

CHAPTER 1

INTRODUCTION

Chapter 1 contains an introduction to the research conducted and identification of problems that exist in the company PT D&W International, including: 1) background; 2) problem formulation; 3) research objective; 4) research limitation.

1.1. Background

The Middle East market, particularly the United Arab Emirates, is interested in Indonesian coconut derivative products like cocopeat. Cocopeat products are made from crushed coconut coir using machine technology. As a growing medium, fertilizer, and absorbent, cocopeat is frequently utilized in industry. Cocopeat is available in bulk powder sacks or in compress packs that are 5kg blocks (Direktorat Jendral Perkebunan, 2020).

PT D&W International is a trading company, which is a business that buys products from suppliers or Micro Small, and Medium Enterprises (MSMEs), stores them, and sells goods to consumers abroad or exports them for profit. The entire profit is calculated as total sales fewer total purchases minus total operating expenses. Finding suppliers, negotiating terms of sale, product delivery, controlling logistics, financing the assurance of payment to the supplier and product promotion are the operations performed.

Since 2005, PT D&W International is already exporting natural stone products under the Stone Depot brand, such as terramix, green stone, black lava stone, and basalt, for use in residential construction projects.

Cirebon, Jogja, and Bali are PT D&W International representative offices. West Java's Cirebon is headquartered. PT D&W International successfully serviced more than four hundred customers from 80 different countries, including Dubai, Korea, Malaysia, Spain, France, UEA, Australia, China, Japan, Singapore, Italy, Philippines, Thailand, India, the United States of America, and several more.

The items sold are high production volume items like raw materials products (stone). The MSMEs in the cities of Cirebon, Muntilan, Magelang, and Wonosobo are PT D&W International's raw material suppliers.

Starting in 2020, stone sales began to decrease, and the company saw the potential for selling coconut-based products, Cocopeat is from 100% organic and environmentally friendly materials, free from ground snake pathogens. The company started its cocopeat business under the Indococo brand. Cocopeat products are sold ready to use in bulk or block form and have two types of Electrical Conductivity quality. A Low EC level is $EC < 1$ mS/cm for plants as a soil substitute planting medium and a High EC level is $EC > 1$ and can be used for animal bedding, vivarium, or absorbent.

In its early years of operation, the company sold cocopeat goods to stone customers or business-to-business clientele (B2B). Due to limited personnel and suppliers (Cirebon, Wonosobo, and Magelang) this enterprise is conducted on a modest scale. While promotion is limited to word of mouth exclusively. To prioritize market expansion, the business opened a new branch in Yogyakarta to store cocopeat products and a marketing office.

Based on the results of interviews with stake holders (owner, marketing director and marketing sales) the problem that new businesses face is market expansion failure which affects their sales or profit targets. Local market demand is still low, while there is market demand from abroad, but high sea freight rates make consumers reluctant to order. High sea freight prices: in fact, compared to the early stages of the pandemic, current sea freight fares are more expensive. The average rate used to be USD 2,000 per Twenty Feet Equivalent (TEU), however now it has risen significantly by 300–400%, or to USD 4,000–10,000 per Twenty Feet Equivalent (TEU). The price to ship a Twenty Feet Equivalent (TEU) from Indonesia to Europe ranges from US\$2,000 to US\$25,000. To the United States, it will cost up to 800% (FreightSight, 2022). Customers struggle to purchase the product since it is priced less than the cost of delivery as a result based on the sales marketing experience of the buyer. From the above explanation, the new business of cocopeat wants to grow and needs to increase sales to get profit.

1.2. Problem Formulation

The business of PT D&W International or the new cocopeat firm wishes to expand in response to the issues that have arisen. Sales are low due to market

expansion failure and the cost of sea freight exceeds the cost of items supplied, international customers, lose interest in the purchase.

1.3. Research Objective

The purpose of this research is to propose a solution that will make PT D&W International successful in expanding its market. This is the first time this research has been conducted. Therefore, suggestions are given to support this research, so that sales of Cocopeat products can reach local and international buyers. This research helps companies to achieve sales targets. After conducting discussions with marketing sales, a sales target of 50% of 100 tons was obtained within six months.

1.4. Research Limitations

The limitations of this research are:

- a. Potential risks that may arise at PT D&W International due to the constraints of researchers, limiting researchers to only doing research on sales.
- b. Due to the disparities in location of residence with faraway consumers or respondents, asking for research data cannot be done directly; it must be provided via social media or telephone.
- c. The issues raised in this study only concern the sales cocopeat product.