

International Marketing Management: PT. Sampoerna Tbk

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ABSTRACT

The announcement of the cigarette excise tax increase made on September 13, 2019 was very surprising, but Sampoerna respected the President's decision. At present, Sampoerna is working to determine how to manage the impact of the increase. While waiting for the details of the excise tax policy to be officially released, Sampoerna intends to submit two recommendations to the Government to support the continuation of employment.

INTRODUCTION

PT Hanjaya Mandala Sampoerna Tbk., referred to as Sampoerna, it is the Indonesian Tobacco Company under Philip Morris International. Sampoerna was established in 1913 (Sampoerna, 2018). Sampoerna is Indonesia's largest tobacco company, ahead of Gudang Garam, Djarum and Bentoel Group. And Sampoerna produces diced cigarettes. The classic brand is the filter cigarette Sampoerna'A'Mild in the white paper.

Next is the development of Sampoerna. In the 1930s, Liem Seeng Tee took the Indonesian name Sampoerna, whose surname was "perfection" and became the company's eponymous product. Sampoerna began producing Dji Sam Soe in Surabaya in East Java in 1913. After Song Tee died in 1956, his two daughters took over the company's operations, while his two sons operated tobacco-related businesses. But his daughter shifted the company's focus to white smoke, which almost made Sampoerna bankrupt. His youngest son, Liem Swie Ling, runs a kretek factory in Bali and returned to Surabaya in 1959 to save Sampoerna. And he transferred the production back to the hand-rolled Dji Sam Soe brand cigarette. In 1968, Sampoerna launched Sampoerna A Hijau. By 1970, Sampoerna produced more than 1 million cigarettes a day and had 1,200 employees. Liem Swie Ling began to transfer the company's management rights to his second son, Liem Tien Pao, and changed name to Putera Sampoerna, who modernized the company and expanded its business. On October 19, 1990, "Sampoerna A Mild" was launched. In 2005, Philip Morris International completed a 97.95% acquisition of the company. 2014 end of May, as consumers switched to buying Kretek cigarettes machine-made, hand-rolled therefore Kretek cigarette sales decline, so Sampoerna close Jember and Lumajang factories and laid off 4,900 employees. In 2010, when Samura's Mount Merapi broke out, Sampoerna was criticized for its "corporate social responsibility" approach. Because of the disaster, there was a wrong idea.

Then Sampoerna is committed to diversity and is empowered to meet today's and tomorrow's challenges. And Sampoerna is committed to continually developing every employee and pursuing a brilliant career.

Finally, in the course of its business, Sampoerna prioritizes the interests of sustainable development and stakeholders. Sampoerna also prioritizes compliance with applicable laws and regulations.

RESEARCH METHOD

This research uses qualitative research using content analysis method. It uses SWOT analysis. The data is collected by observing the marketing management of PT. Sampoerna Tbk.

RESULTS AND DISCUSSIONS

Market Opportunity Analysis

Customer

Philip Morris has formed Marlboro's target market based on a multi-attribute segmentation model. Sampoerna is a subsidiary of PT Philip Morris Indonesia ("PMID") and an affiliate of Philip Morris International Inc. ("PMI"), a leading international tobacco company with global brand Marlboro. The pattern of segmentation selected is homogenous s based on the belief that all consumers of PT Hanjay Mandala Sampoerna (Sampoerna) have similar preferences on the dimensions of both taste as well as quality.

The criteria and age range for the customer are such variety. PT Hanjay Mandala Sampoerna (Sampoerna) targets to adults who have already picked up smoking as a habit. As its secondary target it aims at the 30 years old and above adult. The second range is divided by purchasing power of customer. The target market includes all those individuals having a monthly income greater than or equal to normal salary.

Major Markets for has been pouring all its resources on catering to the urban population residing in the Metropolitan cities and nearby suburbs. This make the sale volume increase rapidly. Beside the major market, PT Hanjay Mandala Sampoerna (Sampoerna) also set the target that to develop caters only to a certain segment of society, the rich and the affluent. As such PT Hanjay Mandala Sampoerna (Sampoerna) cigarettes target the upper strata of society. But in developing countries it is marketing its product at the similar price as its competitors.

PT Hanjay Mandala Sampoerna (Sampoerna) also play the role that change society lifestyle when the brand portrays an image of a rich standard of living accompanied by a rugged lifestyle. Its target customer is someone who are individuals with active lifestyles. This will influence the population to try it. Personality also one of the customer segmentations used by PT Hanjay Mandala Sampoerna (Sampoerna) to developed a brand persona around its products that corresponds to its customer needs. Some of the personality traits of Marlboro cigarettes are: Rugged, manly, and tough and one that promotes a pastoral lifestyle. In Indonesia market, there are Bentoel International Investama, Gudang Garam, Djarum and Nojorono Tobacco International.

Competition

According to 2017 sales data, Marlboro is the most popular cigarette brand in the United States and Indonesia, with sales greater than the next seven leading competitors combined. The three most heavily advertised brands—Marlboro, Gudang Gadam, and PT Djarum—continue to be the preferred brands of cigarettes smoked by young people. The main reason emerging markets growth is the catalyst to sharpen the future of the international tobacco trade is emerging economies offer the tobacco companies for growing cigarette volume. All developed countries have experienced steady cigarette and OTP volume declines since consumption peaked in the 1980s-1990s. The prime reason for this decline is health concerns. Since the causality between smoking and a

host of life-threatening diseases is now scientifically non-controversial, we can assume that smoking rates in these countries will continue their decline. The strategy they often use is to roll out their international brands, sometimes modified to appeal to local tastes, to benefit from the recognition these trademarks often have.

Second, new product can come up with different flavours and target new customer base. They can also invest in research and development and come out with sales and more innovative product. This would definitely take up the high annual interest and revenue. Lastly, new acquisition is the strategy to open up wider market in world. PT Hanjay Mandala Sampoerna (Sampoerna) is the biggest player in this industry so it has a substantial amount of cash flow and reserves as profits. They can buy out the competition to move towards as the strongest brand all over the world.

The threats that Sampoerna face in global market is growing competition. High competition can create a negative aspect (Aghion, Bechtold, Cassar, & Herz, 2014; Chou, Ng, Sibilkov, & Wang, 2011). As a premium brand, Sampoerna is no exception. This might lead to less revenue and thereby lower profits. Government rules and regulation also restrict company to generate higher income. For example, With GST in picture stricter laws and regulations for cigarettes and tobacco products can make them even costlier. This can have a negative impact on revenues and profits of Sampoerna. External business risks also make the company to face risk in market. There is a high amount of risk involved in such business from the foreign as well as domestic agents. Increasing health consciousness of the public can decrease the market share of cigarette in the country. The increase in products such as nicotine patch and other addiction remover are becoming extremely popular these days.

Company

Strengths and Weakness

According to strength that PT Hanjay Mandala Sampoerna (Sampoerna) has is brand value. Marlboro has a whopping brand valuation at 21.9 billion dollars. Due to this brand valuation, it is ranked 26th in the world's top 100 brands list. It commands a healthy market share in the US. In US itself, its market share is 44% of the total cigarette market (2015 figures). In a single year, more than 420 billion cigarettes of Marlboro are sold worldwide.

Sampoerna has been the market leader in Indonesia, with a 33.0% market share in the Indonesian cigarette market in 2018. Sampoerna is a subsidiary of PT Philip Morris Indonesia ("PMID") and an affiliate of Philip Morris International Inc. ("PMI"), a leading international tobacco company with global brand Marlboro. The scope of activities of Sampoerna comprises of, among others, manufacturing, trading and distributing cigarettes including distribution of Marlboro, the leading international cigarette brand manufactured by PMID.

Second, Marlboro also increasing global value where other brands might be facing problems across the globe due to economic issues, Marlboro has been rising steadily. The graph shows a steady increase in the global brand value of Marlboro from 2010 to 2016. It has reached the value of \$84.14 billion in 2016. This also bring effect in Indonesia. Sampoerna has strong Marketing that is known for its marketing communications. Initially it targeted mainly women but slowly it expanded to men and later on conquered the complete market. The Marlboro man, with his strong chiselled looks and the flavour focus is famous across the world.

Besides, the domestic market also opens up as benefit to let Sampoerna increase their brand and sales. Sampoerna cigarettes are manufactured in the Indonesia. This provides them with a stronghold in the market and commands customer loyalty. When Marlboro

start as new venture in other countries, they face the barrier to new entrants but they make this become their advantages. The high brand recall of Sampoerna plus the sales worldwide suggests that maximum people prefer Sampoerna as their choice of a cigarette brand in Indonesia. This gives them the advantage to enjoy and command high market share thereby creating a barrier to new entrants and cutting the competition.

The weaknesses that faced by Sampoerna is growth rate. The growth rate of cigarettes as a product has been reducing year-on-year. The government has taken steps like steep tax increases on cigarettes and efforts to curb sales of tobacco products by making larger pictorial warnings mandatory on cigarette packs.

Tobacco is a competitive market which many different brands no matter new brand or branded brand also become a competitor to Sampoerna. This industry already has too many well-established players. All of them have been invested into making their market share grow. The top brands in this industry are PT Djarum, Nojorono and Gudang Garam. The more the number of competitors, Sampoerna need more creative and faster track about the latest trend of tobacco industry to make sure never left out in this market. Future cost also brings the challenge to Sampoerna to think about the better way to increase the volume and the production cost. As it clearly seen in the prices of cigarettes increasing due to increase in taxes and imposing regulations on it. This can inflate the prices of cigarettes in the country and thereby might lead to losses for the top brands.

Technology

When the society start concerned about the issue of pollution and health. There are necessary to come out a way to reduce the related question such as pollution. This make the company brainstorm the idea of heating tobacco (instead of burning it) has been around for more than two decades, it took years of research and development to create a product that is satisfying to adult consumers. Around eight million consumers have already chosen from cigarettes to this product: tobacco heating system IQOS in western countries.

At the heart of IQOS are sophisticated electronics that heat specially designed heated tobacco units. IQOS heats the tobacco just enough to release a flavourful nicotine-containing tobacco vapour but without burning the tobacco.

Besides, the tobacco in a cigarette burns at temperatures in excess of 600°C, generating smoke that contains high levels of harmful chemicals. But IQOS heats tobacco to much lower temperatures, up to 350°C, without combustion, fire, ash, or smoke. The lower temperature heating releases the true taste of heated tobacco. Because the tobacco is heated and not burned, the levels of harmful chemicals are significantly reduced compared to cigarette smoke.

With this IQOS can reduce the pollution problem and make the product more sustainable compare to the original product.

External Environment

Sampoerna believes in the regulation of the tobacco industry effective, evidence-based, and workable, which supports government related objectives child protection and public health; and ensure the sustainability of the tobacco sector where millions of workers, farmers and retailers make a profit. The tobacco sector also as a major contributor for the countries income and is one of the national export industries which is growing rapidly. other than that, Sampoerna is also committed to contribute in an effort to prevent smoking by the children. This commitment has been realized through the program "Prevention of Access to Cigarette Purchases by Children" (PACPC) which aims to increase awareness the Company's trading partners and the public will ban sales of cigarettes to children under the age of 18 year.

The program is implemented through extension of appropriate information with a partner's trade and placement of communication materials. Since 2013-2016, the Company has expanded its scope the program reached around 32,300 outlets sales throughout Indonesia, which is mostly among them are modern retail outlets such as like mini markets and hyper markets which are important links cigarette sales in Indonesia.

Sustainability along the Sampoerna value chain is an increasingly important thing for companies. They will be committed to understanding and minimizing environmental impact, optimizing the use of resources natural power, reduce waste and maximize cycle reuse and reduce used items which can still be used. Reducing energy consumption, CO₂, waste and water intensity from manufacturing operations we help reduce the impact of change climate as well as the right thing to do from business side. In 2016, the company's production facilities implemented solar panels as part of the latest energy projects in reducing CO₂ emissions, and increasing waste recycling up to 12% compared with the previous year. At the same time, the company can also maintain the level of energy consumption and water use which is relatively as the same as the previously year.

In 2016, the company introduced a new recycling program to convert mud into fertilizer that has the potential to be used by the farmers. The company believes that "approach from us - to us "this can complete the ongoing cycle. From the aspect of reuse, the company also utilizes it unused packaging material and change it become necessary supporting property items for consumer engagement for the foreseeable future which can still be used to produce goods more than the expected target.

Sampoerna is committed to maintaining sustainability of their tobacco's production so that the quality could be fixed to adult smoker expectations and standards Sampoerna and applicable regulations. For Sampoerna, sustainable tobacco's production is efficient and competitive quality production without negative impact on the environment as well improve social and economic conditions of the community local people and those involved in production. We believe that the sustainability of tobacco production can be produced if the farmers are consistent of (Apply Good Agricultural Practices the Good / GAP).

PT. Hanjaya Mandala Sampoerna Tbk. is a tobacco company that is arguably the foremost in Indonesia with facilities and manufacturers that have been spread in various regions in Indonesia. The company always prioritizes high standards for maximum production results that produce satisfying results for cigarette consumers in Indonesia. Besides that, PT. Hanjaya Mandala Sampoerna Tb, also has raw materials with the best and most reliable quality. The quality of these raw materials makes competition among large cigarette companies in Indonesia, such as Gudang Garam, which has now started to run its cigarette business abroad. The biggest competitor of Sampoerna itself is the salt cellar, because the salt cellar has been sponsoring events at major events because the name of Gudang Garam itself is soaring high thanks to the activities they make making the products they produce biased widely known both domestically and abroad. How to increase promotion by participating in major events that Sampoerna does not do makes Sampoerna prefer the weight warehouse, Gudang Garam, and thereby strengthen the position of Gudang Garam company as a large industrial company in a large industry known to the wider community and also large companies.

With this periodic event Sampoerna must provide substantial funds. The slow growth of Avolution cigarettes. Avolution cigarettes which should be a hope to be able to compete

with white cigarettes, but what happens is the growth of cigarettes is very slow, demand falls and profits decline, ultimately it actually gives a loss and gives a negative impact. Avolution cigarettes, which should have been expected, were seen from its extraordinary launch for the Indonesian cigarette industry, but what happened was that these products did not provide the expected profit over time. The entry of Philip Morris as a business partner. The entry of Philip Morris, which incidentally is one of the world's major cigarette companies, makes it easy for Sampoerna to expand its business to the international market through the help of the Philip Morris Trend positive market for Low Tar Low Nicotine (LTLN) cigarettes. Keep in mind again that smoking will cause addiction and addiction not only because of the cigarette but also because of the taste given by the cigarette, the addiction makes a person unable to move to other products. With the influx of Philip Morris Sampoerna can market its mild cigarettes abroad with Sampoerna can grow and can also get significant profits from the results marketing is done overseas and they can also introduce mild tar low nicotine products produced by Sampoerna companies. If Sampoerna continues to be consistent in the marketing of mild cigarettes abroad, the greater the opportunities that will be generated by PT. This Sampoerna, because of the segmentation of consumers abroad they still consume white cigarettes that have been favored by many people abroad. with the presence of mild cigarettes that consumers rarely feel they will start tasting these mild products and it is hoped that these products will further develop in the future. And the increasing number of young people who smoke and many strategies launched by LTLN producers to attract young people, and of course Sampoerna must also promote its products by participating in music events to be able to compete with Gudang Garam which has already done promotion for marketing its products. With this, Sampoerna's products can cause attraction for young people who love LTLN cigarettes, giving winds of change for the cigarette industry in the future because young people who smoke LTLN currently cannot move to other brands because they are addicted to the taste given by these cigarettes. The high awareness of public health and lifestyles that consider LTLN cigarettes cooler can change trends in the cigarette industry. The many spots there is an event to promote new products. The many events that are held by Sampoerna provide an opportunity for Sampoerna to promote new products free of advertising. With so many events, it will increase brand awareness of the product so that it makes it easier for customers to recognize and remember the product. New product possibilities. The amount of capital owned by Sampoerna and its cooperation with Philip Morris has enabled Sampoerna to develop new products if there is a suitable market. Switching from competitor cigarette customers to Sampoerna LTLN cigarettes. The high awareness of public health allows the transfer of customers of GG and Djarum cigarettes to LTLN Sampoerna or A mild cigarettes. The probability of moving is very high due to the high awareness of the health and taste of Sampoerna cigarettes which have similarities with SKM GG International cigarettes and Djarum Super. In the Indonesian cigarette industry, not many companies have very large capital. With this, Sampoerna, which is already one of the largest cigarette producers in Indonesia, can take advantage of this opportunity for its long-term business and also maintain the company's name to be able to compete with domestic and foreign cigarette products. By utilizing this company, it can become a tough competitor for new cigarette competitors in their market segmentation.

The Sampoerna company, if it wants to get ahead better, should be able to lead more to technology like Marlboro - Pikar.com. With Sampoerna creating their own website like Pikar.com. By giving attractive promos from Sampoerna by photographing cigarette boxes, you will get free coffee at a place that works with Sampoerna. that is one example that is currently advancing, with many people who prefer promos compared to other products, can increase Sampoerna's own consumers.

Idea Implication

Cigarette smoking is one of the leading preventable cause of death in the world. Cigarette smoking causes more than 480,000 deaths each year in the Asian. This made the tobacco company – Sampoerno Company faced the challenge to take a change to make the cigarettes become less damage to human health. White cigarette is a traditional cigarette which contain more tar, no extra taste and very hard to pull up. The transformation to change the regular cigarettes to mild cigarettes. Mild Cigarettes is one of the cigarettes which contain less tar, less nicotine than regular kinds of cigarettes. This kind of measured are measure by a machine that mimics the smoking process to prove the different volume of tar and nicotine contain in cigarettes. Sampoerno Company innovate the white cigarettes to mild cigarette. This can make the cigarette as a healthier choice than “regular” or “full-flavour” cigarettes in the 1960s and 1970s. Mild cigarettes also find out that the cigarettes are taking long drags, inhaling more deeply, and holding the smoke in their mouths for longer.

Sampoerno Company realized that more of the smokers noticed that the smoke from mild cigarettes are feeling more smoother and lighter on the throat and chest compare to regular cigarettes. This can make the mild cigarettes seem healthier than regulars. They may be associated with false beliefs about the relative risks of other cigarette brands. When the start has the belief than Sampoerno Company are able to produce more safe cigarettes, the smoker will stick on the brands. Sampoerno Company can invest in their product to produce the most positive light and mild possible cigarettes in world. This can increase the ability to brand that Sampoerno Company product are light and mild. The cigarettes packaging also can change to something people easily to realise which is blue colour which made people feel more peace and safe to use.

The cigarette that produced by Sampoerno Company can invented not only the packaging but the cigarette filters. The cigarette filters can use the cellulose acetate to trap particulate matter in cigarette smoke (tar) to keep it from going into smoker's lungs. Cellulose acetate is the white cotton-like material that makes up the interior of the filters. Filters do trap some tar, but plenty of it escapes the filter and is inhaled. This can make the less smoke inhaled and absorb into human body.

CONCLUSIONS

Marketing strategies are one of the methods can apply by the Sampoerno Company to increase the volume of sales and increase the branding in the tobacco industry. Marketing strategies is strategy refers to a business's overall game plan for reaching prospective consumers and turning them into customers of the products or services the business provides. A marketing strategy may contain the company's value proposition, key brand messaging, data on target customer demographics and others.

Branding to Sampoerno Company is a very important pathway to use in developed the products. This is because tobacco customers are a long-term consumer. They are loyal to the brand their use and would not change easily although got many of choice. So, to influence the tobacco users Sampoerno Company can using social media to influence and change the behaviour of smoker. Change the mind of consumer than Sampoerno Brand can bring the different and less risky to harm self-health and others. With a good and well-planned marketing strategy, it can build up a system to form a big sales opportunity in tobacco industry.

Besides the campaign to change the smoker mind positive to the brands. Sampoerno Company can market by paying content writer. Content writer are who smoke to write out and share their opinion about using the Sampoerno product. They can discuss about what their smoking habit is and how it positively helps in relieving stress and aids them

in day to day life. This marketing strategy can provide an engaging, helpful and entertaining content for those who are smoking. This can also retain the existing customers and gaining new customer to penetrate the market.

Sampoerno Company can involve in sponsor big international event such as futsal competition. Futsal competition is one of the global competitions and lot of people crazy for it. When sponsor in global event, the level of exposure of the Sampoerno brand in local and international platform. Sponsorships can put the Sampoerno Company brand visual in front of large audience who have not heard about Sampoerno Company product. The bigger event, the more press and the more social mentions you will get. With many sponsorships, you can get featured into advertisement, signs board, or radio spots that can boost the brand recognition. To get more recognition, Sampoerno Company must choose an event with a track record of attracting good press and customers.

On the other side, Sampoerno Company will also face risk and hardship while apply the renovation of cigarettes and promotion activities in local and oversea. This thing might happen due to the different law condition in every country. For example, in 2010 the U.S Food and Drug Administration (FDA) issued a final rule that placed several restrictions on marketing and promotion of cigarettes and smokeless tobacco, including prohibiting brand name sponsorship of athletic, musical, or other social or cultural events and prohibiting the sale or distribution of certain items with cigarette and smokeless tobacco brands or logos. This restriction will make Sampoerno Company face a lot of difficult when want to advertised and promotion cigarettes in Unites State. The best way to emerge the oversea market, Sampoerno Company must have a detailed cultural and legal analysis before start the marketing plan.

Difference from oversea, Indonesia are allowed the tobacco advertising and promotion with certain restriction. Tobacco advertising on TV and radio may take place between the hours of 21:30 and 05:00 local time but the advertisement may not show the shape of cigarettes and branding. The law also prohibits the distribution of free and discounted tobacco products, tobacco products as prizes. The allowed on direct tobacco advertising in Indonesia will make the brand more easily noticed by the community toward Sampoerno Company.

In the nutshell, Sampoerno Company are able to penetrate the tobacco industry with the new renovation of mild cigarettes. The marketing strategies used by the company also can build up a strong relationship with consumer in long term buyer-purchase relation. Sampoerno Company also can take note the risk that might face in local and oversea business to change the risk to became a bigger opportunity in global platform. This strong relationship can make the development of Sampoerno Company to a highest global platform.

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