A STUDY OF DOMINANT FACTORS TOWARD
SANY EXCAVATOR LOCALIZATION
IN CASE OF PT. SANY INDONESIA MACHINERY

By

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THESIS ADVISER

RECOMMENDATION LETTER

This thesis entitled “A STUDY OF DOMINANT FACTORS TOWARD SANY EXCAVATOR LOCALIZATION IN CASE OF PT.SANY INDONESIA MACIHNNERY” prepared and submitted by Huang Zhenyan (Proverbs) in partial fulfillment of the requirements for the bachelor degree of Bachelor Degree in the Faculty of Economics has been reviewed and found to have satisfied the requirements for a thesis fit to be examined. I therefore recommend this thesis for Oral Defense.

Cikarang, Indonesia, January 30, 2011

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Herewith, the Panel of Examiners declare that the thesis entitled “A STUDY OF DOMINANT FACTORS TOWARD SANY EXCAVATOR LOCALIZATION IN CASE OF PT.SANY INDONESIA MACHINE” submitted by Huang Zhenyan majoring in International Business, Faculty of Economics was assessed and proved to have passed the Oral Examination on February 21, 2012.

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DECLARATION OF ORIGINALITY

I declare that this thesis, entitled A STUDY OF DOMINANT FACTORS TOWARD SANY EXCAVATOR LOCALIZATION IN CASE OF PT.SANY INDONESIA MACIHNERY” is, to my best knowledge and belief, an original piece of work that has not been submitted, either in whole or part, to another university to obtain a degree.

Cikarang, Indonesia, January, 30, 2012

Huang Zhenyan
ABSTRACT

The main objective of this study is to find the dominant factors toward SANY excavator localization development regarding to customers’ opinion, to find out how they think about SANY product localization.

For such a big company like SANY, it is very successful in the Chinese, but how to successful in Indonesia is quite a important issue for the management, and making such a study will be helpful and meaningful. Doing such a study, the company customers will definitely be the focus. The researcher needs to find out their real thoughts, and find out the market situation from the company data, which is secondary data. The research covered the customers, and also the company.

For this study, the researcher uses quantitative method with weighted mean to find out the dominated factors from the five listed factors. Through this study, the researcher had find out the language localization and manufacture localization factors are the main influenced factors among five factors, which are language localization, culture localization, product localization, manufacture localization, after-sale service localization.

Therefore, the measures that are recommended to do are organizing the employees to learn Bahasa Indonesia, at least very basic communication, and to master the basic communication custom with Indonesia clients.
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CHAPTER I

INTRODUCTION

1.1 Research Background

As we all know, Indonesia is the largest economy in Southeast Asia and is one of the emerging market economies of the world. In late 2008, all of a sudden, the global financial turmoil and economic slowdown happen. As a result, the once glorious economy was so untenable and collapsed. With a quick reaction of Indonesia government to improve liquidity, secure alternative financing to fund an expansionary budget and secure passage of a fiscal stimulus program worth more than $6 billion, Indonesia economy becomes a shining star.

With the economy flying, no doubt that more and more companies had seen the economy potentiality of Indonesia and the positive investmental environment, and as a result, many of them invest here. In those invest, a huge part were put in the construction industry and mining industry. In Indonesia, especially the five main islands, a lot of mining project, construction projects, like road construction, bridge construction, pier construction have been launched, which all of them have a quite big demand of heavy machinery, and this made Indonesia market hot.1

Like other heavy equipment companies, SANY Heavy Industry Lt.Co (SANY) came in 2006 which has an amazing growing in the past 6 years and registered company with the name PT.SANY INDONESIA MACHINERY (PT.SANY) in 2009. Seeing the great demand of excavator since 2008 global financial crisis,

1 http://en.wikipedia.org/wiki/Economy_of_Indonesia
A primary footing among the entire SANY product in Indonesia market. But here comes the problem: How to open the Indonesia excavator market. The answer has been made, localization. Now the point is: How to localize SANY excavator in this market. Localizing SANY excavator is obviously significant subject for the company. Fortunately, the researcher had a chance of internship in this company, and took this subject as thesis study which will both benefit the company and the researcher himself.

1.2 Company Profile

1.2.1 Profile of SANY group (china)

Founded in 1989, SANY continues to work towards the goal of being a first-class enterprise, to nurture first-class talents and to make first-class contributions, and build a world’s top brand in the industry. 2009, SANY Group achieves 30.6 billion in sales revenue. In the year of 2011, SANY employs over 70,000 people in more than 120 countries. On July 1, 2010, SANY Heavy Industry (Code: 600031) was put on the list of FT Global 500 for the first time, ranked 431st, with a market cap of 21.584 billion US dollars. Now as one of the most successful enterprises in China, SANY is the world’s largest concrete machinery manufacturer, and has been awarded a series of h0nors, such as one of the Global TOP 50 Construction Machinery Manufacturers and top 500 Chinese Enterprises, “China’s Best Enterprises” of Forbes, Most Growth Brands in China, China’s Competitive Brand, the Benchmarking Brand of Chinese Construction Machinery Industries, and also one of the TOP 500 Asia Brand.

SANY people believe that “Quality Changes the World”. SANY re-invests 5-7%
of its sales revenue into the R&D, and is also committed to upgrading the products to the world’s top level. SANY has own national R&D center and post-doctoral work station which hold 1200 authorized patents and over critical technologies, 2500 patent application.

In China, SANY owns five main industry parks, respectively in Shanghai, Beijing, Shenyang, Kunshan and Changsha. Worldwide, SANY has set up over 30 overseas affiliates capable of covering more than 150 countries. Its products have been exported to more than 150 countries and areas. In the past few years, SANY has invested in US, German, Brazil, and India where have been established manufacture factory and R&D bases.²

In 23 years history, SANY Group has developed many members in charge of different product design, manufacture and sales, which are:

**Domestic:**

1. SANY Group Headquarter (Chang Sha)
2. SANY Heavy Industry Co., Ltd (Chang Sha)
3. SANY Heavy Equipment Co., Ltd (Shen Yang)
4. SANY Heavy Machinery Co., Ltd (Shang Hai)
5. SANY Science & Technology Co., Ltd (Hang Zhou)
6. Bei Jing SANY Heavy Machine Co., Ltd (Bei Jing)

² SANY Group company brochure, 2010
Figure 1.1 SANY China Presences

(Source: SANY Group Profile Brochure, 2010)

Global:

1. SANY Heavy Industry India Pvt. Ltd
2. SANY Germany Industry
3. SANY America Industry
4. SANY Brazil Industry

Figures 1.2 SANY Global Presences

(Source: SANY Group Profile Brochure, 2010)
Figures 1.3 SANY Legend

(Source: SANY Group Profile Brochure, 2010)

Figure 1.4 SANY Products Series

(Source: SANY Group Profile Brochure, 2010)
1.2.2 Preview of PT. SANY INDONESIA MACHINERY

SANY Indonesia office was firstly set up since 2006, and in the beginning of 2010, with the name PT. SANY INDONESIA MACHINERY was officially registered. It is the subsidiary of SANY Heavy Industry Co. Ltd and responsible for marketing distributing & servicing work, which covers the region of Indonesia and East Timor. The office now is located in Plaza UOB in the center area of Jakarta.
PT. SANY INDONESIA MACHINERY believes in “Quality Changes the World” and we are committed to creating more value for our customers and helping our employees succeed.

![Organization Structure of PT.SANY INDONESIA MACHINERY](image)

**Figure 1.6 Organization Structure of PT.SANY INDONESIA MACHINERY**
(Source: PT.SANY INDONESIA MACHINERY company profile)

**1.2.3 Current excavator situation**

SANY excavator in China is the market leader in this industry with dominating the biggest market share. Somehow excavator division came to Indonesia market only in 2010 and began to sell since April, 2011, and that is a very short period until now. However just in this several mouth, SANY already sold it products in to many clients, which locate in different islands with different project.

Some of the customers are Chinese companies, some of the customers are Indonesia companies. Anyway, even though the market is open, but there are still many challenges ahead.
1.3 Problem Identification

SANY Group, as the biggest heavy machinery manufacturer in China, has been dominated the. After 22-year development, SANY has achieved significant performance with owning the reward of “No.1 heavy machinery brand in China” and “the No.6 heavy machinery brand in the world”.

Fast developing increases the urgency of seeking overseas market. Entering the promising Indonesia Market, many challenges and difficulties are waiting ahead. As a new player, most customers do not even know this brand, while the front players have entered this market even in the 1980s. The front players mean who dominate the most market share, which are the top 4: Komatsu, Hitachi, Kobelco, and Caterpillar. Somehow, the top 3 brands hold the advantage not only by entering the market very early, but also by government support. By the time Japanese construction machinery entered Indonesia market, the Japanese
government led direct negotiations with the Indonesia government, which is why Japanese companies can get a variety of non-transparent support and policies.³

People all know that for customers, mindset and image about the product is really important. Somehow, as a new brand coming from China also gives a stress to SANY. It has been well known and accepted that Chinese product always has a very low quality with low price. When SANY enters this market, there must be a lot of people think in that way, somehow this mindset and image increase the difficulty to develop the business, but it takes time as a fact. Therefore, one of the first-stage work is to change people’s old mindset and image, show them that SANY excavator is good quality with good service plus acceptable price and turn this to a new mindset about Chinese products.

After-sale service is apparently important, which is apparently difficult in Indonesia. Facing the geography situation of Indonesia, the proud advantage of SANY product service has a problem to implement here. In spite of Indonesia being called “Country of Thousand Islands”, the most customers locate in the several main islands, but still, there is a problem in quick-respond service. In China, when a customer reports a problem to the service center, within 2 hours, the service engineer will reach the site. But obviously, that would be very hard to realize in Indonesia. It may take a day or even two days to reach the customer’s site. This gives a challenge, also a chance to SANY on how to solve it and turn it into an advantage. For now, PT. SANY has owned a lot of customers which separate in different islands. The Figure 1.6 has been shown how difficult of service

Facing the tough competition and the objective condition, SANY must figure out

³ Indonesia Heavy Machinery Industry Investigation of 2010
its own strategy to deal with. Therefore, localization is much a significant and important strategy. How to implement localization into the business becomes an issue of SANY management.

1.4 Statement of Problem

Since the PT.SANY now is facing a problem of how to open Indonesia excavator market with excavator localization, the dominant factors of SANY excavator localization is the key of the point, and the problem is as stated below:

What are the dominant factors of SANY excavator localization regarding to customers’ opinion?

In order to solve the problem, the researcher must get primary data, which is the questionnaires result to customers, and do the comprehensive calculation and analysis to get the conclusion.

1.5 Research Objective

The objective of this research is as following:

To find out the most dominant factors that influence the process of localization through the research to customers.
1.6 Significance of the Study

1.6.1 To academic

In terms of localizing in this highly potential market, it is a very serious and important for all the players in this market that no one can avoid. There are too many things for the players to know, especially for the new comers. Localization is not the only way to develop business, but for sure, it is the most practical way to adopt this market and make successful business.

The localization in this thesis specifies in Indonesia excavator market, it will analysis the local market and suggest the strategy of localization. As a result, it will make contribution towards localization for the players in this field. On the other hand, this research can provide information for other researchers to investigate Indonesia market about the issue of localization.

1.6.2 To the management in PT.SANY INDONESIA MACHINERY

After conducting this research, the researcher will have a comprehensive understanding about the Indonesia excavator market, localization as well as the aspects of implementation. It will be helpful for the management of PT.SANY to perfect the Indonesia excavator market data base and localize the business to achieve a better future facing the aggressive competition.

1.6.3 To the excavator industry in Indonesia

This thesis introduces the industry marketing situation, and clarifies the development of each brand. Indonesia is a very large and promising market for excavator industry, more than 10 brands have been involved in this market. Somehow the competition is absolutely tough, and because of the geography situation, the service and transportation would be a lesson for each brand. Thus,
this thesis will benefit the companies in the excavator industry by providing information about the market development situation.

1.7 Theoretical Framework

Localization is a very important factor for those foreign excavator companies. This research will use knowledge about localization theory to find out the reasons and benefits of operating localization development, and the strategy that should be taken in the future process.

![Figure 1.7 Theoretical Framework](Source: Susan Andrus, Definition of localization related to international products, September, 2011,)
1.8 Scope and Limitation of the Study

The research is a case study conducted in an international excavator manufacture company with the name PT.SANY INDONESIA MACHINERY. In this research, the customers who have been using SANY excavator will be the population, based on the calculation of the formulation, 60 of them will be chosen. Besides, there are many aspects of localization, but related to the actual market situation, only 5 localization factors will be chosen to be the research point to customers.

1.9 Definitions of Terms

In this research, the researcher will use many terminologies which are having certain meaning in the existing test and reference books. Followings are the definition of those terminologies relevant to this thesis:

1) Localization – Localization is the term used when a product is introduced to another country. It is not simply a case of translating instructions and text on packaging into the language of the intended country; it is a way of marketing the product to the target audiences or customers of the country. Localization integrates the product into the both the language and the culture of the intended country.4

2) Excavator – An excavator is a piece of heavy equipment that is commonly used in construction work, mining work and work that requires lifting that can be too heavy for humans. An excavator is a vehicle that is engineered and consists of things that can be used such as a backhoe and also has a cab that tends to be

mounted to the back pivot near the undercarriage. It also has tracks and wheels that it is running on.⁵

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⁵ http://en.wikipedia.org/wiki/Suction_excavator
CHAPTER II

LITERATURE REVIEW

Since this thesis is about how to localize SANY excavator product, then localization is absolutely the point. Talking about localization, there are many ways of localization and many aspects of localization, but here the research will just focus on some main points in this literature review regarding to localize SANY excavator product.

2.1 Theory about localization

2.1.1 What is localization?

According to Susan Andrus (2011), “Localization is the process of adapting a product or service for use in a specific geographic location, according to language and culture. A product or service that is properly localized will appear to have been developed within the local culture through the use of idiomatic language translation. Additional details to be considered include currency, local holidays, jargon, geographic examples, color and cultural sensitivities, and proper names, as well as ethnicity of people in photographs.

An internationalized product or service is therefore easier to localize. The process of first enabling a product to be localized and then localizing it for different national audiences is sometimes known as globalization.

Localization is typically reserved for materials on products and services that will be marketed, sold, and used within a different culture than where they were
originally created. If you are interested in learning more about localization or aren’t sure if it applies to your project, talk to your account manager or language service provider.6

People all know localization development depends on adapting, on matter on language or culture. Somehow, other factors like currency, local holidays are also in consideration. However, localization is not just establishing branches in that country, or recruiting local employees, it should be a whole chain that include market, sell and use within the local culture that can be accepted by local people. What is more, materials and products are also factors that included in localization.

Localization is not just establishing branches in a certain country, or recruiting local employees, it should be a whole chain that include market, sell and use within the local culture that can be accepted by local people. What is more, materials and products are also factors that included in localization.

In localization, translation is one of several services that form the localization process. So in addition to translation, the localization process may also include adapting graphics to the target markets, modifying content layout to fit the translated text, converting to local currencies, using of proper formats for dates, addresses, and phone numbers, addressing local regulations and more. The goal is to provide a product with the look and feel of having been created for the target mark to eliminate or minimize local sensitivities. In this point, many statistics have effectively illustrated the need to localize content for each target marketing worldwide:

1. It would take 83 languages to reach 80 percent of all the people in the

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6 Susan Andrus, Definition of localization related to international products, September, 2011,
world, and over 7,000 languages to reach everyone.

2. 56.2 percent of consumers say that the ability to obtain information in their own language is more important than price.

3. 71 percent of North American executives expect revenues from foreign operations, sales and/or imports to increase.

4. A critical success factor for cross boarder merger and acquisition deals is that the ability to communicate information clearly and accurately in multiple languages.  

2.1.2 Why localization

The universal challenge for most companies today is delivering a customer experience that transcends geographical boundaries. And engaging customers regardless of geography and cultural expectations is no small feat. From a content perspective, a significant part of the challenge is defining the relevancy of information provided throughout the customer lifecycle. For non-English consumers, a key facet of relevancy is information in their native language. As Kaija reminds us her blog on Multilingual Terminology, "you can always buy in your own language, but you must sell in your customer's language."

As companies expand multinational revenue goals to include emerging markets such as China, India, and Latin America, providing content “in context” becomes even more important. From this perspective, localization strategies for various markets become much more than a cost burden. Rather, they become a driver of competitive advantage and a strong foundation for global brand management.

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7 Common Sense Advisory, Evolution and Revolution in Translation Management, Tomas, 2008
This clearly extends potential benefits way beyond project and product-specific ROI.

That means a localization strategy should have significant amounts of collaboration between departments such as marketing, sales, operations, technical documentation, and customer support. This enables everyone who "touches the customer" to understand market segment goals and priorities. Then, defining the level of translated content provided and where/how it gets used should match corporate goal8.

2.1.3 Localization factors

When talking about localization factors, 5 of all the localization factors will be discussed in this thesis, which are: language, culture, product, manufacture, after-sale service.

1) Language

Language localization(from Latin locus (place) and the English term locale, "a place where something happens or is set") is the second phase of a larger process of product translation and cultural adaptation (for specific countries, regions, or groups) to account for differences in distinct markets, a process known as internationalisation and localisation.

Language localization is not merely a translation activity, because it involves a comprehensive study of the target culture in order to correctly adapt the product to local needs. The localization process is most generally related to the cultural adaptation and translation of software, video games, and websites, and less frequently to any written translation (which may also involve cultural adaptation

8 Mary Laplante, Recently in Localization, April 1, 2011
processes). Localization can be done for regions or countries where people speak different languages, or where the same language is spoken.

2) Cultural

Understanding the conventions of culture as well as the individual cultural differences and similarities of target locales empowers marketing professionals to realize that one universal message—whether verbal or visual, can never reach a global audience. One global culture comprised of people with identical values does not exist—not even within the confines of our own country as the recent elections illustrate. Differences in learning and thinking patterns influence the way people process information, as demonstrated in their innate responses to marketing communications.

Countries differ along a whole range of dimensions, including social structure, religion, education and these differences have important and implications for marketing strategy. The most important aspect of culture differences is probably the impact of tradition. Tradition is particularly important in the process of communicating and socializing between two parties. For historical and idiosyncratic reasons, a range of other culture differences exist between countries.

3) Product

Even with the forces that are creating some convergence of consumer tastes and preferences among advanced, industrialized nations, there still is a long way off because of national differences in product and technological standards. Therefore, in their efforts to chase the classic global successes of the world's "super brands," marketing professionals must remember that consumers prefer products and
communications that have local branding elements that identify with their culture. People buy what the product or service can do for them, not what the product and its features are to the marketing people. Remember, people want different things from the same product.

Differing government-mandated product standards can rule out mass production and marketing of a standardized product. The process of "localizing" a product is where a product is transformed from an original standard no matter in configuration or language into a standard and language of another locale. So localizing a product simply means to identify a single locale which people would like to sell product and adapting the language and user interface elements of your product to that locale. It is actually a straightforward process which we have done several times.

4) Manufacture

a) **Nearness to raw material.** One of the very important factors which affect the birth of an industry in certain areas is the nearness to sources of raw material. The availability of raw material near the location of the industry helps considerably in reducing the transport cost and so the total cost of production of the commodity. It is due to this reason that most of the industries are established in regions where the raw material is available in abundance.

b) **Nearness to market.** Industries have a tendency to be localized in those areas where the market is near at hand. The goods produced can be easily brought in the market and there can be much saving in the cost of transportation.
c) **Supply of trained labor.** Supply of trained labor is another great attraction for the concentration of an industry in a particular area.

d) **Physical and climate conditions.** Physical and climatic conditions have an important hearing on the growth of industry. If suitable climate and desirable physical conditions exist for a particular industry, that will be established and developed in that region then.

5) **After-sale Service**

After-sale service localization is a periodic or as-required maintenance or repair of equipment by its manufacturer or supplier, during and after a warranty period.

Service is the prompt delivery of the product. It is a user or service manual modified to meet your customer's needs. It is ready access to a service facility. It is knowledgeable, cost-effective maintenance, repair, or replacement. Service is location. Sometimes, service engineers standing by in the working site is an

Service varies by the product type, the quality of the product, the price of the product, and the distribution channel employed. In fact, foreign buyers of industrial goods typically place service at the forefront of the criteria they evaluate when making a purchase decision.9

2.2 **Description of Excavator**

When introducing the excavator theories, the reference of goes as following:

9 *Susan Andrus, Definition of localization related to international products, September, 2011,*
An excavator is a construction vehicle used to dig or move large objects. The excavator is comprised of two parts, a driving base and a powerful boom arm with an attachment designed for digging. The operator sits inside a small cab attached to the base and controls the arm.\(^\text{10}\)

### 2.2.1 Introduction of excavator

An excavator is a useful machine that is utilized in the construction industry, and other useful applications. It consists of an undercarriage that has wheels or tracks for the provision of mobility. Active research is being conducted to improve the excavator characteristics, namely more ground clearance, less noise, and improvement in ride. The older excavators had an extended counterweight that was suspended at the machine rear. It provided additional lifting capability and the force for digging. The modern excavators have been designed such that the counterweight remains inside the track width during swinging. Thus the movement is safe and the maneuverability of the excavator increases during operation in restricted areas. The common excavators are fitted with diesel engines that generate hydraulic pressure for the numerous excavator operations. The modern excavators are being fitted with electric motors that obtain power by fuel cells. The fuel cells are efficient and environmentally friendly. Furthermore, the fuel cells are much lighter and smaller than a diesel engine. The operator cabin is being made more spacious and comfortable.\(^\text{11}\)

### 2.2.2 Excavator description

An excavator is a piece of heavy equipment that is commonly used in construction work, mining work and work that requires lifting that can be too heavy for

\(^{10}\) http://www.brighthub.com/engineering/civil/articles/57382.aspx  
\(^{11}\) http://www.ehow.com/how-does_5405269_excavator-work.html
humans. An excavator is a vehicle that is engineered and consists of things that can be used such as a backhoe and also has a cab that tends to be mounted to the back pivot near the undercarriage. It also has tracks and wheels that it is running on.

There are many things that excavators can do and be used for. Some of the most common ones are the digging of holes, trenches, foundations and other things. They are also used for the demolition of old home and other kinds of property. Excavators can be used for general digging, grading and landscaping as well. They play many roles in doing heavy lifting and placing if certain objects. They may also be used for the dredging of rivers and other deep places that humans cannot do.

### 2.2.3 Excavator uses

Excavators can become a huge variety of sizes and shapes. You can purchase or rent ones that are called mini excavators as well ones that are referred to as compact excavators. They can very little and have a big pretty bucket size to still get the work done, that you need. Sometime you can get models that the bucket can be replaced with other objects such as an auger or something called a grapple. Most of the time, excavators are used with loaders and bulldozers to get the most of the job done. Many of the excavators have tracks, but you get them with wheel is your prefer.

There are many different ways that one can get their hands on an excavator. A person interested in one should do some research and comparing of the companies around them that offer the most of excavator selections. You can then talk with them and ask if you can rent an excavator or if you have to purchase one to use. If
you have a company that is going to be a lot of work with equipment, it would be in your best interest to purchase an excavator. If you are going to just be doing some work around your home or just something here and there, you should look into renting an excavator to your job done. It depends on the model, brand and the company you use to rent the excavator as to what it cost. Rents usually run a little over a hundred dollars a day.

When it comes to operating an excavator, it would be in your best interest to read all the manuals and instructions that come with the piece of equipment. It would also be wise to read over all the hazardous or attention stickers that are placed all over the excavator. They can help you with running the equipment properly as well as being as safe as possible when in use. Excavators are some of the best heavy equipment to use to get the job that you want done right. Just make sure you choose the excavator and size that is right for you and the job.12

12 Robert Tate, Excavator description and use, 2003
CHAPTER III

METHODOLOGY

3.1 Research Method

For this research, researcher uses descriptive studies by using quantitative approach with weighted mean method. Through sending questionnaires and analyzing data to get answers of the problem that would like to solve. In this research, the researcher will use primary data, which is questionnaire to research the opinion and view of the customers regarding to SANY excavator product.

According to Ross (1999), quantitative research used data that are structured in the form of numbers or that can be immediately transported in number. It is very controlled, exact approach to research. For this research, the writer attempts to precisely measure the correlation among variables, which are presented in numbers. These quantitative data consist of participant responses that are coded, categorized, and reduced to measurable numbers so that these data may be manipulated for the statistical analysis. (Cooper & Schinedler, 2006)

For this research, it is better to use quantitative research rather than qualitative research, because the researcher used questionnaire instrument with Likert scale to get numerical primary data. In quantitative method, concepts and variables of the study are being limited by guiding the research to a controlled setting, more systematic and structured in a research design. However qualitative research is a naturalistic, interpretative approach concerned with understanding the meaning of certain observed phenomena or actions. Comparing to quantitative method, qualitative method is not appropriate in this research.
3.2 Research Instrument

3.2.1 Data collection

In this research, researcher will use primary data and secondary data. It means the data will get through analysis in research field by using original method. In business research, there are many tools of collecting primary data, such as interviews, surveys, literature reviews, participant observation and questionnaire. The secondary data were get from the company inside, some of them are company brochure, and some are company inside data, which is permitted by the manager of PT.SANY. According to Kariyantono (2006), data collection is techniques that can be used by researcher to collect data. Further, he mentioned the method of data collection depends on research methodology, whether is quantitative or qualitative. This research uses quantitative research method, in term of data collection.

In this case, research will gather data directly from the sources that know well the condition in PT.SANY and especially those who directly conduct the business development in Indonesia. What is more, from these insider managements, some internal materials and information can be provided.

3.2.2 Identifying variables in research

According to definition of localization theory (Susan Andrus, Theory of Localization related to international products, 2011), the researcher has chosen five variables related to excavator localization of PT.SANY in Indonesia market as showed in Table 3.1.
### 3.2.3 Table for main variables

**Table 3.1 List of Identifying Variables in Research**

<table>
<thead>
<tr>
<th>No.</th>
<th>Variables</th>
<th>Indicators</th>
<th>No.</th>
<th>Statements</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Language Localization</td>
<td>V1</td>
<td>1</td>
<td>There is interpretation in the process of communicating with SANY employees.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>V2</td>
<td>2</td>
<td>I prefer to use Bahasa Indonesia manual instruction than English manual instruction.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>V3</td>
<td>3</td>
<td>I prefer to communicate with SANY local employees.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>V4</td>
<td>4</td>
<td>There is misunderstanding caused by language issue between two parties.</td>
</tr>
<tr>
<td>2</td>
<td>Culture localization</td>
<td>V5</td>
<td>5</td>
<td>I think the job will be easier if the Chinese SANY employees learn more Indonesia local culture.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>V6</td>
<td>6</td>
<td>There is no big culture conflict in communicating with Chinese SANY employees.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>V7</td>
<td>7</td>
<td>Religion differences have no influence on culture acceptance.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>V8</td>
<td>8</td>
<td>Good tradition acceptance will promote the promotion of jobs.</td>
</tr>
<tr>
<td>3</td>
<td>Product localization</td>
<td>V9</td>
<td>9</td>
<td>SANY excavator basically can satisfy the working requirement.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>V10</td>
<td>10</td>
<td>I think the original standard of SANY excavator adjust well in Indonesian working condition.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>V11</td>
<td>11</td>
<td>One reason of buying SANY excavator is the local brand element of SANY excavator.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>V12</td>
<td>12</td>
<td>I can accept to pay more if SANY can provide required standard products.</td>
</tr>
<tr>
<td></td>
<td>Manufacture localization</td>
<td></td>
<td>After-sale service localization</td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>--------------------------</td>
<td>---</td>
<td>---------------------------------</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>V13</td>
<td>13</td>
<td>Physical and climate condition may set restrict to manufacture localization.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>V14</td>
<td>14</td>
<td>Manufacture localization is because of the nearness to market.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>V15</td>
<td>15</td>
<td>Trained local labor will promote the manufacture localization.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>V16</td>
<td>16</td>
<td>Establishing a local manufacture factory will decrease the cost of products because of the nearness of raw materials.</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>V17</td>
<td>17</td>
<td>I satisfy the current as-required maintenance of SANY mechanics.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>V18</td>
<td>18</td>
<td>The service reaction speed is prompt.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>V19</td>
<td>19</td>
<td>The service maintenance is periodic as stated in the contract.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>V20</td>
<td>20</td>
<td>The mechanics are quite knowledgeable and professional regarding to service quality.</td>
<td></td>
</tr>
</tbody>
</table>

(Source: Microsoft Excel 2007)

3.2.4 Questionnaire

According to Cooper and Schindler (2006), a questionnaire is an instrument delivered to the samples via personal (telephone) or non personal (computer delivered or mail delivered) to be completed by the participants. A good questionnaire design is a key to obtain good survey result (Zikmund, 1994).

There are several advantages of questionnaires for the research survey:

1. Questionnaires are relatively effective and inexpensive comparing to other data collecting tool.

2. Questionnaires are powerful in presenting the characteristics of a large
group of population.

3. Many standardized questions are used to increase the reliability of primary data. This research used self-constructed questionnaires as an instrument to gather the data, the researcher constructed questionnaire based on the general accepted theory and knowledge. As the survey was self-constructed, it must be tested for validity and reliability test to prove the questions are valid and reliable.

Table 3.2 Scale Scoring Method

<table>
<thead>
<tr>
<th>Answer</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

(Source: Adopted from Marketing Research Book, Cooper & Schindler, 2006)

3.2.5 Research time and place

This research was started from 21 November 2011 until 16 December 2011. The place to conduct this research was in PT.SANY and the entire customer group covered by PT.SANY INDONESIA MACHINERY are the objectives to be researched. As the region for research is too wide to collect data, the researcher used internet to distribute the research questionnaires.

All the questionnaires would be distributed by e-mail and after discussing with the manager in PT. SANY INDONESIA MACHINERY, the research could distribute questionnaires via the company e-mail system.

3.2.6 Type of data and source

For this study, the researcher employed both primary data and secondary data.
Secondary data is the data that have been already collected by and readily available from other sources. Such data are cheaper and more quickly obtainable than the primary data and also may be available when primary data cannot be obtained at all.

3.2.7 Validity testing

Validity testing can help us to test the measurement questionnaire as the research instrument. After the validity test, researcher can ensure the questions in the questionnaire are the exact question should ask to the respondents.

In this thesis, the research used Pearson Product Moment Correlation Coefficient in constructing the validity to get the validity testing. This formula was used to test the item validity of the questionnaire, which made based on the five cultural dimensions, to find out which questions are valid and can be used for the real test and which are invalid and need to be eliminated from the questionnaire list.

The coefficient of correlation of Pearson Product Moment can be calculated based on the actual values of X and Y. The formula is:

$$r = \frac{n(\Sigma XY) - (\Sigma X)(\Sigma Y)}{\sqrt{(n\Sigma x^2 - (\Sigma x)^2)(n\Sigma y^2 - (\Sigma y)^2)}}$$

Where:

- $r_{xy}$ = Coefficient correlation between variable x and y
- $n$ = the number of paired observations
- $X = Sxcore$ of question item
- $Y = Sum$ of Score
After gathering data, the data are determinate based on the analysis result from SPSS 17.0 where the final result from the 20 prepared questions, there are 4 invalid items from respondents and exactly removed from the questionnaire and 16 valid items.

Table 3.3 Significant Value

<table>
<thead>
<tr>
<th>No.</th>
<th>Significant Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5%</td>
</tr>
<tr>
<td>3</td>
<td>0.997</td>
</tr>
<tr>
<td>4</td>
<td>0.950</td>
</tr>
<tr>
<td>5</td>
<td>0.878</td>
</tr>
<tr>
<td>6</td>
<td>0.811</td>
</tr>
<tr>
<td>7</td>
<td>0.754</td>
</tr>
<tr>
<td>8</td>
<td>0.707</td>
</tr>
<tr>
<td>9</td>
<td>0.666</td>
</tr>
<tr>
<td>10</td>
<td><strong>0.632</strong></td>
</tr>
</tbody>
</table>

(Source: Sugiyono, 2004)
<table>
<thead>
<tr>
<th>Variables</th>
<th>Statement</th>
<th>R Table</th>
<th>Corrected Item-Total Correlation</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>V1</td>
<td>Interpretation in communication</td>
<td>0.632</td>
<td>0.721</td>
<td>Valid</td>
</tr>
<tr>
<td>V2</td>
<td>Manual instruction</td>
<td>0.632</td>
<td>0.652</td>
<td>Valid</td>
</tr>
<tr>
<td>V3</td>
<td>Communicate with local</td>
<td>0.632</td>
<td>0.719</td>
<td>Valid</td>
</tr>
<tr>
<td>V4</td>
<td>Misunderstanding</td>
<td>0.632</td>
<td>0.805</td>
<td>Valid</td>
</tr>
<tr>
<td>V5</td>
<td>Learn local culture</td>
<td>0.632</td>
<td>0.598</td>
<td>Invalid</td>
</tr>
<tr>
<td>V6</td>
<td>Culture conflict</td>
<td>0.632</td>
<td>0.746</td>
<td>Valid</td>
</tr>
<tr>
<td>V7</td>
<td>Religion</td>
<td>0.632</td>
<td>0.692</td>
<td>Valid</td>
</tr>
<tr>
<td>V8</td>
<td>Tradition acceptance</td>
<td>0.632</td>
<td>0.715</td>
<td>Valid</td>
</tr>
<tr>
<td>V9</td>
<td>Required standard</td>
<td>0.632</td>
<td>0.613</td>
<td>Invalid</td>
</tr>
<tr>
<td>V10</td>
<td>Working requirement</td>
<td>0.632</td>
<td>0.841</td>
<td>Valid</td>
</tr>
<tr>
<td>V11</td>
<td>Local brand element</td>
<td>0.632</td>
<td>0.754</td>
<td>Valid</td>
</tr>
<tr>
<td>V12</td>
<td>Original standard</td>
<td>0.632</td>
<td>0.792</td>
<td>Valid</td>
</tr>
<tr>
<td>V13</td>
<td>Physical and climate</td>
<td>0.632</td>
<td>0.624</td>
<td>Invalid</td>
</tr>
<tr>
<td>Variable</td>
<td>Description</td>
<td>Correlation</td>
<td>Cronbach Alpha</td>
<td>Validity</td>
</tr>
<tr>
<td>----------</td>
<td>------------------------------------------</td>
<td>-------------</td>
<td>----------------</td>
<td>----------</td>
</tr>
<tr>
<td>V14</td>
<td>Nearness to market</td>
<td>0.632</td>
<td>0.738</td>
<td>Valid</td>
</tr>
<tr>
<td>V15</td>
<td>Trained local labor</td>
<td>0.632</td>
<td>0.821</td>
<td>Valid</td>
</tr>
<tr>
<td>V16</td>
<td>Decrease the cost</td>
<td>0.632</td>
<td>0.683</td>
<td>Valid</td>
</tr>
<tr>
<td>V17</td>
<td>As-required maintenance</td>
<td>0.632</td>
<td>0.769</td>
<td>Valid</td>
</tr>
<tr>
<td>V18</td>
<td>Service reaction</td>
<td>0.632</td>
<td>0.609</td>
<td>Invalid</td>
</tr>
<tr>
<td>V19</td>
<td>Periodic service maintenance</td>
<td>0.632</td>
<td>0.691</td>
<td>Valid</td>
</tr>
<tr>
<td>V20</td>
<td>Service quality</td>
<td>0.632</td>
<td>0.663</td>
<td>Valid</td>
</tr>
</tbody>
</table>

(Source: SPSS 17.0 and Researcher Questionnaires.)

For variables with correlation value less than 0.632 will not be used because they are invalid.

### 3.2.8 Reliability testing

According to Cooper & Schindler (2006) study reliability is necessary contributor to validity but is not a sufficient condition for validity, also can be described a characteristic of measurement connected with accuracy, precision, and consistency.

In this thesis, the researcher use Cronbach Alpha formula. Cronbach Alpha is one of the most commonly measurement reliability estimates in the language testing literature.

Reliability test used to show how far the measurement result is relatively
consistence if the measurement re-done for twice or more. Reliability test as an index to show the degree of trusted and relied of this instrument, in this research is refer to questionnaire.

From the pilot testing based on the analysis result from SPSS 17.0; the formulation for reliability of the questionnaire is:

\[
\alpha = \left( \frac{k}{k-1} \right) \times \left[ 1 - \frac{\sum(s_i^2)}{s_{sum}^2} \right]
\]

This is the formula for the most common index of reliability, namely, Cronbach's coefficient \( \alpha \). In this formula, the \( s_i^2 \)'s denote the variances for the \( k \) individual items; \( s_{sum}^2 \) denotes the variance for the sum of all items. If there is no true score but only error in the items (which is esoteric and unique, and, therefore, uncorrelated across subjects), then the variance of the sum will be the same as the sum of variances of the individual items. Therefore, coefficient \( \alpha \) will be equal to zero. If all items are perfectly reliable and measure the same thing (true score), then coefficient \( \alpha \) is equal to 1. (Specifically, \( 1 - \frac{\sum(s_i^2)}{s_{sum}^2} \) will become equal to \( \frac{k-1}{k} \); if we multiply this by \( \frac{k}{k-1} \) we obtain 1.)

<table>
<thead>
<tr>
<th>Cronbach's Alpha</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.836</td>
<td>16</td>
</tr>
</tbody>
</table>

(Resource: Refer to SPSS17.0 Calculation result from data gathered by researcher)

Minimal value for reliability test using Cronbach Alpha is 0.6 and this research result reliability test value is 0.836, means the questionnaire is relatively consistence.
3.3 Sampling Design

3.3.1 Size of the population

In this research, the population should be the customers group who have been using SANY excavator, and the total amount is 71. Umar (2002) has cited like this, “The sample of the study should be representative, thus there is a calculation, which is taken to determine the number of the sample for the population of this study. The tolerable error for each population is not always the same. It may range from 1% to 5% or even 10%.”

Cooper and Schindler (2006) also defined sample as:

“A part of the target population, carefully selected to represent that population.”

As the respondents have already been specific, they are customers who have been using SANY excavator. Therefore, the researcher uses 5% level of significance or level of confidence. The number of actual sample size in this research needed to represent the population. However, according the real circumstance of this research, the writer uses 60 respondents as sample size.

The writer used tolerable error of 5%. There is a specific formula for determine the total number of sample which is as follows:

\[
\frac{n}{N} \approx \frac{1}{1 + (N\times e^2)}
\]

Equation 3.1. Slovin formula for sampling

(Source: Cristoper Andrew.2008)
Remarks:

n=total sample to figure out

N=total population of the study

e=margin of error

Calculation:

\[ N = \frac{71}{1 + (70 \times 5\%)^2} = 59.67 \text{(round up 60)} \]

As a result, the minimal sample size for this research is 60.

3.3.2 Sampling frame

For this research, the writer will regard the customers who are using SANY excavator as their equipment in the project. Therefore the sampling frame, which is a list of elements from which the sample may be drawn, is the factors related to the product and customers.

3.3.3 Sampling units

As the research instrument questionnaire is conducted in the customers, therefore, the customers who have been using SANY excavator would be the sampling units.

3.3.4 Sample technique applied

In this research, the researcher will use probability sampling strategy. Neil J. Salkind (2009) writes, “Because the determination of who will end up in the sample is determined by nonsystematic and random rules, the chance that the sample will truly represent the population is great.” Based on Neil J.Salkind’s theory, there are four types of probability sampling strategy, they are simple
random sampling, systematic sampling, stratified sampling and cluster sampling.

A sample is a subset of that population (Neil J. Salkind, 2009). There are two kinds of sampling methods which are probability sampling and nonprobability sampling. Neil J. Salkind (2009) writes, “With probability sampling, the likelihood of any one member of the population being selected is known. Based on the company internal customer data, I got the list of both Chinese customers and Indonesian customers.

In this research, I’d like to choose 60 samples for my research. The population includes Chinese customers and Indonesian customers. The detailed steps are as following:

1. All the Chinese and Indonesian customers are listed separately.

2. From a table of random numbers, 9 Chinese customers are selected at random from the list of 15.

3. From a table of random numbers, 51 Indonesian customers are selected at the random from the list of 56.

In a world, the sampling design for this research is like this: choose 9 Chinese customers and 51 Indonesian customers as the sample among the total 71 population.

3.3.5 Actual computation of the sample

In this research, the research chooses all the customers as the population, and uses simple random sampling method to reach 60 respondents as the actual sample size for this research.

3.3.6 The respondents
As the researcher uses simple random sample of 60 copies among the customers, by the effort of being permitted to get the customers information from the company, the research conducts 60 questionnaires among the whole customers, and each of them had send back the questionnaires sheet. Therefore, the respondents are 60 customers.

3.3.7 Weighted mean

The weighted mean is similar to an arithmetic men (the common type of average), where instead of each the data points contributing equally to the final average, some data points contribute more than others.

The researcher will use the formula of Weighted Mean as follows (Dougulas A. Lind, et al. 2003,):

\[
\bar{X}_W = \frac{w_1x_1 + w_2x_2 + \cdots + w_nx_n}{w_1 + w_2 + \cdots + w_n}
\]

Where:
\(\bar{X}\) =weighted mean of the factors rated
W=Corresponding Weight
X=A set number of designated

3.4 Limitations

Since in this research, the customers are the objectives to be researched. Facing such a huge group of customers, sometime there is difficulty in meeting the customers. In the customer data base, some of them are directors, some of them are managers, and some of them are even in the project. Therefore, most of them are very busy, and it has a difficulty in arranging the schedule.
About localization, there are many aspects of localization, considering the Indonesia excavator market, therefore, the researcher had to only choose 5 of them in the study.
CHAPTER IV

ANALYSIS OF DATA AND INTERPRETATION OF RESULTS

This part is an extensive report of the results of the research. Researcher presents here a full analysis of the data gathered include primary data and secondary data. To analyze the data gathered from respondents, the researcher has used the methods such as descriptive statistics, and weighted mean to find out the dominant factors that the customers’ opinion about localization in Indonesia excavator market.

4.1 Characteristics of the Respondents

Questionnaire divided in to two main groups, which are:

The first group is respondent demographical data which includes: nationality, industry, age. Based on the collected questionnaire, the demographical data can be shown more specific below:
1) Nationality

From the figure of nationality, stated that the respondents were dominated from China 15%, which is 9. The other 85% respondents were dominated from Indonesian, which is 51. Because the customers are from two countries, they may have different opinion toward to the research questions, therefore, the result of each side may have a difference.

(Source: Microsoft Excel 2007 and Primary Data)
We can see in the chart, there are 25 respondents from excavation industry which occupies 42%; 12 respondents from forest industry which occupies 20%; 5 respondents from agriculture which occupies 8%; 18 respondents from construction which occupies 30%. Since customers are from several industry, therefore, their opinion and view towards localization factors may be different.

### 4.2 Data Presentation

The data presentation shows the descriptive of the questions and the frequency of respondents’ answer to the questionnaire. The statements regarding one factor will be presented together, thus the average rate for that factor can be calculated. After each involved factor got its overall performance weighted mean.

#### 4.2.1 Analysis problem statement

There are 5 factors in my questionnaire research as explained in the following:
Table 4.2 Language Localization

<table>
<thead>
<tr>
<th>No</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>12</td>
<td>17</td>
<td>19</td>
<td>8</td>
<td>4</td>
<td>3.62</td>
</tr>
<tr>
<td>2</td>
<td>15</td>
<td>25</td>
<td>13</td>
<td>7</td>
<td>0</td>
<td>3.8</td>
</tr>
<tr>
<td>3</td>
<td>23</td>
<td>10</td>
<td>20</td>
<td>5</td>
<td>2</td>
<td>3.79</td>
</tr>
<tr>
<td>4</td>
<td>10</td>
<td>19</td>
<td>13</td>
<td>8</td>
<td>10</td>
<td>3.22</td>
</tr>
</tbody>
</table>

(Source: Microsoft Excel and Primary Data)

The above table 4.3 shows the distribution of the answers toward the factor language localization. For the first statement, *There is interpretation in the process of communicating with SANY employees*, 4 respondents (7%) answered strongly disagree and 8 respondents (13%) answered disagree, 19 respondents (15%) answered neutral, 17 respondents (28%) answered agree while 12 respondents (20%) answered strongly agree.

For the second statement, *I prefer to use Bahasa Indonesia manual instruction than English manual instruction*, 7 respondents (12%) answered disagree, 13 respondents (21%) answered neutral, 25 respondents (42%) answered agree while 15 respondents (25%) answered strongly agree.

For the third statement, *I prefer to communicate with SANY local employees*, 2 respondents (3%) answered strongly disagree and 5 respondents (8%) answered disagree, 20 respondents (34%) answered neutral, 10 respondents (17%) answered agree while 23 respondents (38%) answered strongly agree.
For the fourth statement, *There is misunderstanding caused by language issue between two parties*, 10 respondents (17%) answered strongly disagree and 8 respondents (13%) answered disagree, 13 respondents (22%) answered neutral, 19 respondents (32%) answered agree while 10 respondents (17%) answered strongly agree.

The weighted mean of each statement is 3.62, 3.8, 3.79, and 3.22. The statement 2 *I prefer to use Bahasa Indonesia manual instruction than English manual instruction*, got the highest weighted mean 3.8, which means that most of the customers prefer to have Bahasa Indonesia manual instruction of the product, so that they could understand the product easier without the trouble of misunderstanding because of language differences.

<table>
<thead>
<tr>
<th>No</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>7</td>
<td>17</td>
<td>6</td>
<td>26</td>
<td>16</td>
<td>7%</td>
</tr>
<tr>
<td></td>
<td>29%</td>
<td>26%</td>
<td>26%</td>
<td></td>
<td>3.13</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>15</td>
<td>17</td>
<td>12</td>
<td>20</td>
<td>13</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>25%</td>
<td>28%</td>
<td>20%</td>
<td>22%</td>
<td>3.52</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>20</td>
<td>18</td>
<td>6</td>
<td>10</td>
<td>10</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td>33%</td>
<td>30%</td>
<td>10%</td>
<td>17%</td>
<td>3.59</td>
<td></td>
</tr>
</tbody>
</table>

(Source: Microsoft Excel and Primary Data)

The above table 4.4 shows the distribution of the answers toward the factor culture localization. For the sixth statement, *There is no big culture conflict in communicating with Chinese SANY employees*, 4 respondents (7%) answered strongly disagree and 16 respondents (26%) answered disagree, 16 respondents (26%) answered neutral, 17 respondents (29%) answered agree while 7
respondents (12%) answered strongly agree.

For the seventh statement, *Religion differences have no influence on culture acceptance*, 3 respondents (5%) answered strongly disagree and 13 respondents (22%) answered disagree, 12 respondents (20%) answered neutral, 17 respondents (28%) answered agree while 15 respondents (25%) answered strongly agree.

For the eighth statement, *Good tradition acceptance will promote the promotion of jobs*. 6 respondents (10%) answered strongly disagree and 10 respondents (17%) answered disagree, 6 respondents (10%) answered neutral, 18 respondents (30%) answered agree while 20 respondents (33%) answered strongly agree.

The weighted mean of each statement is 3.13, 3.52, and 3.59. The statement 8 *Good tradition acceptance will promote the promotion of jobs*, got the highest weighted mean 3.59, which means most customers think a good acceptance of Indonesian local custom will promote the work operation.

### Table 4.4 Product Localization

<table>
<thead>
<tr>
<th>No</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>19</td>
<td>10</td>
<td>21</td>
<td>6</td>
<td>4</td>
<td>3.48</td>
</tr>
<tr>
<td>11</td>
<td>15</td>
<td>23</td>
<td>5</td>
<td>9</td>
<td>8</td>
<td>3.44</td>
</tr>
<tr>
<td>12</td>
<td>17</td>
<td>20</td>
<td>9</td>
<td>10</td>
<td>4</td>
<td>3.52</td>
</tr>
</tbody>
</table>

(Source: Microsoft Excel and Primary Data)

The above table 4.5 shows the distribution of the answers toward the factor culture localization. For the tenth statement, *I think the original standard of SANY
excavator adjust well in Indonesian working condition, 4 respondents (7%) answered strongly disagree and 6 respondents (10%) answered disagree, 21 respondents (31%) answered neutral, 10 respondents (17%) answered agree while 19 respondents (32%) answered strongly agree.

For the eleventh statement, One reason of buying SANY excavator is the local brand element of SANY excavator, 8 respondents (13%) answered strongly disagree and 9 respondents (15%) answered disagree, 5 respondents (8%) answered neutral, 23 respondents (38%) answered agree while 15 respondents (25%) answered strongly agree.

For the twelfth statement, I can accept to pay more if SANY can provide required standard products, I can accept to pay more if SANY can provide required standard products. 4 respondents (7%) answered strongly disagree and 10 respondents (17%) answered disagree, 9 respondents (15%) answered neutral, 20 respondents (33%) answered agree while 17 respondents (28%) answered strongly agree.

The weighted mean of each statement is 3.48, 3.44, and 3.52. The statement 12 I can accept to pay more if SANY can provide required standard products, got the highest weighted mean 3.52. In table 4.2, we can see that those customers are from different industries, so they have different required standard expectation to SANY excavator product due to their working condition, which means that they are pleased if SANY could provide different standard to fit different working environment even with more cost.
Table 4.5 Manufacture Localization

<table>
<thead>
<tr>
<th>No</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>14</td>
<td>18</td>
<td>20</td>
<td>3</td>
<td>14</td>
<td>5</td>
<td>3.58</td>
</tr>
<tr>
<td>15</td>
<td>23</td>
<td>19</td>
<td>10</td>
<td>8</td>
<td>0</td>
<td>3.8</td>
</tr>
<tr>
<td>16</td>
<td>16</td>
<td>18</td>
<td>11</td>
<td>15</td>
<td>0</td>
<td>3.48</td>
</tr>
</tbody>
</table>

(Source: Microsoft Excel and Primary Data)

The above table 4.6 shows the distribution of the answers toward the factor manufacture localization. For the fourteenth statement, Manufacture localization is because of the nearness to market. 5 respondents (8%) answered strongly disagree and 14 respondents (35%) answered disagree, 3 respondents (5%) answered neutral, 20 respondents (33%) answered agree while 18 respondent (30%) answered strongly agree.

For the fifteenth statement, Trained local labor will promote the manufacture localization, 8 respondents (13%) answered disagree, 10 respondents (17%) answered neutral, 19 respondents (32%) answered agree while 23 respondents (38%) answered strongly agree.

For the sixteenth statement, Establishing a local manufacture factory will decrease the cost of products because of the nearness of raw materials, 0 respondent (0%) answered strongly disagree and 15 respondents (25%) answered disagree, 11 respondents (18%) answered neutral, 18 respondents (30%) answered agree while 16 respondents (27%) answered strongly agree.

The weighted mean of each statement is 3.58, 3.8 and 3.48. The statement 15
Trained local labor will promote the manufacture localization, got the highest weighted mean 3.58, which means that most customers think that if PT.SANY could have more trained local labor, this will help and promote the manufacture localization.

Table 4.6 After-sale Service localization

<table>
<thead>
<tr>
<th>No</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>17</td>
<td>15 25%</td>
<td>20 33%</td>
<td>9 15%</td>
<td>11 18%</td>
<td>5 8%</td>
<td>3.46</td>
</tr>
<tr>
<td>19</td>
<td>10 17%</td>
<td>21 35%</td>
<td>17 28%</td>
<td>8 13%</td>
<td>4 7%</td>
<td>3.43</td>
</tr>
<tr>
<td>20</td>
<td>15 25%</td>
<td>14 23%</td>
<td>10 17%</td>
<td>9 15%</td>
<td>12 20%</td>
<td>3.18</td>
</tr>
</tbody>
</table>

(Source: Microsoft Excel and Primary Data)

The above table 4.7 shows the distribution of the answers toward the factor after-sale service localization. For the seventh statement, I satisfy the current as-required maintenance of SANY mechanics, 5 respondents (8%) answered strongly disagree and 11 respondents (18%) answered disagree, 9 respondents (15%) answered neutral, 20 respondents (33%) answered agree while 15 respondent (25%) answered strongly agree.

For the nineteenth statement, The service maintenance is periodic as stated in the contract, 4 respondents (7%) answered strongly disagree and 8 respondents (18%) answered disagree, 17 respondents (28%) answered neutral, 21 respondents (35%) answered agree while 10 respondent (17%) answered strongly agree.

For the twentieth statement, The mechanics are quite knowledgeable and professional regarding to service quality.12 respondents (20%) answered strongly disagree and 9 respondents (15%) answered disagree, 10 respondents (17%)
answered neutral, 14 respondents (23%) answered agree while 15 respondent (25%) answered strongly agree.

The weighted mean of each statement is 3.46, 3.43 and 3.18. The statement 17 *I satisfy the current as-required maintenance of SANY mechanics.* got the highest weighted mean 3.46, which means that most customers think that actually the SANY mechanics’ current as-required maintenance has got a pretty high comment from customers.
### 4.2.2 Summary of weighted means regarding localization factors

**Table 4.7 Summary of weighted means of all involved factors**

<table>
<thead>
<tr>
<th>Variable</th>
<th>No.</th>
<th>Question</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Language Localization</strong></td>
<td>1</td>
<td>Interpretation in communication</td>
<td>3.62</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>Manual instruction</td>
<td>3.8</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>Communicate with local</td>
<td>3.79</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>Misunderstanding</td>
<td>3.22</td>
</tr>
<tr>
<td><strong>Culture Localization</strong></td>
<td>6</td>
<td>Culture conflict</td>
<td>3.13</td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>Culture acceptance</td>
<td>3.52</td>
</tr>
<tr>
<td></td>
<td>8</td>
<td>Learn Indonesia culture</td>
<td>3.59</td>
</tr>
<tr>
<td><strong>Product Localization</strong></td>
<td>10</td>
<td>Working requirement</td>
<td>3.48</td>
</tr>
<tr>
<td></td>
<td>11</td>
<td>Local brand element</td>
<td>3.44</td>
</tr>
<tr>
<td></td>
<td>12</td>
<td>Original standard</td>
<td>3.52</td>
</tr>
<tr>
<td><strong>Manufacture Localization</strong></td>
<td>14</td>
<td>Nearness to market</td>
<td>3.58</td>
</tr>
<tr>
<td></td>
<td>15</td>
<td>Trained local labor</td>
<td>3.8</td>
</tr>
<tr>
<td></td>
<td>16</td>
<td>Decrease the cost</td>
<td>3.48</td>
</tr>
<tr>
<td><strong>After-sale Service Localization</strong></td>
<td>17</td>
<td>Periodic Maintenance</td>
<td>3.46</td>
</tr>
<tr>
<td></td>
<td>19</td>
<td>Service</td>
<td>3.43</td>
</tr>
<tr>
<td></td>
<td>20</td>
<td>As-required</td>
<td>3.18</td>
</tr>
</tbody>
</table>
The descriptive statistical of results of the five different localization factors reveal that language localization factor is the most influential element affecting customers with the highest weighted mean 3.61. The manufacture localization factor got the second highest weighted mean, which is 3.59.

From the above weighted mean of all the indicators, there are the following findings:

1). Statement regarding language localization is with the highest weighted mean 3.61. It means that even though Chinese SANY employees have the basic skills of English language to communicate, but sometimes when facing some obscure English, both parties may have different understanding, which may lead to work conflict.

2). Statement regarding manufacture localization is with the lower weighted mean than language localization, which is 3.59. This result indicates that most customers agree manufacture localization with nearness to market and raw material, which may potentially benefit themselves regarding to delivery and cost issue.

3). Statements regarding culture localization, product localization and after-sale service localization are with the lowest rank weighted mean than the above two, which are 3.41, 3.48, 3.45. This result indicates that these three localization factors are not the most influenced factors nor dominated factors of localizing SANY excavator in Indonesia. Somehow, the customers still would like to see the Chinese SANY employees have a good acceptance of Indonesia culture to achieve good service.
CHAPTER V

CONCLUSION AND RECOMMENDATION

5.1 Conclusion

As the primary data shows, there are five localization factors totally. Language factor and manufacture factor got the top 2 highest weighted mean with 3.61 and 3.59, which illuminates that these two factors are the dominated factor toward SANY excavator localization in Indonesia market. From the questionnaire research, customers’ attention focuses on language and manufacture factors. In the reality of communicating with Chinese SANY employees, the customers still feel the language issue in communicating, which may bring some negative affect to both works.

Manufacture is always concerned point, customers are very happy to see if SANY builds a manufacture factory in Indonesia, which means that they do not have to worry much about the delivery and spare-part problem, at least better than without local manufacture. Because transporting excavators from China, both customers and company have to take care of all the process and make sure everything is fine without any transaction problem, no matter on transporting, delivery, custom clearance. That makes manufacture localization become one of dominated factors.

5.2 Recommendation

SANY is a company which has been very successful in China, in this heavy machinery equipment industry. There must be some reasons that made it successful with achieving such a glorious past. Somehow, excavator division as a newer came to Indonesia market, there is still a long way to go and a lot of efforts
to make in order to make a standing. Fortunately, the researcher has a chance to intern in PT.SANY Indonesia Machinery, which is the branch of SANY group. With the interest of studying about localization in PT.SANY, the researcher finally came up with this thesis. While during the observation of staying in PT.SANY, also with this thesis, the researcher would like to provide several recommendations for PT.SANY excavator division’s future localization development.

1). **All the product brochures and manual instructions should be stated in Bahasa Indonesia.**

Since from the localization factors, language factor got the highest score, which indicate that language is kind of the block and key. As a result, PT.SANY should make all the product brochure and manual instruction in Bahasa Indonesia as a consideration to customers. Only with solving the problem of communicating, business will get easier. Whereas, as a matter of fact, some of the customers are Chinese, then the communication issue should not be a problem with product brochure and manual instruction in English.

2). **PT.SANY should build the manufacture factory in Indonesia.**

The benefits of building a local manufacture factory is obvious, taking this measure not only will influence the customers’ decision of buying SANY products, but also, as a planning company, will give enough back up for the sales, spare-parts, and after-sale service. As an experience the successful Japanese excavator companies, building local manufacture factory is very necessary and helpful.
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PT.SANY INDONESIA MACHINERY
COMPANY’S CONFIRMATION LETTER

Here with, I am:

Name: Zhang Liang
Function: Sales Manager
Company: PT.SANY INDONESIA MACHINERY
Address: UOB Plaza, unit 1, 42th floor, JL.M.H. Thamrin Kav.8-9,
Jakarta Pusat 10230, Indonesia.

Confirms that:

Name: Huang Zhenyan
Student ID: 011200800088
Faculty/Major: Economics / International Business
University: President University

has done her research in our company in order to write the Thesis, title: “A STUDY OF DOMINANT FACTORS TOWARD SANY EXCAVATOR LOCALIZATION IN CASE OF PT.SANY INDONESIA MACHINERY” since 1 Dec, 2011 until 16 Dec, 2011, and has discussed with us the content of his thesis, including the findings and recommendations.

Zhang Liang
Jakarta, December 16, 2011
PT.SANY INDONESIA MACHINERY
APPENDIX
Dear Respondents,

Hello!

My name is Huang Zhenyan. I am a student studying International Business in President University, Cikarang. At the moment, I am conducting a survey for my bachelor thesis concerning the dominant factors regarding to the SANY excavator localization. I sincerely invite you to spend a few minutes to fill in the questionnaire below. No personal information will be made publicly. This questionnaire is for academic purposes only. Please be assured that your answers will be kept in strict confidentiality and take the time to fill in the answer which best-described yourself. Your help is crucial for this research and also for future improvement in SANY excavator product. We deeply appreciate your kind cooperation.

Your faithfully,

Thesis advisor: Ir.Erny,Hutabarat,MBA
President University, Cikarang

Researcher: Huang Zhenyan (Proverbs)
International Business Student
President University,Cikarang
huangzhenyan@live.com
### Questionnaire

This questionnaire is to research your opinion of SANY excavator, please use √ to indicate you selection.

<table>
<thead>
<tr>
<th>No.</th>
<th>Language localization</th>
<th>Score 1</th>
<th>Score 2</th>
<th>Score 3</th>
<th>Score 4</th>
<th>Score 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>There is interpretation in the process of communicating with SANY employees.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>I prefer to use Bahasa Indonesia manual instruction than English manual instruction.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3</td>
<td>I prefer to communicate with SANY local employees.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4</td>
<td>There is misunderstanding caused by language issue between two parties.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

### Culture localization

<table>
<thead>
<tr>
<th>No.</th>
<th></th>
<th>Score 1</th>
<th>Score 2</th>
<th>Score 3</th>
<th>Score 4</th>
<th>Score 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>I think the job will be easier if the Chinese SANY employees learn more Indonesia local culture.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>6</td>
<td>There is no big culture conflict in communicating with Chinese SANY employees.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>7</td>
<td>Religion differences have no influence on culture acceptance.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>8</td>
<td>Good tradition acceptance will promote the promotion of jobs.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

### Product localization

<table>
<thead>
<tr>
<th>No.</th>
<th></th>
<th>Score 1</th>
<th>Score 2</th>
<th>Score 3</th>
<th>Score 4</th>
<th>Score 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>SANY excavator basically can satisfy the working requirement.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>10</td>
<td>I think the original standard of SANY excavator adjust well in Indonesian working condition.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>11</td>
<td>One reason of buying SANY excavator is the local brand element of SANY excavator.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>12</td>
<td>I can accept to pay more if SANY can provide required standard products.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
## Manufacture localization

<table>
<thead>
<tr>
<th>13</th>
<th>Physical and climate condition may set restrict to manufacture localization.</th>
</tr>
</thead>
<tbody>
<tr>
<td>14</td>
<td>Manufacture localization is because of the nearness to market.</td>
</tr>
<tr>
<td>15</td>
<td>Trained local labor will promote the manufacture localization.</td>
</tr>
<tr>
<td>16</td>
<td>Establishing a local manufacture factory will decrease the cost of products because of the nearness of raw materials.</td>
</tr>
</tbody>
</table>

## After-sale service localization

<table>
<thead>
<tr>
<th>17</th>
<th>I satisfy the current as-required maintenance of SANY mechanics.</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>The service reaction speed is prompt.</td>
</tr>
<tr>
<td>19</td>
<td>The service maintenance is periodic as stated in the contract.</td>
</tr>
<tr>
<td>20</td>
<td>The mechanics are quite knowledgeable and professional regarding to service quality.</td>
</tr>
</tbody>
</table>