

## Marketing Strategy of Paid Services by Product Manufacturer: Case Study of Angelise Paint

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— *Review of* —  
**Integrative  
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Economics**  
— *Research* —

### ABSTRACT

Established for almost 140 years, Angelise Paint is a well-known and trusted brand for industrial protective coating (AubreyDay, 2021). In recent years, Angelise Paint suffered pressure from the increase of raw material price and tight competition. Therefore, a growth initiative is designed and launched which is paid services to support painting activities. As the company expands its product to paid service provider, the company's marketing strategy needs to be enhanced. This research aims to analyze the company's internal and external environment and propose a suitable marketing strategy for the paid services. This research obtained primary data through interviews and the secondary data comes through literature review. By analyzing the internal environment using Segmentation, Targeting and Positioning (STP), marketing mix and resource-based view, while external environment analysis was performed using Porter's Five Forces, strategic group mapping, and Strategy, Objectives, Assumptions, and Resources (SOAR) analysis, then the strategy for paid service was formulated using Porter's Generic Competitive Strategy, enhanced STP, and improved marketing mix from 4Ps to 7Ps. This research provides input for marketing strategy of product manufacturers in the industrial product industry through differentiation strategy, namely by the first company that develop new products that keep the company ahead of its competitors.

Keywords: business-to-business marketing, paint manufacturer, paid service, marketing strategy.

## 1. INTRODUCTION

According to Indonesia Statistics Bureau (2020), as the fourth populated country in the world with more than 270 million people, Indonesia has shown steady growth of the paint and coatings market account of its population, high urbanization, and rising middle class. Along with the government's infrastructure and housing project has driven this industry to keep in stable growth and unaffected by the economic slowdown and the weakening of the Indonesian rupiah exchange rate. According to Globe News Wire (2020), data from global business guide Indonesia shows that Indonesia, as an emerging market, grows faster than other mature region like United States, Western Europe, and Japan. In 2010, Indonesia's domestic paint consumption reached 772,454 tons. In 2014, this figure soared to 877,459 tons with a market value of 15 trillion IDR. Likewise, Indonesian paint exports also increased from 21,742 tons in 2010 to 29,068 tons in 2015. Meanwhile, imports also rose from 45,927 tons in 2013 to 65,392 tons in 2014. Globally, the paint and coatings market is projected to grow from USD 147.2 billion in 2020 to USD 179.4 billion in 2025,

at a compound annual growth rate (CAGR) of 4%.

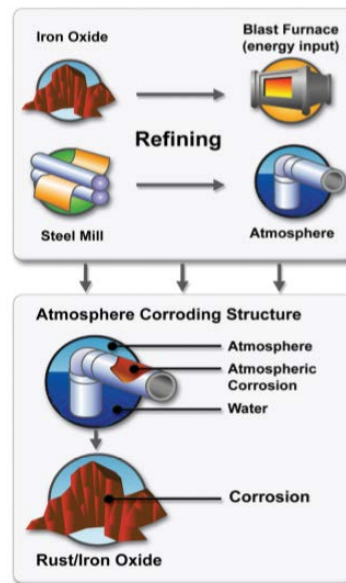


Figure 1. Life cycle of iron in steel

Source: Training module NACE coating inspector level 1

Data from Globe News Wire (2020), Indonesia's domestic consumption accounts for 50-60% as decorative paint, and the remaining 40-60% is industrial and automotive paint. Paint and coatings hold two primary function which are decoration and protection. The decorative purpose is to decorate, beautify and protect signature buildings or assets, primarily applied in apartments, residential homes, public facilities, and factories. Another function as protection shown in figure 1 is widely used in industrial products; most of these products hold particular purpose to protect structures in a more aggressive environment like in industrial plants and equipment, marine facilities, and vessels from degradation or corrosion.

The paint and coatings industry is becoming more competitive and challenging. In recent years, a major change has been taken place in this industry with the adoption of new technologies. The pressure from environmentalists has also given a key driver for this industry to change its product to more environmentally friendly coatings. Based on Business (2019), another driver of the change is customer preference; in the decorative sector, customers prefer a waterborne coating, and in the protective coating sector, customers require a higher volume solid content, easier application coatings, faster back-to-service time, and coatings that suitable with the harsher environment or operating parameters.

## 2. OBJECTIVES

Paid services is a new offer from Angelise Paint (not a real name) as a coatings manufacturer. Expanding from product manufacturer to service provider related to painting and coatings specification development, coatings application, quality assurance, and managing corrosion and maintenance of client's asset. This research is conducted to analyze the value proposition of Angelise Paint, especially in paid service product through an external and internal analysis of Angelise Paint in the protective coatings market.

Second objective is to formulate a marketing strategy to maximize profit with new services throughout the asset life cycle.

### 3. EXTERNAL ANALYSIS

#### 3.1 Porter's Five Forces

Rivalry among existing firms: High

Higher competition in the industry makes a very limited space to make higher profitability. Meaning the intensity of competition among the company provide the same products and services is going to be high. According to Barnley and Hesterly (2008), the competition will also be high when there are many big companies controlling the market. Angelise Paint faces a very competitive specialty chemical industry from other manufacturers like Jotun, Hempel, Sherwin William, and other local manufacturers. Usually, in the owner's specification, the choice of paint manufacturers has been stated, and the remaining is the cost bid analysis by the EPC company, which one is the most price competitive, shorter lead time, and warehouse availability near EPC's yard/ workshop. In terms of the product, competitors will try to produce a similar generic type for Angelise Paint's focus product at a lower price. Based on this fact, rivalry among existing firms is considered as high.

Threat of new entrant: Low

This factor will analyze the barrier to enter the industry. The growing market makes this sector more attractive to enter by the new company. To enter the paint and coatings industry, the new player needs a considerable research and development investment to produce a premium product, long period for product formulation, development, and technical certification process by the third party. The company also needs to have a specialized chemist in order to formulate a good product. Even though, the production machine is considered not expensive and for generic type of paint is easy to be made, the current market required a more reliable specialized product rather than a generic type of product. Based on this fact, the threat of new entrants is considered low.

Bargaining power of buyer: High

This factor will analyze from the buyer's side. Buyers affect an industry through their ability to influence the price. Their ability to bargain for more services or high-quality products, comparing the product with competitors, will force the price to be lower. According to Hitt et.al. (2011), customers are powerful when the industry's products are undifferentiated or standardized, and they could switch to another product at little cost or no cost. In the paint and coatings industry, the customers are demanding and price-sensitive due to there are many choices of manufacturers. Some knowledgeable customers required more technical guidance and product with ease of application. They also have the power to have a paint qualification and test prior to choosing and purchase the product. Hence, bargaining power of buyers is considered high.

Bargaining power of suppliers: Medium

Supplier power is defined as the ability of the supplier to control the price of goods or services of raw materials that impacted to end product price. According to Hitt

et.al.,(2011), a supplier group is powerful when it is dominated by a few large companies and is more concentrated than the industry in which it sells. For paint and coatings product, some raw materials are imported from overseas, and titanium dioxide supplier as the key pigment in the paint is supplied by a giant corporation which has strong bargaining power, but it can be controlled through the global contract to supply raw materials for all manufacturing sites around the globe. Some organic raw materials price fluctuates following the oil price that can influence the end product price, but the price at the customer cannot change all of a sudden. Based on this fact, the bargaining power of suppliers is considered medium.

Threat of substitute: Low

Substitute products are goods or services that perform a similar function with the product that the industry produces and come from the company from the outside of the given industry. According to Hitt et.al. (2011), product substitute presents a strong threat to a firm when customers face few, if any, switching costs and when the substitute product's price is lower, or its quality and performance capabilities are equal to or greater than those of the competing product. For this industry, paint and coatings are still the first in mind and the lowest cost to protect and beautify assets. There is a substitute product called thermal spray coating, but this product required a higher standard of surface preparation and has a higher safety concern in the application process. Also, paint and coatings are still considered the easiest way to protect steel from degradation. Based on this fact, the threat of substitutes is considered low.

### 3.2 Strategic Group Mapping

The group map shown below is for the paint and coatings industry in three variables. First, due to protective coating commonly is a business-to-business model. Hence, brand awareness represented by the number of LinkedIn company page followers. Second, the product category is the number of products that the company sells in the marine and protective coatings area. Third, the revenue of 2019 in millions USD when the business is working as usual. From this mapping, we can map our position compared to other firms and competitive landscape in the paint and coatings industry, especially in Indonesia.

Table 1. Summary LinkedIn followers, product categories and revenue

Brand	LinkedIn Company Page Followers	Product Categories	Revenue 2019 (mil USD)
AubreyDay	551,085	11	11,080
Jotun	78,621	10	2,324
PPG	294,889	10	15,146
Sherwin Williams	184,102	9	17,901
Hempel	60,373	10	1,792
Propan Raya ICC	10,024	8	200
Sigma Utama	1,000	7	100
Pacific Paint	4,683	1	150
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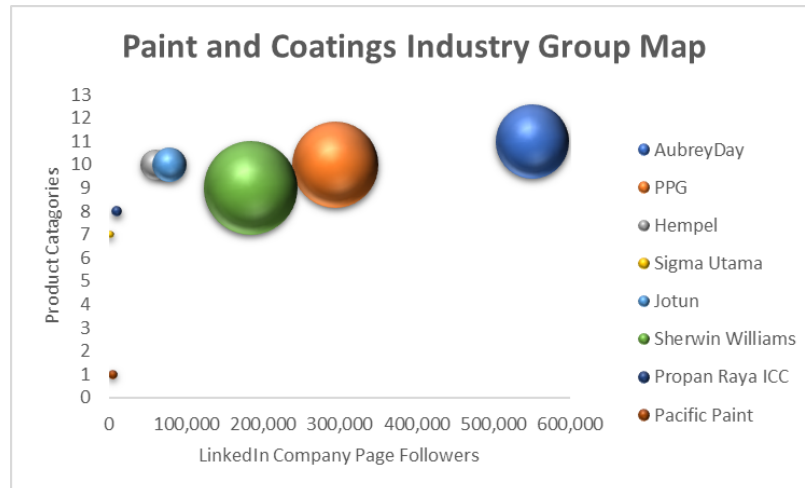


Figure 2. Strategic group map for coating manufacturers in Indonesia

As shown in figure 2., Angelise Paint represented as AubreyDay as the parent company, has the highest brand awareness among both local and global paint and coatings players. It can be seen in the number of LinkedIn company page followers, followed by PPG and Sherwin Williams in the second and third positions. Propan Raya ICC as the local player has the highest followers among other local paint and coatings manufacturers. Sigma Utama does not have a LinkedIn company page. Thus, the number of followers is an assumption.

In product categories, global paint and coatings manufacturer holds a high number of their product range. The first position is AubreyDay with 11 product categories and followed by PPG, Jotun, and Hempel with 10 product categories. The product categories offered by global manufacturers are close from one manufacturer to another manufacturer. This number reflects how competitive the paint and coatings industry to answer the challenge from the asset owners and to keep the compliance with international standards and regulation.

Revenue in 2019 reflects when the companies are doing the business as usual and shown that Sherwin Williams holds the highest nets ales among other manufacturers, followed by PPG in the second position and AubreyDay in the third position. For local paint and coatings manufacturers, the revenue number is an assumption.

Overall, the figure 3 shown that AubreyDay is the leader in term of brand awareness and holds the highest number of followers among other paint and coatings manufacturers. This number indicates that AubreyDay is the most recognizable brand for coating professionals. AubreyDay also holds the highest number of product categories. As stated in annual report that AubreyDay expense 255 million euro or equal to 304 million USD for research and development in the year 2019. The new research and innovation hub in Felling, UK, for testing marine and protective coatings in conditions similar to those clients face in the world's most extreme environments will ensure product development and possible further increase of product categories. For the revenue side, AubreyDay holds the third position. Facing this situation, AubreyDay tries to increase the value of its business, AubreyDay focuses on Eco-premium solutions, which will gain more margin and differ our position from competitors.

### 3.3 SOAR Analysis

According to Thompson et.al. (2020), Porter's SOAR framework for competitor analysis consists of four indicators which are rival's strategy, objectives, assumptions about the industry and itself, and their resources and capabilities. With this framework, we can gather competitors' strategic direction and likely moves in order to prepare the defensive countermoves. Thus, we can craft our strategic moves about what market maneuvers to expect from rival in response and possibly exploit any chance created by the competitors' missteps. In this framework analysis, the competitor strategies of Jotun are gained from its annual report and analyzed by the author. With this analysis, Angelise Paint can decide their countermoves and strategy. The four indicators of competitor analysis are described below.

Table 2. Competitor's SOAR Analysis

<b>SOAR Analysis</b>	<b>Competitor's move</b>
Strategy	<ul style="list-style-type: none"> <li>• Win major projects for product track record locally or internationally. Jotun was being used for floating, production, storage, and offloading (FPSO) vessel fabrication in Singapore. This vessel will be deployed in the North Sea at Johan Castberg field. In Indonesia, Jotun supplied a prestigious project named Thamrin Nine-Tower 1 which will be the tallest building in Indonesia.</li> <li>• Aggressively pursue direct sales and expand distribution network to make the products available closer to the customer.</li> <li>• Jotun making an infrastructure and maintenance product to reduce the risk associated with decreasing of new construction project due to drops of global trade and oil price.</li> <li>• Make customers and its paint applicators get used to its product.</li> </ul>
Objectives	<ul style="list-style-type: none"> <li>• Increase the market share in the region, especially in Indonesia. Jotun undauntedly gives EPC and fabricators a price discount to win the project in order to increase the volume sold.</li> <li>• Creating the same generic type of paint or similar to competitor's premium product and get the system certification for a new product.</li> <li>• Creates global research and development (R&amp;D) in Norway and regional laboratories that focus on regional product development, adapting or customizing existing products to fit with local environmental conditions.</li> </ul>
Assumptions	<ul style="list-style-type: none"> <li>• With almost 100 years of experience in the paint and coatings industry, competitor holds a strong brand awareness.</li> <li>• With spread regional R&amp;D lab, a competitor could answer the challenges from asset owner to comply with local environmental condition.</li> </ul>

	<ul style="list-style-type: none"> <li>• High R&amp;D budget to support product development for maintenance and infrastructure.</li> <li>• Aggressive direct sales and price discounts on project bids will increase the market share, especially in Indonesia.</li> </ul>
Resources and Capabilities	<ul style="list-style-type: none"> <li>• List of product track record used for the world's signature buildings and major projects</li> <li>• Spread research and development lab in every region to suit local environment regulation, supplier assessment, technical support etc.</li> <li>• Spread and certified technical service representatives.</li> <li>• A well-known brand for the decorative business unit has an impact on the awareness of its protective coatings business.</li> </ul>

After SOAR analysis, the competitor's likely moves are creating new product similar to Angelise Paint's premium product and compliance with the new international standards. Second, competing with a low price strategy in order to be used in a major project for track record and increase sales volume. And the third is selling services or manpower supply to asset owners, fabricators and, applicators.

#### 4. INTERNAL ANALYSIS

##### 4.1 Segmentation, Targeting and Positioning Analysis

There are some characteristics of buyers for paint and coatings manufacturers. This segmentation shall be done in strategic marketing planning. Therefore, market segmentation must be carried out in a high-quality manner. As mention before, the paint and coatings industry, especially in marine and protective coatings business unit, is a type of business-to-business model. Hence, the market can be segmented into firmographics units such as type of industry, sector, location, and structure of organization. Second, based on behavioral units consists of buyer behavior in choosing supplier and purchasing criteria. The segmentation before launching new product is shown in the table 7.

The scope of Angelise Paint market is vast. In terms of targeting, Angelise Paint chooses a potential market for paint and coatings; EPC companies, shipyards, steel fabricators, and coating applicators need the paint either to beautify its product or protect the product from degradation shown in figure 4. with the green color.

According to Kotler et. al. (2008), Positioning is the act of designing a company's offering and image to occupy a distinctive place in the target market's mind. Positioning is what the company does to the mind of the prospect, not what the company does with the product, which means that what the company does to put or position their brand in the mind of prospects to maximize the potential benefit for the firm.. As a brand with the highest brand awareness among other paint manufacturers, Angelise Paint offers a high-quality, reliable product with extensive certification from a third party and a long list of track records along with the certified technical service.

##### 4.2 Marketing Mix

Refer to Kotler and Armstrong (2012), to deliver its value proposition, the firms must create a need-satisfying market offering (product), decide how much it will charge its offering (price), how it will make the offering available to target consumers (place),

and communicate with their target customers about the offering and persuade them of its merits (promotion).

### Product

The main part is the offer from the firms to the market known as product. Product is the first element in 4Ps and the most important aspect of the marketing mix. According to Kotler and Armstrong (2012), product is something that has a functional value to satisfy specific customer need and demands. The benefits offered by the product and all its features need to be understood, including value, quality, and unique selling proposition (USP). Angelise Paint has the most diverse product among other paint manufacturers accounting for 11 product categories. Each of the product categories contains several product ranges that suit with customer's needs and wants. Every product has a specific characteristic that is needed by the customers, for example, their project budget, fast cure coatings, high volume solid coatings, surface tolerant coatings, a wide range of colors, etc. It is essential for Angelise Paint to manage their products in line with Indonesia/ regional needs and plan the new product that is suitable for this region's climate and environmental condition. Angelise Paint offers its product in two pack size, 20 liter and 5 liter. Customers can choose the pack size they want, and for a special color, Angelise Paint can tint the paint in a small amount and ready in several hours.

### Price

Price is the second most important in the 4Ps marketing mix. Price is the actual amount that the end-user needs to pay in return for the product. If there is a positive customer value, then a product may be successfully priced higher than its monetary value. Hence, it is important to know the perceived value of the product to the customer. Based on Kotler and Armstrong (2012), marketers must develop an appropriate pricing strategy considering the distribution plan, value chain costs, and how competitors price a rival product. In terms of price, Angelise Paint pricing is more or less the same with competitors for the same generic type product. Angelise Paint targeted an average 44% profit margin for the year 2021. Thus, high profit margin can be achieved by selling premium product in which there is no price competition with other products. With the pressure of the raw material price and price competition, it is hard to gain a high-profit margin for a generic type of paint. Furthermore, if a competitor wants their product to be used in major and prestigious projects, the competitor can give the prospective customer an additional 15% discount or selling the product without profit margin in the cost bid phase.

### Place

Based on Kotler and Armstrong (2012), place in the marketing mix is related to a distribution channel that refers to an area where the product is accessible. The placement strategy will help the company to assess the channel that is most suited to a product. It can be either from a physical store or a virtual store. Nowadays, this journey is more complicated because there are intermediaries on this road. Most of them do not take the products into their possession, but thanks to various contacts and strategies, they sell goods with profit. Several types of intermediaries are wholesalers, and retailers are intermediaries who buy products they own and then sell them in a way that they profit from it-another type of intermediaries, including brokers,



manufacturers' representatives, sales representatives. The last type of intermediaries is transport companies, warehousing organizations, banks, and advertising agencies. To cover all over the region, Angelise Paint has to put sales representatives and warehouses in a strategic location to cover a certain area. Currently, Angelise Paint has 11 salesmen for protective coating and 9 salesmen for marine, these salesmen are supported by 4 key account managers. Based on figure 3, Angelise Paint has one manufacturing site in Jababeka, Cikarang. Six sales office across Indonesia, located in Jakarta, Batam, Surabaya, Balikpapan, Bitung and Makassar. Angelise Paint also has ten distributors across Indonesia.

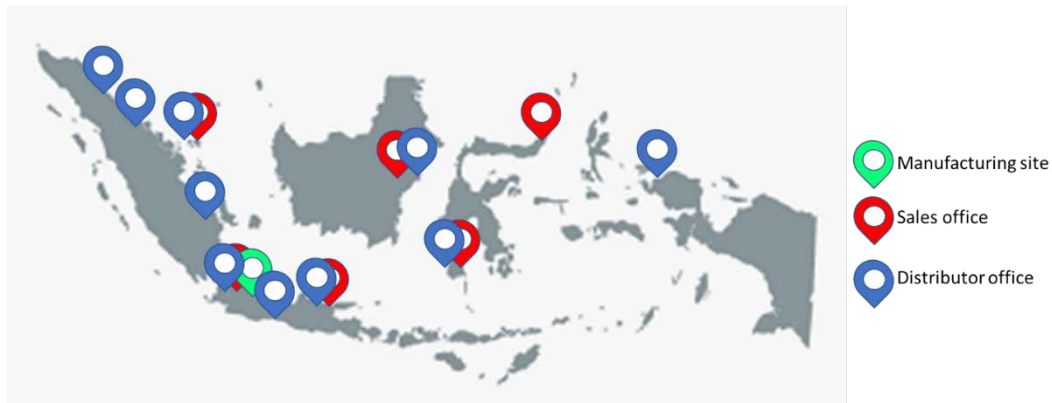


Figure 3. Sales and manufacturing site of Angelise Paint

### Promotion

The fourth marketing mix tool is promotion. Kotler and Armstrong (2012) define promotion by the activity to make the customer aware of the existence of a product. To deliver clear message to customers, this tool studies integrated marketing communication through several media. This communication can be in the form of advertisement, word of mouth, business exhibitions, catalogs, event sponsorships, and so forth. Promotion is a part of a retailer's sales and marketing mix that can help move inventory and drive sales. To promote the product, Angelise Paint usually uses sales promotion material that refers to any documents or material that aid in sales in general. These could include a calendar, umbrella, flash disk, notebook, T-shirt, brochures, and simple inspection tools like wet film thickness gauge. Angelise Paint also uses digital media for advertising its product. These are including LinkedIn company page, Angelise Paint, and Instagram advertisement that targeted coatings professionals. For offline activity, Angelise Paint held free basic training for the applicators, fabricators, and asset owners. In specific theme exhibition, Angelise Paint often become sponsor, join in an exhibition stand and proposed product specialist to be a speaker in the seminar.

### **4.3 Resource Based View**

In this internal analysis, the author analyzed seven resources/ capabilities of Angelise Paint so that the firm can conclude each resource's competitive advantage. The list of tangible assets of Angelise Paint is sales force, R&D investment, certified technical service representative, merger and acquisition strategy, distribution network, and premium product range, for intangible assets, are brand awareness and perceived quality. The basis of the resources to be sustainable competitive advantage is the

resources have to be valuable, costly to imitate, rare, and need to be organized to capture the value. One of the pioneers of resources-based view of the firm, we call this model the valuable, rare, inimitable and organization (VRIO) framework according to Rothaermel (2017).

Table 4. Angelise Paint VRIO analysis

<i>Classification</i>	<b>Resources or Capabilities</b>	<b>Valuable</b>	<b>Rare</b>	<b>Inimitable</b>	<b>Organization</b>	<b>Competitive Advantage</b>
<i>Tangible</i>	Sales Force	YES	YES	NO	YES	Temporary competitive advantage
<i>Tangible</i>	R&D Investment	YES	NO	NO	YES	Competitive parity
<i>Tangible</i>	Certified Technical Service Team (TSR)	YES	YES	NO	YES	Temporary competitive advantage
<i>Tangible</i>	Merger and Acquisition Strategy	YES	YES	YES	YES	Sustainable competitive advantage
<i>Tangible</i>	Distribution Network	YES	NO	NO	YES	Competitive parity
<i>Tangible</i>	Premium Product Range	YES	YES	YES	YES	Sustainable competitive advantage
<i>Intangible</i>	Brand Awareness	YES	YES	YES	YES	Sustainable competitive advantage
<i>Intangible</i>	Perceived Quality	YES	YES	YES	YES	Sustainable competitive advantage

Salesforce showing the capability of the team on chasing the major project, consist of a key account management team and sales team that work together to win and be used in the project. The global key account management team will develop close contact with the asset owner to create a higher value of their asset through quality and paint specification. Meanwhile, the sales team will approach the local EPC company to sell the product in accordance with the owner's specifications.

R&D investment represents how much capital that Angelise Paint puts into product development. Big R&D investment has been made by Angelise Paint to build new research and innovation hub in Felling, UK. Certified TSR represents how many TSR and their location to support the customers on how to use the product in a correct step. 95% of Indonesia TSR holds an international professional certificate. Currently Indonesia has three national association of corrosion engineer (NACE) coating inspector program (CIP) 3 certified which is the highest level of qualification in NACE CIP certification.

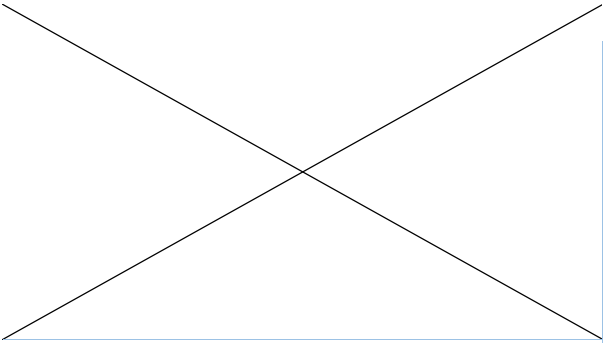
Merger and acquisition strategy mean AubreyDay will merge or acquired local products in order to create higher brand awareness and expand its market share. For distribution network resources, currently, AubreyDay has a presence in more than 150 countries and having 125 manufacturing sites. Premium product range represents on how many special products for a special application, with the support of big R&D investment, several new products with series of advantages are expected to launch in the next few years. For intangible assets, consist of brand awareness and perceived quality, Angelise Paint is the top of mind for coatings professional that will provide a good quality product and service.

## **5. BUSINESS SOLUTION**

### **5.1 Internal and External Analysis Result**

A common tool used for the internal and external condition of a firm is using SWOT analysis. The function of this analysis is a framework that allows leaders to synthesize insight obtained from internal analysis of the company consist of strengths and weaknesses along with an analysis of external condition that consists of opportunities and threats to derive strategic implication according to Rothaermel (2017). The SWOT analysis of Angelise Paint is shown in Table 5. After conducting the SWOT analysis, then it will be derived into TOWS matrix to gain possible strategic alternatives. According to Heinz Wehrich (1982), Threats, Opportunities (in the environment), Weaknesses, Strengths (in the organization) should be analyzed in this order, as a problem-solving sequence in the process of strategy formulation. TOWS matrix for Angelise Paint is shown in Table 5.

Table 5. TOWS matrix of Angelise Paint

	<b>Strengths (S)</b>	<b>Weaknesses (W)</b>
	<ol style="list-style-type: none"> <li>1. Well-known and trusted brand for specialty chemical producers.</li> <li>2. Spread production site and distribution around the globe.</li> <li>3. Center for research and development at Felling, UK. Regional R&amp;D center within every region.</li> <li>4. Wide variety of products.</li> </ol>	<ol style="list-style-type: none"> <li>1. Many business units and brands make it hard to control and focus on.</li> <li>2. Premium product required advanced application equipment.</li> <li>3. Tight payment term.</li> </ol>
<b>Opportunities (O)</b>	<b>SO Strategy</b>	<b>WO Strategy</b>
<ol style="list-style-type: none"> <li>1. Ensure market growth in emerging market like Asia.</li> <li>2. New product to support environmental awareness.</li> <li>3. Positive outlook for global construction industry and chemical industry.</li> <li>4. Strategic merger and acquisition of local players to ensure a strong position in a certain country.</li> </ol>	<ol style="list-style-type: none"> <li>1. Conducting technical conferences and training for product introduction and increase brand awareness. S1, S4, O1, O3</li> <li>2. Acquire local specialty chemical products and innovate to be higher volume solid, lower VOC, and non-toxic products. S1, S2, S3, S4, O1, O2, O3, O4</li> <li>3. Selling services to asset owners, fabricators, and applicators. S1, S2, S3, S4, O1, O3</li> </ol>	<ol style="list-style-type: none"> <li>1. Partnership with equipment manufacturers to promote the premium product. W2, O3, O4</li> <li>2. Hire key personnel of acquired products. W1, O1, O4</li> <li>3. Expand distributor partnership to reach a new area and longer the payment term. W3, O1, O3</li> </ol>
<b>Threats (T)</b>	<b>ST Strategy</b>	<b>WT Strategy</b>
<ol style="list-style-type: none"> <li>1. Competition with local brands and global competitors.</li> <li>2. Volatile raw materials price.</li> <li>3. Environmental regulations.</li> </ol>	<ol style="list-style-type: none"> <li>1. Differentiated product development. S2, S3, S4, T1, T3</li> <li>2. Training for the R&amp;D team to produce specialty product using the original formula to adapt with local raw materials. S2, S3, S4, T1, T2, T3</li> </ol>	<ol style="list-style-type: none"> <li>1. Focus on selling premium products and in collaboration with approved applicators. W2, T1</li> </ol>

## 5.2 Strategy Formulation

### 5.2.1 Porter's Generic Competitive Strategy

Table 6. Porter's generic competitive strategy of Angelise Paint

Target Scope	Advantage	
	Low Cost	Product Uniqueness
Broad (Industry Wise)	Cost Leadership Strategy	 Differentiation Strategy
Narrow (Market Segment)	Focus Strategy (Low Cost)	Focus Strategy (Differentiation)

Based on SWOT analysis, the suitable strategy to be taken by Angelise Paint is the differentiation strategy. With the current size of Angelise Paint, differentiation strategy is suitable to be applied and supported by the R&D expense as shown in 2019 financial statement this expense account for 255 million euro. The focus of the strategy rests on a broad competitive scope within an industry and offers a unique product. Angelise Paint needs to keep in front of its competitor in innovating its product, launch a new product with more benefit offerings than competitors' products.

This strategy will give the firm a dominant power because of the unique characteristics. Differentiation strategy is found appropriate for Angelise Paint because the target customer segment is not price-sensitive, especially for asset owners. The paint and coatings industry is competitive or saturated, customers have very specific needs which are possibly under-served, and the firm has all unique capital, resources, and capabilities to satisfy customer needs in ways that are difficult to copy. As an industrial product, Angelise Paint needs to focus on a strong market position, have a better sales force and offer greater customization refer to Choudhury, R.(2019). All of this strategy can be achieved through a focus on R&D and product customization.

### 5.2.2 Proposed Segmentation, Targeting and Positioning

As the basic marketing strategy framework, defining and identifying market segmentation, targeting and positioning are essential before launching a new product. As the strategy for Angelise Paint is differentiation and shown in TOWS matrix that product innovation is critical to be the leader in this industry, Angelise Paint will release paid service to support coatings specification development, coatings quality assurance, coating application, and asset preservation & protection. With a new service offer, Angelise Paint can expand its market segmentation both in firmographic.

Table 7. Improved segmentation

<b>Firmographic</b>	<b>Existing Segment</b>	<b>Proposed Segment</b>
<b>Type of Industry</b>	<ul style="list-style-type: none"> <li>✦ Fabricators</li> <li>✦ EPC companies</li> <li>✦ Manufacturers</li> <li>✦ Applicators</li> <li>✦ Shipyards</li> </ul>	<ul style="list-style-type: none"> <li>✦ <b>Asset owners</b></li> <li>✦ Fabricators</li> <li>✦ EPC companies</li> <li>✦ Manufacturers</li> <li>✦ Applicators</li> <li>✦ Shipyards</li> </ul>
<b>Sector</b>	<ul style="list-style-type: none"> <li>✦ Power generation</li> <li>✦ Oil and gas</li> <li>✦ Petrochemical</li> <li>✦ Marine</li> <li>✦ Infrastructure</li> <li>✦ Terminal and pipeline</li> </ul>	<ul style="list-style-type: none"> <li>✦ Power generation</li> <li>✦ Oil and gas</li> <li>✦ Petrochemical</li> <li>✦ Marine</li> <li>✦ Infrastructure</li> <li>✦ Terminal and pipeline</li> </ul>
<b>Location</b>	<ul style="list-style-type: none"> <li>✦ Coastal area</li> <li>✦ City suburb</li> <li>✦ Remote area</li> </ul>	<ul style="list-style-type: none"> <li>✦ Coastal area</li> <li>✦ City suburb</li> <li>✦ Remote area</li> </ul>
<b>Structure of Organization</b>	<ul style="list-style-type: none"> <li>✦ Individual firms</li> <li>✦ Privately held company</li> <li>✦ State own enterprise</li> <li>✦ Multinational company</li> </ul>	<ul style="list-style-type: none"> <li>✦ Individual firms</li> <li>✦ Privately held company</li> <li>✦ State own enterprise</li> <li>✦ Multinational company</li> </ul>
<b>Behavioral</b>		
<b>Buyer behavior in choosing supplier</b>	<ul style="list-style-type: none"> <li>✦ Through cost analysis only</li> <li>✦ Through cost analysis and technical analysis</li> </ul>	<ul style="list-style-type: none"> <li>✦ Through cost analysis only</li> <li>✦ Through cost analysis and technical analysis</li> <li>✦ <b>Through request by operation team</b></li> </ul>
<b>Purchasing criteria</b>	<ul style="list-style-type: none"> <li>✦ Price minded</li> <li>✦ Quality minded</li> <li>✦ Service minded</li> <li>✦ Lead time</li> <li>✦ Compliance</li> </ul>	<ul style="list-style-type: none"> <li>✦ <b>Operational safety minded</b></li> <li>✦ Price minded</li> <li>✦ Quality minded</li> <li>✦ Service minded</li> <li>✦ Lead time</li> <li>✦ Compliance</li> </ul>

After defining the market segmentation, the author will identify Angelise Paint's target market for the new product. Based on the interview and analysis, the target market can be expanded to the asset owners as shown in figure 5. When the existing business, Anglise paint communicate to asset owner in order to solve their coatings related problem, but with the new service product, Angelise Paint's expertise can be seconded to the asset owners, value selling product for owners in order to have safe operational and sells the application for coatings maintenance program.

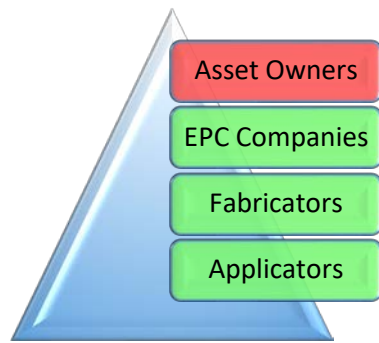


Figure 4. Angelise Paint target market

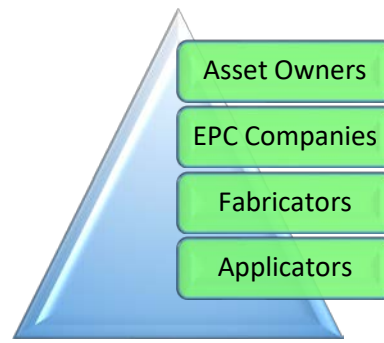


Figure 5. Improved targeting

With the new service product from Angelise Paint, it will make the company a complete solution for all coating activities. Hence, the positioning of Angelise Paint is changing from a high-quality, reliable product with extensive certification from a third party and a long list of track records along with the certified technical service to be a one-stop solution and reference in the coating industry. Angelise Paint has products to offer from the asset construction phase, operation phase until it will be decommissioned, a complete product range for all asset life cycle.

### 5.2.3 Improvement of Marketing Mix

According to Gordon et. al. (1993), the successful business-to-business marketer is the one who can provide maximum long-term value to the customers. Refer to Korathad and Boonpattarakan (2017), customers' trust would be affected by corporate image that largely dependent on the areas quality of the products or services, employee uniforms, certification received, state-of-the-art laboratories. This is critical that the firm must be able to determine the traits of service or product that are valued highly by the individual customer.

Refer to Paurova, V., & Nadanyiova, M., (2020), the classic model of the marketing mix 4Ps that are usually used for goods and an advanced marketing mix 7Ps is used for service. The enhanced marketing mix is extended with the physical environment, people, and process as an addition to original elements, i.e. product, price, distribution and marketing communications. As mentioned in TOWS matrix, Angelise Paint's strategy is launching a new product in the form of service. Below is the 7Ps marketing mix for Angelise Paint.

#### Product

Birnerova and Krizanova (2012) define the product as the most important tool of the marketing mix because the other tools of the marketing mix, which are pricing, building distribution, communication, process rationalization, customer service, and the like, depending on the nature of the product offered. As part of the growth strategy of Angelise Paint, company releases a new service product to support all parties in coating activity.



Figure 6. Coating inspection on asset condition.  
Source: Author collection

The service consists of AngelisePlan that offers assistance for clients in proactively managing corrosion and the maintenance of their assets. This service consists of asset condition, asset integrity, and passive fire proofing (PFP) integrity. The second service is AngeliseSure. This service is a quality system offer delivered by technical service representative who can advise, recommend and provide third-party quality assurance and support through the many stages of individual coating projects. The service in AngeliseSure is consists of quality assurance and quality supervision. One of the activities of AngeliseSure is shown in figure 6.

### Price

Both internal and external factors can influence the arrangement of prices. Internal factors affecting pricing include marketing goals, marketing mix strategy, costs, pricing decisions. According to Kita et. al. (2017), external factors affecting pricing include for example market competition and demand nature. The increase of raw material price and competition in chasing the project put pressure on the overall profit margin of Angelise Paint in recent years. By launching a paid service, Angelise Paint does not incur any input price. The revenue from service is 100% profit margin. Angelise Paint is in the effort to maximize its resources, on this occasion is their technical experts. In the quotation offer, Angelise Paint's sales force often uses bundling as a marketing strategy for services to make perfect economic sense, considering that the service is perishable, under-utilized services are opportunities that are lost forever. In terms of pricing, AngelisePlan and AngeliseSure can have a wide selection of pricing. The pricing could be different from one project to the other projects. The price can be based on technical expert workdays or items to be inspected. In AngelisePlan, the price is based on how many inspection items and how details the customer wants the inspection result. The price for AngelisePlan is \$6 per inspection item. For AngeliseSure, the bigger the project scale will result in a longer workday for TSR to finish the inspection. Different levels of technical expert qualifications will have a different price. The price is shown in table 8.

Table 8. Indonesia technical expert rate per qualification

<b>Certificate</b>	<b>Rate per day</b>
<b>NACE Coating Inspector Level 1</b>	\$ 100
<b>NACE Coating Inspector Level 2</b>	\$150
<b>NACE Coating Inspector Level 3</b>	\$ 200

### Place

Place in the marketing mix is essential to reach the customers. In the improved



marketing mix, the place is still the same as the existing place strategy with ten distributors and six sales office representatives. Both product and service can be delivered to all customers' locations, even in the remote sites. The sales office and Angelise Paint's technical expert is spread across Indonesia and available to mobile to remote areas.

### Promotion

Promotion is the activity to make the customer aware of the existence of a product. To communicate a new service product, the sales force usually uses direct selling in the form of helping the customers to get a good quality final product. Aside from direct selling, Angelise Paint could conduct a product training that involves the advertisement of this product and join an exhibition like the Indonesia Petroleum Association convention and exhibition to gain prospectus' awareness about the paid service. Help from digital advertising is also needed. To communicate this new product Angelise Paint can use their company page on LinkedIn and company website. The activity can be posting the banner and creating webinar series like shown in figure 7.



Figure 7. Webinar series on technical topics  
Source: Author collection

### Physical evidence

In order to fulfill the project requirement, customers can choose a technical expert certification level to conduct the service for them. For AngeliseSure service, customers will receive a copy of the certificate and curriculum vitae (CV) of the technical expert before they seconded to the customer.



Figure 8. NACE CIP Level 3 certificate  
Source: author collection

For AngelisePlan program, customers can access the data in real-time through the website. Clients can manage their inspection budget based on the severity of their asset condition. This severity can be filtered on the website, as shown in figure 10. The technical expert who did the inspection will be equipped with an iPad for data inputs and portable inspection equipment.

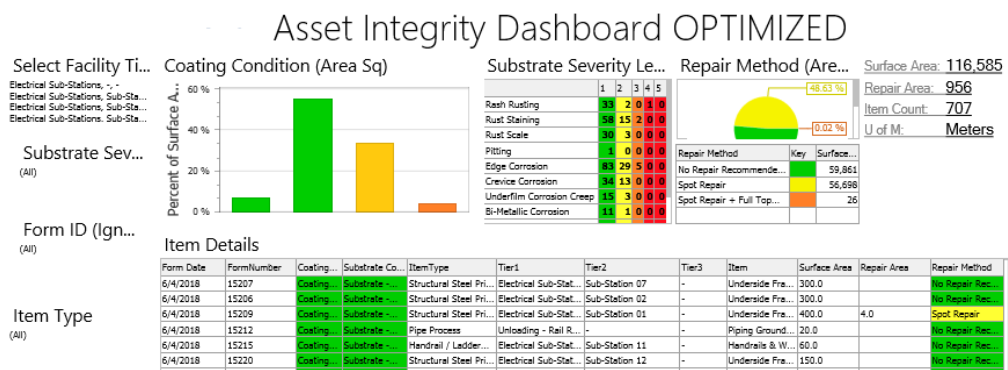


Figure 9. Dashboard for asset coating condition.  
Source: Author collection

Angelise Paint should realize that service customers place a high degree of importance on reliability, image, competence, and accessibility. These criteria should be periodically assessed and improved by the service providers.

People

People are one of the important elements of the marketing mix. Customers will contact service providers, and human touch is inevitable, and a customer-employee relationship will be established. In Angelise Paint, all employees are trained with mandatory training such as health and safety, compliance and code of conduct. Other training are also required to support each employees' function. In service products, Angelise Paint's employees are already professionally certified and trained to operate the program. In AngelisePlan. Angelise Paint's technical experts are spread around the globe, especially in Indonesia. There are 40 technical experts, as shown in figure 10.

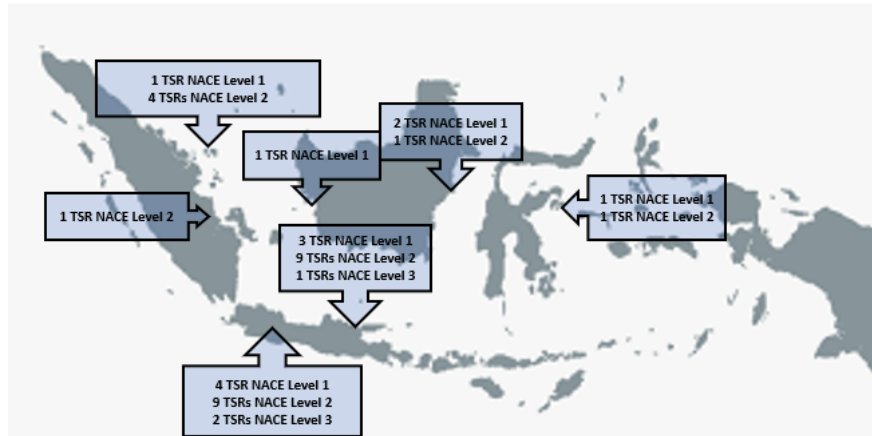


Figure 10. TSR location across Indonesia

### Process

The services provided to Angelise Paint's customers are hassle-free. Customers can see the data in real-time and could request more than one account to access the inspection result. Once they have a technical problem, the sales and marketing team will follow up the problem within an hour and will be handled with the right person in charge.

As to optimize the assets condition and give more value to customers, AngeliseSure and AngelisePlan can be combined to fulfill client's assurance about paint quality and corrosion condition. This service can be integrated with the existing maintenance program and easily modified as per client's request. This process will also optimize the maintenance budget based on severity and urgency. Upon completion of the AngeliseSure or AngelisePlan, customers will receive a final presentation for project wrap-up and overall project result. Hence, the client will have a picture of the condition of their asset and how to operate the inspection result dashboard.

## 6. CONCLUSIONS

Based on the analysis and business solution formulation in the earlier chapter, here is the conclusion to answer the research question.

1. The external analysis results shown the toughest competitor in the Indonesian market is global paint manufacturers such as Jotun, PPG, Hempel, and Sherwin Williams. As global manufacturers, they have the resources to increase their product range through R&D and product development in the event to answer the challenges from asset owners and more stringent international quality and environment standards. The result of R&D and product development can be seen in product categories. The global manufacturer has more product categories compared to the local manufacturer. The key difference between local manufacturers and global manufacturers is the product certification to comply with international standards, making local manufacturers hard to compete with a global manufacturer in chasing the major projects.
2. In the competitor's strategy aspect, sales forces are equipped with a strong technical background and the ability to give a discount on mega-size projects to increase their product track record. As in Indonesia, the EPC company, fabricators, and applicators are price sensitive. Different behavior is shown by asset owners

- that prefer durable products and concern about their process safety to reduce downtime in choosing the product to be used on their site.
3. The internal analysis result shown that in the paint and coatings industry, Angelise Paint has a good reputation and trusted brand under AubreyDay's banner. From two customer's voices, Angelise Paint is in the top position among other paint manufacturers. This position can be achieved by Angelise Paint's resources that can make a sustainable competitive advantage for the company, such as merger and acquisition strategy, premium product range, brand awareness, and perceived quality.
  4. The competitive strategy that suits Angelise Paint is the differentiation strategy. With the support of company's R&D expense, Angelise Paint is expected to be ahead of its competitors in inventing a new product. One of Angelise Paint's innovations is paid services. Angelise Paint is expected to maximize the utilization of their resource. In this event is certified and qualified TSR that spread throughout Indonesia to service the client to ensure the quality of painting job and extending client's asset life.
  5. In the expansion from selling products into selling services, marketing strategy needs to be improved. The segmentation is getting wider from EPC company, fabricators, applicators to add end-user or asset owner as a segment of prospective customer, from majority price minded customer to process safety-minded type of customer and position itself as a one-stop solution and reference in the coating industry.
  6. The marketing mix of Angelise Paint is adjusted to 7Ps in order to address the services sold by product manufacturer.

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