

SWOT Analysis for Determining Marketing Strategy: A Case Study on Coal Mining Related Service Firm

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Abstract

The purpose of this study aims to identify marketing strategy alternatives for the studied company is able to compete in higher intense competition in which more companies have been entering the market. Interview to the managers of the company was conducted to gather data on the marketing strategy it has applied. SWOT analysis using IFE matrix for describing strength and weakness factors and EFE matrix for opportunity and threat factors. The results indicate that the company is in quadrant I of IE matrix meaning that internally the company has strengths and externally it has opportunities. Appropriate strategy is to grow and build. The company can penetrate the market by offering new services to the existing clients, develop the market by addressing not only big companies but also the smaller ones, and develop product by creating new supporting services to the clients.

Keywords: coal mining, heavy equipment rental, marketing strategy, SWOT analysis

INTRODUCTION

Indonesia is one of the biggest coal producers and exporters in the world. Since 2015, Indonesia's production has been beyond Australia's and Indonesia becomes the biggest thermal coal exporter dominated by middle quality (5100 - 6100 cal/gram) and low quality (< 5100 cal/gram) ones in which the biggest demand comes from China and India. According to the Ministry of Energy and Mineral Resources, Indonesian coal stock will last for about 83 years ahead if it keeps practicing the existing mining.

The reference price of coal had increased between 2015 and the mid of 2022 and accordingly the ministry of energy and mineral resources set it at US\$ 321.59 per ton, US\$ 163 per ton higher compared to the price in the previous month amounted US\$ 158,50 per ton. Such increase was cause by the war between Russia and Ukraine. This momentum had brought advantages for the coal mining industry.

PT ABC took this opportunity by entering and serving the industry. It provides a heavy equipment rental service based on lump-sum (monthly rent under an agreed price) or minimum charge (hourly rent under an agreed price and hour) as well as coal hauling, transporting coal from stock room called pit to port or jetty. PT. ABC targets legal coal production contractors with strong financial condition, such as PT. IDM, PT. ABN, PT. PS, PT. BMMU, and PT. CK.

The bigger opportunity in the industry has led to higher competition in the heavy rental and coal hauling industry and higher expectation and assertion of the company's customers. To maintain the existing customers and to acquire new ones, PT. ABC must assure that its equipment must be highly available and customers satisfy and give good feedback. The company must also ensure that it can provide best solution if things happen on the service it offers. These relate to marketing strategy and thus PT ABC needs to implement it for particularly increasing market share and customers satisfaction.

SWOT analysis can be the alternative method for identifying the company's strengths, weaknesses, opportunity, and threats used to determine suitable strategy for attaining the purposes. This study aims to conduct internal and external audits on PT ABC to know strengths, weaknesses, opportunities, and threats as the basis for determining appropriate marketing strategy of PT ABC.

LITERATURE REVIEW

Marketing is human activities intended to fulfil and satisfy needs and wants through exchanges (Kotler, 2021; Assauri, 2007). Rangkuti (2009) emphasizes that the activities are a process influenced by social, cultural, political, economic, and managerial factors. Thus an individual or a group can get their needs and wants by creating, offering, and exchanging offerings that have values. Accordingly, marketing is defined as activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large (AMA, 2022). It implies that marketing has strategic role for a company in providing value.

In its strategic role, marketing covers all activities intended to attain balance between the company and its environment in the purpose of finding and implementing solution of two main problems. The first problem relates to what business the company is currently engaged and will enter in the future. Secondly, it refers to how the company can be successful in its existing business that is highly competitive based on its products, price, promotion, and distribution (marketing mix) to serve the target market.

Strategy is a process of determining direction to where a company must go for attaining its mission and creating products, services, and market in the future (Morrisey, 1995). It refers to general principles for achieving the mission and how the company chooses specific path to achieve its mission. Strategy is thus important for managers of a company since it gives basis for doing daily activities and coping with the changing condition. In relation to this, Wibisono (2006) stated that company's strategy is pattern or plan integrating the company's main purpose or regulations with set of actions in a interrelation statement.

Marketing strategy is a company's plan to market its products and to win the competition in order to achieve its goals by considering the external opportunities and threats and using the resources optimally according to the changing conditions (Budi, 2013). This

implies that a marketing strategy must be whole, integrated, and unit which covers combination of activities for attaining the company's marketing goals (Assauri, 2007). It is a plan describing company's expectations on the impact of activities or marketing programs on the demand of products or product line in particular market (Tjiptono, 2012). In other words, marketing strategy refers to activities covering social and managerial processes of a company for satisfying consumers' needs and wants as well as for attaining company's marketing goals.

For being successful, marketing strategy must address the target market accordingly. The target market is selected among the segments the company deals with. In other words, a company must segment its market before it can select one of some of the segments as its target market. Assauri (2007) noted that market segmentation is a marketing strategy conducted consciously and deliberately to divide the market into sections for the purpose of addressing particular sections as the target the company wants to serve.

Tjiptono (2012) describes that segmentation refers to a process of classifying market that is heterogeneous into groups in which a group covers similar need, want, behavior, and response toward a marketing program. Market segmentation results in groups of buyer or consumer which each has particular characteristics, product need, and marketing mix (Rangkuti, 2009) and thus each needs different product (Budi, 2013).

Company must then evaluate attractiveness of each segment and decide which segments it wants to serve (Budi, 2013). Process of identifying market segments that are potential and select one or some of them to be served is called targeting (Tjiptono, 2012). In other words, targeting is a process to select one or more segments to be served (Rangkuti, 2009). A segment contains homogeneous consumers to whom company wants to appeal them to buy its products. Here, company must be able to put its product on a particular position in consumers' mind for appealing them. Positioning is the next action to be created by a company.

Positioning is a psychological concept on how the existing customers and potential

consumers can accept the organization and its products rather than of others (Budi, 2013). It is about to take a position in the market (Rangkuti, 2009) intended to create a particular image of an organization. More particularly, it relates to how consumers in the segments directly perceive the organization and its products or services. In line with this, Tjiptono (2012) mentions that positioning means actions to create offer and image of the organization in order to grasp special and unique place in the mind of the target market in a way that it is perceived as better than the competitors. In other words, the purpose of positioning is to build and communicate product competitive advantages and immerse them in consumers' mind.

Positioning is the foundation for a company to provide appropriate marketing programs for the target consumers. Alma (2002) stated that strategy combining marketing activities in a way resulting in optimal combination for producing the best result refers to marketing mix. The combination is the essence of marketing system consisting of controllable variables or activities used to influence buyer or consumer reaction (Assauri, 2007). In terms of service company, the variables are 7Ps consisting of product, price, place, promotion, people, process, and physical evidence.

These variables are combined and integrated in a way that can help marketers to succeeding implementation of their marketing strategy and positioning (Budi, 2013). In other words, marketing mix is a set of controllable marketing tools for fulfilling or serving consumers' needs and wants.

METHODS

This study is a case study on PT. ABC whose business is on heavy equipment rental for particularly companies involving in coal mining and merbau woods production. The study used primary data that were gathered by interviewing (Sugiyono, 2013) the director and general manager of PT. ABC. The interviews were lasted approximately an hour and is intended to (1)

explore company's marketing strategies in terms of segmentation, targeting, and positioning and marketing mix (7Ps) and (2) do internal and external audits on the company. The internal audit was to explore the company's strengths and weaknesses, while the external audit addressed the outside conditions influencing the business.

The data on marketing strategy were analyzed using descriptive analysis (Sugiono, 2012) intended to describe the current marketing strategies that have been done by the company. The data on internal and external audits were analyzed by applying IE matrix analysis (David & David, 2015; Rangkuti, 2009). Here, the interviews were then transcribed and internal and external factors were identified based on the transcription. The factors were arranged in IFE (Internal Factor Evaluation) matrix and EFE (External Factor Evaluation) matrix that were then handed back to the director and general manager for them to assign weight and rate for each factor. Weight of each internal and external factor is an average weight of the four respondents. The average weight was then multiplied by the rate to calculate weighted score of each factor. The weighted scores of the internal factors and external factor were separately summed up. These two scores were applied to determine strategic position of the firm in the IE matrix that are classified into three main strategies: (figure 1)

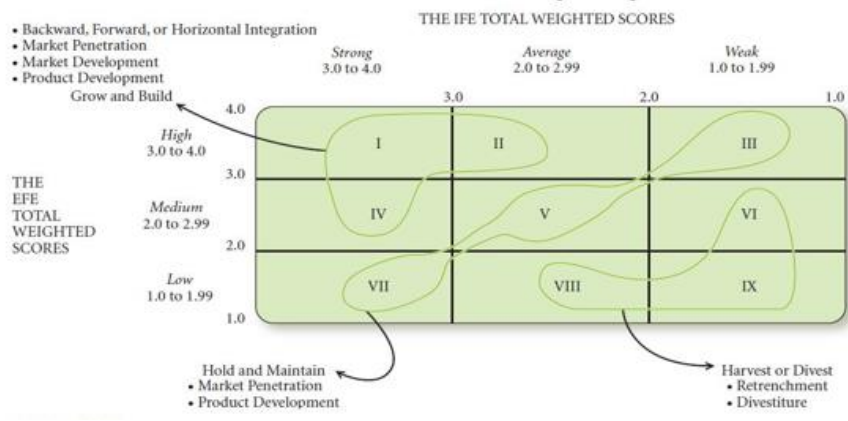
- Grow and build - quadrant I, II, and IV
- Hold and maintain – quadrant III, V, and VII
- Harvest or divest – quadrant VI, VIII, and IX

RESULTS

Marketing Strategy of the Firm

The firm applies geographic segmentation to classify the clients since their geographic location provides significant effect on the firm's competitiveness against the competitors. So far the firm has served those producing coal and *merbau* woods. Of these two big segments,

the firm targets particularly big clients producing coal (there are 5 big companies as the main clients) because they are highly potential contractors having large capitals, professional management, and favorable location (near to the mine). Accordingly, the firm create an image as a firm that provides distinct services to the clients. This positioning enables potential clients to differentiate the firm against the similar ones.



Source: David & David, 2015

Figure 1. IE Matrix

In relation to deliver distinct services, the firm provides all equipment needed in the mining activities that can support each mining process well. To mention it, the firm owns 32 dump trucks Index 25, 31 heavy equipment, 13 support trucks, 6 logging trucks, and 6 small vehicles/LV. These are needed in the operational activities for carrying and distributing coals from the site. The firms also provides other supporting facilities such as workshop for repairing any damages of the equipment and labor lounge.

The firm set price for a client using project-based pricing in which price of the equipment and facilities is determined according to the project needs, location, and design. The minimum price of an equipment is set in a lump sum for a minimum hour. This minimum price covers costs of leasing, spare parts, wage, accommodation, and CSR (*Corporate Social*

Responsibility).

For promoting its services, the firm conducts four types of promotion: advertising, personal selling, sales promotion, and public relation. Advertising is mainly conducted through business magazines and the internet. Brochures are also applied for providing information regularly to any potential clients. Personal selling is considerably crucial for approaching a prospective client since the firm can discuss what services that can best serve the client's needs by phone or face-to-face during the selling. This way is most frequent way to get clients and is considerably the most effective way. Sales promotion is usually conducted during the trade show the firm is participating in or in launching a new product unit. In such events, many coal mining players are usually existed and the firm can use this opportunity to make sales calls in either national or international events. The firm also gives away firm specific merchandising such as menu, poster, ballpoint, hat, t-shirt, wine list, and post card. As part of its public relation, the firm consistently builds good relationship with local community and the competitors. Giving sponsorship, providing public facilities for local community, doing plantation in the surrounding area, involving the community in the firm's events (such as firm anniversary, Independence Day) are activities conducted by the firm for maintaining relationship with the community.

The firms delivers its services directly to client or indirectly through a middleman. A client can contact the firm directly to offer a project through the company's email, telephone, and a person in charge to communicate with. The firm creates official website in which a client can offer a project to the firm through this website. A platform company manages the website including receiving client's offers and managing communication with clients. In other words, the platform company positions as middleman between the firm and the client.

People involved in the firm's business can be classified into two: those with direct role and those with indirect role. The first one covers employees in the department of sales &

marketing who have the responsibility to market the firm's services. Their capability to encourage potential clients to buy from the firm determines value of contracts attained by the firm. They must also maintain relationship with the business partners so the relationship can result in win-win solution. The later includes employees in all departments involved in delivering services to clients which cover creating a proposal, proposing or offering the proposal, and finalizing the project. They cooperate each other to support what the department of sales & marketing have promised to client. The firm views its people as important resource since they contribute in the success of the business in supporting mining activities. Thus, the firm pays attention on their capability, attitude, behavior, and physical performance that considerably can affect relationship with the business partners and the clients. They involve in marketing processes.

The marketing processes starts from promotion before the timeline (planned or released operational schedule) and ends when the project finishes. The process starts with giving an offer, surveying the location, issuing NOA (notice of award), issuing work contract, doing the operational, issuing invoice of payment for the firm, conducting the work or the contract, and providing guest comment to get customer's feedback. Usually client will offer a new or additional work to the firm before the current work finishes because the firm is viewed as showing high quality of job performance, has value, and is flexible in order to put client's needs as the priority, and has good communication with the clients.

The business of the firm is to rent heavy equipment and it should be able to provide the equipment in high performance and productivity. The firm thus applies four unit performance indicators covering MA (Mechanical Availability), PA (Physical Availability), UA (Use of Availability), and EA (Effective Utilization) to determine productivity of an equipment. The productivity that also indicates availability of an equipment becomes the payment basis by a client. MA, PA, UA, and EA are available on unit timesheet which records operational hour

(total hours a unit works), standby hour (total hours a unit does not work due to external factors such as rain, road damage, etc.), breakdown hour (total hour a unit under maintenance), and work hour (total operational, standby, and breakdown hours in a day). The result is to evaluate the performance of a unit. If the result is under the client expectation, the firm will probably renew the unit or buy new unit. This is to maintain the firm image in providing good services to the clients. Table 1 summaries the marketing strategy of the firm.

Table 1. PT ABC’s Marketing Strategy

Item	Strategy
STP	
Segmentation	Two main segments: coal mining companies and merbau woods companies which are segmenting based on geographic segmentation
Targeting	Big 5 coal mining companies
Positioning	Provides distinct services to the clients
Marketing Mix	
Product	Equipment supporting coal mining process, workshop for repairing equipment damages, labor lounge
Price	Project-based pricing with lump sum for a minimum hour
Promotion	Advertising, personal selling, sales promotion, and public relation
Distribution	Directly and indirectly through a middleman
People	Employees with direct role (department of sales & marketing) and indirect role (other departments)
Process	The process starts from promotion before the timeline (planned or released operational schedule) and ends when the project finishes
Physical Evidence	Equipment with high performance and productivity that is regularly evaluated using MA, PA, UA, and EA measurements

IFAS and EFAS Matrix

The identified strengths and weaknesses of the firm’s marketing strategies are assigned to evaluate the internal condition and presented in the IFAS matrix (table 2). Rating of each item is average rating of those provided by the four informants rounded to below. It results in the weighted score of 3.43.

Identification of the external factors are presented in the EFAS matrix in table 3 and

used to evaluate opportunities and threats the firm may encounter. The result reveals the weighted score of the external condition is 3.38.

Table 2. IFAS Matrix

No	Internal Factor	Weight	Rating					Weight x Rating (Weighted score)
			R1	R2	R3	R4	Average	
Strengths (S)								
1.	Has IUJP (<i>Ijin Usaha Jasa Pertambangan</i>)	0.13	4	4	4	3	4	0.52
2.	Has assets, professional manpower, and well maintained units and equipment	0.13	4	4	4	3	4	0.52
3.	Flexible work system with systematic SOP	0.13	4	4	3	4	4	0.52
4.	Has good track record, experience, and capability in the area of work	0.17	4	4	4	4	4	0.68
5.	Has long relationship with the funders and suppliers/vendors	0.17	4	4	4	4	4	0.68
Weaknesses (W)								
6.	Does not have online marketing system yet	0.07	2	2	2	2	2	0.14
7.	Disturbed and imbalanced cash flow due to the pandemic of covid-19	0.09	2	2	2	2	2	0.18
8.	Ability of suppliers and vendors to provide needs in the right time	0.05	2	2	2	1	2	0.10
9.	Delivery of a unit requires good process and plan and high costs	0.03	1	1	2	1	1	0.03
10.	Needs large capital for running the business	0.03	2	2	1	2	2	0.06
Total		1.00						3.43

To match the internal condition and the external one, the weighted scores of IFE and EFE are then plotted on internal-external (IE) matrix in order to identify the appropriate strategy. IE matrix indicates three major strategies according to the region in the matrix: grow

and build, hold and maintain, and harvest or divest. The IFE total weighted score is 3.43 indicating strong condition, while the EFE total weighted score is 3.38 which indicate high. Matching the scores results in the strategy of grow and build.

Table 3. EFAS Matrix

No	External Factor	Weight	Rating					Weight x Rating (Weighted score)
			R1	R2	R3	R4	Average	
Opportunities (O)								
1.	Adequate economic growth in Indonesia	0.17	4	4	4	4	4	0.68
2.	Market for forestry and mining is still wide open	0.13	4	4	3	4	4	0.52
3.	The price of coal and merbau wood is increasing	0.13	4	4	4	3	4	0.52
4.	Business in forestry and mining will increase significantly after the pandemic covid-19	0.13	4	4	3	4	4	0.52
5.	World need on coal is higher	0.13	4	4	3	3	4	0.52
Threats (T)								
1.	Limitation of business activities due to the pandemic covid-19	0.13	2	2	2	1	2	0.26
2.	The influence of wet season on the business	0.04	2	1	2	1	2	0.08
3.	The perception of forestry and mining are the area that usually are related to environmental damages	0.01	2	2	1	1	2	0.02
4.	Existence of new competitors with large capital	0.04	2	2	1	1	2	0.08
5.	Existence of competitors with digital technology	0.09	2	2	2	1	2	0.18
Total		1.00						3.38

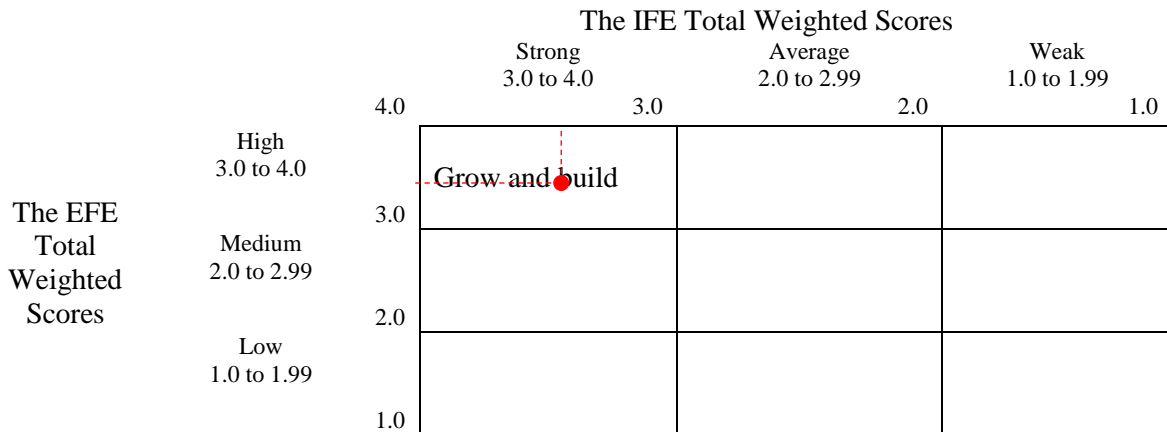


Figure 2. The Firm’s Strategy According to the IE Matrix

Based on the IE matrix, the firm can apply strategy to grow and build the market by using its strengths and taking advantages of the opportunity available in the market. The alternatives strategies are integration, market penetration, market development, and product development. More specifically, the firm can do the following:

1. Add and create new services or facilities that meet needs of the existing clients such as by offering consignment facilities for the clients. Here, the firm may open spare part store located nearby the site accompanied with full support so the client can get parts ready for them.
2. Sell the current services to new clients by offering the services not only to the big companies but also to the smaller ones.
3. Do feasibility study on the distribution channel to develop channel that can support market expansion of the firm since distribution is the important factor in the success of the services delivery.
4. Do promotion by maximizing social media to support the expansion of the market and to promote the new services.

CONCLUSION AND IMPLICATIONS

The audit on the internal condition suggests that the firm has strengths to be used to leverage the business (weighted score of 3.43). Similarly, the audit on the external condition reveals that the firm encounters opportunity to be explored in the market (weighted score of 3.38). Accordingly, the appropriate strategy is to grow and build the business. The firm can penetrate the market by offering new services to the existing clients such as providing consignment facilities. The firm can develop the market by addressing not only big companies but also the smaller ones. As the product development strategy, the firm can open spare parts store on the site accompanied with full support service to the clients. There have been no similar firms do this. Promotion on social media can be the way to support these strategies.

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