



Proposed Business Strategy to Increase Revenue in Power Generation Sector

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ABSTRACT: Business growth is a basic requirement for business sustainability of a company. Strategy formulation to increase revenue during pandemic is very challenging in some sectors. This research will focus on XYZ, a disguise name of a real oil & gas company that operates lubricants business in Indonesia. The objective of this research is to find the best business strategy for XYZ to increase revenue in Power Generation sector. The research methodology in this research is by qualitative method through analyzing external and internal factor using primary data (focus group discussion, in-depth interview, and questionnaire) and secondary data (internal report, journal, and textbook). Those data are used to analyze the external and internal factors that affect XYZ. The analysis is then used further to generate strategy through Strategy Diamond Model. XYZ is recommended to improve supply chain strength through maximizing production in local blending plant, strengthening raw material sourcing, strengthening network & distribution, and formulating pricing strategy that better fit to market.

KEYWORDS: B2B; Covid-19 Pandemic; Downstream; Lubricants; Power, Business Strategy.

1. INTRODUCTION

Electricity is a basic need of modern life and important to Indonesian economy. People use electricity for many applications, such as electronics, lighting, cooling, and refrigeration. In total, Indonesia electricity consumption in 2020 was 243,582 MWh. The consumption of electricity mostly came from Java, which contributed for about 169,694 MWh or 69.67% of total Indonesia electricity consumption. While the rest consumption came from outside Java, which contributed for about 73,888 MWh or 30.33% of total Indonesia electricity consumption. Government of Indonesia had established a plan to add 35,000 MW of electricity generation throughout Indonesia to help boost economic growth in Indonesia. The program of 35,000 MW additional electricity generation requires huge amount of investment, amounting to more than IDR 1,100 trillion. To meet the financial capability, Perusahaan Listrik Negara (PLN), state owned electricity company plans to add new power plants with 10,000 MW of electricity generated. The remaining 25,000 MW will be offered to Independent Power Producer (IPP). As the development of power plants in Indonesia has been rapidly progressed, there will be a growing demand for lubricants for power plant as well. Lubricants which act as a fluid in between two moving surfaces, are the products that used globally in wide range of application in almost every industry. Currently, approximately 41 million metric ton of finished lubricants are manufactured globally. However, the market grew at relatively slow rate to about 2% annually. The high growth rate is in Asia. China and India are the countries that experience the fastest growing lubricants business, which growth at 3 to 5% annually. Asia Pacific has the highest lubricant consumption (approximately 35 %). North America is in the second place at 28% and followed by Southern and Central America (13%), West Europe (12%), and others (12%). Covid-19 pandemic damaged the oil markets. International Energy Agency on March 26th, 2020, announced that the world oil demand could drop by up to 20%. The energy demand in Indonesia was also impacted during 2020 due to Covid-19 pandemic. Based on the data provided by Kementrian Energi dan Sumberdaya Mineral (ESDM) or Ministry of Energy and Mineral Resources, the fuel sales were dropped from 74 million kiloliters in 2019 to 65 million kiloliters in 2020. The fuel demand is directly related to the lubricant demand. The refinery technology that available in the world is typically capable to refine crude oil into fuels & lubricants, not one of them, due to economical reason to operate refinery. When the fuel demand dropped, the fuel production will be adjusted to lower its production to meet the market demand. This will result in the lower base oils production as well. When the demand dropped significantly, some refinery might shut down temporary as well, due to inventory cost to hold the oil products are costly too.



2. MAIN OBJECTIVE

The main objective of this research is to formulate a business strategy for XYZ to accelerate revenue growth of finished lubricants business in Indonesia power generation sector.

3. LITERATURE REVIEW

A. PESTEL Analysis

PESTEL was defined as a framework by Rothaermel that categorizes and analyzes a set of external forces that might affect a company. These forces are political, economic, sociocultural, technological, ecological, and legal. Those forces created both opportunities and threats to the company. (Rothaermel, 2021) It is recommended by Hueners to combine PESTEL analysis along with industry analysis such as Porter's 5 Forces and SWOT. PESTEL has advantages such as a well informed and experienced managers can quickly complete a PESTEL analysis with relatively low effort and it is useful in quickly evaluating a new market that the company is considering. (Hueners, 2007)

B. Porter's 5 Forces

"How competitive forces shape strategy" was published by associate professor Michael E. Porter in 1979. Porter's five forces have shaped and revolutionized business practice as well as academic research in the strategy field. The responsibility of strategist is to understand and cope to the competition. However, frequently the managers define competition too narrowly. For example, assuming the competition is only occurred only among their direct competitors. Yet, the actual competition goes beyond this. The other competitive forces that affect the competition are the customers, suppliers, potential entrants and substitute products. (Porter, 2008).

C. VRIO Analysis

VRIO analysis is a theoretical framework to analyze, explains, and predicts firm-level competitive advantage. Based on this model, a corporation can create and sustain a competitive advantage only when it has resource that meet all of the VRIO criteria: Valuable, Rare, costly to Imitate, and Organized to capture the value of resource. VRIO framework are commonly defined to include any asset, capabilities, and/or competencies that the corporation can generate during formulation and implementation strategy. (Rothaermel, 2021)

D. Value Chain Analysis

Michael Porter proposed "value chain" as a tool to help strategist to identify ways of creating more customer value. Referring to this model, a corporation is a synthesis of activities to design, produce, market, deliver, and support its product. According to Michael Porter's definition, all activities that make up a firm's value chain are split into two types: primary and secondary activities. (Kotler, Philip ; Keller 2016). Primary activities are activities that directly contribute to the creation of a product or service. In this category, there five key activities that defined by Michael Porter. They are inbound logistics, operations, outbound logistics, marketing and sales, and aftersales services. Secondary activities are activities that support the primary activities to become more effective and efficient to increase an organization's competitive advantages. In this category, there four key activities that defined by Michael Porter. They are procurement, technology development, human resource management, and infrastructure.

E. SWOT & TOWS Matrix

The overall evaluation of the strengths, weaknesses, opportunities, and threats in an organization is called as SWOT analysis. SWOT analysis is one of tool that frequently used in strategic management and strategic planning in an organization. This tool is also a way to monitor the external and internal marketing environment. (Kotler, Philip ; Keller, 2016) The external environment that can be captured in SWOT matrix is the opportunity and threat. While for the internal environment is the strength and weakness of the company. The company should continuously monitor the macroenvironment forces and the significant microenvironment forces that might affect the revenue and the earning of the company. TOWS matrix is a tool to analyze, generate, compare, and select the most appropriate strategy to achieve business goals. (Chofreh et al. 2021).

F. Strategy Diamond Model

Donald Hambrick and James Fredrickson created strategy diamond model in 2001. The strategy diamond model provides company a concise way to show how the parts of a company's strategy fit together. Strategy diamond model consist of an integrated set of strategies in five main elements. They are arenas, vehicles, differentiators, staging and economic. (Hambrick and Fredrickson, 2001).



4. METHODOLOGY

In this research, qualitative analysis is used to analyze the survey questionnaire, interview, and focus group discussion. All of this information will be used to define PESTEL Analysis and Porter's 5 Forces for external analysis, while VRIO Analysis and Value Chain Analysis are used for external analysis. Those external and internal factors are then simplified to SWOT and TOWS matrix for strategy formulation, and then followed up with strategy diamond model formulation from Hambrick and Fredrickson.

5. DATA ANALYSIS

A. PESTEL Analysis

Political

Nawacita is a set of priorities agenda by Indonesia government under leadership of President Joko Widodo. One of the agenda in Nawacita is to build Indonesia from its peripheries and to strengthen the rural areas within the framework of a unitary state of Indonesia. In this agenda, new installation of 35 GW of electricity across Indonesia is planned. This political agenda drives many opportunities to lubricant manufacturer to fulfil the needs of lubricants for turbines, engines, and other auxiliary equipment during project phase. Typically, the needs of lubricants to be supplied during project phase or initial fill is high in front, and relatively low demand during top-up for maintenance. Eastern part of Indonesia was focused for development, and there are new power plant projects were planned and executed to support the government agenda. Renewable energy such as wind turbine in Sulawesi, solar power in Nusa Tenggara were successfully installed, and supported with diesel engine and coal-based power plant installation to meet the needs of energy in eastern part Indonesia. Despite the massive opportunities available in the market, there are some political threats that needed to be noted. The first threat was the initiative of collaboration or synergy among state owned enterprises that might led to tough competitive environment. This initiative makes the private companies require extra effort to win business and more focus on projects owned by private companies. The next threat was the government plan to shut down coal-based power plant and diesel engine based, into natural gas-based power plant or renewable energy. The lubricant demand for coal-based power plant and diesel engines are relatively huge, compared to typical renewable energy power plant. The last threat was the introduction of new regulation called "standar nasional Indonesia" or SNI. This regulation has been implemented to protect Indonesian consumer about the promised quality of products they consumed. In the perspective of investors, this regulation added layer of complexity in doing business in Indonesia, as SNI currently not aligned with international standard.

Economical

The global pandemic has pushed Indonesia economic growth below forecast. It also has changed the consumer behavior on buying process of lubricants in power generation sector. The restriction of face-to-face meeting has shifted the way of doing business to adopt digital technology. As the global pandemic has created a supply chain disruption, including lubricant raw materials, and finished lubricant products. There is an opportunity for lubricant manufacturer to improve their competitive advantage in supply chain through local production or blending. A blending facility supported a lubricant manufacturer to have more reliable supply chain capability. The lower electricity demand due to pandemic has led the new power plant projects to be delayed. Oversupply of electricity was predicted to happened in Java and Bali temporarily. The electricity supply for eastern part of Indonesia remained to be a challenge and continuously need to be improved. The lubricant manufacturer should be ready for lubricant demand spike once the electricity demand recover. The distribution of electricity remains a challenge, especially for remote area as Indonesia has more than 17,000 islands. Typically, remote area has lower electrification rate compared to other area. Perusahaan Listrik Negara (PLN) is a major stakeholder to create policy and regulation to make the investment of power plant in remote area attractive to investors. Coal mining, oil and gas provided relatively high revenue to the state and economy. These resources are the main fuel for conventional power plant, such as steam turbines, gas turbines and engines. The energy transition into full renewable energy would be a big challenge for the government as the cost and investment in this area is very challenging.

Sociocultural

The acquisition of local production facility and plan to expand the production capacity as the lubricant demand continuously growing, this would certainly create an opportunity for local workforce and support local economy to grow. The corporate social responsibility (CSR) programs from private sector were also support the local community. The global pandemic outbreak has led companies to adopt digital. One of the key behaviors shifting in social interaction was virtual meeting. The virtual meeting has opened an opportunity to connect people anywhere and at any time. It increased the effectivity of the meeting that can be organized.



However, the downside of this new behavior was that the interaction among people is not as deep as face-to-face meeting. The investment both from local and foreign in new power plant projects has opened an opportunity as well for local community. The adsorption of local workforce is typically regulated by government and implemented by the companies. This support local people to increase their economy as well as professional skills. The threat of this new project investments was that not all the local people can get the job they wanted. There is a concern as well where the power plant operations made the local community loses their job due to land acquisition and environmental issue.

Technological

Global pandemic has accelerated technology adoption rate that increased the economic resiliency during crisis. With virtual meeting, the business can operate anywhere and at any time. This increases the productivity and effectivity of business to operate. New business model was also be introduced to adapt to the global change. Customer experience was one of the key transformations focus during global pandemic. Reshaping how to serve customers during pandemic is critical to sustain the business. From virtual meeting to virtual inspection were introduced to meet customers' expectation during pandemic. Developing renewable power generation technology is another opportunity in overall power generation. Coal based power plant has been relatively cheaper power generation technology in Indonesia compared to other technology, however, its emission could accelerate global warming. With more economical ROI in renewable energy through technology, it will support the development of renewable energy in Indonesia. The production facility of finished lubricant is also an opportunity need to be focused on. Higher production rate with higher efficiency could be a strong competitive advantage of lubricant manufacturer. It will help to reduce production cost as well as increase product supply reliability. The threat of renewable power plant technology is that it relatively has lower lubricant consumption. For example, solar power plant, hydropower plant and wind turbine have lower lubricant consumption compared to steam/gas turbine and engines-based power plant. The development of technology infrastructure for remote areas have been a challenge since Indonesia has more than 17,000 islands. The cost for developing the infrastructure in Indonesia is relatively higher compared to non-island country.

Ecological

As lubricant product waste is categorized as hazardous material, the treatment of lubricant waste requires special skills and tools. The increased number of lubricant demands will also increase the demand for lubricant waste handling. There is an opportunity for lubricant manufacturer or its distribution partner to collaborate with waste handling specialist to bundle the offer to power generation clients. The development of lubricant technology that is more ecological friendly has been introduced to the market, for example non-zinc anti-wear hydraulic product that has much better protection to environment when there is lubricant spill or leakage to environment. This is also widely accepted by the clients as part of their compliance to international standardization and regulation.

Legal

Ministry of Industry has introduced a regulation related to lubricant standard by the issuance of Minister Regulation No. 25 of 2018 that later called "Standar Nasional Indonesia (SNI)". This Indonesian national standard was issued to protect Indonesian consumer to products that available in Indonesia market. Alongside SNI, there is another regulation that needed to be complied to be able to sell finished lubricant products in Indonesia. Nomor Pelumas Terdaftar (NPT) or lubricants registered number is regulated by Ministry of Energy and Mineral Resources to lubricant manufacturer or importer.

B. Porter's 5 Forces

Rivalry Among Competitors

The major lubricant supplier in power generation sector typically dominated by multinational company, however national oil company has grown rapidly in capturing the market share. The market for high volume lubricant application such as Engines and Turbines is very competitive. Before pandemic, typically the top 5 lubricant manufacturers didn't have the difficulty in product availability and supply reliability. However, during early of Covid-19 pandemic, the raw material shortage was experienced in almost all lubricant manufacturer, and it created an issue in supply reliability. In overall, the force of rivalry among competitor in power generation sector of finished lubricant business in Indonesia is high.

Threat of New Entrants

As the new regulation called SNI has implemented, it added a new layer of complexity for a new lubricant importer or manufacturer in doing business in Indonesia. The lubricant importer or manufacturer should also comply to other regulation in Indonesia, such as NPT. Additionally, power generation client typically would prefer a product that recommended by original equipment manufacturer



(OEM). The process to get OEM approval typically could takes months or even years. In overall, the threat of new entrants’ force in power generation sector of finished lubricant business in Indonesia is low.

Bargaining Power of Buyer

There are growing number of buyers available in Indonesia power generation sector since there are some new project installations. Typically, buyer has strong position to negotiate contract, especially in pricing and services. However, during the pandemic outbreak, the number of available products in market were very limited. The number of suppliers that capable of fulfilling the yearly demand of a client were also become limited too. It makes the buyer more difficult to get products that they want and at competitive price. However, the lubricant manufacturers offer alternate product to overcome this challenge. In overall, the force of bargaining power of buyer during pandemic in power generation sector of finished lubricant business in Indonesia is still high.

Threat of Substitute Products or Services

With current technology available in the world, there is still no product or service that can substitute lubricant in rotating machinery, unless it is a factor of design of the machinery itself, for example non lubricated screw compressor. However, the new technology for power generation, especially renewable energy typically requires less lubricant volume. For example, solar power plant do not require lubricant, and hydro turbine and wind turbine require only less amount of lubricant compared to steam or gas turbine power plant. Geothermal power plant typically requires the same amount of lubricant volume as conventional steam turbine. The lubricant manufacturers tend to create high margin lubricants for application with low volume lubricants but critical. In overall, the threat of substitute product in power generation sector of finished lubricant business in Indonesia is low.

Bargaining Power of Suppliers

There are numbers of suppliers of lubricant raw material available for Indonesia market as well as Asia-Pacific market to cover Indonesia. During 2020 until 2021, there was a trend from raw material suppliers to increase the price of their products. Covid-19 pandemic has negatively affected base oil and additive market due to oversupply of refined petroleum products, lower consumption of petroleum products, and contracted economic growth that directly affected by the lockdown regulation and implementation globally. In overall, the bargaining power of suppliers normally low, however, during Covid-19 pandemic the bargaining power of suppliers in power generation sector of finished lubricant business in Indonesia become moderate to high.

C. VRIO Analysis

Table 1 below shows the analysis of PT XYZ’s VRIO based on the in-depth interview conducted within internal organization. There are 9 key areas being analyzed. They are the resource, capability and/or competency of human capital, financial, technology & development, upstream-downstream integration, downstream production facility, distribution, supply reliability, technical support, and sales & marketing.

Table 1. VRIO Analysis of XYZ in Power Generation Sector

Resource, Capability & Competency	V	R	I	O	Competitiveness
Human capital	Y	Y	Y	Y	Sustainable Competitive Advantage
Financial	Y	Y	Y	Y	Sustainable Competitive Advantage
Technology & Development	Y	Y	Y	Y	Sustainable Competitive Advantage
Upstream-Downstream Integration	Y	Y	Y	Y	Sustainable Competitive Advantage
Downstream Production Facility	Y	Y	Y	Y	Sustainable Competitive Advantage
Distribution	Y	Y	N		Temporary Competitive Advantage
Supply Reliability	Y	Y	Y	Y	Sustainable Competitive Advantage
Technical Support	Y	Y	N		Temporary Competitive Advantage
Sales & Marketing	Y	N			Competitive Parity



D. Value Chain Analysis

Table 2 below shows the primary activities of PT XYZ. The information in this table is the result from focus group discussion (FGD).

Table 2. Primary Activities of XYZ in Power Generation Sector

Key Activities	Analysis
Inbound Logistics	<ul style="list-style-type: none"> Imported finished products can be twice longer in delivering the product during pandemic. Shipping finished product cost continued to increase during pandemic. Raw material shipping lead time was longer during pandemic.
Operations	<ul style="list-style-type: none"> Strong financial capabilities Opportunity to expand the production capabilities locally. Opportunity to improve current production technology to increase production efficiency.
Outbond Logistics	<ul style="list-style-type: none"> Competitive inventory cost. Opportunity to strengthen outbound logistics network. Strong distribution channel in Indonesia.
Marketing & Sales	<ul style="list-style-type: none"> Superior product quality and services. Opportunity to invest more in branding. Opportunity to formulate a new pricing strategy for new power plant project installations.
After-Sales Services	<ul style="list-style-type: none"> Strong after sales services including training, inspection, lab test, and others. Customer service and technical help desk engineer are ready to support customer 24/7. Digital technology ready to support customers.

Table 3 below shows the secondary activities of PT XYZ. The information written in this table are the result of focus group discussion (FGD) within PT XYZ.

Table 3. Primary Activities of XYZ in Power Generation Sector

Key Activities	Analysis
Procurement	<ul style="list-style-type: none"> Opportunity to source more raw material options during pandemic. Strong procurement technology and capability.
Technological Development	<ul style="list-style-type: none"> Strong investment in R&D. Leading lubricant technology in market. Opportunity to strengthen digital capability.
Human Resource Management	<ul style="list-style-type: none"> Inclusive and diversity culture. Good mix between young and experienced professionals.
Infrastructure	<ul style="list-style-type: none"> Opportunity to further strengthen supply & distribution infrastructure. Indonesia is key focus country for investment and development. Opportunity to further expand production capacity and improve production technology.

E. SWOT & TOWS Matrix

Please refer to Table 4 below for the data and analysis of SWOT & TOWS Matrix of XYZ in power generation sector.



Table 4. SWOT & TOWS Matrix of XYZ

Internal	Strength <ul style="list-style-type: none"> • Superior product & service quality • Strong financial capabilities 	Weakness <ul style="list-style-type: none"> • Limited number of regional distribution center (RDC) warehouse • High price positioning
External		
Opportunity <ul style="list-style-type: none"> • Production in local blending plant • Expand raw material source options 	SO <ul style="list-style-type: none"> • Maximize local blending plant production • Strengthen sourcing capability 	WO <ul style="list-style-type: none"> • Improve COGS from local production • New pricing model based on business model
Threat <ul style="list-style-type: none"> • Aggressive network expansion by competition • Rapid development of renewable energy 	ST <ul style="list-style-type: none"> • Strengthen current network in east area • Develop new products to meet renewable energy demands 	WT <ul style="list-style-type: none"> • Expand the regional distribution center (RDC) & distributor warehouse • Pricing model development for renewable energy

F. Strategy Diamond Model

Arenas

The first element of strategy diamond model is Arenas. The company must answer the question: “where we will be active”. This element can be translated into which product categories will the company compete and which geographic areas that the company should target. The business client type of power generation lubricant consists of four types. They are state owned enterprise (SOE), independent power producer (IPP), original equipment manufacturer (OEM), and engineering, procurement, and construction (EPC). XYZ is recommended to engage with all four types of clients and aim for business expansion to those clients. Understanding the unique needs of each type of client is important in order to formulate a business solution related products and services that match with the requirements. In the perspective of clients’ location, the Java, Sumatra, and East Indonesia are currently under rapid growth rate in regard to new power plant projects. The electricity generation planned to be installed in 2030 for Java is 21,484 MW, Sumatra is 9,757 MW, and East Indonesia is 9,335. (Kementrian ESDM RI, 2021) XYZ is highly recommended to focus on those three areas for business expansion.

Vehicles

The second element of strategy diamond model is vehicles. The company must answer the question: “how are we going to get there”. There are some examples on how the company utilize their strength to achieve their ambition, such as joint ventures, acquisitions, licensing, partnerships, or franchising. XYZ should continue and improve current partnership with original equipment manufacturer (OEM). The original equipment manufacturer approval is critical as it is typically being considered as important parameter in selecting lubricants by clients. Expanding the partnership to the new original equipment manufacturer and following the latest trend and update related to technology would also be important to win the business. XYZ should also expand and strengthen the engagement with key decision maker in state owned enterprise (SOE), independent power producer (IPP), as well as engineering, procurement, and construction (EPC) clients. Partnership with existing and potential clients through event sponsorship and joint technology advancement would strengthen the business partnership to the clients.

Differentiators

The third element of strategy diamond model is differentiators. The company must be able to differentiate themselves to the competition. There are some examples of the way of differentiating to competition, such as price, quality, customer service, and product reliability. As the most important requirement by customers during the pandemic is product availability, thus it is important for XYZ to be able fulfilling the needs of customers by ensuring the product availability to differentiate to competition. There are some improvements that can be made by XYZ to ensure product availability, they are optimizing current supply chain strength, expand the raw material sourcing options, and strengthen the network and distribution capability in Indonesia. The next differentiator that XYZ should continue to implement is the products and services superior quality. The brand image of superior products and



services that attached to customers should be continuously maintained and strengthen. Differentiating the product and service quality are well aligned with the criticality of equipment in power plant sector.

Staging

The fourth element of strategy diamond model is staging. Staging is how the company progress from one step to the next step. The staging strategy element also helps a company to manage risk when progressing and executing the strategy. Based on the strategies that formulated previously, it is suggested that XYZ to develop three phase of strategy execution. They are short term strategy within 5 years, medium term strategy within 5-10 years, and long-term strategy within 10-15 years. In short term strategy, XYZ should increase the production of finished lubricant products in local blending plant. The focus to increase product availability during Covid-19 pandemic is critical to protect existing business in power generation industry, as well as increase market share through converting competitor products. In medium term strategy, XYZ should improve production efficiency in both local blending plant and other blending plant. The focus to increase efficiency is to ensure the competitiveness of operating business. In long term strategy, XYZ should invest in finished lubricant technology for renewable energy. The focus of investment is to maintain the competitive advantages in technology development for lubricants and continue to lead the market through innovation and technology.

Economic Logic

The last element of diamond strategy model is economic logic. It is how a company taking profit in their strategy. This element comes down to competing on a low cost or high-cost basis. Based on the data and information discussed, XYZ should compete in premium price, due to its unique products and services offer to clients. The cost structure of finished lubricants price to end customer consist of cost of goods sold (COGS) + shipping cost + inventory cost + XYZ margin + distributor margin. Those cost components can be improved further to increase profitability of XYZ. COGS can be improved by raw material sourcing optimization and technology investment for production process. The shipping cost can be improved by optimizing current supply chain network and investment in regional distribution center expansion. Both XYZ margin & distributor margin can be optimized based on customer's buying strength, needs and value proposition offered.

6. CONCLUSION

Based on the data and analysis conducted in this research, the slow revenue growth in power generation sector of XYZ's finished lubricant business during pandemic is due to 2 main factors. They are weaker supply chain and unfit pricing strategy. Supply chain disruption during pandemic almost hit every sector in Industry, including lubricant business. Raw material shortage hit many lubricant manufacturers. Longer lead time was typically also experienced by lubricant manufacturer, especially for imported products. The shortage of raw material and longer lead time led to increased cost of goods sold (COGS) as well. However, it is believed that the supply chain disruption is only temporary. Network and distribution of XYZ was relatively weaker than the leading lubricant business in Indonesia, especially for eastern part of Indonesia. During the writing of this final project, XYZ had two regional distribution center that located in Jakarta and Surabaya. The warehouses operated by XYZ's distributor were also limited to support the massive business opportunity growth in eastern Indonesia. The existing clients and potential clients in power generation sector need warehouse that located near to their jobsite. The pricing strategy of finished lubricant products and services for power generation sector in Indonesia required further improvement, especially in new project installation opportunities. The based on the opinion of existing clients and potential clients, fair and competitive price during new project installation is also important to be offered.

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