

# CHAPTER I

## INTRODUCTION

### 1.1. Background of the Research

Marketing strategy is essential to achieve the company goal in the market. Marketing strategy is the foundation for every company's marketing activities. Marketing strategy usually is a long-term strategy that has correlations with product, price, place, promotion (4Ps) (Mongay, 2006).

Marketing strategy needs to be analyzed and evaluated continuously because the markets and consumers are changing. Winning the competition in the globalized market is not easy for marketers to do. It means that to win the competition in the market, a marketer needs to know not only their strengths and weaknesses but also their competitors'. Therefore, marketers can calculate their capacity and construct a powerful marketing strategy.

According to Kotler (1997) and McDonald (1999), a marketing strategy is related to organizing marketing functions and marketing activities to achieve profit (Mongay, 2006). The function of marketing strategy is to design the selling process of products and services to achieve a sustainable long-term profit for the company. A marketing strategy can help marketers choose the best way to achieve their goals (Nimble Division, n.d.).

In order to achieve the goals in business, some experts develop and combine marketing strategy with other principles. One principle that gains popularity in the 1900s was Sun Tzu. The Sun Tzu strategy originally came from the ancient Chinese military strategy, but it is relevant to be applied to new business competitions. The implementation of military strategies in business has already been typical in western countries.

According to Macdonald & Neupert (2005) the influence of The Art of War has been evident in Asian management throughout the ages. Macdonald and Neupert using Chinese businessmen as the example have relied on The Art of War since 400 B.C., while the Japanese have studied the book since A.D. 700. Macdonald & Neupert also quote the statement from Wee (1997, p. 40) “Westerners should follow the Eastern example and discover the value of Sun Tzu’s book as a management text”.

Macdonald & Neupert, (2005) also have opinion that one of the main advantages of Sun Tzu’s approach is his recognition of environmental factors when formulating a strategy for dealing with an opponent. In The Art of War, the keys to a successful battle is not only understanding your enemy and yourself, but also the environment in which you will do battle. It is the additional understanding of the environment that Sun Tzu believes almost ensures victory: Know the enemy, know yourself; your victory will never be endangered. Know the ground, know the weather; your victory will be total. Sun Tzu separates the environment into the semi-controllable and the uncontrollable. Ground and terrain are semi-controllable environmental variables that describe the geography of the battle. The weather, or uncontrollable environment, is commonly referred to in the strategy literature as the economy, politics, etc.

Macdonald & Neupert, (2005) also explain although Sun Tzu’s discussions of configurations of ground and terrain have been applied to business in the past, these applications have ignored the two most important elements of the environment, the customer and the employee. Macdonald & Neupert, (2005) using statement from Chen (1994), for example, refers to terrain as the infrastructure at the location of the company’s operations. Similarly, Wong et al. (1998, p. 88) suggest that terrain “consists of semi-controllable variables

in the organization's external environment, in other words, the operating environment as it relates to competition within the relevant industry".

In Indonesia, Chinese literature is already known since the 18<sup>th</sup> century and specifically The Art of War by Sun Tzu has been implemented since then. Mr. Soekarno as the first president of Indonesia also used The Art of War by Sun Tzu, the concept of Sun Tzu, which used by Mr. Soekarno, is "win the heart and mind of the people, control the enemy's logistics, control the enemy's weapons," it shows that he had read books on Sun Tzu (Sjamsuoddin, 2014).

There is a quote from Sun Tzu about attack by stratagem which often adapted into various kind of strategy since the old times "In the practical art of war, the best thing of all is to take the enemy's country whole and intact; to shatter and destroy it is not so good. So, too, it is better to recapture an army entire than to destroy it, to capture a regiment, a detachment or a company entire than to destroy them" The example of strategy which comes from adaptation of this quote is "Capture the market without destroying it". This strategy is popular and widely used by businessperson and companies around the world including Indonesia. According to Sun Tzu, marketers must pay attention to the strategy in capturing their market without destroying it in the process. Destroying the market will make it unprofitable for the business. In other words, the best method for marketers to win the competition is to choose the marketing strategy without drawing the competitor's attention. For this, Sun Tzu said, "Hence to fight and conquer in all your battles is not supreme excellence; supreme excellence consists of breaking the enemy's resistance without fighting" (Giles, 1910, p. 7).

The Art of War by Sun Tzu is a complex strategy and related from one to the other. When implementing one aspect of The Art of War by Sun Tzu, it will automatically be linked with the other aspect of those Sun Tzu principles.

Sun Tzu also said that marketers must observe their competitors. The Sun Tzu said (Giles, 1910, p. 8).

If you know the enemy and know yourself, you need not fear the result of a hundred battles. If you know yourself but not the enemy, for every victory gained you will also suffer a defeat. If you know neither the enemy nor yourself, you will succumb in every battle.

Nowadays, in the globalization era, which everything easily accesses and connected through the internet, marketing strategy became more important. There are different kinds of marketing strategies for promoting every product to the market. All of those strategies are easily accessible anywhere and anytime. However, not only marketing strategy developed rapidly in these years, but the engineering industry also grew along with the progress in infrastructure and technology development.

In this research, the researcher specifically studied an engineering company. The engineering industry is chosen because, according to Cebr for the Royal Academy of Engineering (Academy, 2016), engineering becomes an essential part of a country's economic growth and development. It also helps to improve the quality of life of the citizen. The subject of this research is PT X, PT. X is an engineering company operating in the engineering industry which has a majority of customers from the B2B market and is located in Jakarta. For confidentiality purposes, the name of the company is hidden and is identified with PT X. There are several kinds of products and services which PT X provides for their customers such as machine reparations, maintenance, custom modifications for manufacturing machine, and many other kinds of services related to engineering.

Similar to other engineering companies, PT X has close relations with other industries, especially those that use machines to run their works. In many cases, engineering company also plays an essential position in production or working process of other industries because they know the secrets of production or working process of their customers. Most of PT X customers are manufacturing businesses (B2B) and other engineering companies. The customers of PT X can be categorized as loyal customers since they have been customers for years and rarely switch to other engineering companies. These kinds of conditions indicate that PT X provides excellent pre and after-sales service.

The reason for this research to evaluate marketing strategy in an engineering company (PT X) based on The Sun Tzu Strategy is because the engineering industry will multiply on few years ahead. Based on Engineering Journal (Journal, 2018), engineering and related sectors grew rapidly in 2017, according to the latest figures from Enterprise Ireland supported companies. Engineering, construction, and life sciences rose by 8% over the past year, while related sectors in electronics (6% increase), digital technology (6% increase), and ICT (5% increase) also demonstrated strong growth. Engineering, construction, and life sciences increased by 8% over the past year, but more engineering graduates are required to maintain growth in the sector. The industrial sector also grows well in Indonesia. According to Airlangga Hartarto, as Industry Minister, in 2018 manufacture industry is absorbing 18,25 million human resources; this amount of human resources is contributing 14,72 percent in entire nation human resources (Kementrian Keindustrian Republik Indonesia, 2019). The growth of the engineering industry is reflecting in this condition. Also, based on a preliminary interview with The Deputy Director of Marketing, Training, and Development of PT X, the competition in the engineering industry in which PT X faced is dynamic. The advancement of

engineering technology has forced PT X to be aware of new technology. They have to catch up to compete with other companies. The Sun Tzu Strategy was chosen as the indicator to evaluate the marketing strategy of PT X because The Sun Tzu strategy is a dynamic strategy that has already been proven since ancient times and is still used in modern times with several adjustments (Sjamssoeddin, 2014, p. 15). Besides, based on a preliminary interview with The Deputy Director of Marketing, Training, and Development of PT X, some responses reflect the application of The Sun Tzu Strategy in PT X marketing. Based on the summary of the preliminary interview about the existing marketing strategy of PT X with The Deputy Director of Marketing, Training, and Development of PT X and the correlation of Sun Tzu Strategy is as long as PT X could maintenance their customers, competitors and also updated the skill and knowledge about the newest technology continuously they could win the market and their barriers to entry the market in engineering industry are not natural to break for new engineering company. This explanation from The Deputy Director of Marketing, Training, and Development of PT X has similarities with laying plans in The Sun Tzu Strategy.

The Deputy Director of Marketing, Training, and Development of PT X also explained that before PT X accepts some biddings or working with other manufactures or companies, they always do some preliminary surveys to find out their attitude, payment history, and other business matters with suppliers and other companies. The preliminary surveys which PT X conducted were similar to the use of intelligence strategy in The Sun Tzu Strategy and the organization of intelligent strategy from Implementation of The Sun Tzu Strategy in Marketing. PT X conduct these preliminary surveys besides to know their prospective customers also to know about their competitor, who is already working with those companies, this related to the honor the customer principle in Sun Tzu. The existing marketing strategy of PT X has several

similarities with Sun Tzu, mainly because it links with each other. When implementing one of those marketing strategies, it needs the other strategy to support that strategy in order to run the strategy well.

Initially, there are thirteen principles in "The Art of War" by Sun Tzu. These thirteen principles were already modified by Gerald A. Michaelson (Michaelson & Michaelson, 2004) into twelve marketing strategies. In this research, the researcher used the modified Sun Tzu strategies for marketing from Michaelson as the basic patterns to analyze and evaluate the marketing strategy of PT X. Those twelve The Sun Tzu strategies for marketing are (1) honor the customer, (2) organization of intelligence, (3) maintenance of the objective, (4) a secure position, (5) offensive action, (6) surprise, (7) maneuver, (8) concentration of resources, (9) economy of force, (10) command structure, (11) personal leadership, (12) simplicity. They not only focus on internal conditions but also on external and market conditions. They can be used either partially or all together as a whole strategy. This research used the modified version of The Sun Tzu strategies because it is already adjusted to marketing and is more applicable.

Based on the explanation above, the research will evaluate the marketing strategy of PT X based on The Sun Tzu Strategy.

## **1.2. Research Problems**

The research problem is to evaluate the marketing strategy of PT X. This research will address the following questions in order to understand the marketing strategy better. This research also attempts to find out the reasons why they applied such strategies.

- a. What is the marketing strategy of PT X?
- b. To what extent has The Sun Tzu Strategy has been applied in PT X's marketing strategies?

### **1.3.The objective of the Research**

The objectives of this research are:

- a. To identify PT X's marketing strategy
- b. To evaluate PT X's marketing strategy based on The Sun Tzu Strategy whether they applied The Sun Tzu Strategy or not

### **1.4.Significance of the Research**

The research will bring significance to companies and academics alike.

- a. PT X

The research can help the management to create marketing strategies that are suitable for dynamic competition.

- b. Academics and researchers

This research can become a reference for further research about the implementation of Sun Tzu strategies in marketing.

