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EXECUTIVE SUMMARY

ALADIN NASUTION. Analysis on Marketing Strategy of Johor Tenggara Oil Palm SDN, BHD, Johor Malaysia supervised by Ir. Lien Herlina, MSc and Ir.Husin Anang, M.Agr.Sc.

Malaysia is the main producer of palm oil, with its market segment of 50 percent more than the world palm oil product. In 1994, Malaysian palm oil production was 7,220,717 tons, while the need for domestic consumption was relatively small, i.e. only 10 percent of the total production. It shows that the palm oil is an export commodity for Malaysia. As the export commodity, the demand for Malaysian palm oil is very dependable on the world market's demand. The demand for the world palm oil itself is influenced by some factors, such as : the level of consumption, the price of substitute product, the stock of the world vegetable oil, income per capita, etc.

Due to such many factors which may influence the demand for palm oil, the efforts to keep and increase the world market segment are of importance. The strategy may be in the form of market expansion, or market penetration towards the existing market. As a matter of fact, it is expected that the domestic palm oil business can be developing and keep the position as the main producer of the world palm oil.

Johor Tenggara Oil Palm (JTOP) as one of domestic palm oil producers is also influenced by the world market situation. The unstable condition may have negative impact towards the continuity of the company's business since there is a sensitivity of palm oil demand towards the market's influence. Consequently, there is a price fluctuation, while the production cost needed is constant. The price fluctuation may cause a problem for the company, particularly for the selling price regulation, which then affecting the company's income. To face this challenge, a marketing

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strategy and the carefulness in conducting the market analysis which is in accordance with the company's objectives are necessary.

Due to the matter, this internship is aimed to analyze and study the marketing strategy and the selling price regulation applied by JTOP, Sdn, Bhd to keep and increase the market segment and the company's profit.

The internship is carried out in kind of "two-months apprentice" in JTOP, so that the apprentices are expected to be able to study and analyze the problems occurred, which are in accordance with their internship objectives, within the given available time.

The marketing strategy applied by JTOP is a direct selling and a selling via a broker. The direct selling is carried out by marketing directly the products to the consumers. In the direct selling, the price regulation and the candidate consumers are carried out by the company itself (the marketing manager).

Different from the marketing via broker, the selling price regulation and the candidate consumers are based on the information given by the broker. Consequently, for the broker fee, the company should spend RM 2 per ton (Rp.1680) of the selling volume.

The direct selling is usually carried out for the permanent consumers of JTOP. The marketing system done is a contract system (forward selling) in 1-4 months period. The marketing strategy with forward selling system carried out by JTOP is a high risk marketing strategy. This is because the valid palm oil price has a quite sharp fluctuation. As the consequences, the company has a quite high profit loss during the past 1994. The marketing with forward selling system can be done, when the demand for palm oil is decreasing and the price is relatively stable, so that the product marketing can be more guaranteed.

The analysis result shows that the marketing via broker is more profitable for the company, if compared to the self-marketing. The contribution from the marketing margin via broker is still higher than the



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self-marketing margin, although the self-marketing has no broker fee. It means that before the company can use the resources optimally, the marketing via broker can be carried out since it can give a maximum profit to the company. However, for a long-term, the dependency of the marketing on broker may have negative impact for the company because it may reduce the income and the utilization of resources is not optimal.

The selling price regulation is much related to the applied marketing system. In a fluctuating price condition, the optimal selling price regulation seldom give a maximum profit if it is not accompanied by a proper marketing strategy. In the fluctuating price condition, the marketing of long-term contract system must be avoided, because it may inflict a financial loss for the company. If during the contract, there is a price change and it tends to increase, the company will loose an opportunity to get the maximum profit. For that reason, to face such market condition, the strategy to apply is a short-term marketing with the proper selling price regulation.

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