

# Rubber Production Marketing Strategy

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**Abstract:** Marketing strategy is a comprehensive and unified plan in the field of marketing that provides guidance on activities to be carried out in achieving company goals. In the marketing process, agricultural products have several functions that must be accommodated by the producers and elements involved in distribution which are often functions which cause problems that must be required by producers and elements involved in the marketing chain. Prices in a business or business are very necessary, because with the price will be known the benefits of one's business activities. No exception in marketing rubber production, it is very important to see how the price is, because if the price that can be sold by a cheap farmer, then pity the farmers, but this is one of the reasons why the price is involved when talking business. Product quality is also needed in marketing. Product quality is a very important thing in determining the choice of a product by consumers. The product offered must be a product that is really well tested about its quality, because for consumers who are prioritized is the quality of the product itself. Consumers will prefer and choose products that have better quality when compared to other similar products that can meet their needs and desires.

## 1 INTRODUCTION

Marketing strategy is a comprehensive, integrated and integrated plan in the field of marketing that provides guidance on activities to be carried out in achieving company goals through advertising, promotion programs, sales, product programs, and distribution (Assauri, 2007). According to Alma (2008), the marketing strategy is to select and analyze the target market which is a group of people that the company or business wants to achieve and create a suitable marketing mix that can satisfy the target market.

It is known about the definition or understanding of marketing and marketing strategies, then it is necessary to know about the definition or understanding of rubber. Rubber (*Hevea Brasilliensis*) is a tree that grows tall and has a large trunk. Adult tree height reaches 15-25 meters. Plant stems usually grow straight and have high branching above. In the stems of this plant contain more famous sap with the name latex (Setiawan and Andoko, 2007). Rubber plants are commodities that are closely related to human daily needs, so that they can produce processed products that 73% are used for tire processing, while the rest

are used in the form of medical devices, children's toys, automotive equipment, sandal shoe soles and so on (Setiawan and Andoko, 2007). At present the development of domestic rubber demand during 1980 to 2015 was very volatile with an average growth of 29.62% per year from 45.83 thousand tons in 1980 to 510.69 tons in 2015, even though in the year 2013 (5.74%), in 2014 (0.44%) and 2015 (8.48%) experienced a decline (Data Center and Agricultural Information System Secretariat General Ministry of Agriculture, 2016), while for 2016 to 2017 experienced an increase around 32.29% (Central Bureau of Statistics, 2017).

In general, the price of rubber in the Domestic Market in Indonesia from 2008 to 2011 has increased, but in 2012 it decreased, while in 2013 to 2014 it increased again. For the nominal price range in 2008 to 2014 prices start from Rp. 6,050 / kg to Rp. 7,720 / kg (in 2008-2009). In 2010, rubber prices increased significantly by 77.29%, namely Rp. 13,687 / kg and in 2011 again increased by 22.69% to become Rp. 16,793 / kg. The increase in 2011 experienced a decline in 2012 where rubber prices fell by 32.51% to Rp. 11,333 / kg. In 2013 rubber prices again increased by 35.11% but for the rubber price range in 2013 was lower than in 2011

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and in 2016 rubber prices again increased to Rp. 16,360 / kg (Data Center and Agricultural Information System Secretariat General Ministry of Agriculture, 2016). While the prices for 2017 to early January 2018 are accumulated around Rp. 15,000 to Rp. 19,000. (<http://www.karetpedia.com/>).

From the price stated above, that price is the price sold by Rubber Collectors (Second Party after Rubber Farmers) to Factory prices (commodity prices of the domestic market) while the selling price of rubber farmers to rubber collectors ranges from Rp. 5,000 / kg to Rp. 7156 / kg (<http://www.karetpedia.com/>). The comparison of the selling price of rubber has made a significant difference so that from this price makes rubber farmers more difficult to develop in the economic conditions they experience.

For this reason, rubber farmers can produce rubber with a good rubber category, it requires a touch of hand from the government in the form of providing counseling and training for rubber farmers so that these results can have proper knowledge so that they can produce rubber that is suitable for sale without having to through rubber collectors.

## 1.1 Rubber Marketing Channels

Marketing channels are a series of interdependent organizations involved in the process to make products or services ready for use or consumption (Kotler, 2005). From the above definition it can be concluded that the marketing channel is a way that occurs so that a product or item can get to its final destination.

There are several distribution channels according to Kotler (1996), namely:

- a. Direct distribution channel. This channel is the simplest and lowest distribution channel, namely the distribution channel from the producer to the consumer without using intermediaries. Here producers can sell their goods by mail or directly drive consumer homes, this channel can also be given a zero stage channel.
- b. Distribution channels that use one intermediary that involves producers and retailers. Here large retailers directly buy goods from producers, then sell them directly to consumers. This channel is usually referred to as one stage channel.
- c. Distribution channels that use two groups of wholesalers and retailers, this distribution channel is a channel that is widely used by producers. Here, producers only serve large quantities of sales to large traders, not selling to retailers by retailers served by wholesalers and

purchases by consumers are only served by retailers. Such distribution channels are also called two-level distribution channels (two stage channels).

- d. Distribution channel that uses three intermediary traders. In this case the producer chooses an agent as an intermediary to distribute the goods to large traders who then sell them to small shops. This distribution channel is also known as the three stage channel.

From some of the distribution channels above, the manufacturer will see which distribution channel is the most suitable for the product or item being marketed. When the producer chooses a direct distribution channel, of course the producer will sell the product without intermediaries and will go directly to the end-level consumer or the user. When producers choose a distribution channel that uses one intermediary, then in this case the producer does not directly sell the product or goods to the final consumer, but usually through selling it to retailers and retailers will sell directly to the end consumer, and usually the price sold by the producer to the retailer is little cheaper than directly to end consumers. Furthermore the distribution channel with two intermediaries, this is usually already in large sales, so there are large retailers first from producers and from these large retailers will distribute to ordinary retailers and eventually regular retailers will sell directly to end-level consumers. Finally, a distribution channel that uses three intermediary traders, of course this is on a larger scale than one, two and three distribution channels.

Rubber production distribution channels according to the results of the study Setiawan et al. (2015) stated that rubber marketing channels existed through one intermediary, namely directly to wholesalers, some through two channels, namely from farmers, then to the next to wholesalers. This is in accordance with Kotler's (1996) theory of marketing channels.

In the marketing process, agricultural products have several functions that must be accommodated by the producers and elements involved in distribution which are often functions which cause problems that must be required by producers and elements involved in the marketing chain. These functions according to Mubyarto (1997) consist of:

- a. Purchase and collection, this is the function concerned with the transfer or possession of a number of items intended as production supply or to meet the needs. In analyzing this purchase there are a number of actions that must be taken

into account, namely fixing needs, seeking sources of needs, price negotiations and official transactions.

- b. Sales and dissemination, this is an activity to find and endeavor that goods that have been produced or owned can be marketed profitably.
- c. Transport and transportation, is a function that means moving a product from its source of production to the market or consumer at a certain time that is appropriately adapted to the needs and interests of the market or consumers. So transportation creates usefulness of time and time.
- d. Storing products (storage), this function is a function that is almost found in each marketing agency, this is a temporary collection of products before being marketed.
- e. Product processing, in the marketing system here is not the processing of shapes, outside sizes and so on, but in the form of sorting these products.
- f. Funding or financing, which is the provision of a sum of money for a product sale and purchase transaction.
- g. Risk, is the function concerned with losses arising from the lack of maturity of consideration in making plans.
- h. Market information, which is the information search function about the market needed for the preparation of product marketing policies.

Of the eight marketing processes mentioned above, it can be seen from the marketing of rubber production as to the purchase that will be done by consumers (in this case the trader) will see how the quality of rubber production will be sold so that the buyer feels interested and the price is also as desired, how is the sales and distribution process in making sales, how about the transportation to be used, when the sale is only the area around the seller lives, it may not be a problem, but when the place of sale is far from domicile, this is also one that must be considered by seller.

## 1.2 Price Formation Mechanism

Price is a very important part in marketing a product. According to Cannon (2008), prices are something that must be given by customers to get the advantages offered by the company's marketing mix. According to another opinion, Basu (2005), price is the amount of money (plus several products if possible) that is needed to get a number of

combinations of products and services. Price is very important because it is one of the factors that determine the profit and survival of the company. Pricing has an impact on adjusting the marketing strategy taken. Price elasticity of a product will also affect demand and sales.

Tjiptono (2008) states that basically there are four types of pricing objectives, namely:

### 1. Goal-Oriented Goals

The assumption of classical economic theory states that every company always chooses prices which can produce the highest profit. This goal is known as maximization profit. Nevertheless, in the current global economy, profit maximization is very high difficult to achieve, because it is difficult to estimate the number of sales accurately at the level certain price. Therefore, there are companies that use the profit target approach, namely the level of profit that is appropriate or expected as a target of profit.

### 2. Objectives Oriented to Volume

Companies that set prices based on certain volume-oriented objectives are known as volume pricing objectives. Prices are set in such a way as to achieve the target sales volume.

### 3. Image-Oriented Objectives

The right pricing strategy will be able to determine the company's image in the community. The company can set high prices to form the image of a prestigious company / product. It can also set a low price to form a certain value image.

### 4. Purpose of Price Stabilization

This goal-based pricing strategy is very suitable to be applied in markets where consumers are price sensitive, where if a company lowers its price, then the move will be followed by its competitors. This condition underlies the formation of price stabilization goals in certain industries whose products are highly standardized, such as petroleum. Stabilization objectives are carried out by setting prices to maintain a stable relationship between a company and the prices of industry leaders.

Prices in a business or business are very necessary, because with the price will be known the benefits of one's business activities. No exception in marketing rubber production, it is very important to see how the price is, because if the price can be sold by a cheap farmer, then feel sorry for the farmers, but this is one of the reasons why the price is involved when talking business.

As stated by Ningsih et al (2015) in his research that prices are the most important to see, the price information and prices at the farmer level may vary based on the prices set in the sale and purchase transaction. Traders set prices to farmers,

of course, first know the price of the factory. Prices for collectors and wholesalers differ from each other. In reality farmers are still ready to sell their crops to each trader and some farmers will not want to move to other traders even though other traders offer farmers higher prices. This happens because farmers owe to the collecting traders, farmers also feel that they are suitable with the traders. Traders can create good relations with farmers and even farmers have considered traders like their own families.

### 1.3 Importance of Product Quality

Product quality is the first driver of customer satisfaction and the quality of this product is a global dimension (Durianto, 2004). According to Kotler (2000) product quality is the overall characteristic of a product that affects the ability to satisfy the stated / implied needs. Product quality is a very important thing in determining the choice of a product by consumers. The product offered must be a product that is really well tested about its quality, because for consumers who are prioritized is the quality of the product itself. Consumers will prefer and choose products that have better quality when compared to other similar products that can meet their needs and desires.

According to Garvin, there are eight quality indicators that can be used as strategic planning and analysis frameworks (Tjiptono and Gregorius, 2008). The following is the eighth description of the dimension:

1. Performance (Performance), which is the main operating characteristics of the core product purchased and the ability to carry out the functions of the product.
2. Display (Feature), which is a performance aspect that is useful to add basic functions, related to product choices and development.
3. Reliability, namely the possibility of an item successfully carrying out its function every time it is used in a certain period of time and under certain conditions.
4. Conformance, namely the extent to which design and operation characteristics meet predetermined standards.
5. Durability (Durability), relating to how long the product can continue to be used. This dimension includes both the technical age and the economic life of the product.
6. Serviceability, namely the services provided are not limited only before sales, but also during the sales process to after-sales, which also includes

repair services and the availability of required components.

7. Aesthetics (Esthetic), which is the attraction of the product to the five senses and is a subjective characteristic of aesthetic values related to how consumers expect quality or quality.
8. Perceived quality, namely the image and reputation of the product and the company's responsibility towards it. Quality is a factor that is contained in a product that causes a product to be valued in accordance with the intent for what the product is produced.

According to Kotler (1998) products are all things that can be offered to a market to meet the wants or needs. So, basically the product is everything that can meet the needs or desires of the community or consumers. For companies that produce a product or service, the product is a tool or means to achieve the target, namely the company's profit or specific purpose.

In this era of globalization, it seems that people or consumers are increasingly critical in assessing a product. Stanton (1985: 285-286) gives an understanding of product quality a guarantee in order to meet the needs of consumers in choosing a product and in this case the image of personal sense plays a role.

The quality of a product is needed when you want it to be marketed. Rubber production with good quality will be more expensive, if the rubber production produced is not good, like many mixtures such as wood and others, the price of rubber will also be cheaper. Research like this has been done by Aini et al (2017) Rubber product quality (product aspect) becomes the initial mouth for determining price, place, promotion. As long as farmers still maintain rubber products in the form of ojol (lump), marketing by relying on networks with tauke (promotion) in traditional markets (place), farmers will always get cheap prices. This pattern must be realized as a chain of rubber price impartiality for farmers. Changes and improvements in rubber farming make farmers aware of the importance of changing the marketing strategy of rubber products in accordance with market demands. Farmers and farmer groups must carry out segmentation, targeting and repositioning with the current marketing patterns. This concept will relate to the marketing mix pattern which includes product, price, promotion and place aspects. This aspect of the marketing mix can be strengthened through improvements in the product, institutional, and regulatory aspects to increase market alignments for farmers' rubber products.



## 2 CONCLUSIONS

The price formation strategy for rubber production can be seen from several aspects, including through marketing channels, how the marketing channels are carried out in marketing these products. Furthermore, in terms of price, the price of a product can be seen based on product quality, if the product quality is good, the higher the price, and vice versa, if the quality of a product is not good, then the price will usually be low.

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