

Trends in the Rubber Industry: A Comparative Study of Asia and Europe

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Abstract

This research is a cross-sectional study of the marketing activities of the rubber industry in Asia and Europe. It also looks at how these strategies are impacted on by factors such as cost, technological advancement, and consumption trends. In Asia the style is to produce rubber cheap and in large quantity with the prime intention to compete in the global market. On the other hand, European firms' strategic objectives are product quality, product innovation, and environmental protection. These trends have been analyzed from secondary data sources in the study. Consequently, Asia is said to have low production costs while Europe is synonymous with product differentiation and sustainability. The study intends to assist the different businesses from the two regions through providing the appropriate adjustments on their marketing strategies in order to enhance their market competitiveness.

Keywords: *Rubber industry, marketing strategies, Asia, Europe, cost leadership, sustainability, innovation, product quality*

1.0 Introduction

1.1 Background

Rubber industry constitutes one of the most influential industrial production sector in the global economy and its leaders are in Asia and Europe. It refers to an important material in numerous industries including automotive, medical and consumer products industries globally due to its versatility. A majority of natural rubber is produced in Asia although some of the largest participants of the market are Thai, Indonesian and Vietnamese, Europeans have a strong manufacturing and research base.

Comparing the marketing trends of rubber industry in Asia and Europe would assist in working out how various systems had an impact on marketing of rubber. While the Asian producers give a special significance to the cost leadership through intensity of production and product price, the European producers could focus on technology advancement, sustainability and quality of rubber products.

1.2 Research aim

This research aims at presenting the analysis of the selected marketing tendencies in the rubber industry in Asia and Europe. This case will compare the marketing strategies used by these two regions in marketing its rubber and the result obtained with their standing in the international rubber market.

1.3 Research objectives

The main objectives of this research are:

1. To discuss the analyses of the marketing strategies of the rubber industry for both Asia and Europe are presented below.
2. To make an assessment on the part that preference plays in the marketing of rubber in both regions.
3. To assess the extent and significance of technological change that has occurred in the rubbers market.
4. To help in this case with the following objectives in establishing the findings on challenges to rubber industry in various regions and their effects to marketing:

1.4 Research Question

The research question guiding this study is:

Q1: What has been compared between the marketing strategies of the Asian and the European rubber industry?

Q2: What rubber products to purchase either in Asia or Europe?

Q3: What specifics of such changes in connection with the use of technology in the marketing trends of the rubber industry, specifically in Asia and Europe are present?

Q4: Depending on which objectives marketing challenges faced by rubber industry and implications of the challenges in Asia and Europe?

1.5 Research Rationale

The present study has relevance in as much as it aims at giving understanding on how the rubber industry which is a world giant industry markets its products to fit the general needs of the world economy. In this regard, this study aims at gaining an understanding on marketing trends in a globalized industry particularly in Asia and Europe regions. This is why possibly business entities, policymakers, and researcher may wish to understand potential opportunities, and possibly constraints within each region from this knowledge.

1.6 Research Significance

That is why the significance of this study is in identifying the experiences which the rubber industry can use to improve the marketing activities based on the strategies implemented in different areas. It by so doing can assist firms in positioning their strategies with an aim of getting an improved competitive edge in the existing market. Also, the study can serve as a basis for the definition of the primary marketing strategies' results of the regions' findings considering the influences of the technological, cultural and consumers 'Shared Preferences.'

2.0 Literature Review

2.1 Empirical Study

2.1.1 Fluctuations and risks of rubber price in Malaysia before and after the crisis

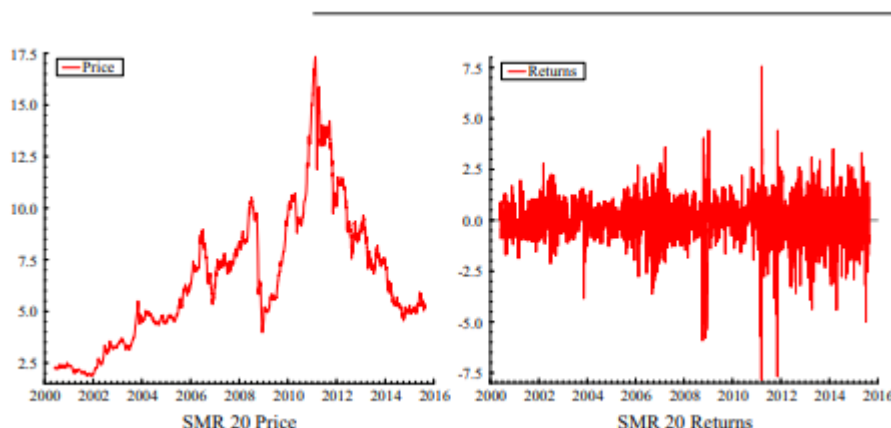


Figure 1: Quarterly price and SMR 20 returns in Malaysia

(Source: Goh *et al.* 2016)

According to Goh *et al.* (2016), this paper examines Malaysia's SMR 20 rubber price volatility with particular focus on the periods before and after the 2008 Global Financial Crisis. Fluctuations denote the frequency and degree of change and is one of the largest risks facing those involved in rubber production and selling. The study employs special models with a view of analyzing the changes in rubber prices whilst it also determines the market risk in prices of rubber. This means that within the same period, the prices show a trend of continuing to change in the same direction, and this result is consistent with the hypothesis (Goh *et al.* 2016). The volatility also increased significantly after the crisis, and in the period after the crisis bad news affected volatility more than good news. In the case of forecasting price this paper in particular FIGARCH, GJR-GARCH models are most efficient especially post- crisis. It also concluded that there is higher risk for the traders and particularly for those that are trading based on a position that the prices will go down.

2.1.2 The current state of the slow pace of eco-certification of natural rubber and the difficulties they encountered

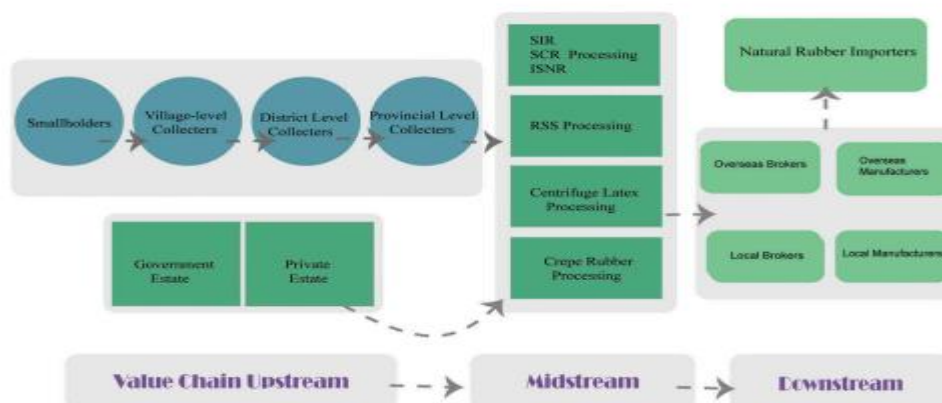


Figure 2: Generalized rubber supply chain

(Source: Kennedy *et al.* 2017)

According to Kennedy *et al.* (2016), using the natural rubber example of the failed attempt at forming an eco-certification for 'green' rubber, this article seeks to explain why the alternative course is hard to follow. Natural rubber product impacts on the ecosystem through land degradation through deforestation, displaces human, animals and plants habitats and to the communities. Despite the record scientific activity and related policy and industry encouragement in many countries, the level of consumer awareness and demand for eco-certification remains lower than with other crops (Kennedy *et al.* 2016). Given this background, this empirical study focuses on three specific locales that may help explain why it is slow to get certification off the ground: Jambi province in Sumatra, Indonesia; Xishuangbanna in Yunan Province, China; and Kerala in southern India. They note that certification normally takes place where rubber production is already happening from where it is relatively easy to meet the eco standards. However, certification programs depend on the government support to function effectively. Thus, although the pressure from the consumers clearly is capable of bringing about change in the general direction of higher sustainability, it is not enough. However, certifications are not the only tool for the local and national governments' to solve environmental and social issues.

2.2 Theories Models

2.2.1 Porter's Five Forces Model



Figure 3: Porter's Five Forces

(Source: <https://www.edrawmind.net>)

When analyzing the marketing concepts in these two areas, it is possible to use such theoretical concepts and models: The rivalries that can be used in the Rubber industry in the both regions can be identified by developing the Porter Five force model (Andriesse 2015). This model looks at how a supplier's bargaining power, the threat posed by buyers, the threat of substitutes, the threat from new entrants and the intensity of rivalry amongst the players' influences marketing strategies.

2.2.2 Marketing Mix Model



Figure 4: 4Ps of Marketing

(Source: <https://www.mageplaza.com>)

Another convenient item is the 4Ps of Marketing (Product, Price, Place, and Promotion). In Asia context the elements which are immediately considered are price/cost consideration and place or distribution channel while in Europe context the important element include product quality and promotion or branding and sustainability.

2.2.3 Diffusion of Innovations Theory

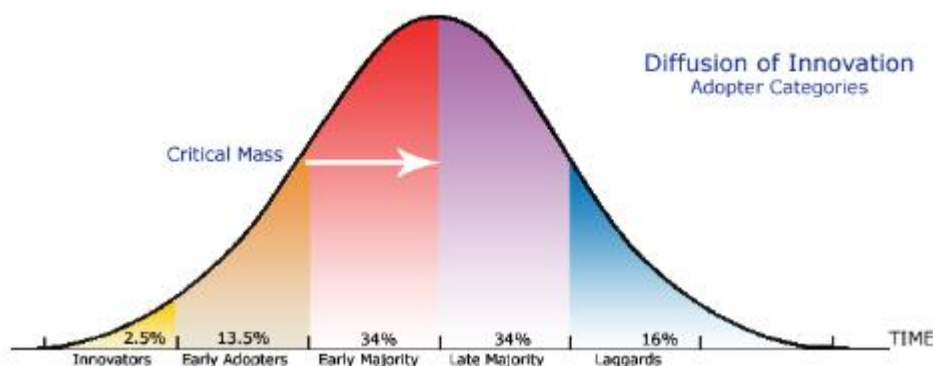


Figure 5: Diffusion of Innovations Theory

(Source: <https://cjni.net>)

Besides this the Diffusion of Innovations Theory can be used to explain how such innovations as production of sustainable rubber affects marketing and spreads across the regions. This theory explains how innovations are consumed concerning consumers as well as industries hence can be used to justify why Europe is gradually adopting sustainable means.

2.3 Literature Gap

Of course there is extensive literature that addresses the facets of the rubber industry; however, very few work has attempted to compare the marketing strategy of Asia to that of Europe directly. Although there are many industry studies focused on the market analysis of a given area, or when referenced to industry-style factors, little literature cross-references information across different locations (Kampan 2017). As a result the aim of this research will be to contribute to filling this gap by comparing the marketing trends of the rubber industry across Asia with the marketing trends of the rubber industry across Europe.

3.0 Method and Data Collection

3.1 Method outline

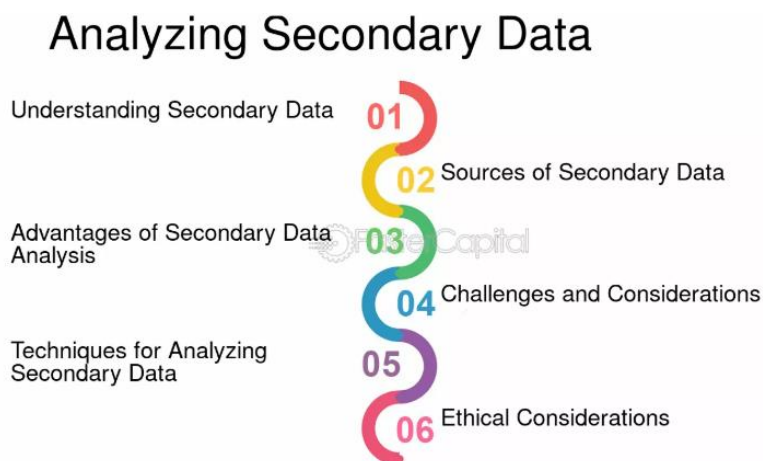


Figure 6: Secondary data analysis method

(Source: <https://fastercapital.net>)

This research employs secondary research as a method of data collection in which information is gathered from various sources which includes; articles, business journals, papers, documents of business organizations, and market articles. Secondary analysis is also cheap and fast because through it marketers can perform a vast study on comparing the trends without having to use the primary data.

3.2 Research philosophy

The study adopts the positivism paradigm which presupposes that reality is made of facts that can be quantified. This approach is ideal for making quantitative data analysis including the business trends such as market trends, production trends, and financial trends (Thellmann *et al.* 2021). *[Referred to appendix 2]*

Being based upon quantitative data, the research will look for patterns and trends in the marketing strategies the rubber industry across Asia and Europe.

3.3 Research Design

In respect to its design, the research is comparative in nature since it contrasts marketing patterns between Asia and Europe. Due to the design employed in the study, it is possible to make a clear comparison of the various aspects of marketing in the two regions.

3.4 Research Approach

The study falls under the deductive type of research rendering that the study builds from existing theories/models and tests them out on the retrieved data (Pareed and Kumaran, 2017). Hypothesized about region-based variation in marketing activities within the rubber industry, the research aims to prove or disapprove hypotheses that the industry has formed about its marketing strategies.

3.5 Research Strategy

This paper employs a descriptive strategy in an effort to establish a coherent picture on how the rubber industry markets their outputs in Asia and Europe. As a result of the secondary data analysis, the research will present and explain major marketing patterns and approaches to each area.

3.6 Data collection

Secondary data will be collected from various sources:

That is journals, articles, academic and trade publications that contain information on the rubber industry. Information gathered from the International Rubber Study Group (IRSG) and Rubber Trade Associations (Hagemejer and Ghodsi, 2017). Official reports and bulletins of governments relating to rubber production and world trade. Annual reports from companies and advertising booklets from leading manufacturers of rubber products. *[Referred to appendix 1]*

3.7 Research Ethics

As the study utilizes secondary data, there are no first impacts of ethical issues regarding data collection. Nevertheless, all data sources should be suitable and proper citation has to be given so there is no question of plagiarism. Further, the data analysis will be done in an impartial manner to the findings by the researcher in order to prevent prejudice.

4.0 Result and Discussion

4.1 Results

The review of secondary data brings out the following findings about the trends in marketing of rubbers in Asia and Europe.

4.1.1 In Asia, strategic marketing is characterized by low cost production and aiming at a large market

Asia: The primary area of strategic marketing in Asia is the ultra-low-cost production and economies of scale. Indicated by firms in Thailand and Indonesia that the ability to offer cheaper or relatively cheaper products are crucial to corner global markets (Bissonnette and De, 2017). As far as the nature of its relationship with agriculture is concerned, Asia is no different because the cultivation of rubber is connected to farming. Availability networks are elaborate with many Asian producers aiming at retailing to the international markets through bulk and cheap networks. When examining the rubber industry's marketing trends across Asia and Europe, it is important to consider the role of resilience within business ecosystems. Market dynamics such as fluctuating demand, trade restrictions, and technological advancements often require firms to adapt quickly to changing environments. The resilience of entrepreneurial ecosystems plays a crucial role in enabling industries, including rubber, to withstand disruptions and foster sustainable growth through collaboration, innovation, and strategic resource mobilization (Roundy, Brockman, & Bradshaw, 2017).

4.1.2 Several key macro trends running through their strategies which are quality innovation and sustainability

Europe: On the other hand, most of the European rubber manufacturers aim at quality than volumes. The focus is given to unique rubber objects, for example, produced for car industry, medical applications, etc. The European companies are known to be so strong in research and development and thus they are able to develop highly valued rubber products with a given set of characteristics (Dasanayaka and Sardana, 2015). Marketing in Europe also stresses heavily on the environmental concerns and this has overtime made many manufacturing companies embrace green marketing activities. Branding and promotion techniques are applied by European companies to market the technology incorporated into their products and the environmental friendliness of the products offered.

4.2 Discussion

From the research study, the factors indicate that the marketing strategies assessed in the Asian and European markets are influenced by the economic, cultural and technology factors in the two regions (Khatun and Afroze, 2016). So it is seen in Asia where the low cost and price competitiveness relate to its emphasis on large-scale production as the manufacturing-base of the world. Consumer pressure on Asian companies to be sustainable is low, unlike in Europe; so, costs are cut, and production is optimized.

On the other hand, Europe has higher objectives regarding quality and sustainability from the demand side customers are demanding better quality products and there is policy pressure on high standard environment principles (Rajaeifar *et al.*

2017). It is generally seen that European players focus on technology and innovation content in their product with an intention to be unique from competitors and it can be observed that this market is highly conscious of environmental issues and such players actively incorporate these issues in their advertising slogans.

These conclusions are also supported by the analysis made by the use of Porter's Five Forces model and the 4Ps of Marketing (Suwannarat 2017). The market of Asia has high levels of supplier competition and it was also observed that the price for rubber remains relatively low. Europe's market on the other hand experiences the advantage of differentiation strategy since quality and sustainability are the parameters that dilute competition.

5.0 Conclusion and recommendation

5.1 Recommendation

Based on the findings of this research, several recommendations can be made for companies in the rubber industry:

1. For Asian companies: Emphasis on developing the new product lines and expanding knowledge of the viable rubber production to satisfy different customers.

2. For European companies: 'Enhance a range of research and development to sustain competitive edge in offering quality products while diversifying marketing communication to highlight quality and environmental impacts of the firm's products.

3. For global market strategies: There are areas within the Rubman & Vic regions which should be coordinated, the technological innovation, for instance; materials development which might be useful to other regions in the rubber business.

5.2 Conclusion

In this connection, the component of the comparative evaluation of the marketing tendencies in the rubber industry as to the Asian and European markets is related to the definition of the manifestation of the regional specificity. Asia's motives are cost leadership and scale while Europe's motive is product differentiation, innovation and sustainability. These differences are highlighted in this paper to assist firms in the two regions gain an enabling understanding of the environment thus improving on their marketing strategies in the international market. Thus, this research investigates the role of context of marketing in the current trends and gives suggestions to the stakeholders of rubber industry.

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