

Chapter 5: Marketing Plan (STP)

One of the most commonly used marketing planning models is the market segmentation theory. Unlike mass marketing theory where a product or many products is marketed to all consumer groups, this theory emphasize on the process of identifying specific target market groups to apply specific targeted marketing strategies that can potentially grant the most profitability (Camilleri, 2017). At today's competitive market where competition is fierce, business marketers have switch mass marketing for customized marketing schemes to be targeted to small groups of people that want and need their products the most (Camilleri, 2017). For example, one hand written Batik that need months to make may cost over Rp.1, 000,000 on average because of its authenticity in its making process by Batik artisans, while Batik print or Batik stamp may cost anywhere between Rp.200, 000 to Rp.900,000.

Anything that is handmade in the textile sector is more expensive and has more value compared to machine made. Businesses are shifting towards market segmentation strategy because competition nowadays are emphasizing on product value and product differentiation to make their product different from their rivals since consumers are shifting to demand products that gives value instead of function. In this light, results from the respondents will be further analyzed to illustrate how business select the most promising segments as they evaluate market coverage and positioning strategies to capture customer.

5.1 Customer Segmentation

Customer segmentation allows marketers to formulate systematic approach in dealing with future marketing approaches. Products may be developed to satisfy wants and needs of each selected target segment. A thorough research on specific target market can also help managers to understand the nature of the buyers, such as their buying habits, social status, location, perceptions and others, thus information enable marketers to tailor more accurate marketing activities towards customer preferences. In this case, this paper will discuss 3 types of customer segmentation which are geographic, demographic and behavioral segmentation.

5.1.1 Geographic Segmentation

Geographic segmentation is the process of dividing potential markets in relation to their location. The segmentation characteristic will include factors such as population density, regions, climate, and distance (Camilleri, 2017). Market can be divided into specific regions or location because these factors allow marketers to understand why customer buying decision differs from one region to the next.

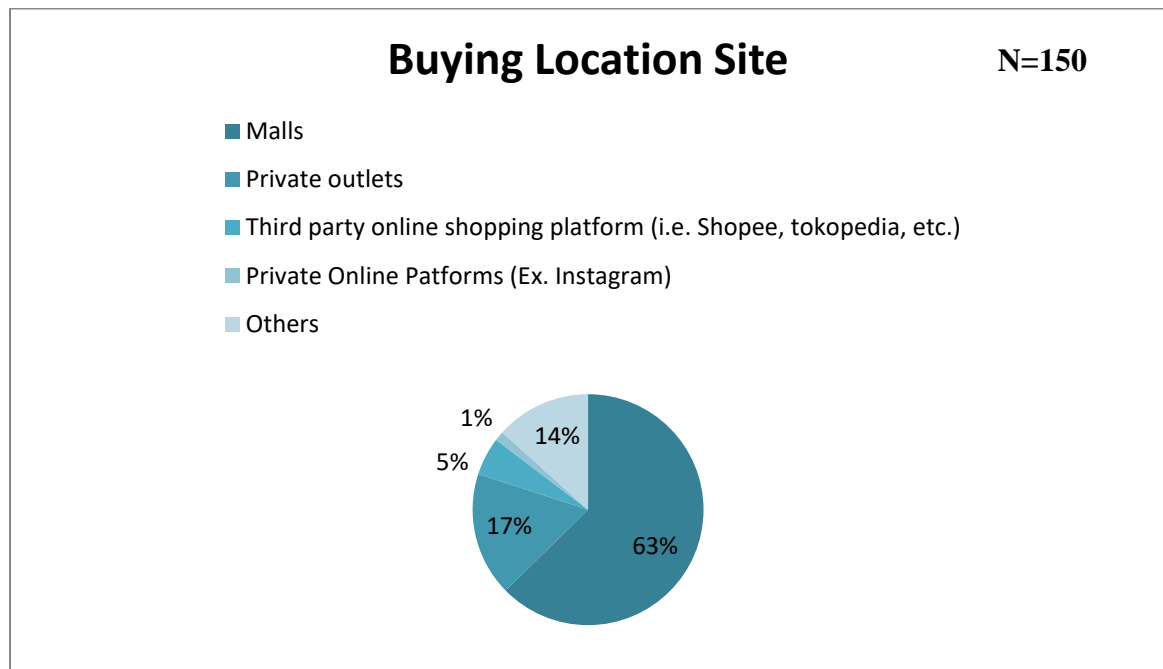


Figure 5.1.1 *Buying Location Site*

From the Figure 5.1.1 above, it shows that 63% of the respondents favor the malls as a media for buying Batik apparels with private outlets come into second (17%). This is not a surprise because malls have the advantage of a full facility to support shopping activities such as fitting rooms, plenty of other clothing outlets, food-court and comfy air-conditioned space for other interactive purchases. The results is not a surprise as it is known that local Indonesians, especially people living in the capital city of Jakarta is known to frequently visit the malls as their first option for their entertainment activities on a weekly basis. The Indonesian Shopping Center Management Association (APPBI), Stefanus Ridwan, states that at present the creative and innovative malls are increasing in

number of visits from an average of 11,000-30,000 people per day for middle class malls to as high as 65.000-85.000 people per day for popular malls on weekends (Dwijayanto, 2018).

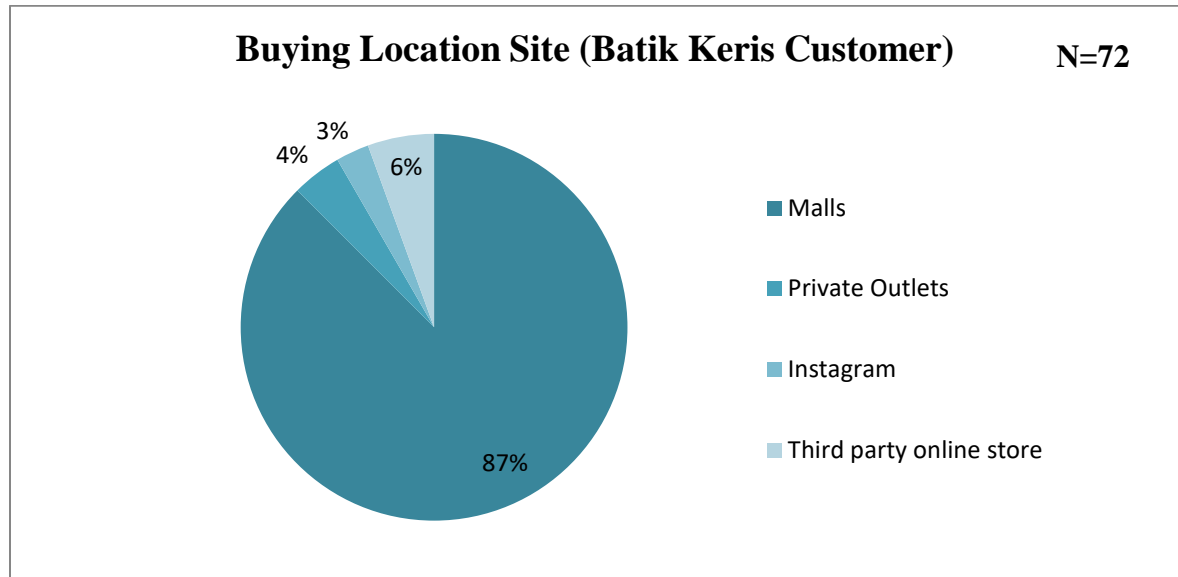


Figure 5.1.2 Buying Location Site of Batik Keris Customer

*Note 72/150 respondents are a customer of Batik Keris

According from the data above Figure 5.1.2, it shows that 87% of Batik Keris consumers still prefer the malls to buy Batik Keris products, compared to other shopping media provided by Batik Keris. Batik Keris has now utilize several types of social media that is mostly used by local Indonesian people such as Facebook, Instagram, private online shopping website and others. As of today, Batik Keris owns a total of 109 outlets that are spread across 30 cities in Indonesia and another 28 outlets located in 16 local and international airports, therefore customer awareness of the brand will increase because there is little to no other Batik brand rivals in many of the malls at present (Hendra, 2017).

5.1.2 Demographic Segmentation

Demographic segmentation is the process of dividing the market into specified groups with certain demographic characteristic such as age, gender, race, occupation, income, social status and nationality (Camilleri, 2017). Many firms will choose this type of

segmentation because collection of data is relatively easy and the value of information is high. For example, older individuals with higher income are willing to pay more for a piece of Batik compared to younger individuals with less income. From here managers can start evaluating the reasons why such situations happened. Some reasons may be because younger individuals has lesser income, therefore they cannot afford pricey Batik clothes/brand, another factor maybe because younger people prefer modern clothing therefore is less interested in buying Batik because of its traditional sigma.

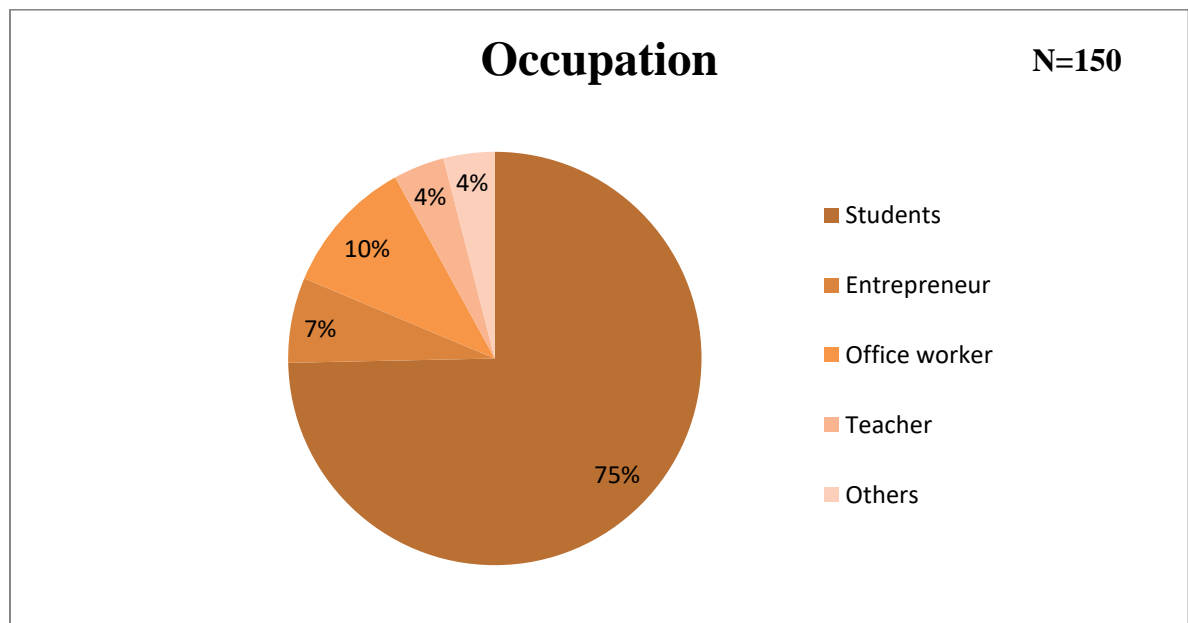


Figure 5.1.2 Occupation

According to the chart given above Figure 5.1.2 from a total of 150 respondents, 75% are students, 7% are entrepreneur, 10% are office worker, 4% are teachers and others are 4%. This data is in the form of occupation in which it shows who are actually buying Batik. The purpose of the chart it to show percentage of occupational proportion of the respondents and not deriving conclusion to show which consumer segment buys Batik most often. Local Indonesian younger generation are shown to show positive reaction to Batik being an Indonesia cultural art and showing strong sense of belonging to Batik art as an official Indonesian cultural heritage, however this younger consumer segment prove to have little interest in actually wearing Batik. The data above will only be used as a base for further details analysis of each occupation below.

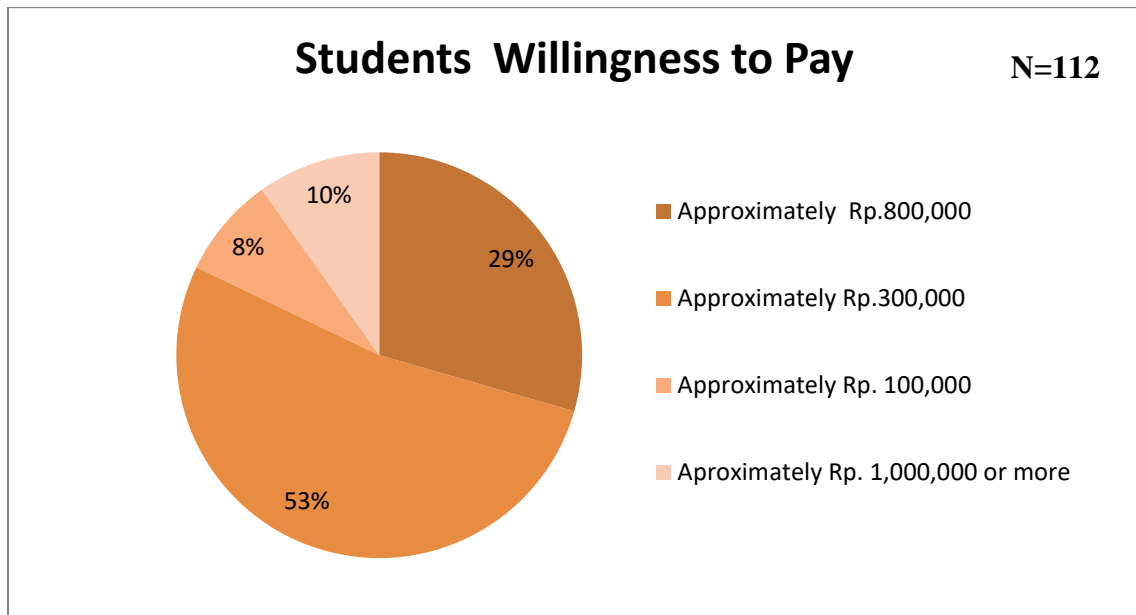


Figure 5.1.3 Students Willingness to Pay

**Note: Data results are taken from questionnaire results, 112 out of 150 are students*

According to the chart provided above Figure 5.1.3, results shows that 29% of students are willing to pay approximately Rp.800,000 for a piece of Batik shirt, 53% for paying approximately Rp.300,000, 10% for paying approximately Rp.1,000,000 and 8% for paying approximately Rp.100,000. There is no specific general market price for Batik because there are many factors that determine the value of Batik. Each Batik product is made different from each other in terms of design, brand, type, material used, and customer value perception, however generally speaking the standard price for a piece of good quality and relatively good design from a branded Batik store more or less cost Rp.300.000. The results show that most students are only willing to pay the standard price for a piece of Batik shirt. The reason being is because mainly because students in terms of income or allowance is much lower than older working adults. The sigma of Batik in Indonesia society also believes that Batik is usually used for formal or special occasions. Students typically do not attend formal occasion as much as adults do, therefore if they have little to no interest and knowledge in Batik itself, the amount of willingness to pay will be reduced however good the Batik is.

5.1.3 Behavioral Segmentation

Behavioral segmentation is the process of dividing the market into specified groups with certain distinctive behavioral characteristic such as shopping frequency, volumes of purchases, time of purchase, brand loyalty and more (Camilleri, 2017). Behavioral segmentation can help marketers to understand customer habit and buying pattern, this help marketer to implement proper promotional marketing programs for the right people at the right time and place.

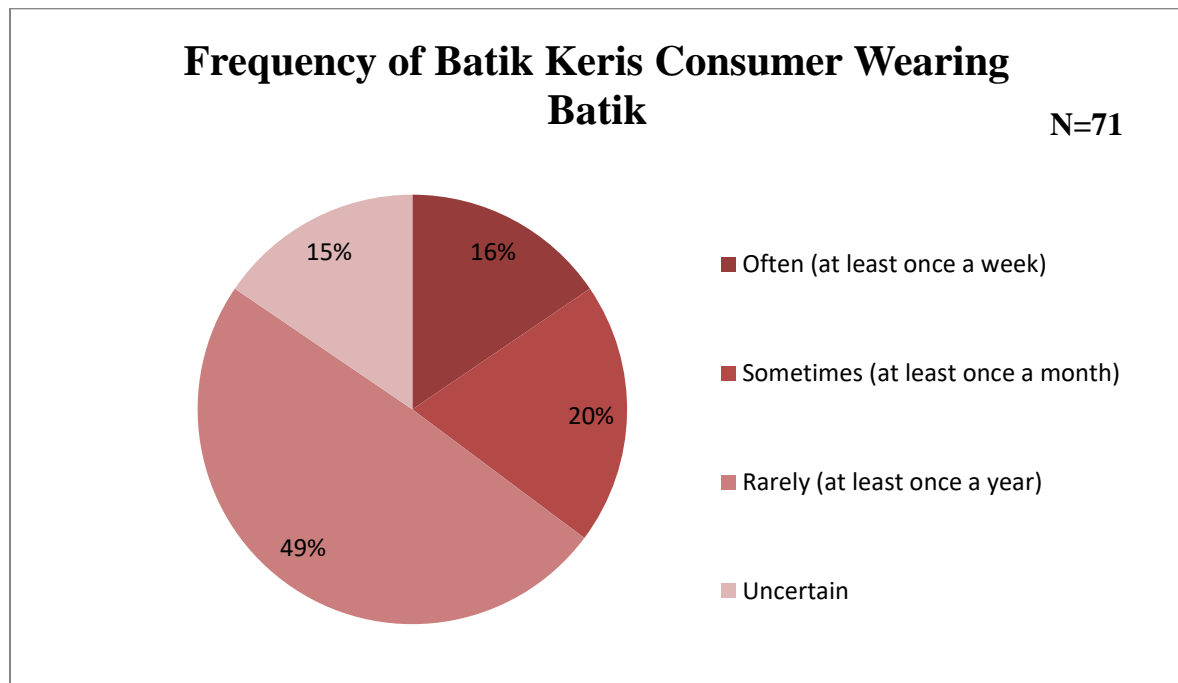


Figure 5.1.4 Frequency of Batik Keris Consumer Wearing Batik

*Note: 72/150 respondents are a customer of Batik Keris

The Figure 5.1.4 above shows the frequency of Batik Keris consumer wearing Batik on their day to day basis. According to results, it shows that from 49% of Batik Keris consumers rarely use Batik, 20% use Batik occasionally, 16% rarely use Batik and 15% are unsure when they will use it. The respondents in the uncertain segment here means that they only uses Batik when needed to such as at formal or ceremonial settings that need them to wear it, therefore they do not use Batik based on self-interest. Almost half of Batik Keris consumers here said that they rarely use Batik, and since 75% of the

respondents are students, it shows us that the younger generation has low interest in wearing Batik, this information is in sync with the external environment that argues younger people has low interest in wearing Batik.

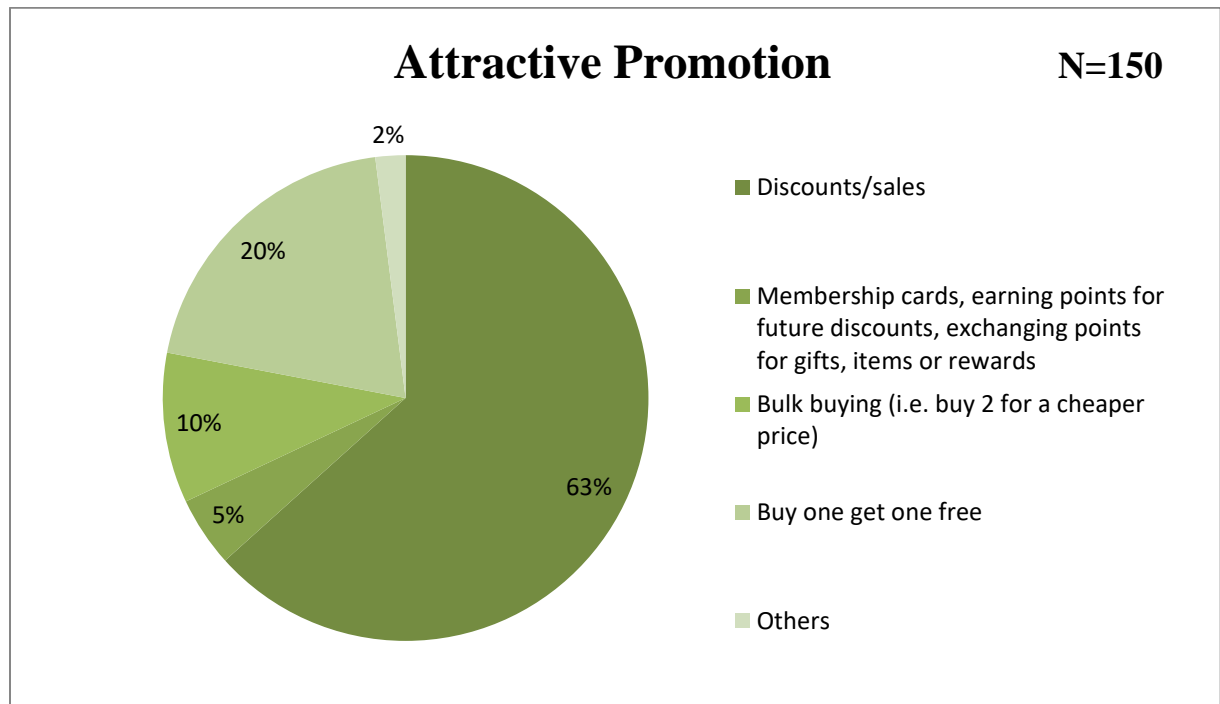


Figure 5.1.5 Attractive Promotion

The above Figure 5.1.5 is presented to determine the type of promotional preferences that respondents are most attracted to. This is going to be important information for Batik Keris Company to compile because it will affect their decision on the type of promotional tools used for their marketing strategy. The 3 biggest promotional tools that is favored by respondents are discounts/sales at 63%, buy one get one free at 20% and bulk buying at 10%, while least favored promotional tool is membership cards at 5%.

5.2 Targeting the Right Customer Segment

After market segmentation has been mapped out, the company should analyze and understand each of the selected segments wants and needs. From the selected segments marketers shall make decision to which market segment they want to focus on and perhaps they might also identify untapped segments from their analysis research. The goal of this marketing plan is to find potential market segment that has not been well

served by other competitors and provide the most profitability. According to Kotler et al (2005), one way to determine whether a marketer has chosen an effective market segments is when they possess specific traits. The traits are measurability, accessibility, sustainability, and actionability (Kampamba, 2015).

Measurability: It is the extent to which the magnitude, purchasing power and potential profits of a market segment can be earned.

Accessibility: It is the ability to reach and serve target segment.

Sustainability: It is the extent to which a market segment maintains sufficiency and profitability in the long run.

Action-ability: It is the extent to which constructive marketing programs can be developed to attract and serve a specific target segment.

From the compilation of the different various consumer segments above, this paper concluded that middle-upper class adult consumers that goes to malls on a daily/weekly basis is the best target market that possess all the effective traits stated by Kotler.

Segment A: Middle-upper class adults that visit the mall on a daily/weekly basis.

Segment A is the currently Batik Keris's target market. For consumer of segment A, they often go to the malls to have lunch meetings, family outings, or to simply to engage in social interactions with their peers. Segment A has the largest magnitude and the fastest growing consumers in Indonesia that gives one of the most promising outlooks in gaining high profit margin and loyalty. This is because majority of consumers going to the mall normally have stronger purchasing power or higher income. Generally speaking, the price of clothes in malls is more expensive than other shopping places because the entire clothing store should have strong branding value to be located there. Not to mention the supporting facilities such as toilets, parking space, full air-conditioned building is given for the comfort of the consumers will increase tax for retail outlets, including Batik Keris. Local Indonesian consumers have understood that the price of clothes in malls is more expensive compared to other shopping places, therefore knowing this information and yet they still pursue this decision to go and buy means that they have greater purchasing

power and has greater interest in product/brand value. In this light, Batik Keris should pursue this target market because they have greater income and has higher willingness to pay. The consumer who visits malls regularly are also the closest market segment to Batik Keris stores because the physical stores are located mostly in big to middle size malls all over the metropolitan cities in Indonesia. Segment A provides Batik Keris easier access to promote and effectively actualize their promotional tool directly to customers. The Figure 5.2.1 below is the percentages of respondent's willingness to pay for a piece of Batik shirt that prefer the malls.

However, in line with the rapid advancement in developments of technology, shopping centers are experiencing evolution from its traditional function of a place for buyers and seller to trade into a recreational, fun, safe and comfortable place to eliminate daily fatigue (Haqie, 2015). The mall itself has become a part of consumer modern life style and a hub for communities that seek social interaction and entertainment. The trend noticed that consumers are purchasing less clothes and more to food consumption and social interactions, this behavior is often called one stop shopping and are very popular among Indonesian consumers nowadays (Haqie, 2015). With this information in mind, this gives many opportunities for Batik Keris Company to formulate effective marketing strategies that involve interactions because the segment A is plenty reachable. Further explanations of the strategic marketing implementation shall we discussed in chapter 6 below.

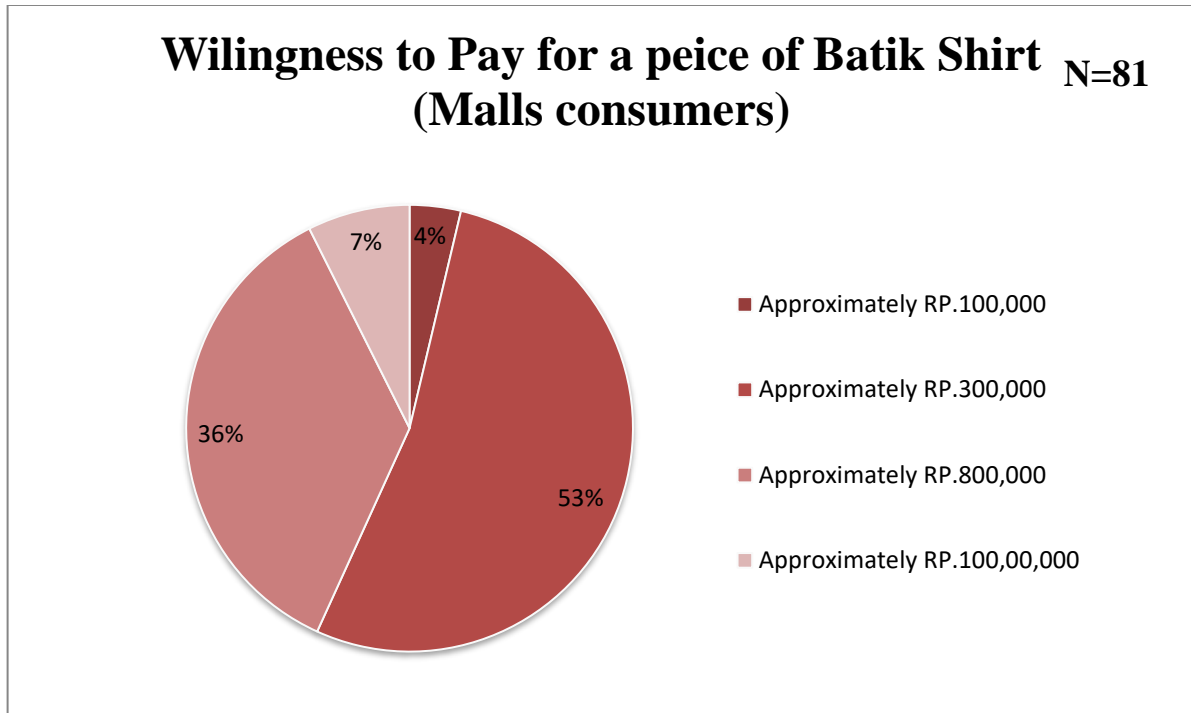


Figure 5.2.1 Willingness to pay for a piece of Batik Shirt

**Note: 81/150 respondents prefer the malls to buy Batik*

There are large populations of young people in Indonesia, according to Indonesia Ministry of National Development Planning, the percentage of young people from the age of 20 to 34 years old make up 24% of the total population in 2018. In addition to that the middle class earners in Indonesia are significantly growing in quantity. The upper class segment is small in Indonesia, thus the frequency of shopping activity is still inferior compared to the middle class (Wiraspati, 2013). Batik Keris can target the middle-upper class by relying on smaller margins, but at large sales volumes. One of their crucial core competences is their resources, in which they have the largest market in Indonesia because of their numerous stores outlets and factories.

There is, of course the underlying problem of younger people having low interest in wearing Batik, however a market research company Snapcart revealed that millennial generation (25-43 years old) consumers make up as big as 50% of the e-commerce field, this means that Batik Keris can gain large market exposure if the company are willing to

invest more resources on shifting its trade in their e-commerce platform (Tashandra, 2018). Through the right marketing mix and effective marketing implementation, this target market possess huge potential of ripping long-term sales volume. This decision is also based from governmental support to Batik industry by enacting regulations for state-owned firms, state officials, Bank employees and ministers in his cabinet to wear Batik each week at every Friday (Antara, 2013). Although private firms are not required to comply, however soon later numerous private own enterprises followed as well. This is good news for Batik Keris Company because this enactment has helped secure future sales of Batik Keris in the long run.

5.3 Positioning of Target Customer

In positioning stage, marketers will articulate ways to arrange a product to have distinctive, clear and appealing features in the minds of targeted customer; it is a way to communicate product attributes to the targeted customer segment. At present date, many customers have greater accessibility to information due to internet and social media. Customers, especially the millennials are becoming more connected with each other which enable them to compare products from multiple sellers with ease. Customer is also becoming more critical at buying products as Indonesia current economic state is experiencing sluggish year, customer will definitely be more sensitive to price and will likely to forgo unnecessary purchases. Therefore positioning stage is an important stage that will help firms to understand the relationship between the product and the consumers characters in order to distinctive competence to win against rivals. Further product positioning of analysis will be discussed below.

Characteristic of segment A includes:

- A) Highly social and interactive individual
- B) Adopt modern lifestyle
- C) Responsive to promotional activities
- D) Fond of product testing and finding new experiences
- E) Brand conscious
- F) Up to date with current fashion trends

Needs descriptions of segment A includes:

- A) Modern, affordable, good quality product
- B) Interactive, supportive and friendly customer service
- C) Excellent customer experience
- D) Convenience

Batik Keris Potitioning Goals

- A) Provide diverse product line options from different price ranges with premium quality
- B) Excellent customer service
- C) Highly accessible
- D) Affordable prices