

CHAPTER 1

INTRODUCTION

1.1 Background of the Study

CV. MITRA GRAHA SEJAHTERA, known as MITRA Paving has more than 15 years of experience in making Paving Stone and Accessories or since 2004, supported by experienced HR and high-tech equipment, making us an independent and professional company and as one of the most developed Paving Block producers fast (Due to the trust given by customers) and for customer satisfaction, we continue to renew our performance system to be more effective and efficient. Mitra Paving prioritize things that are always related to one another when making Paving Stone and Accessories, namely: always use the best raw materials, made with heart and sincerity armed with a reliable machine, and serve as needed, so that each customer can enjoy the benefits more in his work. Paving Partners provide quality assurance, Quality Management System ISO 9001:2008 Registration Number: DE-472078 QM08.

The vision and mission of the Mitra Paving is

1. PROVIDE PRODUCTS WITH GOOD QUALITY

The following are the factors that affect the quality of Paving Block products and their accessories:

Cement

Cement quality is an important factor that influences the basic needs of concrete. Cement must be new and not lumpy.

Comparison of Water - Cement

Comparison of the minimum amount of water and the weight of cement, it is necessary to know the consistency and workability of the desired concrete mixture called the water-cement ratio. The strength of the concrete decreases with the decrease in the water-cement ratio. This is because the addition of water after evaporation will leave a very small vacuum. The more vacancies in the concrete, the more it will not be strong.

Raw material

Sand and gravel must be free of leaves, grass and foreign objects. The sand must be rather rough with particle sizes ranging from the size of dust to 5 mm. The

strength of the concrete will decrease with the smoothness of the fine gravel. This is because fine gravel requires more cement to be used which affects the overall mixture.

Production Printing Machine

Especially for Paving Block products, production printing machine equipment can also determine the strength of the concrete produced. All depends on the ability of the engine to put pressure on the process of printing paving blocks. Generally in Indonesia there are 3 types of Paving Block if distinguished from the tools and production processes, namely Hand Paving Block Press, Vibrating Paving Block Press Machine and Hydraulic Paving Block Press machine.

2. COMPLY WITH LAW AND REGULATION

Paving Partners respect the laws and regulations of the country where the company is located, and pursue the highest standards in ethics, morals and in interacting with customers, suppliers and employees. As well as not pursuing profits in the short term by risking Integrity.

3. A GOOD WORK ENVIRONMENT

Paving Partners creates a good work environment for their employees, respects each person and upholds openness, ideas or opinions expressed, thus opening good creativity for mutual progress. Paving Partners also always support a green, clean and healthy environment.

The following are some of the products sold by CV. Mitra Graha Sejahtera.

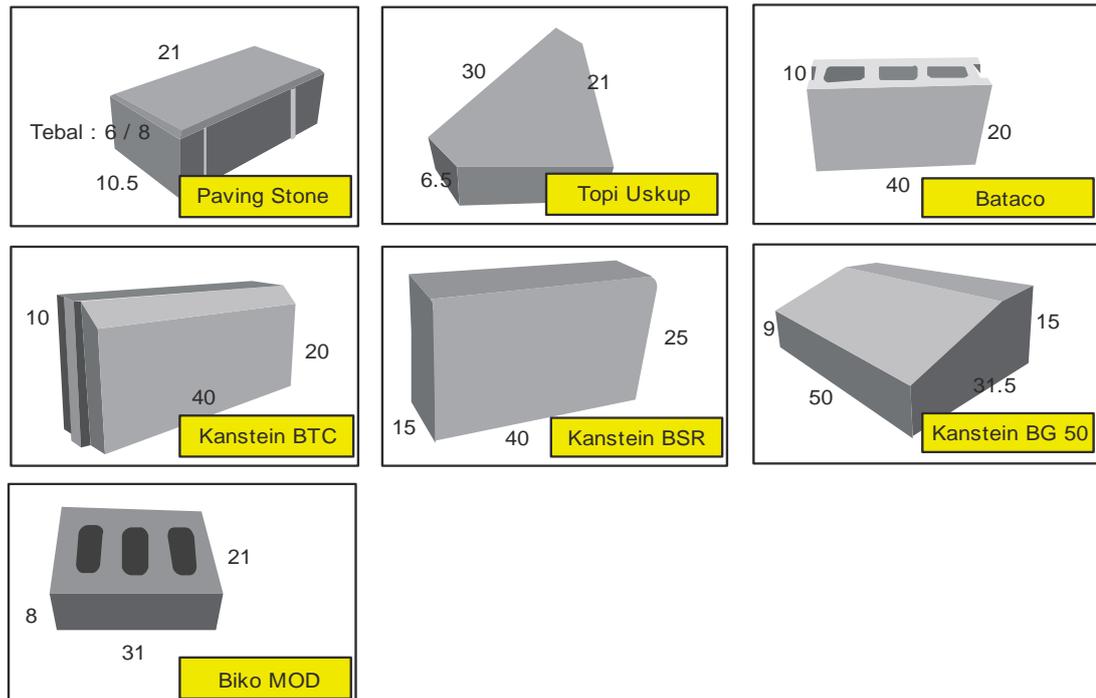


Figure 1.1 Paving Stone and Accessories

Source: Company profile of CV. Mitra Graha

CV. Mitra Graha Sejahtera, which for more than 15 years has been engaged in paving stone and its accessories, wants to expand their market network. Every company wants to get bigger and bigger, therefore this company wants to produce and sell water-based paint.

This is because Indonesia's large population and strong domestic demand is contributing to its positive growth outlook. With a population of 250 million, over 50% of whom live in urban areas, Indonesia has a large domestic market. And, a growing and affluent middle class supports GDP growth, where approximately 60% of GDP is derived from private consumption. Infrastructure is a strong platform to support and sustain economic growth in Indonesia. Underpinning this positive outlook is the Government of Indonesia's pledge to improve infrastructure development. There is a significant need for infrastructure investment in roads, toll roads, ports, airports railways, water, and infrastructure funding compared to the previous period by nearly 10 billion dollars a year. Priority projects include the revitalization of 10 airports, a number of thermal and hydropower plants, toll roads, Mass Rapid Transit and the construction of new and upgrading of existing ports.

(Downloaded from <https://www.pwc.com/id/en/industry-sectors/cpi/infrastructure-in-indonesia.html> on February 1, 2019)

The important thing from the Indonesian government's desire to become one of the ten countries with the largest economy in 2025 is in the Master Plan for the Acceleration and Expansion of Indonesian Economic Development (MP3EI). The newly launched grand plan includes a long-term program that involves collaboration between the central government, local governments, state-owned enterprises (BUMN), and the private sector. In addition, the private sector has a very important role that is expected to finance most of Indonesia's economic growth through these Public-Private Partnership projects. (Downloaded from <https://www.indonesia-investments.com/en/project/kemitraan-publik-swasta/item70> on 1 February 2019)

Indonesian people at the periphery, border areas, front islands, and isolated areas must feel the presence of the state and the fruits of development. This is President Joko Widodo's or Jokowi's desire. To realize these ideals, the budget allocation for infrastructure development continues to be improved. In 2014, the portion of the infrastructure budget to total state expenditure was only 8.7 percent. A year later it grew to 14.2 percent. In 2016 it rose to 15.2 percent. This year is at the level of 18.6 percent. Jokowi also made a breakthrough through various new infrastructure. Call it Trans Papua, Kalimantan Crossing the Border, Trans Sumatra, the biggest Batang PLTU in ASEAN, and the Sea Toll Road Knot. Coupled with Mass Rapid Transit (MRT), Light Rail Transit (LRT), Soekarno-Hatta Airport Skytrain, One Million Houses, and Jatigede Dam. (Downloaded from <https://www.liputan6.com/news/read/3065108/infrastruktur-baru-gebrakan-jokowi> on 1 February 2019)



Figure 1.2 - Indonesian Infrastructure Budget

Source: www.liputan6.com

This infrastructure development makes property fields also increase. A number of infrastructure projects have a positive effect on the property sector, including elevated toll roads, rail-based transportation modes or mass rapid transit (MRT), and the construction of light elevated transit (LRT). The mass transportation system in this city has a very real impact on the rising prices of local settlements. The existence of new transportation corridors or changes in the mass transportation system will increase the potential for property investment in a city. (Infrastruktur Dongkrak Properti, 2018). This can be proven by the number of high-rise buildings being built. In the past, multi-storey buildings were rarely found, but along with the development of infrastructure and global developments, tall buildings have become very common sights. Especially in areas such as major cities in the world, high-rise buildings are not surprising. Even people competing to make buildings as high as possible to get the title of being one of the tallest buildings in the world. In Indonesia, especially in big cities like Jakarta, Bandung, and Surabaya, the views of tall buildings are seen in almost all regions.

The amount of infrastructure built, makes property prices continue to rise and this causes many people to invest. In addition, housing needs that continue to increase each year make the property sector grow positively in the following years. According to the table above, Housing Index in Indonesia increased to 207.69 Index

Points in the fourth quarter of 2018 from 206.89 Index Points in the third quarter of 2018. Housing Index in Indonesia averaged 159.97 Index Points from 2006 until 2018, reaching an all-time high of 207.69 Index Points in the fourth quarter of 2018 and a record low of 124.70 Index Points in the first quarter of 2007. (Downloaded from <https://tradingeconomics.com/indonesia/housing-index> on 1 February 2019)

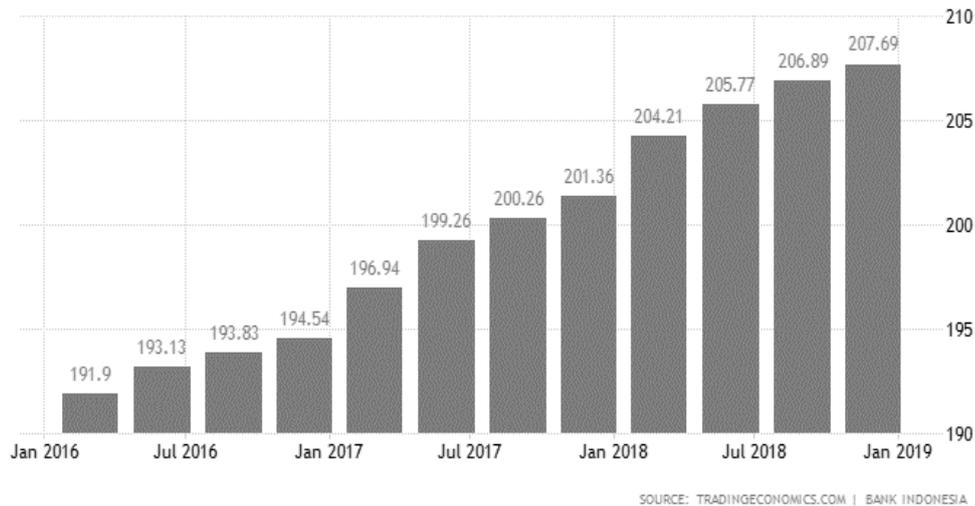


Figure 1.3 - Infrastructure progress in Indonesia

Source: tradingeconomics.com

Therefore the writer see a business opportunities in this field, one of the opportunities is the paint business. Paint is the finishing stage in development and is an important building because in addition to beautifying the buildings with their colours, paint also serves to protect the walls from mold or mildew and to make buildings more durable. And the use of paint used in a building is also not small, so the writer see that paint is the right target. According to Chairman of the Indonesian Paint Association's Wood Coating Division, Kris Rianto Adidarma, the level of consumption of paints will continue to rise. Increased consumption and sales were driven by economic growth that began to increase. (Downloaded from <http://www.kemenperin.go.id/artikel/1330/Konsumsi-Cat-Nasional-Diproyeksi-Naik> on 2 February 2019)

The increasing demand for national paint products was triggered by infrastructure development. Unfortunately, the momentum of gold like this has not been optimized. This is because national production capacity and paint quality are

still problematic. Until now there is still a large deficit between needs and production capacity. National paint production reaches around 25 million liters, even though domestic consumption reaches at least 33 million liters. As a result, there is still a deficit of around 8 million liters which must be met from imports. Paint production is targeted to grow up to 8% annually (Siswantara, n.d.). Growth is quite realistic because it is in line with the increasing consumption in the infrastructure sector. Another problem, namely the incomplete national paint standardization process. The growth of the paint industry is still faced with problems of quality and standardization processes. National paint production capacity has not been accompanied by the preparation of SNI. The application of SNI for paint products is still stagnant, so many paint companies produce paints with low quality and very cheap prices. This certainly has an impact on the number of existing competitors. In addition, there are several paint products that are not environmentally friendly and can interfere with health. Until now, for example, there have been no serious steps to reduce the content of volatile organic compounds (VOCs) that can disrupt the environment. Volatile organic compounds (VOCs) are harmful chemicals that give damage to gas to human health and the ozone. These VOCs are found in many products, aerosols, thinners, oil based paints, nail polishes, paint strippers, commercial solvents, leather treatments, pesticides and the list goes on. (Downloaded from https://www.jef.or.jp/journal/pdf/184th_special_report.pdf on 2 February 2019).

Competition in the paint field is also not easy. There are a lot of brands that are old and very well known. Some players in the paint industry in Indonesia include PT IPI (Dulux and Catylac), PT Nipsea Paint and Chemicals (Nippon, Vinilex, and Q-Lux, Maziora), PT Propan Raya ICC (Propan and Ultran), PT Kansai Paint Indonesia (Alesco), PT Kansai Initiative Coatings, PT Mowilex Indonesia (Mowilex), PT Jotun Indonesia (Jotun), PT Avia Avian, PT Indaco Coatings Industry, PT Mikatasa Agung, PT Akzo Nobel, and so on. The number of players in the paint industry makes competition even tighter. Because the paint industry is very profitable and its growth is very fast, the players in the paint industry are trying to make each other's paint products superior. Kansai Paint for example, licenses paint products originating from Japan produced in Indonesia

under PT Kansai Prakarsa Coatings that produce paint for decorative, auto refinished, wood and rattan finishes, plastic coating, industrial metal finish, marine / ship, heavy equipment. Nippon paint under PT Nipsea Paint and Chemicals manufactures decorative, industrial, ship and heavy equipment paints. While PT Jotun Indonesia produces paint for decorative, ship, protective, and powder. The results of the paint product categories produced among players are very similar. So, competition between the paint industry players is very visible. The producers are competing to promote their products, for example through advertising, offering paint distributors, offering cooperation with housing and apartment developers, and so on. New competitors came after the ASEAN-China Free Trade Agreement in 2010, new competitors such as PT TOA from Thailand, PT Daves from the Philippines, and various paint brands from China. The new competitors make more and more players in the Indonesian paint industry and make competition even tighter. (Downloaded from https://www.jef.or.jp/journal/pdf/184th_special_report.pdf on 2 February 2019)

The tight competition that exists, makes a company must have a uniqueness or superiority that is more than its competitors. The company must also be able to overcome the problems that exist in the community. That way, this product will certainly attract market attention. Therefore, making environmentally friendly paint is a good solution, so that the authors examine water-based paint. The water based paint does not produce gases that harm the ozone as they do not contain any volatile organic compounds. When cleaning brushes and spills could not be easier using water, the meaning of harmful thinners and longer lasting brushes. Besides being environmentally friendly, water-based paint also does not need to incur additional costs to buy mixing media such as thinner because the mixing media is water. For wall paint, the mixing media so far is water, but for iron paint, tile, zinc and wood, water mixing media is a new thing.

Of course there are many things that are discussed in making a business in a new field. In this research, the author will discuss about the 3 main things that really need to be considered in building a business. The first is Financial management which includes COGS and Pricing. The second is Marketing management which includes STDP (Segmentation, Targeting, Differentiation and

Positioning) and 8p (Product, Place, Promotion, Price, Process, Partnership, People, and Physical Evidence) by Lovelock. And last is about Strategic management which includes 4C diamonds (Change, Customers, Competitors, and Company) and TOWS (Threats, Opportunities, Weaknesses, Strengths)

1.2 Research Limitation

When start up a new business, of course it is not an easy thing, especially in the field of paint which uses a lot of chemicals. There is also a lot to be learned in start-up a new business such as what the system must be used by the company, the financial calculation of the company, how to do the marketing, organizing the company, managing employees, and many more things that must be considered in building a new business .

In order for this research to be more focused and in-depth, the authors see the research problems proposed need to be limited into financial area, marketing area and strategic management area.

1.3 Research Focus

In order for this thesis not to deviate and float from the original planned purpose so as to make it easier to get the data and information needed, the authors set the limits as follows:

1. How to conduct financial management of a new paint company?
2. How to do marketing management of a new paint company?
3. How to conduct strategic management of a new paint company?

1.4 Research Purpose

The objectives in this proposed research are as follows:

1. To know how to conduct financial management of a new paint company.
2. To know how to do marketing management of a new paint company.
3. To know how to conduct strategic management of a new paint company.

1.5 Research Contributions

1.5.1 Theoretical Benefits

The results of this study can be the basis for example in making a new business, so that the reader's mind can be more open in what things are considered in opening a new business. Besides that, it can also be a motivation for readers to do their own business

1.5.2 Practical Benefits

The research is expected to make contributions as follows:

1. The Researcher

This study increases the researcher's knowledge, both in theory and practice, specifically on financial area, marketing area and strategic management area. It completed researcher's knowledge about applied conditions from theoretical practice. Also, it gives opportunity for the researcher to realize the theory learned in the class into the real investment decision and production process.

2. Future Researcher

This research contributes as a reference basis in starting up a new business, such as determining the right, doing the marketing process, and also the strategic management of the company. This study can also be a reference for further studies in the same and related fields.

1.6 Research Outline

Research outline explains the systematic writing of this study. The outline is divided into five chapters as follows:

Chapter I : This chapter regulates research problems for readers. This chapter also contains background information that defines the problem and determines the purpose of the study in more detail to understand the problem.

Chapter II : This chapter summarizes the main study theories and existing and previously published findings. This chapter also contains a clear description in financial area which is COGS and Pricing; Marketing area such as STDP and 8P; and Strategic Management area which is 4C and TOWS.

Chapter III : This chapter describes detailed technical and scientific activities which include interviews with several people who are professionals in this fields, literature studies and observations directly by the author.

Chapter IV : This chapter organizes the logical presentation of the findings that answer the research questions, and focuses on how these key findings reconnect with the beginning of the study.

Chapter V : This chapter summarizes conclusions, and recommendations that should advance the study of research topics with the theoretical, methodological or substantive contributions needed to overcome the limitations of existing empirical facts.