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# Proposed Marketing Strategy to Increase Revenue through Product Differentiation (Case Studyat Cement Inc.)

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**ABSTRACT:** The cement industry is currently facing intense competition due to the lack of significant recovery in retail demand following the COVID-19 pandemic, coupled with an increasing number of competitors. This has resulted in a surge in oversupply, reaching up to twice the demand, and a decline in utilization to 52%. In order to survive, cement companies release their own economy brands, including Cement Inc. In 2020, Cement Inc. released its fighting brand in Java to fight the eco-brands, using their current premium brand from Sumatra, Semen PDG. Cement Inc. will also release Semen MDK in late 2022 to counteract market confusion about Semen Padang. The total number of brands to compete in the last decade has increased tremendously due to the rising eco-brand trend. In three years, Cement Inc.'s fighting brand portion has grown to 24.6%, indicating a shift in the market towards more economical products. This situation is leading to a decrease in the Cement Inc. revenue, as there is no product differentiation between the premium and fighting brands.

We conducted this study to explore potential solutions to increase revenue by implementing a fighting brand strategy that incorporates product differentiation. The research address three critical questions: (1) What is the internal and external analysis? (2) What is the proposed recommendation for marketing strategy to increase for Cement Inc. through product differentiation of Fighting Brand? (3) What is the implementation plan for the marketing strategy?

The investigation began by examining the cement market condition, evaluating Cement Inc.'s strengths and weakness, as well as the market's opportunities and threats, using quantitative and qualitative approach to investigate internal and customer's understanding about the difference between main brand and fighting brand, as well as the expected differences. By the internal and external analysis, the study proposed the new segmentation, targeting, and positioning to propose the new marketing strategy using marketing mix 4Ps through product differentiation for fighting brand to increase Cement Inc.'s revenue in both premium brand and fighting brand. This study limited on retail market in Java, which is characterized by intense rivalry.

**KEYWORDS:** Cement industry, Fighting brand, Marketing strategy, Product differentiation, STP.

## INTRODUCTION

The massive construction of new plants by both existing players and newcomers has oversupplied the cement industry in Indonesia by up to twice the demand. Meanwhile, the demand, particularly in the retail sector, has not demonstrated a significant recovery since the COVID-19 pandemic. Consequently, players are vying for market share to enhance the utilization of cement, a heavy capital industry. The cement industry's utilization in 2023 will already drop to 52%.

Industry players engage in various strategies to gain market share, including the introduction of new economical brands, which we later refer to as eco-brands. As a stated-owned enterprise, and one of the largest cement players in Indonesia, with a market share of approximately 50%, Cement Inc. has joined this trend by launching its own economic brand, which we have dubbed the "fighting brand" to differentiate it from competitors' eco-brands. In 2020, Cement Inc. plans to introduce Semen PDG, a premium brand from Sumatra to the Java market. The development for fighting brands was significant; in just three years, they accounted for 24.6% of SIG's retail segment. In late 2023, Cement Inc. released their new brand, Semen MDK, which will be a dedicated fighting brand.

This situation is causing a decline in Cement Inc. revenue and profit margin, as numerous customers, such as masons (builders and cement applicators) and retailers (stores and shops that sell construction building materials), are shifting their preferences towards eco-brands for various reasons. Masons shift their preferences to eco-brands due to their lower prices, while retailers shift their preferences due to their better margins compared to the main or premium brands. Additionally, both the fighting brand and the main brand adhere to the same Standard Nasional Indonesia (SNI), specifically the SNI for Portland Composite Cement (PCC), which results in the same production cost for both types of brands. In this study, we explore potential solutions to increase revenue by implementing a fighting brand strategy through product differentiation. In this research, our focus is solely on the retail segment of the Java market.

## LITERATURE REVIEW

For a better understanding of how to create an impactful marketing strategy through product differentiation in order to increase revenue, the author uses this literature review to address these three critical questions: (1) What are the internal and external analyses? (2) What is the proposed recommendation for a marketing strategy aimed at increasing SIG's revenue through product differentiation for the Fighting Brand? What is the strategy's implementation plan?

### *A. Segmentation, Targeting, Positioning*

Philip Kotler and Kevin Keller in Marketing Management, segmentation, targeting, and positioning (STP) is a strategic marketing framework that is used to identify and comprehend distinct consumer groups, select the most promising segments, and develop a distinctive and compelling brand image to appeal to these selected segments.

Businesses can achieve greater customer satisfaction and gain a competitive advantage by developing customized marketing strategies that are based on the specific requirements and preferences of their customers. Targeting specific segments and effectively positioning the brand to resonate with the selected audience are the next steps in this process, which involve market segmentation based on factors such as geography, demographics, psychographics, and behaviour.

### *B. Marketing Mix 4Ps*

The marketing mix planning process is initiated by a company after it has established its segmentation, targeting, differentiation, and positioning strategies (Kotler, Armstrong, & Balasubramanian, 2024). This process involves the use of a collection of marketing tools that are categorized into the four Ps: Product, Price, Place, and Promotion.

The Product is a representation of the company's offering, which may include physical or digital products, services, or experiences. Price is the cost that consumers pay, which is adjusted by factors such as perceived value, competitive conditions, and other variables. Place encompasses activities that facilitate consumer access to the product, frequently employing digital channels for delivery. Promotion is the process of engaging consumers through the use of both traditional and digital methods, such as social media and websites, to communicate the benefits of a product and encourage purchases.

### *C. VRIO Framework*

Jay Barney's VRIO framework assesses a company's potential for sustained competitive advantage by examining its capabilities and resources through four primary inquiries: Value, Rarity, Imitability, and Organization. In order for resources to offer a competitive advantage, they must be valuable, allowing the company to capitalize on environmental opportunities or mitigate threats. Additionally, they must be uncommon, as competitors will not have access to resources that would provide an advantage.

Furthermore, resources should be expensive to replicate in order to deter competitors from readily replicating them. Finally, in order to guarantee competitive success, the organization must efficiently organize itself to capitalize on these uncommon, valuable, and unique assets.

### *D. PESTEL Analysis*

According to Richard Lynch in his book, Strategic Management, the PESTEL analysis is a tool that is employed to assess the macro (external) forces that affect various industries. It concentrates on political, economic, socio-cultural, technological, environmental, and legal factors. It prioritizes the most important factors rather than compiling a comprehensive list of potential components.

Political factors encompass government policies and stability; economic factors encompass interest rates, employment, and material costs; social factors involve demographics, education, and lifestyle changes; technological factors evaluate innovation and advancements; environmental factors evaluate ecological impacts and sustainability; and legal factors encompass laws and regulations that influence operations. In order to comprehend external influences and adjust accordingly, organizations benefit from this thorough examination.

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### *E. Porter's 5 Forces*

Michael E. Porter developed Porter's Five Forces Analysis in 1979, which assesses the competitive dynamics that affect industries and profitability through five key forces: the threat of new entrants, supplier bargaining power, buyer bargaining power, threat of substitute products or services, and competitive rivalry intensity. Buyers create pressure by chasing better deals and cheaper prices, especially when transfer costs are minimal, and the products are unremarkable.

Suppliers gain influence when they are scarce, offer unique products, or incur significant costs for enterprises. Profits are limited by substitute items or services, which typically come from different industries and offer cost benefits or alternative solutions. New entrants can enhance competition and bring down prices and profits, but their impact is influenced by entry barriers such as economies of scale and regulatory protection. Depending on the level of competition, current rivalry among firms can reduce industry profitability through measures such as price cuts, new product launches, promotion, and service enhancements.

### *F. SWOT Analysis*

The strategic planning matrix that is most frequently employed aligns a company's internal strengths and deficiencies with external opportunities and threats to develop four distinct strategies: Strengths-Opportunities (SO), Weaknesses-Opportunities (WO), Strengths-Threats (ST), and Weaknesses-Threats (WT) (David & David, 2015).

Strengths are internal characteristics that offer a competitive advantage, such as favourable conditions, resources, and abilities, that assist in satisfying consumers and achieving objectives. Weaknesses are internal constraints that limit performance. Opportunities are external favourable trends or aspects that the organization can capitalize on, whereas challenges are unfavourable external factors or trends that may impede performance.

### *G. Cluster Analysis*

Cluster analysis, which encompasses Hierarchical cluster analysis and K-Means Cluster Analysis, categorizes data into groups based on similarity, thereby simplifying tasks such as market segmentation and pattern recognition in a variety of fields, including data mining and machine learning.

## METHODOLOGY

In this study, we use a qualitative and quantitative approach utilizing primary and secondary data for internal and external analysis. We employed a quantitative and qualitative technique to analyze the consumer data, conducting surveys with 141 masons and 101 retailers as the end channels that interact directly with customers.

We are also conducting interviews with internal stakeholders, including Cement Inc.'s internal sales team, brand management specialist, price specialist, marketing analyst, product management specialist, and quality assurance expert. The condition and acquired data are analyzed to generate conceptual frameworks that address the study topic through the application of theories and concepts, as follows:

- Internal Analysis: STP, Marketing Mix, and VRIO analysis
- External Analysis: PESTEL, Porter's Five Forces, Competitor Analysis, Customer Analysis
- Decision Analysis: SWOT Analysis
- Business Solution: Marketing Mix

The objective of this research is to develop and propose a marketing strategy of fighting brand with product differentiation, to increase revenue. The ultimate phase of the research entails delivering appropriate recommendations and a well-devised strategy implementation plan that aligns with the existing issues faced by the cement business.

## RESULT AND ANALYSIS

### *A. Internal Analysis: Segmentation, Targeting, Positioning and Marketing Mix*

This study examines the Segmentation, Targeting, and Positioning (STP) of Main Brand (MB) and Fighting Brand (FB) Cement Inc. goods. The MB targets customers who prefer quality over pricing, including Cement Inc.'s main brands Semen GRK and DYX in Java. The FB, which includes Semen PDG and Semen MDK, targets price-sensitive customers.

The MB wants broad market coverage, while the FB focuses on areas where the MB is losing ground. MB targets medium-to-large contractors and quality-conscious customers, whereas FB targets small contractors and price-sensitive customers. Both brands target masons. The MB is touted as high-quality and dependable, but the FB is affordable and effective.

**Table 1 Current Segmentation**

| Segmentation | Main Brand | Fighting Brand |
|---|---|---|
| Geographic | • National wide, almost cover in all area<br>• Specially in the big cities | • Mostly in Java, and several area outside Java, where economy brands exist in the market |
| Demographic | • Occupancy: Masons (mostly), Homeowner, Contractors, Concrete Precast Manufacturer (CPM).<br>• **Masons**:<br>  • Gender: Male<br>  • Age: 25 - 56 years old<br>  • Educations: any<br>  • Experience: any | • Occupancy: Masons (mostly), Homeowner, Contractors, Concrete Precast Manufacturer (CPM).<br>• **Masons**:<br>  • Gender: Male<br>  • Age: 25 - 56 years old<br>  • Educations: any<br>  • Experience: any |
| Psychographic | • Simple life, living for tomorrow, focusing on the daily needs.<br>• Mason who concerns about cement quality, easy to apply, can support their daily needs. | • Simple life, living for tomorrow, focusing on the daily needs<br>• Mason who concerns about easy applicator, can support their daily needs. |
| Behavioral | • Usage: multi purpose construction work.<br>• Loyalty status: high loyalty masons and customer. | • Usage: multi purpose construction work<br>• Benefits: mason who have price concerns<br>• Loyalty status: tends to shift brands depend on the price. |

The four Ps (Product, Price, Place, and Promotion) are effectively applied in the marketing mix study of Cement Inc.'s cement goods, taking into account the industry's unique characteristics and client base, which is mostly made up of masons and traditional merchants. The analysis focuses on Cement Inc.'s main and fighting brands, both of which adhere to the same SNI requirements. Price distinction is critical, with the main brand priced higher than the fighting brand due to market placement, dynamics, and targeted profits.

The main brand has a wider distribution in Java because to Cement Inc.'s multiple integrated and packing facilities. In contrast, the fighting brand is aimed to regions with strong eco-brand rivalry. Trade promotions, community engagement events, and digital and offline platforms are all used to promote the main brand. In contrast, the fighting brand's promotional efforts are limited and targeted in specific regions, with no dedicated websites or social media presence.

***B. Internal Analysis: VRIO Analysis***

Cement Inc.'s resources and competencies were identified using the VRIO study, which classified them as competitive parity, transient competitive advantage, or persistent competitive advantage. Cement Inc.'s long-standing competitive advantages include its reputation as a respected state-owned firm (SOE) and its large production and supply chain management facilities throughout Indonesia, which are both valuable, rare, expensive to replicate, and well-organized. The company's leading market position in Indonesia, a widespread distribution network, and a multi-brand cement product portfolio with strong brand recognition are all temporary competitive advantages that must be maintained and upgraded.

These advantages are valuable, but they are easily replicated by competitors. Cement Inc.'s strong bank sheet, high-quality products, and sophisticated technology and digital capabilities all contribute to competitive parity, which means that the company is on an equal footing with its competitors. Although these resources are valuable, they are not unique or expensive to copy, thus Cement Inc. must properly employ them to maintain its market position.

***C. External Analysis: PESTEL***

The PESTEL analysis of Cement Inc. emphasizes several crucial industry-influencing aspects. The Ibu Kota Negara (IKN) project, as well as President Jokowi's infrastructure efforts, have increased political demand for cement. However, the Over Dimension Over Loading (ODOL) regulation may lead to a rise in logistics costs. In terms of economics, Indonesia's steady inflation rates and GDP growth encourage continued demand for housing and infrastructure.

The cement industry benefits from the strong demand for cheap housing created by the government's Program Sejuta Rumah (PSR) and the demographic bonus. Technologically, the growing use of e-commerce and social media among masons necessitates cement companies' adaptation to digital platforms. Indonesia's goal of achieving net zero emissions by 2050 mandates that the cement sector adopt eco-friendly techniques. Long-term viability and sustainable operations require legal conformity with national and international quality, environmental management, and occupational safety standards.

### *D. External Analysis: Porter Five's Forces*

The Porter's Five Forces analysis of Cement Inc. reveals the competitive landscape of Indonesia's retail cement business. Buyers can easily switch brands due to low product differentiation and price sensitivity, giving them significant negotiating leverage. Cement factories are strategically located near rich limestone and coal supplies, giving suppliers little leverage. There are no effective alternatives to cement, thus the danger from substitute products is minor.

Despite the heavy market competition, potential new entrants face medium threat levels due to the high investment needs and favourable profit margins. Continuous innovation and aggressive marketing techniques are essential due to high competition among existing enterprises, which is fuelled by overstock, various brands, and pricing disputes.

### *E. External Analysis: Competitor Analysis*

The retail cement market in Java is particularly competitive, due to high demand and the region's concentration of cement mills. The market accounts for over half of total national demand, with 11 competitors and a 55% oversupply rate. Cement Inc. is one of thirteen brands that compete in the market. The competitors are divided into two tiers: Tier 1, which contains the premium brand Semen ITP, and Tier 2, which includes eco-brands like Semen Red Lion.

The 4Ps marketing mix analysis shows that PCC products are the most dominating product category, with pricing variances between regions and significant retail margin disparities. Semen ITP is a widely distributed, higher-priced brand, whilst eco-brands like Semen BIM focus on regional markets. All rivals use digital channels to carry out promotional activities, including trade promotions like discounts and discounts. Semen Red Lion focuses on commercial promotions and religious vacation incentives, whilst Semen ITP engages in mason training and event promotion.

### *F. External Analysis: Customer Analysis*

The consumer analysis shows that, while masons and retailers have similar criteria, such as brand recognition and availability, their exact issues differ. Masons value product quality due to their direct usage of cement, whereas retailers value profit margins. Furthermore, retailers have a better comprehension of Cement Inc.'s brand than masons, indicating a gap in brand awareness among end users. The opinions of masons and retailers are diverging as Cement Inc. works to improve the primary brand. Both groups expect a clear difference in quality.

**Table 2 Customer's Analysis**

| No | Attributes | Mason | Retailer |
|---|---|---|---|
| 1 | SNI Influence in choosing cement | SNI matters | - |
| 2 | Cement Inc. brand understanding | Only 53% understand | 98% understand |
| 3 | Reason to buy | quality, availability, and renowned brand | availability, renowned product, better margin |
| 4 | Differentiation between Cement Inc.'s MB and FB* | quality and availability | quality |
| 5 | Expected differentiation between Cement Inc.'s MB and FB | quality and availability | quality and product |
| 6 | Improvement to Cement Inc.'s main brand | quality, availability and affordable price | improve on retailer margin, loyalty and promo |

**exclude price differentiation*

### *G. Decision Analysis: SWOT Analysis*

The current issues of Cement Inc. should be addressed by focusing on product differentiation in the SWOT analysis. To improve brand awareness and performance, new products should be developed to differentiate the company in the market and increase profit margins.

Targeted marketing techniques should also be employed to ensure demand from projects like PUPR's PSR program and IKN efforts. Collaborations with government agencies should be used to maximize performance. Cement Inc. may better capitalize on possibilities and address weaknesses by utilizing its status as a state-owned enterprise and improving its distribution networks.

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**Table 3. SWOT Analysis of Cement Inc.**

| STRENGTHS (S) | WEAKNESS (W) |
|---|---|
| • Reputable State-Owned Enterprise<br>• Production and SCM facilities across Indonesia<br>• Multi-brands cement product with high awareness | • No product differentiation in retail (for structural segment)<br>• Small profit margin for fighting brands<br>• Imitable distribution network (retail channel) |
| **OPPORTUNITIES (O)** | **THREATS (T)** |
| • Dominant market position<br>• O2 Indonesia vision to net zero goals, regulation to support green cement<br>• O3 Promising retail demand due to high housing backlog, PUPR's PSR program for MBR, bonus demography, IKN | • Increased number of economy brands by existing competitor, which leads to market shifting<br>• Intense competition which leads to price and promotional war in market<br>• ~53% masons understanding Cement Inc. brands |

### *H. Business Solution: Marketing Mix*

In this chapter, the researcher defines a marketing plan for Cement Inc. that focuses on the application of its Fighting Brand strategy through product differentiation. To improve revenue, the plan includes developing a new marketing mix as well as STP (segmentation, targeting, and positioning). Two groups were established using cluster analysis after segmenting 141 masons: one that emphasizes product quality and brand reputation (Cluster 1) and another that is more price-conscious and service-oriented (Cluster 2).

Cluster 1 will base its targeting strategies on the main brand's exceptional quality and adherence to standards, whilst Cluster 2 will focus on the fighting brand's competitive pricing and practical benefits. The main brand will be stressed for its better quality, whereas the fighting brand will be highlighted for its cost-effectiveness and other incentives. The positioning will be unaffected.

**Table 4. New Targeting based on Updated Segmentation.**

| Targeting | Main Brand | Fighting Brand |
|---|---|---|
| Geographic | National wide, all area, especially in the big cities | Mostly in Java, and several area outside Java, where SIG's market share is decreasing. |
| Demographic | • Occupancy: Masons (mostly), Homeowner **who take decision**, **Medium to Big** Contractors.<br>• **Masons**:<br>  • Gender: Male<br>  • Age: 25 - 56 years old<br>  • Educations: any<br>  • Experience: **experienced masons (>10 years)** | • Occupancy: Masons (mostly), **Small** Contractors, **small** Concrete Precast Manufacturer (CPM).<br>• **Masons**:<br>  • Gender: Male<br>  • Age: 25 - 56 years old<br>  • Educations: any<br>  • Experience: **< 10 years experienced mason** |
| Psychographic | highly experienced masons and project owners who **value technical superiority and brand reputation** | masons and supervisor masons who are more **price-sensitive** and **service-oriented** |
| Behavioral | Loyal customers **that understand Cement Inc. brands** and looking for cement product, that easy to use, good quality product multi purpose cement, and easy to find. | Customers with **less understanding on Cement Inc. brands**, that looking for cement product, that easy to use, good quality product multi purpose cement, easy to find and low-priced. |

***Product*: Differentiation Product for Decarbonization and Clear Communication**

In this chapter, the researcher offers a product differentiation-focused marketing approach for Cement Inc.'s Fighting Brand. Given the current market conditions and the widespread use of SNI 7064-2022 PCC, the new strategy suggests introducing a differentiated product with distinct characteristics, such as the ability to be used in buildings with up to two floors and the increased cost savings that result from decarbonization.

The goal of this strategy is to increase profitability and meet market demand for value-based products while remaining consistent with the government's decarbonization ambitions. The new product is proposed to be branded as Semen MDK. Furthermore, discontinuing Semen PDG in favor of a dedicated fighting brand might reduce costs and streamline brand communication. This method is expected to result in significant cost reductions and increased competitive advantages.

**Table 5. Proposed Product Mix**

| Product | Main Brand | Fighting Brand |
|---|---|---|
| SNI | PCC | New SNI |
| Brand | Semen GRK and Semen DYX | Semen MDK |
| Bag size | 40 kg dan 50 kg | |
| Features | **Construction application**: Infrastructure, Non-Residential, Residential (medium - high rise) **Carbon emission**: Medium carbon usage | **Construction application**: Low rise housing (up to 2 floors) **Carbon emission**: Low carbon usage |
| Cost Benefit | - | v |

***Price*: Strategic Pricing for Cement Inc.'s Main and Fighting Brands**

Prices distinguish Cement Inc.'s main brand from its fighting brand. To expand market share while maintaining profitability, Semen MDK, the new brand with new SNI, should be priced similarly to the NBC eco brands.

Cement Inc. should avoid under-pricing Semen MDK in contrast to NBC in order to ensure higher profitability. To entice customers, consider implementing a rewards program. To maintain the perceived quality of the main brand, it is recommended that the price differential between the main and fighting brands stay reasonable.

***Place*: Targeted Distribution Strategy for Cement Inc. Based on Retailer Clusters**

Cement Inc.'s distribution strategy is led by three key clusters, as determined by a study of 101 shops. Cluster 1 is made up of medium-sized stores that compete with a number of brands, including Cement Inc.'s main and fighting brands. These stores stock 2-3 brands. The fundamental goals of this cluster should be to maintain constant availability, improve brand education, and balance product supply.

Cluster 2 consists of medium to big retailers that prioritize premium brands and have experienced owners. Cement Inc. should prioritize increasing product visibility and reach, positioning Cement Inc. brands as premium, and providing consistent supply and robust advertising to these areas.

Cluster 3 includes medium to big stores that concentrate in eco-brands and offer a wide range of products. The strategy should include focusing on these larger locations, assuring a varied product variety from Cement Inc., and launching aggressive promotional campaigns to raise brand awareness and promote stock recommendations.

***Promotion*: Action Plan for Cement Inc.'s Dual Promotion Strategy**

Using internal, external, and cluster analytics, the researcher developed a dual promotion plan for Cement Inc.'s main and fighting brands. Semen MDK, the fighting brand, need a specialized digital platform to successfully express its unique programs and services. The main brand's advertising materials should highlight its luxury attributes, whereas the fighting brand's should focus on affordability and value without sacrificing quality.

To ensure that consumers, particularly Masons, are educated about the company's offers, Cement Inc. must raise corporate recognition and leverage established brands as Semen GRK. To increase brand value and loyalty, the main brand should focus on increasing its visibility through collaboration with government agencies, participation in government projects, and the implementation of trade promotions and loyalty programs. An awareness campaign is required to highlight the new Semen MDK brand's potential for structural housing, as well as appealing advertisements in areas with high eco-brand competition.

## CONCLUSION

Cement Inc.'s revenue issues are attributed to a lack of product distinction between its main and fighting brands, resulting in lower profit margins for the latter. According to the study, in order to increase profitability, the fighting brand should launch a new SNI product tailored exclusively for low-rise housing. This would lower production costs and help to attain net zero emission targets. The main brand should capitalize on its premium attributes and brand recognition, whilst the fighting brand should focus on competitive price and value-added benefits.

Store segmentation is the basis for retail strategies. For medium-sized stores, selective distribution is recommended, while premium-focused stores are advised to implement mass distribution. Eco-brand stores are advised to implement controlled distribution. The promotion approach includes the use of digital platforms to promote the new SNI product, increasing brand awareness through targeted POSM and merchandising, and improving corporate recognition among masons. Furthermore, it is recommended that effective advertising activities be implemented, as well as collaboration with government organizations, to boost brand recognition and customer loyalty.

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