

# IMPLEMENTATION OF JOINT VENTURE BASED OF MULTINATIONAL CORPORATION IN THE EXPANDING BUSINESS MARKET FOR EUROPE AREA MARKETING PROGRAM

Oleh:

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## ABSTRACT

*PT. Bukit Asam Tbk is a coal mining company owned by the Indonesian state. This research was conducted to try to help create new marketing programs by applying for programs. The method for analyzing this research is qualitative by direct observation, in-depth interviews, collection of documentation, and secondary data of the company. The research was conducted in the company through the marketing division. This research resulted in a marketing program using the MNC concept with the implementation of joint ventures which are expected to be implemented in the PT. Bukit Asam Tbk.*

**Keywords: Marketing Management; Business Market Expansion; Multinational Corporations; Joint Venture; B2B**

## 1. INTRODUCTION

Competition in the business world is increasingly difficult to avoid in the era of globalization. The increasing advancement of production technology is a factor that can tighten the competition that occurs between companies. Advances in production technology make products between different companies difficult to distinguish. To overcome this, companies need to set the right price, distribution method, product quality, and promotion strategy through marketing activities. Marketing activities are carried out by the company to achieve goals that benefit the company both in the short and long term. The company needs a marketing strategy. Kotler and Armstrong (2020) define

marketing strategy in terms of the pursuit of a single mind to provide superior value to consumers. According to Cravens and Piercey (2013), a marketing strategy that is implemented and managed on an ongoing basis is the final stage of target market determination and positioning. Based on these two opinions, the marketing strategy is an activity carried out by producers in distributing products or services to consumers so that they can provide satisfaction to these consumers.

The research focuses on PT Bukit Asam Tbk, a leading company in the domestic scale of the coal industry, implementing a strategy of position defense by prioritizing the quality of coal and providing reliable supply capabilities to its consumers. The

company's sales strategy is focused on selling various types of high-quality coal products through direct marketing and public relations. However, the research reveals that the company has a weakness in terms of its limited market share on an international scale. Thus, the "Expanding Business Market for Europe Area" program is proposed to address this issue and widen the company's market share in the European region.

As said in the previous section, this study aims to propose an Expanding Business Market For Europe Area program so that companies can expand their market share on an international scale. The use of the Multinational Corporation (MNC) concept with the implementation of Joint Ventures used in this program is expected to make it easier for companies to expand their market share.

## 2. RESEARCH METHODS

The research method used in this study is qualitative, which focuses on analyzing marketing problems in PT Bukit Asam Tbk. Primary and secondary data are collected and analyzed using qualitative data analysis methods. Primary data is

collected through in-depth interviews with managers and employees in the company, while direct observations are also conducted for four months at the company's location. The data obtained are then documented by writing, recording, and recording according to what has been obtained. Secondary data in the form of company profiles, websites, books, and internal data are also used (Creswell, 2018). The collected data is analyzed with a SWOT analysis, which is further analyzed in association with marketing theory as a company evaluation that can be implemented in the proposed program.

## 3. RESULTS AND DISCUSSION

PT Bukit Asam Tbk is a state-owned coal mining company located in South Sumatra. This company has coal products that have good quality that are produced using good mining tools, have a good supply chain system, and good quality control. By using good mining tools and having a good supply chain system, and good quality control, PT Bukit Asam can produce each coal with various types and qualities.

**Table 1. Products and Specifications**

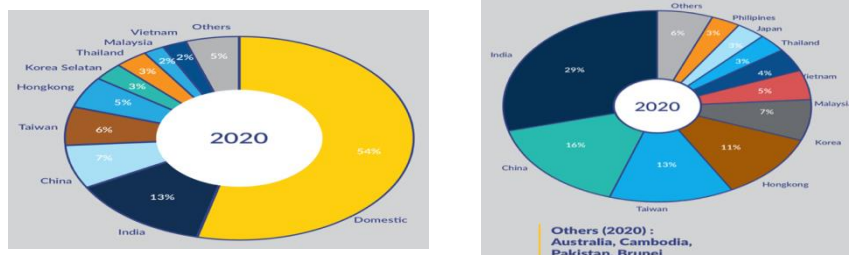
Parameter	unit	BA-48	BA-50	GAR-6100	BA-64	BA-67	BA-71
Total Moisture	% (ARB)	30	28	17	14	11	7
Inherent Moisture	% (ADB)	14	13	9	6	4	3

Parameter	unit	BA-48	BA-50	GAR-6100	BA-64	BA-67	BA-71
Ash	% (ADB)	8	8	8	8	8	8
Volatile Meter	% (ADB)	39	39	35	35	33	28
Fixed Carbon	% (ADB)	By Diff	By Diff	By Diff	By Diff	By Diff	By Diff
Total Sulphur	% (ADB)	0.8 Max	0.8 Max	0.8 Max	0.8 Max	0.8 Max	0.8 Max
Gross Calorific Value	Kcal/kg (GAR)	4,800	5,000	6,100	6,400	6,700	7,100
HGL	-	55	55	60	60	60	77
Size (0-50mm) minimum	%	90	90	90	90	90	90

Source: MNC Observation Data, 2022

The data mentioned above is information about the specifications specifications sold by PT Bukit Asam Tbk and its competitive advantage in terms of coal quality and supply capabilities. The data presented shows that the coal produced by the company belongs to the

middle to high calorie group, which is a strength for the company's competitiveness against its competitors. In addition to prioritizing product quality, the company also provides a high supply guarantee to meet customer needs, which is another competitive advantage.



**Figure 1. Sales Breakdown By Country**

Source: MNC Observation Data, 2022

It can be seen from the chart above showing that PT Bukit Asam Tbk's market segmentation is more dominant in the domestic market, while the market segmentation of PT Bukit Asam Tbk on an international scale shows that its market segmentation is more dominant in Asian

countries. With a market share that is not so wide on an international scale, the author proposes a marketing program Expanding Business Market For Europe Area which aims to create a new market share in the European region.

**Table 2. SWOT Analysis Results**

<b>Strength</b>	<b>Debilitation</b>	<b>Chance</b>	<b>Threat</b>
Good quality of coal products, has high calories compared to their competitors	The market share of PT Asam Bukit Tbk abroad is not wide enough	The Russian and Ukrainian wars severely affected gas supplies to the European region, including Germany, which were dwindling. This makes Europe will switch to coal which is used as a driver of power plants.	More and more competitors of private companies engaged in coal mining. In determining prices, private companies are not set by the government.
The promotion carried out by PT Bukit Asam Tbk is a direct promotion and public relations. Direct promotion by offering directly to buyers and also participating in events. Meanwhile, public relations by organizing activities to commemorate the anniversary of PT Bukit Asam Tbk which contains aid and community social activities	The price set by the company has been set by referring to the index and government rules		
A good distribution channel by having 2 ports, namely kertapati and tarahan, where tarahan port is the largest port that can load ships up to 200 thousand dwt			

Source: MNC Observation Data, 2022

In supporting the Expanding Business Market For Europe Area program with the SWOT research that has been carried out, this study found several weaknesses, strengths, and opportunities as mentioned above. One of the weaknesses of this company is regarding market share. The market share owned by PT Bukit Asam Tbk on an international scale is not wide

enough, this is due to PT Bukit Asam Tbk being a state-owned company where the company is obliged to meet domestic coal needs first before export needs. Figure 1 above also shows that the market segmentation of PT Bukit Asam Tbk is more dominant at home and the market segmentation on an international scale is more dominant in Asian countries.

From the results of the SWOT analysis above, it also shows an opportunity for the company, namely the war between Russia and Ukraine caused the supply of natural gas from Russia to the European region to be stopped, therefore a number of countries in the European region switched back to using coal for the benefit of the main fuel for power generation, winter preparations, and other manufacturing activities.

With the weaknesses and opportunities found, the author will provide proposals through programs that direct companies to penetrate the market. Market penetration is a company's growth strategy by maximizing the current level of product sales to the current market segment without the need to change its products. This market penetration is carried out by focusing on expanding market share by seizing customers from competitors by attracting customers from competitors who currently do not use the product. Market penetration indicates if there is unmet demand in the market and if consumers still have resources that have not been used. The way to achieve this is to acquire more and more buyers from the same target market or make existing buyers more often buy existing products (Hossain, 2021). If PT Bukit Asam Tbk penetrates the market into the European region well, it can become a competitive advantage for

the company. Market penetration can be used to test the sales success rate of sales and marketing campaign results. In other words, it can be used as an instrument to find out whether its market share has increased or decreased (Ritter and Pedersen, 2020).

The research suggests that PT Bukit Asam Tbk can use direct marketing to penetrate the European market, targeting power generation companies and companies that require coal as fuel. Direct marketing is considered more effective in attracting consumers than conventional advertising, as it allows the seller to convey important information directly to the consumer (Summer and Rachel, 2019). PT Bukit Asam Tbk can offer coal products with high supply guarantees, good quality, and other advantages, as product quality is a significant factor in the target market's purchase decision (Rehman et al , 2017). Setting product quality as the top priority can help the company gain consumer trust, leading to brand loyalty and increased sales (Eckhardt et al, 2019). The unique abilities/advantages of the company can form the basis of its competitive advantage, making it difficult for competitors to replicate its products (Tien N.H, 2019). A growing sense of attachment to a customer's brand will lead to a greater increase in the purchase of that brand. When customers feel that a brand's

product can increase their confidence, it will make them prefer and buy it compared to other brands. Indirectly, it will stick in the customer's mind, even suggesting other people or customers who need coal to buy products from the brand (Marsasi & Yuanita, 2022). To expand its market share in the European region, the company can implement the Expanding Business Market For Europe Area program, leveraging its strengths such as high-calorie coal, high supply capability, and a large port that can accommodate large ships up to 200,000 DWT, meeting the new needs for coal in the European market.

#### **4. THEORETICAL AND APPLIED**

There is significant potential for PT Bukit Asam Tbk, an Indonesian coal company, to expand its market share in Europe by forming Joint Ventures (JV) with local and foreign companies. Through this strategy, the company could meet the energy needs of Europe, which would be facilitated by the presence of its two major ports. The study highlights the advantages of JVs, such as accelerating market penetration and providing synergistic influence. The study also underscores the importance of multinational corporations (MNCs) in the global economy, noting that they have the power to influence world politics due to their economic strength. In

this regard, the article examines the characteristics of MNCs, including their ability to form affiliates abroad and have a vision and strategy that encompasses the world. The findings of this study draw upon research by Eka (2018), Chan et al (2022), Ayoku (2022), Kim and Milner (2019), Sulemana (2019), and Fransen et al (2019).

Because Indonesia is rich in natural resources, it makes it a special requirement for foreign investors to run a business and invest in Indonesia. Due to limited resources, it requires other countries to assist in the country's foreign policy program for the welfare of the people (Forcadel, 2019). PT Bukit Asam Tbk can take advantage of this attraction by conducting joint ventures with power generation companies in the European region with the advantages of coal products owned by PT Bukit Asam Tbk which are certainly in accordance with the needs in the European region.

The characteristics of a multinational according to Ahlstrom et al, (2020) are: 1) Forming affiliates abroad, 2) Vision and strategy worldwide, 3) A number of MNC assets are invested internationally, 4) The scope of income-generating activities is carried out beyond national borders, 5) Policymakers always consider opportunities that exist globally, and others.

(Blouin et al, 20 20) revealed five uses that resulted in multinational corporation changing sales prices in affiliate transactions, namely Escaping funds,

Evading taxes, Adjusting profits, Reducing quota restrictions, and Making competition profits.



Figure 1 IS Development Strategy in MNCs

**Figure 2. MNC Strategy**

Data source: Luckyariadi Website

Usually, the main approach is to quickly diffuse/deploy centrally based information systems, which are termed "best in the company" applications to branch offices. In this approach, harmony and integration between systems in different branch offices can be easily achieved for all systems in the company. The next approach relates to channeling as a head office information system to branches with the active transfer of knowledge and expertise. In this case, the main focus is to adapt to local business conditions such as different legal and tax requirements and quickly diffuse the knowledge and expertise of the office branches in information systems. The third strategy is coordination, namely when the multinational system development group is established. The fourth is related to the initiative of independent and multinational systems by branch offices. This strategy relates to the multinational level, where the

company entrusts the power of conducting office operations and the freedom of strategy to foreign branch offices and coordination and integration is not emphasized (Ge et al, 2022).

In carrying out this program, PT Bukit Asam Tbk can use the "Adaptation" approach of this MNC concept. PT Bukit Asam Tbk can adapt various things in its destination country such as the state of business there, legal requirements there, taxes there, and others. By using this approach, PT Bukit Asam Tbk can be more efficient in carrying out the market share expansion program to the European region "Expanding Business Market for Europe Area".

PT Bukit Asam Tbk needs to take steps in expanding its business to the European region. Business development that needs to be done first, is that domestic companies that are multinational locations have similar properties with this type of

multinational company. The company has revenue from assets in a number of places and its use is combined with local materials to produce products. Second, multinational and domestic multi-location corporation enjoy the competitive advantages of economic entities that tend to be large compared to large single-factory companies in general. An important difference between an MNC and a TNC is that an MNC uses and controls its assets across national borders, while TNC is in one country between the two. In addition, in contrast to domestic companies with a variety of factories, multinational corporation operate and manage owned companies through departments whose management crosses national borders, as well as with the national activities of a number of companies that carry out their operations in invisible groups, regardless of their formal identity is maintained by corporate requirements under state law, where multinational corporation operate through subsidiaries or branches (Alfaro et al, 2022). Third, there is a relationship between multinational and domestic companies, namely related to matters related to the production of export goods, for example, related to know-how techniques and skill sets. In multinational or domestic companies, disseminate existing technology and skills with license

agreements with multinational corporation and sell science and always only for its subsidiaries.

In addition, the strengths possessed by PT Bukit Asam Tbk, it is necessary to carry out product development strategies such as improving the quality of human resources, maintaining open pit services, and using docks and loading facilities optimally for exportation activities. The achievements of this company are inseparable from existing human resources. Goods with high competitiveness depend on a high degree of efficiency. The degree of efficiency depends on the quality of human resources in the company. This product development strategy plays an important role for all business processes. A good product development strategy will show the company's good growth rate. Because by having a quality, interesting and relevant product, customers will feel satisfied and want to repeat orders immediately. So with automatic production and sales will increase as well. On the contrary, poor and targeted product development can trigger product failures in the market (Cooper, 2019).

PT. Bukit Asam is a company as a key player in the strategic coal batur development industry in Indonesia. As for the development of PT. Bukit Asam Tbk has made a strategic plan for the company



for the future. Strategic planning is essentially one of the many concept plans that have undergone development. The benefit of this strategic planning if we can make and apply it well, however strategic planning as a planning tool that is oriented towards the times future by paying attention to strategic environmental aspects for now or the future. Strategic planning can ensure the continuity of the organization by increasing productivity or quality of work and work results or performance so that it will be able to compete with other organizations in the same (Teixeira and Junior, 2019).

## 5. CONCLUSION

The research suggests that PT Bukit Asam Tbk can expand its market to Europe, particularly Germany, by implementing the MNC concept through joint venture strategies with power generation companies. With the increasing demand for coal in Europe due to the restriction of natural gas usage in electricity production, the joint venture is an appropriate step for PT Bukit Asam Tbk to develop its market share.

The impact of this research is expected to be beneficial to companies in making purchasing decisions, analyzing appropriate strategies to enter the European market, and strengthening the relationship between beneficiaries and

researchers to develop marketing innovations. The proposed theory of MNC with joint venture application can be used as a reference for other research in the industry.

Overall, the joint venture strategy can be an alternative solution to the lack of breadth in the company's market share on an international scale. The success of this program can benefit all parties involved, and this research can serve as a reference for future studies in similar cases.

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