

New Product Launching Strategy



Group Field Project

**IPMI Full time Class of February 2000
Millennium Group**

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IPMI
INSTITUT PENGEMBANGAN
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**INSTITUT PENGEMBANGAN MANAJEMEN
INDONESIA (IPMI)**

GROUP FIELD PROJECT (GFP)

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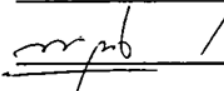
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EXECUTIVE SUMMARY

PT. Ericsson Indonesia has been given the first opportunity to launch R190, the dual mode handset that can be used as a satellite-phone as well as a GSM-phone. In order to “make it all happen”, Ericsson has an agreement with PT. Pasifik Satelit Nusantara up until the end of year 2001. PT PSN has the responsibility to provide the ACeS satellite network through Garuda I satellite which is deployed over the Asia Pacific region.

R190 offers a solution for users who face a coverage problem. This product can be used anytime, anywhere, even in the middle of the ocean. The calling cost is very competitive with a fixed rate that is much cheaper than the ordinary satellite phone and users will get benefit if using R190 to make an international call compared to GSM. In addition, R190 has also other facilities such as Internet, facsimile and e-mail that will enable people to communicate better.

On the other hand, it is such a challenging task for PT. Ericsson Indonesia to market this product since the previous satellite-based phone system, Motorola Iridium, with similar concept of R190 had been failed to penetrate the market. Besides that, the bulky size and long/gun-like antenna of R190 has made people perceive this product as unfashionable compared to ordinary GSM phone although it is indeed much smaller than ordinary satellite phone.

Indonesia with its 13,000 islands is a very potential market for R190 since there are still many areas that haven't been covered by the telephone line or other GSM providers. Moreover, the economic, political and social & cultural especially demography aspects of Indonesia could support the selling of the product.

The primary targets of R190 are institutional buyers that can be divided into 5 groups: agro-business industry, mining industry, multinational companies with high mobility employees, companies which need up to date information all the time and foreign companies in remote area. Meanwhile, the secondary target market is individual buyers

that usually work in remote area, has high sport-activities in remote area, have high mobility and snob consumer.

In this Group Field Project, we are trying to give some recommendations to PT. Ericsson Indonesia considering this new innovative product launching strategy, especially the marketing mix (product, price, place and promotion) and also some feedbacks from the evaluation of post launch customer satisfaction and television advertisement effectiveness.

PREFACE

Technology is one of the most important aspects in mobile phone industry. The ability to provide telecommunication solution for people on the move would not have been possible without technological development. However, the applicable technology for common mobile phone is no longer a secret nowadays. Whatever new technology available in the market, other competitor will usually be able to copy it at a very short time.

In order to maintain the leadership in the mobile phone industry, the specialized mobile phone producers will have to keep on coming up with new technology to enhance their products and maintain the leadership position. For this purpose, Ericsson launches the first smallest dual mode satellite phone in the world, named Ericsson R-190.

With the main purpose of helping PT. Ericsson Indonesia in the launch of Ericsson R-190, as well as to fulfil the IPMI' graduation requirement, we conduct the Group Field Project with the subject of new product launching strategy.

THE ORGANIZATION AND CONTENT

This Group Field Project report is divided into six chapters, with all chapters are integrated each other. Chapter I describes the introduction to the project, identifies the problem facing PT. Ericsson Indonesia as well as the objective of our Group Field Project. It also describes the methodology, assumptions and limitations in the preparation of the report. Chapter II describes the company background, include the product, marketing, sales and distribution, while chapter III focuses on the analysis, external, internal and SWOT analysis. Chapter IV is involved with generating the strategy, segmentation – targeting - positioning and the marketing mix (4P). Chapter V is devoted to the post launch brief evaluation as the additional section from the Term of Reference's scope of work. In this chapter we will evaluate the consumer satisfaction to R-190 and Ericsson R-190 TV ad. Finally, chapter VI contained the Conclusion and Recommendationb we derived from the above condition and analysis.

THE TARGET AUDIENCE

This Group Field Project report is intended for PT. Ericsson Indonesia as an input for the marketing of Ericsson R-190 satellite phone, as well as for IPMI students as a reference in preparing their tasks during their studying period in IPMI. We wish that this report would be benefited most to them.

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VI. CONCLUSION & RECOMMENDATION

VI.1. Conclusion

1. Since Ericsson R-190 is the first GSM Byru handset in Indonesia, which provides GSM service as well as satellite one, consumers have very limited product knowledge about this. Due to this fact, there would be a lot of challenge in educating the market. Therefore Ericsson should *cooperate* with PSN, a 'complementor' player which produce Byru Card, *to synergy its marketing effort*.
2. Byru Card is the complementary product of Ericsson R190, therefore performance of Byru Card will bring effect to Ericsson R190's performance image and vice versa. Ericsson really depends with PSN since it is the only GSM-Satellite provider in Asia Pasific. This condition put Ericsson in an *unfavourable* condition.
3. Target Market of Ericsson R190 could be divided into two types:
 - i. *Primary target market*, which comprise of institutional buyers (companies), which could be categorized into 5 groups which are: agro-business industry, mining industry, multional companies with high mobility employees, companies which need up to date information all the time, and big /foreign companies in remote area.
 - ii. *Secondary target market*, which comprise of individual buyers. They could be divided into 4 groups. The attitude of these individual buyers, except the fourth groups are not fashion-oriented customer and focus primary to the functional benefit of hand phone such as coverage and durability. The four groups are as followed: people work in remote area, people who has high sport-activities in remote area, high mobility people in and out of Indonesia, and snob consumer.
4. Positioning of Ericsson R190 is as followed:

" Ericsson R190 is GSM-Satellite hand phone for companies or someone who concerned about 'coverage' with 'competitive calling cost' "

Additional Section: Post Launch Brief Evaluation

1. Through an in-depth interview, we found out that some respondents were quite satisfied with the performance of R190, meanwhile the others were still dissatisfied since R190 performance could not meet their needs and expectations, especially the network aspect.
2. We also found that from the dissatisfied users, they would hold their repurchase intention of R190 and also there's likelihood not to recommend others to buy the product. On the contrary, there's one highly satisfied user that felt really lucky to have R190 since it had already saved his life in the middle of an ocean where his boat was broke. This person will give a very positive word-of-mouth to others.
3. Through Focus Group Discussion (FGD) of R-190 TV advertising, we found that most respondents were not aware with R-190 TV ads and their knowledge about R-190 sourced more from Kartu Byru advertisement. After combining the information from both advertising, most respondents admitted that finally they understood that R-190 has dual mode, which are: GSM phone and satellite phone. Few of them liked the TV ads and made comparison with other TV ads that was attractive and easy to remember. Finally, there are some considerations for them to purchase R-190 by themselves, such as: calling cost, network, product, benefit, and needs.

VI.2. Recommendation

1. Since core benefit and tangible product of Ericsson R190 has been given from the Head Quarter, therefore we could only recommended augmented product of R190 to increase its value to customer, such as: after sales service, easy user guide, customer service (eg: toll free number, R190 website), credit facility, one year guarantee, and spare part & accessorize.

2. In order to protect product image as a GSM-Satellite phone, we recommend that the price of R190 shouldn't be below around 6 million rupiah, which is at least equal with premium price of GSM hand-phone but still less than satellite phone.
3. 'Convenience' would be the key word in designing the place strategy.
 - Channel strategy
 - Ericsson should develop another channel (eg: cyber place market, mail order market) in addition to its old one (distributor) by collaborating with third party (eg: aeroplane, GMPCS, etc).
 - It also should increase the number of intermediaries by recruiting new distributor which has wide network outside Java and those which accustomed to sell product to institution / company.
 - Ericsson should also develop the horizontal marketing system by collaborate with unrelated companies to exploit this market, such as: PSN, Caterpillar, and BCA.
 - Coverage and Location Strategy.
 - Since the most potential target market of R190 are in remote areas and scattered across Indonesia, therefore R190 distribution should cover all over Indonesia. Ericsson should encourage and give suggestions to its distributors in delivering R190 to hand-phone stores in remote areas where the potential target market are located.
 - Ericsson should focus more in filling big store, big network store (eg: global teleshop, telexpress), and certain stores that have potential capability to sell this hand phone due to its location advantage (eg: Roxy, Mall). In addition, Ericsson could also build stand in selective office building where there is an opportunity for the potential companies to buy R190 and have an "on the spot" after sales service (eg: Arco / BP building).
4. An integrated promotion strategy should be conducted in order to get the maximum impact of communication tools, starting from Public Relation for introducing the

product to advertising, sales force, and direct marketing, and closed by public relation again by establishing R190 internet club as a tool for maintaining the existing client.

Additional Section: Post Launch Brief Evaluation

1. TV Advertising Campaign:

- For ads placement in all TV stations, it might be better to put spots ads on programs that is aired below 11 PM since only few target audiences would see television above that time and also to put more spots ads on news programs, due to target audience profile.
- For the TV ads placement pattern: it might be better to spread the spots ads as wide as possible to more varied programs to reach more audience and coverage. Also, Ericsson should have avoided putting more than 1 spot ad in the same program and in the same date. It might be better to allocate the excess spots to other programs or to the same program that is aired on different date, in order to be more efficient and effective.
- Besides using RCTI, SCTV and IVMT, it might be better to use TVRI-local also to hit the target audience in remote area that prefers more on local program by conducting Public Relation activity.
- Since R-190 and Kartu Byru is complementary product, it might be better that those TV ads could be aired 'back to back', meaning: after R-190 TV ads airing, it will be followed directly with Kartu Byru TV ads.