

Market Penetration Concept: Indonesian Product Competitive Advantage in Export to Taiwan

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ABSTRACT

This paper examines the role of competition in market penetration of Indonesian products to Taiwan. It also explores the possible strategy facets of market penetration from Indonesia that are different from those of other ASEAN countries. Statistics findings indicate that political condition is not a determinant or influential factor for Taiwan in export or import generation in the Southeast Asia region. Indonesia has a tremendous opportunity for growing and developing export to Taiwan. Major export destinations are expected to establish solid frameworks that would support the ongoing business transactions and business strategies for determining a suitable method to enter the export market. In spite of the tight competition, the present situation has led to equal international standing as a profitable and internationally competitive region.

Keywords: competitive strategy, market penetration, export-import, RFM, CRM

1. Introduction

With a population of 23 million people, Taiwan presents a significant opportunity for Indonesian trade and investment. Taiwan's growing economy and stable market have allowed Indonesia to develop mutually beneficial trade relations. As one of the "Asian Tigers", Taiwan has had the fastest economic growth indicators over the last five decades, and its development has been hailed as an "economic miracle". After developing high-tech industries, Taiwan's economy has recorded a relatively higher growth rate compared to other Asian countries, and it has been comparable to Japan, China and South Korea. Even though it was affected by the global economic slowdown in 2008, the government supported the economy and encouraged export growth to help restore the economy. Taiwan immediately targeted global markets with a variety of strategies, and such condition has opened opportunities and challenges for Indonesia to meet the needs of Taiwan and to complement the import market as well as to use the country as a hub or gateway to the wider international market.

Since 2010, Taiwan has been trying to establish a variety of trade relations with China, Hong Kong, Japan, ASEAN, the United States, and the European Union. In fact, 85% of the accumulated trade contacts are categorized as Taiwan's potential exports, and 65% are categorized as potential imports (Trakman, 2008). To improve bilateral economic relations and trade, Taiwan has made some breakthroughs leading to an open two-way trade, realization of trade arrangements and implementation of various free trade agreements.

Taiwan has entered into several free trade agreements, including; 1) the Cross-Strait Agreement or Economic Cooperation Framework Agreement (ECFA) between Taiwan and China, 2) Economic Cooperation Agreement (ECA) between Taiwan and the European Union, 3) Agreement between the Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu on Economic Partnership (ASTEP) and Singapore, 4) Joint Feasibility Study on a Taiwan-India Economic Cooperation Agreement (ECA) between Taiwan and India (Central Bank of China DGBAS, 2012). With Taiwan having an active role and strategic value, Indonesia has opportunities to sustain its economic stability.

In May 2012, under the influence of the global economic slowdown, Taiwan's exports and imports declined by 6.3% and 10.5% respectively compared to the same month in 2011, while industrial production fell by 0.2% and export orders fell by 3.0%. Index of commodity prices at the consumer level (Consumer Price Index) rose by 1.74%, and the unemployment rate edged up by 4.12%. On the financial side, the growth of monetary aggregates in May declined by 4.4%, while the share price index rose by an average of 7.635 points (Central Bank of China and DGBAS, 2012). The monitoring indicators in the overall stock index show a positive trend, indicating relatively intense connectivity among real market economies on Taiwan stock exchange floors. It is noteworthy that not too long ago ASEAN was a commercial backwater, struggling with ethnic conflicts, war, and economic stagnation. By looking at the value of the existing exports and high levels of competition, can Indonesia increase its export opportunities to Taiwan? The adoption of export strategies, practical and structural reforms as well as a sustained period of regional stability and cooperation combined has radically transformed these countries into competitors in the economic community.

2. Objectives

This paper identifies and evaluates the possible strategies for Indonesian exports in order to penetrate Taiwanese market and compete with ASEAN-6. It examines the marketing strategy facets of the market penetration employed by these countries. However, rather than addressing the substance, this paper offers and assesses the effectiveness of the strategy which has been identified in an earlier study conducted by Hughes (1994) and Kaymak (2001).

Based on their empirical work, they conclude that different stages in the investment decision-making process require different marketing techniques. Image-building, for example, requires marketing techniques, like advertising, that can reach a broader, less informed audience of in-

1 The lack of formal diplomatic relations between the Republic of China (Taiwan) with trading partners appears not to have seriously hindered Taiwan's rapidly expanding commerce. The Republic of China maintains cultural and trade offices in more than 60 countries with which it does not have official relations to represent Taiwanese interest. In addition to the WTO, Taiwan is a member of the Asian Development Bank as "Taipei, China" (a name resulting from PRC influence on the bank) and the Asia-Pacific Economic Cooperation (APEC) forum as "Chinese Taipei" (for the same reason as above).

vestors, whereas a personalized sales presentation is most effective at later stages of the investment decision process. They observed that countries which are most adept at developing export had graduated from image-building one China policy¹ to investment-generating and that this evolution is not reflected in the business cooperation and their respective trading program.

This study observes the possible foregoing strategy within the context of Indonesia at different stages of export decision-making process, which has been affected by business competition among ASEAN member countries. We begin by briefly exploring the economic landscape as well as the trade and export flows related to Indonesia and the ASEAN-6². Next, we discuss some of the key factors that appear to be affecting the market penetration decision. This is followed by the explanation of the methodology and the key findings of our locus of analysis. The last section presents the conclusion along with a discussion on the implications of the findings.

3. Findings

3.1 ASEAN Competition in Taiwan

The market in Taiwan as the importing country ranks the 20th in the world (CIA Fact book, 2012)³, based on consumer awareness of price and value of goods. In that regard, the aspect that needs to be considered is whether or not the product is able to compete with similar products that have already existed in Taiwanese market and whether or not the product's raw materials comply with the requirements in Taiwan. With so many countries competing in Taiwan, we need to look at the composition of the countries that export goods to Taiwan, so that we will have a map of power that can be used to seek opportunities in order to significantly increase our market share. Below are the twenty major importing countries.

Imports are dominated by electronics, machinery, crude petroleum, precision instruments, organic chemicals, metals in the following composition: Japan 20.7%, China 14.2%, U.S. 10%, South Korea 6.4%, Saudi Arabia 4.7%, and the remainder is for the European Union and AANZ (ASEAN, Australia, New Zealand, and other countries). Despite the fact that Taiwan's import policies are very complex, the increasingly integrated infrastructure is able to support the large number of countries taking Taiwan as their export destination, as reflected from the trend of Taiwan's foreign trade. Re-export may occur when one member country of a trade treaty reduces its tariff for other countries in order to win the trade, and then re-export⁴ the same products to other members of the trade treaty, free of tariffs.

Taiwan has always been comprehensively revising its tariff schedule on annual basis such as in 2006, and continues to make improvements on the structure of tariff for raw materials and

2 This paper is using ASEAN as a representation of Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam only. Brunei, Myanmar, Laos and Cambodia are also members of ASEAN.

3. These data are based on the amount of merchandise imports on a c.i.f. (cost, insurance, and freight) or f.o.b. (free on board) basis. These figures are calculated on an exchange rate basis, i.e., not in purchasing power parity (PxPP) terms.

4. Re-export can be used to avoid sanctions by other countries, namely by Importing goods into the country that has previously been exported from the country. A number of legal issues arise with re-imported goods, especially where the goods are not designed to be sold in the country from which they are originally exported.

Table 1. Exports by main partner in the Southeast Asia Region

Unit: US\$100 Million

Code No	Country Name	2011/01-2011/12	2012/01-2012/12	Ranking	Growth rate (%)
Total	ASEAN(6)	50,737,581,812	55,712,187,273	---	9.805
SG	SINGAPORE	16,879,539,692	20,090,633,456	1	19.024
PH	PHILIPPINES	6,964,161,170	8,876,308,867	2	27.457
VN	VIET NAM	9,026,277,812	8,431,942,675	3	-6.584
TH	THAILAND	6,139,480,381	6,565,879,900	4	6.945
MY	MALAYSIA	6,891,612,661	6,557,223,554	5	-4.852
ID	INDONESIA	4,836,510,096	5,190,198,821	6	7.313

Note: percentages are shown in parentheses; data query results include three kinds of reports. Re-exports included

Sources: Department of Statistics, Ministry of Finance, Taiwan

Table 2. Imports by main partners in the Southeast Asia Region

Unit: US\$ 100 Million

Code No.	Country Name	2011/01-2011/12	2012/01-2012/12	Ranking	Growth rate (%)
Total	ASEAN(6)	32,635,322,479	31,363,557,319	---	-3.897
SG	SINGAPORE	7,953,091,060	8,105,749,922	1	1.919
MY	MALAYSIA	8,601,514,212	7,841,687,818	2	-8.834
ID	INDONESIA	7,428,180,610	7,324,792,469	3	-1.392
TH	THAILAND	4,393,454,375	3,696,615,494	4	-15.861
VN	VIET NAM	1,845,173,912	2,294,680,309	5	24.361
PH	PHILIPPINES	2,413,908,310	2,100,031,307	6	-13.003

Note: percentages are shown in parentheses; data query results include three kinds of reports. Re-imports included

Sources: Department of Statistics, Ministry of Finance, Taiwan 2012.

finished goods, and increased the average tariff rate for imported goods to a nominal of 5.56 percent in 2008 from 5 and 6 percent in 2006. In order to stabilize commodity prices in Taiwan, the government implemented tariff cuts for seven bulk imports including wheat, flour, and soy flour and corn until February 5, 2009 (BFT MOEA Taiwan, 2012). Taiwan ranked the 20th as an exporter with exports of \$325.1 billion for several commodities, such as electronics, flat panels, machinery, metals, textiles, plastics, chemicals, optical instruments, as well as photography, measurement, and medical appliances. Its export destination countries include the main partners, namely, China (28.1%), Hong Kong (13.8%), USA (11.5%) and Singapore (4.4%).

In 2011, Taiwan made its trade amounting to \$298.6 billion and ranked the 19th among importing countries, with the imported commodities including electronics, machinery, crude oil, precision instruments, organic chemicals, metals and key partners including Japan (20.7%), China (14.2%), USA (10%), South Korea (6.4%), and Saudi Arabia (4.7%).

The competition has become increasingly tighter, yet the opportunity is still wide open, as Taiwan industries raise six leading industries. Policy development in the direction of Taiwan's economic strategy will be more dominant with the advanced industrial ICT (information and communication technology) supported the conducive atmosphere in the communication, information technology, photonics and semiconductor sectors. While renewable energy is a serious concern, the medical equipment and pharmaceutical industries are aligned with the development plans that will support agricultural biotechnology and health care, which in turn will help boost tourism and promote cultural creativity industry. The needs for various resources and raw materials will certainly increase, in addition to the exploitation of the currently established markets, and there is a possibility to see Indonesia in the open market.

3.2 *ASEAN Plus Competitors*

3.2.1 Japan

In 2006, Japan was Taiwan's second largest trading partner, with which it had the largest trade deficit. Japan managed to make sales of US\$522 billion to Taiwan. Taiwan has had trade deficits with Japan considering the country's history as an industrial nation, particularly for key export industries, such as information technology, electronics and automotive parts, and it relies heavily on manufacturing and technology from Japan. There has been an increasing trend towards the needs for high tech industry as well as essential components and machinery for manufacturing products.

Japan is Taiwan's second largest foreign investor. During the period of 1951-2011, Japan had a total investment of around US\$12.7 billion in Taiwan. This is 20% of the total FDI in Taiwan during the period. In 2011, Japan's investments in Taiwan reached US\$724.3 million, or 17% of all FDI projects in Taiwan (BOFT MOEA Taiwan, 2012). Taiwan's investments in Japan, on the other hand, were very limited and accounting for only 2% of Taiwanese enterprises' overseas investments in Japan in 2011. Taiwanese companies invested in Japanese industries, including investments in information technology and electronics industry.

3.2.2 China

In 1991, trade between Taiwan and China amounted to only US\$8 billion. However, according to the data from the Central Bank of China (DGBAS Taiwan, 2012), cross-strait agreements have opened trade relations which have been increasing rapidly over the last decade. China has become Taiwan's second top trading partner. Market watchers see growth in Taiwan-China trade with a strong investment in the balance based more on Taiwan's political diplomacy. Since Taiwan joined the World Trade Organization (WTO) in 2002, the total volume of trade in 2011 increased by 16% compared to 2010 reaching US\$452.8 billion (including Hong Kong) and making it the most important overseas market for Taiwanese in China and vice versa. Taiwan's main exported products used to be textile raw materials, intermediate materials, and others. Nowadays, Taiwan's major exports to Mainland China include electrical equipment and components, optical instruments, mechanical appliances and parts, plastics and plastic products, organic chemicals, iron and steel, copper, synthetic fabrics, fossil fuels and textiles for the purposes of industries.

Taiwan imported goods worth US\$436 billion from China in 2011. China has become the second largest supplier for Taiwan. The portion of raw materials imported to China has decreased and now Taiwan is importing more from China for products like TFT-LCD devices, computers, machinery and mechanical appliances.

In 2011, Mainland China remained a major destination for Taiwan's external investments. According to official statistics compiled by the Taiwan Investment Commission under the Ministry of Economic Affairs, Taiwan's accumulated investment in China during the period of 1952-2011 was recorded at US\$52 billion. However, it is estimated that in the future, following the increase of operational costs for labor and changes in government regulations, those three countries will become alternatives for Taiwan to relocate its production processes.

Taiwan's accumulated investments in China surpassed US\$100 billion a few years ago. The most popular region among Taiwanese businesses is the major growth center triangle of China, namely, Shanghai-Nanjing-Hangzhou (Jiangsu, Zhejiang and Fujian provinces). The sectors attracting the interest of most of the Taiwanese investors are electronics, communications and audio, electrical equipment, basic metals, and chemical manufacturing.

3.2.3 USA

The United States was Taiwan's third largest trading partner during the period of 2006 to 2011, surpassed only by China and Japan. United States has always been an important trading partner for Taiwan. Trade flows between Taiwan and the United States in 2011 amounted to US\$55 billion. Taiwan's imports from the U.S. amounted to US\$257.6 billion. The United States and Taiwan have achieved rapid integration in electronics and information technology sectors, and investments have been made between the two countries. Taiwanese companies have shifted from manufacturing OEM to design, research and development applications. United States has traditionally been Taiwan's largest source of private investments. US Investments in Taiwan from 1952-2011 amounted to US\$14.1 billion, or more than 22% of Taiwan's total FDI. During the same period, the total of Taiwan trades to the United States amounted to US\$ 8.4 billion. In 2011, American companies invested US\$ 803.7 million in Taiwan. Taiwanese companies invested US\$ 314 million in the U.S. in 2011, or approximately 13% of the total outward investment from Taiwan that year.

3.2.4 South Korea

With an annual trade volume of imports amounting to \$178.6 billion, Korea is the fourth country that exports to Taiwan. Korea is an important supplier of components used to produce Taiwan's high-tech exports. Over the last year, Taiwan has imported electronic products, information technology products and petrochemical products, as the main items contributing to the trade deficit. To help narrow the trade gap, Taiwan has been trying to encourage Korean companies in Taiwan to expand their existing purchases and encourage industry associations in Taiwan, especially in the field of computers, textiles, machinery and electronics, to organize trade promotion groups and meetings to help their member companies penetrate Korean market. The government has also set up trade relations with the private sector as part of its plan to address the trade deficit. At the present time, Taiwan mainly exports ICs, micro-electronic components and computer parts to Korea. With a growth rate of 21.7%, Korea was one of the export destinations for Taiwan with the most rapid growth in 2012.

From 1952 to December 2011, Korean companies had invested US\$64 million in Taiwan. It was 1% of the total FDI in Taiwan during this period, Korean companies invested US\$ 200.5 million in Taiwan and increase 16.3% compared to 2004. It was approximately 5% of the total FDI in Taiwan in 2005. Taiwanese companies in turn invested approximately US\$3.6 million in Korea in 2011, constituting 0.15% of the total investments.

4. Discussion

4.1 ASEAN Plus competition at glance

Because of geographical proximity and cultural similarity, Taiwan has always been considering the close economic relations with the member countries of the Association of Southeast Asian Nations (ASEAN). Such relationship has become closer since the mid 1980's when many Taiwanese companies started to move their production bases to Southeast Asia in order to lessen the impacts of the appreciation of the New Taiwan Dollar and the sharp increase in production costs in Taiwan. Among the ten ASEAN countries, Singapore, Malaysia, the Philippines, Thailand, Indonesia and Vietnam have been important partners for Taiwan in terms of trade and investment relations.

In 2011, bilateral trade between Taiwan and ASEAN 6 reached US\$326.4 billion, or 12.6% of Taiwan's total foreign trade, with a growth rate of 12.3% of the total imports and growth rate of 10.4%. Those 6 ASEAN countries were among the top 20 exporters to Taiwan. Specifically for Indonesia, the actual threat of competition is posed by ASEAN countries, due to many similar characteristics of the exported products. Singapore ranked the eighth and Malaysia ranked the ninth, while Indonesia ranked the eleventh. Among ASEAN countries, Singapore and Vietnam attracted most of the investments from Taiwan in 2011 (US\$97 million and US\$93 million respectively). Investments in Singapore have been largely aimed at the service sector, while other ASEAN members have been especially attractive for Taiwanese investment in the manufacturing sectors, such as electronic devices, electrical machinery, and industrial metals. After Vietnam joined the WTO on January 11, 2007, bilateral relations between Taiwan and Vietnam have been closer than predicted. Taiwan has become the largest source of foreign investment for Vietnam, while Vietnam ranked the seventeenth among Taiwan's trading partners. Vietnam has been committed to reducing the average tariff rate for 232 agricultural products and non-farm products from 45.25% to 16.27%. Items that would benefit from Taiwan's tariff policy include pork, milk, dairy products, processed fish products, cement, plastics, rubber tire, textile fabrics, ceramic tiles, steel products, aluminum products, electrical machinery and others. With FTA between ASEAN and China, followed by FTA with Japan, Korea, Australia, New Zealand and India, the quality of products and branding will be the first choice for Taiwan, and with a new focus on the construction industry, Taiwan will continue to explore the possibility of entry into negotiations and trade cooperation with ASEAN countries including Indonesia.

4.2 Analysis of Indonesian Export Market in Taiwan

The high level of competition and Indonesia's economic stability supported by the development of world trade policies and various other bilateral economic cooperations has increased the possibility for improving Taiwan's status as one of the promising markets for export. Oil and non-oil commodities can be the mainstay of Indonesian exports to Taiwan. To start the

Table 3. Comparison of Rates between Taiwan and Indonesia

unit : US million dollars ; %

MFN Tariff	Taiwan's products exported to Indonesia		Indonesia's products exported to Taiwan	
	Amount	Share	Amount	Share
MFN= ad valorem	1	0.04	21	0.40
MFN=0	1,047	43.85	4,735	91.18
MFN>0	1,339	56.10	437	8.42
0<MFN<2.5%	1	0.05	54	1.03
2.5% ≤ MFN < 5%	13	0.56	59	1.13
5% ≤ MFN < 10%	748	31.33	176	3.39
10% ≤ MFN	577	24.17	149	2.88
Industrial products	2,379	99.65	5,115	98.50
Agricultural products	8	0.35	78	1.50
Total	2,387	100.00	5,193	100.00
Weight average tariff rate	4.57		0.74	

Source: Directorate General of Customs, Ministry of Finance of Taiwan 2012

explanation on the export process, it is best to first look at some situations and stages of penetration. The first stage is to predict the export market in Taiwan before taking the decision to enter the market. It is necessary to carefully conduct market research in order to determine if a product is really needed in the Taiwan market. The second stage is to learn the characteristic of the buyer. Today, more Taiwanese companies are interested in buying industrial goods and high-tech products, and less interested in textiles, apparel, toys and other decorative products, because they have already had sufficient overseas suppliers, especially China via Hong Kong. Export of raw materials may be an alternative while looking at the existing opportunities. The third is to improve the capacity of Indonesian exporters in the field of ICT with accuracy. News updates will give information to Indonesian exporters on Taiwan market. Taiwan market is continuously moving (changing). It is necessary to predict business opportunities in the future before taking steps to anticipate the possible changes that may occur before starting business in Taiwan.

Import tariffs in Taiwan compete with the average rates in other developed Asian countries or Europe and America. The list of products subject to import restrictions and regulations should provide better considerations and comprehensive information on export regulations as well as the distribution system in Taiwan. It is difficult for foreign businesses to succeed in the increasingly difficult market in Taiwan without having good business partners. Therefore, it is necessary to establish cooperation with Taiwanese business partners who are involved since the very early stage in developing a business plan, including product design, in order to meet the specific needs of the people of Taiwan.

Taiwan will take additional interim measures to include all kinds of best-selling products in the country as demanded by the WTO. When Taiwan became a WTO member in January 2002, Taiwan implemented tariff-rate quotas (TRQs). Taiwan has eliminated more than 99 percent of import controls, but there are still 87 product categories subject to import restrictions, indicating an increase from 71 product categories in 2007 (Cho, 2011). Of those product categories, 24 categories require import permit from the Board of Foreign Trade and 63 categories are prohibited.

In international economic relations and politics, “most favored nation” (MFN) is a status or level of treatment accorded by one nation to another in international trade. This term means the country obtaining such treatment would acquire nominally equal trade privileges as a “most favored nation” from the country granting such treatment. (trade privileges include low rates or large import quotas.) As a consequence, a country granting MFN status should not be treated less favorably than other countries with MFN status by the country promising such treatment.

The comparison table of rates shows the level of trade between Taiwan and Indonesia. As indicated in the data presented in this table, the average tariff imposed on products imported into Indonesia from Taiwan is 4.57%, while the rate of duty charged on Indonesian products imported into Taiwan is only 0.74%. Only approximately 10% of the items of Indonesian products exported to Taiwan are subject to import duties, while nearly 60% of the exported items from Taiwan to Indonesia are dutiable, and 55% of dutiable good or products are subject to import duties at a rate of 5% or higher. Conditions must be created where imported goods are essential requirements of the two countries. Changes in tariff and import duties, which are expected to be agreed upon, would expand the export market deployment. Agricultural products accounted for less than 2% of both Taiwan’s exports to Indonesia and Indonesia’s exports to Taiwan (DGOC MOF, 2012). The main emphasis in every FTA between Taiwan and Indonesia would be beneficial for the trades between the two countries, thus creating new segments and the opening of markets for manufactured goods.

Most of categories that require permits are related to public sanitation and national defense concerns which include ammunition and some agricultural products. For more complete information, all potential exporters should visit the website of the Board of Foreign Trade (BOFT) at www.trade.gov.tw. Exported products are classified into permitted and controlled categories. There are 751 products that require an export permit. As part of the government’s liberalization policy, currently there are only 112 products included in the controlled category. As many as 10,936 products have been listed in the ROC Commodity Classification Code, and up to 2011, there have been 10,185 types of products that do not require an export permit, and such permit is only valid for 30 days. In addition to 0.05% of ad valorem contribution to the trade promotion fund, 0.3% of product prices is allocated for dock construction costs.

4.3 Indonesian penetration market model

We propose a model for this present situation in relation to Indonesian market penetration in Taiwan. The commodity analysis is adapted from the RFM theory. The next step to be taken is conducting a feasibility study and devising a comprehensive business strategy, including conducting research on products attracting the interests the people of Taiwan, analyzing the competition, as well as selecting the most appropriate method for entering the Taiwanese market.

By conducting market research, exporters will gain more knowledge and information, thus obtaining certainty as to whether or not their products can be marketed in or are suitable for the Taiwanese markets. The factors to be taken into account in considering products include needs, quality, design, packaging, and price, and the raw materials must comply with the requirements in Taiwan. If the research results indicate the product is not suitable for the market, it is recommended that the product be completed and improved, while finding out other opportunities and resisting the urge to enter the Taiwanese market. The scheme and the

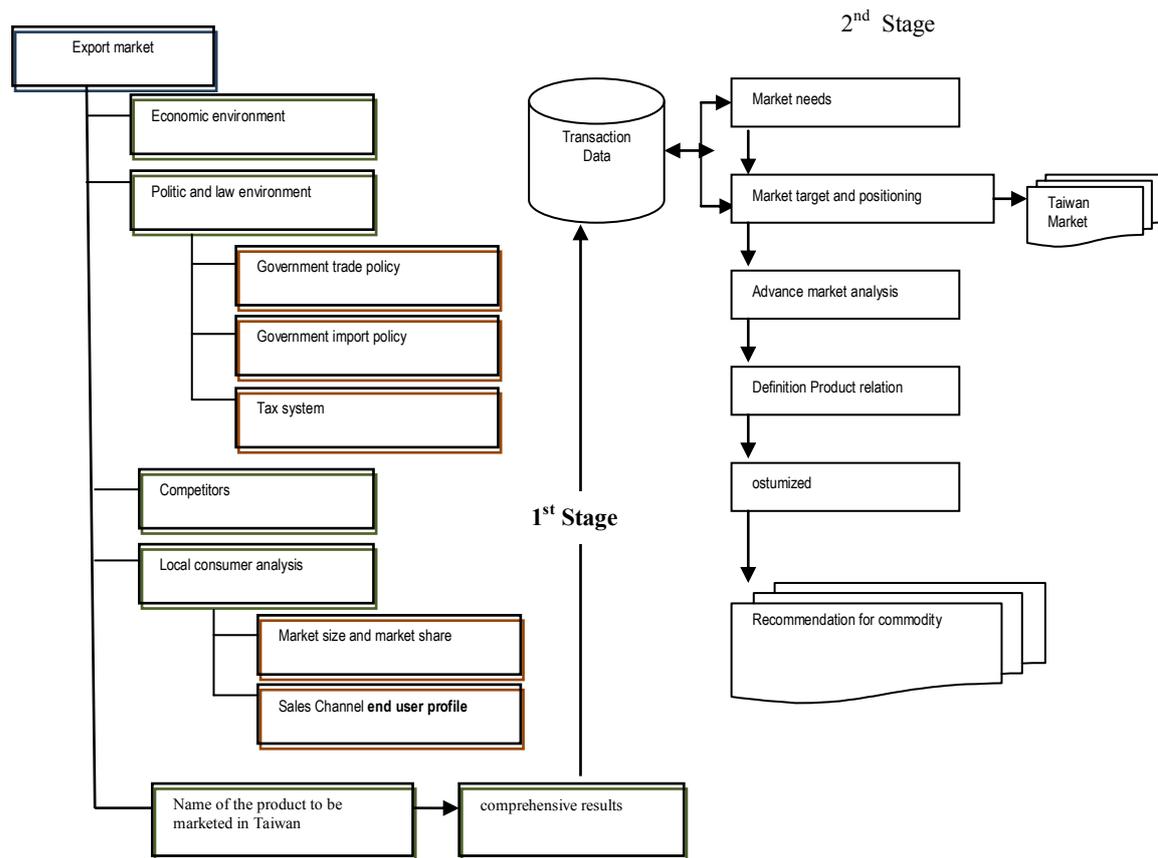


Figure 1. Market penetration stage (adapted from Kaymak and RFM model)

concept of RFM used in this study is adapted from (1994). The RFM analytic model proposed is a model that distinguishes important customers from a large number of data with three variables (attributes), namely: customer consumption interval, frequency and the amount of money.

Detailed definition of the RFM (Recency-frequency-monetary) model is described as follows. First, the model is defined as the possibility to update the latest purchase (R), which refers to the interval between the time when the purchase is conducted and the latest consumption. The shorter the interval, the greater the R. The second is the frequency of purchase (S), which refers to the number of transactions in a given period, for example, two times a year, twice a quarter or twice a month. The higher the frequencies, the larger is F. The last one is monetary value of purchases (M), which refers to the consumption of an amount of money within a certain period of time.

After applying the RFM methodology, there would be a number of commodities encouraged to be exported from Indonesia to Taiwan, including: coffee, CCO (crude coconut oil), textile (textiles and textile products), shoes, automotive components, handicrafts, fish and dairy products, medicine or herbal raw materials, processed foods, jewelry, pulp and papers. In addition to those commodities, there are other commodities that have a place in the Taiwanese market such as shrimp, cocoa, rubber and derivative products, electronics, furniture and products from the creative economic industry.

In this context, exporters should pay attention to not only the end consumers in the market chain, but also from the buyers of Indonesian goods or products. Therefore, it is important to

maintain a good relationship with buyers, or Indonesian representatives there, because Taiwanese culture emphasizes a personal approach. For such purpose, the concept of Customer Relationship Management (CRM) may be applied. Customer relationship management is a philosophy for operating business to acquire and retain customers, increase customers' value, loyalty and retention, and implement customer-centric strategies. CRM, which aims to improve the relationships with customers, focuses on a comprehensive picture of how to integrate customer value, requirements, expectations and behaviors by analyzing the data of transactions from customers (Peppard, 2000).

Companies can shorten sales cycles and increase customer loyalty in Taiwan to establish a better relationship with customers and further increase revenues with good application of CRM (Joo and Sohn, 2008). Therefore, a very good CRM can help companies retain existing customers and attract new ones. Efforts should be made to apply some methods to effectively improve customer relationships, which include customer relationship management, customer value analysis, corporate strategy, and positive service mechanism. In addition, companies should also strengthen their marketing and sales effectiveness in order to build a good CRM.

Kalakota and Robinson (1999) explained that CRM is intended to integrate the functions of the fields associated with companies' customers such as marketing, sales, services and technical support for the customers' needs, and it typically utilizes IT to help companies manage customer relationships in a systematic way, as well as to increase customers' loyalty and improve overall business profits (Kalakota & Robinson, 1999). It is estimated that it would cost five times more to attract new customers than to retain the existing ones, according to a study by the American Management Association (Kotler, 1994; Peppers & Rogers, 1997) and this relationship is very evident in the services sector (Ennew & Binks, 1996). Therefore, companies must understand the importance of developing close relationships with both existing and new customers. Services are taken here as they will be right on the edge where the buyers in Taiwan spearhead the sales of Indonesian export products, maintain market share and expand the already created measurable, loyal customers which will finally bring about many advantages for themselves. Close relationships with wholesale dealers and consumers is essential for ensuring the maximum effectiveness in promotions. Attention to the consumer can be seen from the various types of incentives provided by manufacturers.

5. Conclusion

One of the most important tips in starting and developing export business in Taiwan is to set the attitude based on a long-term mindset of Indonesian entrepreneurs who will perform the exports. Its main purpose is to establish a solid framework that will support sustainable business transactions, so it is not just a business relationship or a short-term character for a moment. Sincerity and commitment are effective foundations that need to be owned by Indonesian businesses and exporters. Products must be in accordance with the tastes of the people of Taiwan with regard to quality, design, color, packaging and price.

Accordingly, it is necessary to take a flexible approach in the development and marketing of products in order to adapt to the characteristics and characters of the people of Taiwan. The selection of a method for entering the Taiwanese market is a long-term non-modifiable decision. It is necessary to be careful in selecting from a number of alternatives. Determining an appropriate method depends on the value of the investment in the form of the desired market position.

The options include dissemination of information regarding regulations on potential products (prohibited, supervised and controlled); cooperation between the Chambers of Commerce and Industry of the two countries, cooperation with Trade Partners, including inter-ministerial coordination in Indonesia that are mutually synergistic in addressing the supply and demand, and the possibility for formulating cooperation agreements on tariffs between Indonesia and Taiwan which will facilitate exports from Indonesia.

As the hallmark of such efforts, given the strong competition impulses of trade, such a project cannot simply be one of holus–bolus transferring “piece of cake” to economic growth. A different strategy is needed, which is schematically outlined and illustrated by using the idea of market penetration, in relation to competition among ASEAN countries, Indonesia should be able to take advantage of this competition with other ASEAN countries as early revival of Indonesian industries. Competition should be viewed as an opportunity rather than a threat.

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