

CHAPTER I

INTRODUCTION

1.1 Background of the Study

On a global scale, a major tendency toward export has evolved, owing to its beneficial macroeconomic impacts such as foreign exchange inflows into the national economy, increase in employment, and economic growth. Firms tend to export to develop themselves through the force of global competition, to get rid of spare capacity, to mitigate the effects of cyclical and structural changes through market diversification, and to increase profit expectations.

As global rivalry intensifies, businesses are looking for solutions to improve their export performance. Effective marketing strategies must be developed and implemented by companies seeking to expand into global markets. People witnessed some dramatic transformations in international trade as the world entered the twenty-first century: growing liberalization of trading systems, expansion of regional economic integration, excess liquidity in financing cross-country purchases, and increased connection with customers and marketing partners because of major advances in information, communication, and transportation technologies. As a result, a corporate environment that has never been more worldwide, interdependent, and networked has emerged, broadening both the scope and size of opportunities available to sellers.

Economic openness in a borderless world influences economic growth and inflation in a global era. The broader market promotes economic expansion, which

might undermine price stability. A successful economy in an increasingly integrated world economy is one that has succeeded in swiftly fostering and maintaining the existence of international trade. International trade is growing because of improved transportation and information technology. Many advantages will be gained from international trade, including the acquisition of commodities that cannot be produced domestically, the benefits of specialization, and the transfer of technology. However, if an increase in imports is not followed by an increase in exports with flat growth, international commerce might become an impediment to rapid economic growth. Reduced national income due to an increase in imports is more significant than the increase in national income due to an increase in exports will cause a decline in economic growth (Astuti & Udjiyanto, 2022).

According to Nurcahyani, *et al* (2018), palm oil has an important position in Indonesian economy. First, palm oil is the main export commodity that produces high foreign exchange for the country. From the twelve primary export commodities, palm oil ranks first in export by 2015 at 81.36% with a value of 15.38 billion US dollar. Second, palm oil is used as the main source of cooking oil in domestic. Since 2006, the highest Crude Palm Oil (CPO) production in the world had been produced by Indonesia which is followed by Malaysia. While other countries such as Thailand, Nigeria and Colombia have a little contribution of the total. The growth of CPO export was encouraged by its demand and price which is competed with the most consumed vegetables oils, such as soybean, sunflower, rapeseed, and coconut oils.

PT K2 Industries Indonesia which is located at Jln.Kosambi perum BKP No.1 Dusun Jatirasa Rt04 Klari Karawang is a well-established organization with business operations in Malaysia, Indonesia, Thailand, and Pakistan. PT K2 Industries Indonesia has extensive experience of nearly three decades of setting up and managing businesses, providing superior quality products, high customer services, innovation, and quality.

It generates an annual turnover of more than ten million USD. PT K2 Industries Indonesia works to build profitable relationship with the customers and offers fair returns to its shareholders, thus contributing to economic development of the countries it operates in. Their products cover all areas of palm oil industry and soap related matters, providing superior quality products, high customer services, innovation, and quality. The warehouse and office can be found all over Indonesia and over the globe. PT K2 Industries Indonesia specializes in various kinds of palm oil by products and soap fine. The company's products include soap products, vegetable oil, animal feed, palm based, and oleo-chemicals.

Soaps are water-soluble sodium or potassium salts of fatty acids. Soaps are made from fats and oils, or their fatty acids, by treating them chemically with a strong alkali. The fats and oils used in soapmaking come from animal or plant sources. Each fat or oil is made up of a distinctive mixture of several different triglycerides. Palm Oil and Palm Kernel Oil (PKO) are used in soapmaking as secondary lathering agents and contribute to a hard bar of soaps.

Malaysia and Indonesia are the leading producer of Soap Noodles and Laundry Soaps which are made from palm oil and palm kernel or coconut oil blends.

Palm based soap noodles produces high quality white soap with a consistent composition. This product is available in different packing.

The table below shows the data of soap exports of PT K2 Industries Indonesia between 2015 - 2021.

Table 1.1 Soap Exports of PT K2 Industries Indonesia (2015 – 2021)

Year	Soap Exports (Ton)	% Change
2015	34.587	-
2016	35.621	+2,99
2017	33.830	-5,03
2018	32.649	-3,49
2019	30.397	-6,90
2020	35.735	+17,56
2021	31.675	-11,36

Source: PT K2 Industries Indonesia (2022)

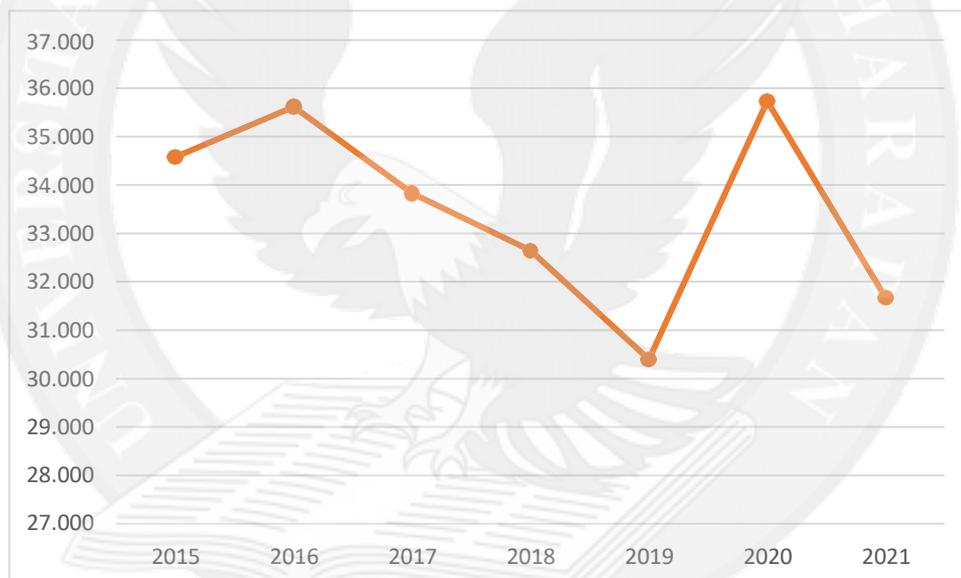


Figure 1.1 Soap Exports of K2 Industries Indonesia Between 2015-2021

Source: PT K2 Industries Indonesia (2022)

From the data at table 1.1 and figure 1.1 above, during 2015-2021, the total exports of soap product tend to decrease, only in year 2016 and 2020 there is an increasing of 2.98% and 17.56% compared to the last year's sale. There are so many factors that can be caused of this decline. One biggest

factors is the decline of commodities price, especially the price of palm oil. Instead of this factor, palm oil prices are also impacted by movements in crude oil as the vegetable oil is used as feedstock to make biodiesel, a fuel substitute.

Some marketing strategies had implemented in PT K2 Industries Indonesia, such as: developing a marketing system for palm oil industry products with programs such as workshops, seminars that encourage the role of institutions related to marketing. The company also developing downstream industries into national priority sectors to increase added value by collaborating R&D with research institutions, universities, and other supporting industries. This is done to increase innovation in the diversity of oleochemical products that have high selling points and build downstream industry clusters. Instead of this, the company also improve the existing infrastructure to increase integration between the palm oil processing industry, improve policies to address negative issues. This can be done by increasing coordination and synergy between relevant agencies (government, associations, PT and R & D) in determining policies. Another marketing strategy is to increase cooperation with other countries' producers through promotions such as participating in exhibitions and seminars on the Indonesian Palm Oil Conference (IPOC) and the International Conference & Palm Oil Exhibition. This is one of the marketing strategies used by PT K2 Industries Indonesia to increase the export of soap production in Asian countries.

Based on the explanation on the background above, the writer wants to analyze the efforts of PT K2 Industries Indonesia, thus write it in this *skripsi*

entitled “**The Efforts of PT K2 Industries Indonesia in Increasing Exports of Soap Production in Asia (Malaysia, Thailand, and Pakistan)**”.

1.2 Problem Limitation

For research conducted more focused and easily in collecting and processing data, the scope of research is limited as follows. There are so many palm-oil based companies in Indonesia. This study is only limited to a palm oil based company in Indonesia, that is PT K2 Industries Indonesia which is located at Jln. Kosambi Perum BKP No.1 Dusun Jatirasa Rt04 Klari Karawang. This research only focusing at the marketing strategies on increasing soap exports for different countries, including Malaysia, Thailand, and Pakistan.

1.3 Problem Formulation

Based on the background of the study above, the problem formulation in this research are as follows:

- a. What marketing efforts or strategies of PT K2 Industries Indonesia to increase the export of soap products for different countries?
- b. What kind of challenges found in their soap product export activities to different countries?

1.4 Research Objective

The research objective are as follows:

- a. To describe the effort at PT K2 Industries Indonesia to increase the export of the products.

- b. To evaluate challenges found in their export activities.

1.5 Benefit of the Research

1.5.1 Theoretical Benefit

Theoretically, the results of this study are expected to be useful to strengthen the theory in about management and marketing, especially about the strategy in a big company to increase their export.

1.5.2 Practical Benefit

The practical benefits expected from this research are as follows:

- a. For the writer

This research can provide an overview and knowledge about management and marketing, especially about the strategy in a big company to increase their export.

- b. For the company

This research is expected to be used as a suggestion to give more attention about the strategy in a big company to increase their export.

- c. For the future researchers

The results of this research are expected to be used as a source of references who concerned in conducting related research in the future.