

## **THE PROPOSAL OF CO-BRANDING STRATEGY PT. XYZ AND SAS IN AUTOMOTIVE SECTOR IN SPAIN MARKET TO INCREASE PT.XYZ REPUTATION IN INTERNATIONAL MARKET**

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**Abstract** — *The development of the lubricant market in the Asia-Pacific, Africa, Middle East, and South America is an opportunity for PT.XYZ in the future. PT. XYZ wants to improve their brand image through co-branding with the SAS company as one of the local oil company in Spain. The study also analyzes the co-branding strategy through Joint Venture of PT. XYZ with SAS to improve the company's brand image in the international market. The conceptual framework of this research started from the goal of PT. XYZ to increase the brand image in the international market. The author analyzes the Joint Venture form between PT. XYZ with SAS and the alternatives that could be run by both companies thus this research recommends the most effective co-branding form for the PT. XYZ and SAS. The result of analysis of Joint Venture states that it is the most effective collaboration to increase the brand image of the PT. XYZ in the international market. However, the economic crisis in Spain made the Joint Venture form is more risky. Therefore, the author conducted an analysis of alternative forms of co-branding that can be run among Ingredient Branding, Product Creation, Promotion Joint, Joint Marketing, Branding and Joint by using Advantages and Disadvantages method. The result of the analysis states that the Ingredient Branding is the most effective alternative for current situation. In implementing the Ingredient Branding strategy, the research recommends the most appropriate alternative of Ingredient Branding strategy, canvas business model and implementation activity that can be run by PT. XYZ.*

**Keywords:** Co-branding, Joint Venture, Ingredient Branding.

### **I. INTRODUCTION**

PT. XYZ in the past five years has been running strategy to become global players in the world in oil industry. After entering the markets of Asia, America, Australia, Africa, now PT. XYZ wants to enter the European market by running co-branding strategy with SAS which located in Spain through the Joint Venture. Currently, PT. XYZ Lubricant and SAS Lubricant are running their business in term of PT. XYZ Lubricant supplying their product to SAS Lubricant. Besides, PT. XYZ Lubricant is running their programs in term of increasing PT. XYZ brand image globally, so that PT. XYZ Lubricant is trying to analyze in term of establishing partnership with SAS that can increase PT. XYZ brand image in Indonesia and global market by joint-venture. This research is explore the analysis about: (1) To determine what the most appropriate co-branding form for PT. XYZ and SAS. (2) To develop the alternative of co-branding options in determining the best co-branding alternative.

### **II. BUSINESS ISSUE EXPLORATION**

The analysis will follow PT. XYZ goals in increasing PT. XYZ brand image internationally and also influencing global sales of PT. XYZ lubricant products. Besides that, we are also trying to analyze the co-branding alternatives that could might be better than Joint Venture co-branding Form.

#### A. Conceptual Framework

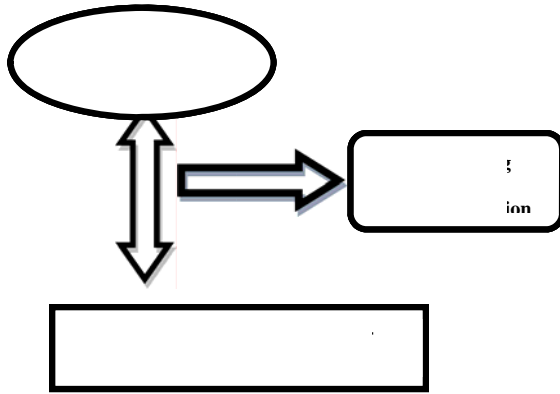


Figure 1. Conceptual Framework

#### B. Data Analysis Methodology

The research methodology is conducted by using a qualitative approach to explore the effective co-branding strategy between PT. XYZ Lubricant and SAS Lubricant. The methods that are used in this research include:

- Analysis the data from literature study - to define the most effective co-branding strategy between PT. XYZ and SAS Lubricant.
- Qualitative analysis of macro level and industry level by using secondary data.
- Quantitative analysis of macro level, Industry level, and analysis co-branding alternatives by Advantages and Disadvantages Analysis.
- Advantage-Disadvantages Analysis - This method will be used in determining the most effective co-branding form. This method works in analyzing some factors that will rise some advantage and disadvantage of each co-branding form, after that each factor will be weighed from which is the most influential factors those are the most consideration of PT. XYZ taken from the business issues, interview and survey.

The Advantage-Disadvantage Analysis table is done by reviewing and revising the weight given each factor. The process in developing the tables following these steps:

- In column 1 (Strategic Advantages Factors), the list gathered from analysis following the business issues to determine the most important factors that support PT. XYZ in achieving their goals regarding the collaboration planning with SAS and also gathered from expert opinion.

- In column 2 (weight), the weights reflect the priority of each factor as a determinant of the company future success following business analysis. The weight column must total 1.00.
- In column 3 (Score), this score comes from following the PT. XYZ in responding to each strategic factors. The score must be determined from 1-5.
- In column 4 (Total), is come from the multiplying from weight in Column 2 for each factor by its rating in Column 3 to obtain tha factor's rated score. This result in a Total (score) ranging from 1 (Poor) to 5 (Outstanding), with 3.0 (Average).
- In Column 5 (Strategic Disadvantages Factors), the list gathered from analysis following the business issues to determine some factors that related to the risk or disadvantage PT.XYZ when they run the collaboration with SAS.
- In Column 6 (weight), the weights reflect the priority of each factor as a determinant of the company future success following business analysis. The weight column must total 1.00.
- In Column 7 (Score), this score comes from the PT. XYZ in responding to each strategic factors. The score must be determined from 1-5.
- Column 8 (Total), ), is come from the multiplying from weight in Column 2 for each factor by its rating in Column 3 to obtain tha factor's rated score. This result in a Total (score) ranging from 1 (Poor) to 5 (Outstanding), with 3.0 (Average).

#### C. Data Collection

The data collection is conducted by using a qualitative approach to explore the effective co-branding strategy between PT. XYZ Lubricant and SAS Lubricant. The methods that are used in this research include:

- Literature study is conducted from books, papers, journals and cases review, to understand the co-branding concepts and types that can be built as collaboration strategy between companies, and also to benchmark the co-branding cases in the world.
- In-depth interview with PT. XYZ representative to understand the PT. XYZ business contexts, policies and expectations in doing collaboration with SAS Lubricant, Expert in International Strategic Alliances

area to understand the whole process of international alliances formation between two or more companies. This method is useful in determining the weight and score in Advantages-Disadvantages Analysis.

- c) Survey with questionnaire to PT. XYZ and SAS Lubricant to know the overall industry and company condition include lubricant industrial condition, company strategy, company capabilities, company culture, and also brand.
- d) Visiting Spain Embassy in Jakarta to gather additional information of Spain government policy.
- e) Visiting Spain Lubricant players' websites.
- f) Read media new of Spain macro-economic condition and business environment.

#### D. Analysis of Business Situation

From the analysis, by using joint venture form will take more disadvantages. High of investment is the most factors that PT. XYZ must be considered in Spain macro-economic instability in 2012. Over-valuing SAS brand equity's also the important in determining the portion of joint venture PT. XYZ-SAS. Otherwise, this joint venture form is also give PT. XYZ advantage especially in influencing sales in other market such as Asia and Africa. PT. XYZ also could understand the business process and business environment in Spain by joint venture collaboration. It will keep the opportunity of market penetration in Spain market for the future punctually.

Table 1. Joint Venture Co-branding Advantages/Disadvantages

JOINT VENTURE Co-Branding							
Advantages	Weight	Score (1-5)	Total	Disadvantages	Weight	Score (1-5)	Total
1. Influencing Sales (indirect) PT. XYZ's overseas	0.5	5	2.5	High Investment (Capital cost)	0.4	5	2.0

	mark et (Asia & Afric a)								
2 .	Incre asing PT. XYZ brand equit y	0.2 5	3	0 . 7 5	2 .	Mac ro-econ omic Risk Tak en	0.3	5	1. 5
3 .	Contr olling brand ing strate gy activi ties	0.1 5	4	0 . 6	3 .	SAS com pan y valu e accu racy	0. 15	4	0. 6
4 .	Unde rstan ding the busin ess proces & envir onme nt in Spain	0.1	4	0 . 4	4 .	Poss ibilit y Coll abor atio n only with SAS	0. 1	5	0. 5
					5 .	Co mpa ny leve l adju stme nt Risk	0. 05	3	0. 15
Grand Total Score of Advant age		1.0		4 . 2 5	Grand Total Score of Disadv antage		1. 0		4. 75

Following the Table Joint Venture Co-branding Advantages/Disadvantages, considering the PT. XYZ consideration in entering Spain market in lubricant industry, we are proposing to PT. XYZ to choose automotive segment at the beginning of the co-branding strategy because Spain has international attractive in this sector.

To determine which co-branding type is the most appropriate for PT. XYZ in running collaboration with SAS, we are comparing the advantages and disadvantages for all co-branding type. If the advantages score fulfill the criteria judgment to be the attractive form, so that co-branding form will be considered as attractive co-branding form.

Criteria judgment:

Attractive: Value of Advantages should be  $\geq 3.00$  subject to a condition ratio of Advantages/Disadvantages score more than 0.5.

Table 2. Co-branding alternatives Attractiveness

Analysis	Joint Venture	Ingredient Branding	Product Creation Co-Branding	Joint Promotion Co-Branding	Joint Marketing Co-Branding	Joint Branding Co-Branding
Advantages	4,25	3,15	3,00	1,40	1,55	1,15
Disadvantages	4,75	2,55	3,10	1,10	1,55	1,00
Advantages/Disadvantages	0,89	1,24	0,97	1,27	1,00	1,15
Judgment	Attractive	Attractive	Attractive	Not Attractive	Not Attractive	Not Attractive

From the Table 1 and considering the criteria, the attractive co-branding forms are Joint Venture, Ingredient Branding, and Product Creation.

Following the score for each co-branding form, Ingredient Branding has the Advantages/Disadvantages score 1,24 which highest than Joint Venture (score 0,89) and Product Creation (score 0,97). So that reason, those co-branding form are classified as attractive co-branding that PT. XYZ can be chosen.

From the figure above, Joint Venture is the best option in influencing Spain market. But the macroeconomic in Spain is too risky for PT. XYZ investment today. The other thing that must be considered in Joint Venture is the SAS company value is not been determined because SAS as a private company. The second best option of co-branding type is Ingredient branding. This form having lower influence than Joint Venture, but from the analysis, Ingredient Branding shows the best option to be chosen because this co-branding type showing lower disadvantages score than the advantages score. PT. XYZ could run the Ingredient Branding in order to minimize the macroeconomics risk and to evaluate SAS company value wisely.

### III. BUSINESS SOLUTION

According to previous analysis, Ingredient Branding strategy is the most appropriate

strategy to be run by PT. XYZ and SAS. In this chapter, we would like to explore the tactical strategy of Ingredient Branding.

Following key business process of PT. XYZ-SAS, the author classified some critical factors in developing Ingredient Branding into four points, there are:

#### a) Product

Following the business process of PT. XYZ and SAS business model, we are identifying two major factors that will important during the Ingredient Branding Strategy.

- Formula – we identify this factor as a key factor that PT. XYZ should concern about. The formula of lubricant supposed to be possessed by PT. XYZ during the Ingredient Branding Strategy because PT. XYZ has excellence technological expertise that has been proved in internationally. So if PT. XYZ has specialty formula that can be targeted to automotive market in Spain it will help PT. XYZ-SAS in entering the Spain market. This factor also can strengthen PT. XYZ bargaining position.
- Bottling –Bottling also a part of lubricant manufacturing process and also we are identify this factor is important in developing branding strategy.

#### b) Branding

Regarding the Ingredient Branding strategy between PT. XYZ-SAS, we are focus on company logo that will appear in the product. We are identify there are three consideration in developing the brand, they are PT. XYZ brand, SAS brand, and the new brand that has been approved by both company.

- PT. XYZ and SAS brand could be appear major and minor. Major means both brand will appear as main product brand and also will be well-known publicly as PERTAMIN-SAS Lubricant. Minor brand means the parent brand, PT. XYZ and SAS, will appear small on the product and they need to decide the new brand names for the product.
- New Product Branding – This branding strategy will create new brand name which possibly more commercial or easier to remember by the customers. In developing this strategy we are suggesting to put PT. XYZ brand

element into the new brand to make customers easier to identify PT. XYZ brand.

c) Marketing Activities

We are identifying the marketing activities could be handled SAS or both PT. XYZ and SAS. In term of Ingredient Branding, we are identifying there are three important branding activities.

- Introduction – We propose introduction brand because PT. XYZ and SAS will launch the new product and will compete to the previous competitors. We also suggesting to PT. XYZ to run PT. XYZ Brand Activation to introduce PT. XYZ brand to the Spain market in term of increasing brand awareness and brand image.
- Below The Line Strategy – Below the line strategy should be run in running this collaboration. SAS as a local company should take this responsibility under coordination with PT. XYZ.
- Above The Line Strategy – this strategy will take some cost actually. So that in this strategy, we provide to option. SAS could run this strategy alone or PT. XYZ and SAS, together, develop this strategy to approach the market.

d) Contract Agreement

In contract agreement, generally, we are suggesting to develop the contract do short term. As what we have explain in previous chapter, we are noted, that SAS possibly not the best partner in Spain because there is no specific data shows that SAS has perform the sales and brand well so far.

- Exclusive contract with 2 Year with sales Evaluation–this proposed contract if PT. XYZ agreed to handle above the line strategy. If the marketing and sales performance show positive trend and fulfilled expectation PT. XYZ and SAS should continue the agreement. If not, PT. XYZ should continue the collaboration but not exclusive anymore
- Short Term exclusive contract –this contract agreement option should be run if PT. XYZ didn't put much investment during the collaboration. Short exclusive contract can be exclusively, after the due date contract, the contract would not be exclusive anymore, even the collaboration still running but PT. XYZ could expand by looking other partner in Spain.

From the analysis, the author conclude the most effective Ingredient Branding strategy that PT. XYZ and SAS as describe in Table 3.

Table 3. The Best Alternative of Ingredient Branding

Attribute	Best Ingredient Branding Option
<b>Product:</b>	
• <i>Formula</i>	PT. XYZ
• <i>Bottling</i>	PT. XYZ
<b>Branding:</b>	
• <i>PT. XYZ Branding</i>	YES (Major)
• <i>SAS Branding</i>	YES (Major)
• <i>New product Branding</i>	NO
<b>Marketing Activities:</b>	
• <i>Product Introduction</i>	PT. XYZ & SAS
• <i>BTL Promotion</i>	SAS
• <i>ABL Promotion</i>	PT. XYZ & SAS
<b>Contract Agreement:</b>	
<i>Exclusive contract Duration</i>	2 Year with sales Evaluation

In this option, it fulfills PT. XYZ motivation in introducing PT. XYZ brand in Spain because in this option the PT. XYZ brand name will become one of the brand element of the new brand. Regarding the product quality, in option number 1, the formula and product bottling will be developed by PT. XYZ then PT. XYZ distribute to Spain. In this option, also proposing the branding strategy that PT. XYZ dan SAS have to agree each other in determining the concept, budget, objectives, etc. SAS as a local company, should have some deeper insights in developing the strategy. This option also the contract between PT. XYZ and SAS that should be run in short term (around 3-5 years).

*Canvas Business Model*

Following the Ingredient Branding strategy that have been chosen, the business model for the co-branding is also important to be developed. We are using Business Model Canvas to build the business model between PT. XYZ and SAS.

a) Key Partner

In PT. XYZ-SAS brand the key partner are SAS, Area Distributors, SAS partners in Spain to sell the product in Spain market. PT. XYZ also become a key suppliers

regarding to supply the lubricant formula and base oil. PT.XYZ could give special price to SAS regarding the Ingredient co-branding agreement.

b) Key Activities

- Formula Development - it will handled by PT. XYZ because PT. XYZ has the capabilities in R&D.
- Branding new co-branded product – PT. XYZ and SAS have to spend some investment to introduce and support all marketing activities for the new co-branded product (PT. XYZ-SAS)
- Product Distribution – SAS a local company should expand their distribution channels network for the new co-branded product.

c) Key Resources

- PT. XYZ has R&D for formula to support the Spain market demand.
- Investment from PT. XYZ and SAS for the all ingredient branding activities.
- SAS distribution channel network have to be used in distributing the new co-branded product.

d) Value Proposition

- High technology formula lubricant for automotive segment. This value could be fulfilled by PT. XYZ who has capabilities in R&D so that the new co-branded product could response the market demand.
- High quality base oil. This value is possessed by PT. XYZ who has capabilities in base oil

e) Customer Relationship Management

- PT. XYZ-SAS should product knowledge to the distributors regarding of formula of the product.
- Warranty for product quality for end user to increase the brand image of high quality product.
- Online Buying through PT. XYZ-SAS website so that PT. XYZ-SAS could gather some feedbacks from the customers.

f) Channels

- Public workshop
- Workshop in official car dealer
- Oil mart
- Online Order in official website.

g) Customer Segment

According to previous analysis, PT. XYZ-SAS should target Automotive Segment.

h) Cost Structure

R&D for formula, packaging, exporting, marketing cost, distribution cost, selling cost, CRM program, sunk cost.

i) Revenue Stream

The revenue of co-branded product can be gained from distributors sales and end user customers sales.

#### IV. RECOMMENDATION

Ingredient Branding is the best co-branding form that PT. XYZ and SAS could be run considering the macro economics factors in Spain recently. However, Joint Venture also could be the alternative co-branding form for the future for PT. XYZ for future situation.

According to previous analysis, Ingredient Branding is the best co-branding form that PT. XYZ and SAS could be run considering the macro economics factors in Spain recently. However, Joint Venture also could be the alternative co-branding form for the future for PT. XYZ.

In order to run the Ingredient Branding strategy, PT. XYZ and SAS should have introduce the new product and brand itself. Both companies have to commit in developing the PT. XYZ-SAS co-branding to the proposed target market. According to our analysis, we are classified the Key Sources in developing the co-branding between PT. XYZ and SAS.

Table 4. Key Factors of Co-branding

No.	Key Factors
1.	R&D of lubricant Formula
2.	Patent
3.	Distribution Channels
4.	Supply Chain
5.	Automotive International Event Expert
6.	Investment
7.	Distributors
8.	Skillful Human Resource
9.	Information Technology support
10.	Online Information System
11.	Goverment policy informant

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