focusing on transactional benefits such as payment, wages commissions, bonuses that generate swift response from internal employees.

The economy has been becoming increasingly service-oriented where consumers are expecting more than just quality products but also the overall experience they could receive from purchasing that product. This rationale has made many businesses to start assessing their internal environment in order to derive competence and ensure a sustainable competitive advantage.

To maximize internal assets, firms must induce efforts on developing and maintaining internal customer well-being as they have more personal contact and therefore has more direct experience and knowledge regarding customer behavior (Bansal, Mendelson and Sharma, 2001). A study conducted by Bansal, Mendelson and Sharma (2001) states that there is growing empirical evidence that shows a direct relationship between financial success and internal marketing commitment by firm who value their human resources as valuable assets.

Internal marketing environment elements from Bansal, Mendelson and Sharma (2001) will be used to perform comprehensive evaluation pertaining to Batik Industry and Batik Keris Company in Indonesia as it provides greater analytical details about the importance of championing their human resource as it affects external marketing outcomes.

After analyzing the internal and external marketing environment, firms will then move on to create marketing plan. There are many models that has been designed to formulate an effective marketing strategy however one famous model that is known for its simplicity and coherency is called marketing segmentation. According to William D. Neal (2008), written in article of “Principles of Marketing Segmentation” of American Marketing Association, it identifies 2 methods of market segmentation which are a priori and post hoc (Khan, 2013). Willian D. Neal explained that priori market segmentation does not conduct market research to determine the most suitable market segment, the firm will automatically decide on a certain segmentation approach based from personal decision. For post hoc method however, target market will be decided upon a collection of thorough market research to understand all the factors that act as an important base for the segmentation background.

In the article Mr. Neal does not urge firms to apply priori method in their marketing segmentation mainly because the market is becoming more and more dynamic each year and a miss-segmented market it said to cause greater loss compared to mass market assumption. Some of the more common variable that firms can use are product attribute preferences, usage pattern, brand preferences, price sensitivity, status, view towards environment, daily lifestyle etc (Khan, 2013). Other researchers, Frances Brassington and Stephen Pettit (1997) definition of marketing are also in sync with the understanding that

characteristic and preferences of consumers will have major role for firm to consider. In short the process of segmentation should be supported with realistic data from the market, a process of understanding consumer needs, demands, requirements and other traits that will give base for marketers to increase attractiveness of products that will be sold.

There are numerous marketing strategies for companies to choose from to make a cohesive marketing plan. The type of marketing strategies suitable for their firm largely depends on the nature of the firm. The three marketing strategies analysis that that will be used in this paper are marketing penetration, marketing exploration and marketing development.

Marketing development is a marketing strategy that seeks to develop the marketing possibilities in the existing market instead of looking for a new market. Firm will look for new potential buyers to pitch the product to a different segment in an effort to increase sales (Ansoff, 1957).

Market penetration can be defined as the process of pursuing a market with a product in an existing market where similar products has already existed. The goal is to obtain market share from the other competing rival companies (Pilcher, 2019).

Marketing exploration is defined as an initiative to experiment new alternatives that may rip uncertain and often negative returns in order to investigate and acquire new knowledge, skills and processes (Atuahene, 2003).

Dr. Philip Kotler defines marketing as the process by which companies create value for customers and build strong customer relationships to capture value from customers in return (Yudelson, 1999). The 4Ps formula is a marketing mix model that was first introduced by E. Jerome McCarthy in 1960 in marketing literature. The marketing mix distinguishes four subjects, Product, Price, Place, and Promotion. Promotion is further classified into 4 categories, sales promotion, personal selling and publicity, advertising (Waterschoot and Bulte, 1992). Presumptively because of its simple nature, it is one of the most popular classification system used by academic people in performing marketing analytical decisions (Waterschoot and Bulte, 1992). However after 40 years since the evolution of US post-war, marketing framework of the “4Ps” has not made much

progressive in theoretical development, considering great transformation of today's current business models (Hyman 2002). It is not surprising that many academics are questioning the reliability of McCarthy 4Ps that presumably governs the core theory of marketing (Yudelson, 1999).

Another research was compiled by Mayasari (2009) in the study of marketing strategy of Batik Danar Hadi Company, a competitor of Batik Keris, uses the traditional 4 Ps theory of marketing mix to evaluate strategic marketing decisions of the company. It proves to provide insightful foundation of the company's marketing decision; however, the study seems to isolate critical analysis that involves CSR (Corporate Social Responsibility) which prove to contribute vital roles in today's Batik making industry. Therefore this paper will analyze Batik Keris Company marketing strategy with the extension of another "P" which is "Planet" that is in line with Elkington's (1997) Triple P reporting framework (Pomering, n.d.).

After providing extensive collection of literatures above, it can be deduced that in order to construct an excellent marketing planning process, each marketing process needs to undergo several intensive frameworks that bring up more detailed analysis at each stages. The framework used should also follow and adapt with the changes and progress of current society, therefore this is where the analysis of external marketing environment is needed to support marketing decisions. The framework to analyze competitive advantage of Batik Danar Hadi has provide useful insights of internal resource, however the factors mentioned lacks thorough research analysis specifically on the core resource of the company which prove to be very much impactful towards making an effective marketing decision.