DIJEFA: Dinasti International Journal of Economics, Finance & Accounting
E-ISSN: 2721-303X
P-ISSN: 2721-3021
https://dinastipub.org/DIJEFA dinasti.info@gmail.com +62 811 7404 455
DOI: https://doi.org/10.38035/dijefa.v6i2.4412
https://creativecommons.org/licenses/by/4.0/
Received: 22 March 2025 | **Revised:** 16 April 2025 | **Accepted:** 01 Mei 2025

The Challenges and Marketing Strategy of Indonesia Tire Market Leader Against an Aggressive Competition

Ario Setra Setiadi
Bina Nusantara University, Jakarta, Indonesia, ario.setiadi@binus.ac.id

Corresponding Author: ario.setiadi@binus.ac.id

Abstract: The Indonesian tire industry has experienced speedy advancement, drawing in around the world makers such as Hankook Tire from South Korea. This paper analyzes the competitive scene of Indonesia's tire advertise, centering on the imperative response of PT Multistrada Arah Sarana, Tbk (MASA) to Hankook's showcase segment. The consider highlights the challenges gone up against by MASA in keeping up its grandstand position against a commanding competitor leveraging fetched inclinations, nationalistic branding, and strong around the world organizations. Through an appraisal of MASA's exhibiting strategies including bargains movement, specialized back, after-sales advantage, and extraordinary activities the paper proposes crucial recommendations. These joins progressing client associations, optimizing dispersal channels, and exploring co-branding openings with major car makers. The consider help talks almost the moving stream between middle-up and middle-low exhibit parts, emphasizing the require for MASA to reinforce its position within the middle of extended competition. By leveraging its built-up transport organization and brand esteem, MASA can brace its competitive edge whereas altering to industry designs. This examination gives encounters for tire makers looking to investigate creating markets with powerful exterior members and moving buyer slants.

Keywords: Tire Industry, Competitive Strategy, Market Penetration, MASA, Hankook, Marketing Strategy.

INTRODUCTION

Tire industry in Indonesia had increased by 8% per year and reached up to USD 2,22 Billion by the end of semester in 2012. Investment has been done by established a new production facility, Joint Venture, or Acquisition, had expected to increase by 15% supported by rapidly growing investment in the automotive manufacturing industry, high sales of vehicles and relatively high increase in economic growth (see Exhibit 1 and Exhibit 2.)

According to 2009 data from the Central Statistical Agency (BPS – Badan Pusat Statistik), the USA was the biggest tire importers from Indonesia with the volume of 59,753 tons and the value of US$216 million. Other biggest importers were Japan (56,744 tons, US$224 million), UAE (28,700 tons, US$55 million), Saudi Arabia (16,747 tons, US$52 million) and Malaysia (14,347 tons, US$44 million.)

Indonesia had been a top priority for tire investment, supported by rich natural rubber resources and known as one of the biggest rubber producers in the world with a total production of 2.92 million tons in 2010. Indonesian government designated itself as a major automobile manufacturing base for the ASEAN region. It planned to produce 1 million vehicles per year by 2014 and 2 million vehicles per year by 2020. The current share of the use of radial tire in Indonesia had increased compared with other type of tire. This showed an increase in awareness in the domestic tire users to use high-tech products and safety aspects and driving comfort.

The Indonesian Tire Manufacturers Association (APBI) mentioned that car tires production in 2010 surged 28.8% and motorcycle tires increased by 43.2% compared with in 2009. There were at least eighteen (18) tire manufacturing companies produced tires for automobiles, motorcycle and bicycles; such as PT Karat Ungula Nusantara, Bunting Panama Rubber, and PT Gajah Tunggal Tbk. for Indonesia local brands. The multinational companies consisted of Bridgestone Tire Indonesia, Goodyear Indonesia, Dunlop Tires Indonesia, and the new comer Hankook Tire from Korea. The total production of car tires reached 46.43 million units during January-November 2011, higher compared to 45.30 million units in the same period last year.

The consumers of tire products were still preferring imported products with an assumption of better quality compared with local products – despite whether the claim was proven or not. Consumer loyalty also generally based from the origin tires embedded in the vehicle when the consumer first bought a vehicle/OEM (Original Equipment Manufacturer), be it two-wheel or four-wheel. Most of times, the consumer only asked for the same tires as the ones embedded earlier in the vehicle. Some of the consumers did ask for different brand, although it was a rarity.

This paper aims to analyze the challenges and opportunities presented by this competitive shift. By evaluating MASA's current marketing, distribution, and branding strategies, the study seeks to provide actionable recommendations for strengthening its competitive advantage. Additionally, it explores broader implications for local manufacturers facing global competitors in emerging markets.

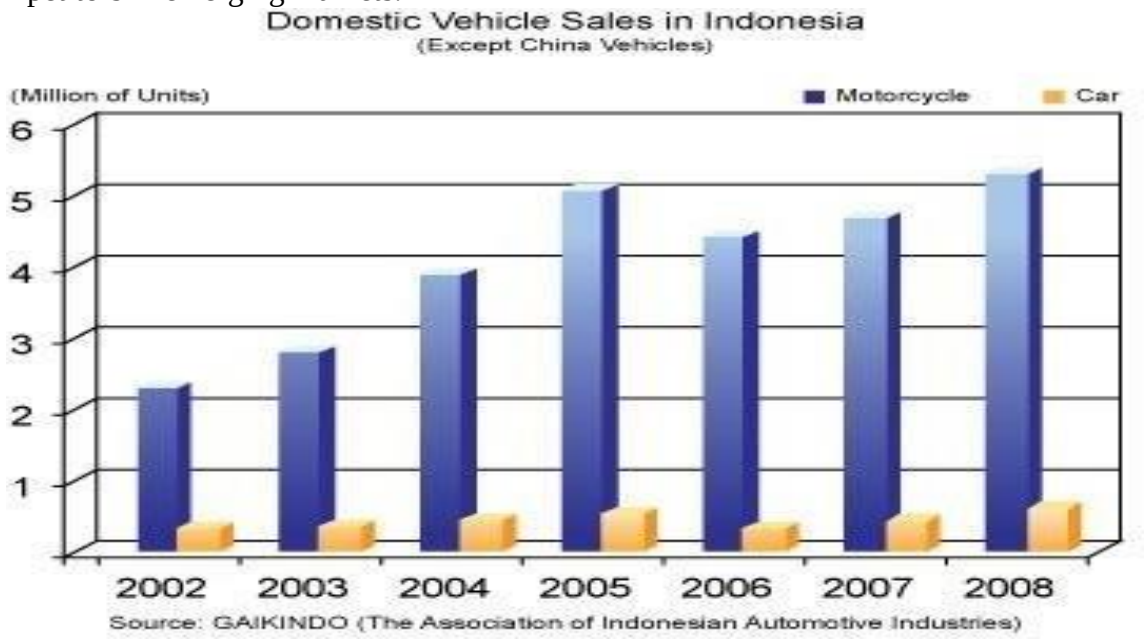


Exhibit 1. Domestic Vehicle Sales in Indonesia (2002-2008)

METHODS

The study employs a qualitative research approach, focusing on case study analysis to evaluate the competitive landscape of Indonesia's tire industry. The inquire about

fundamentally looks at PT Multistrada Arah Sarana, Tbk (MASA) in reaction to the showcase section of Hankook Tire.

The technique incorporates Information Collection:

Auxiliary information sources, such as showcase reports, company budgetary explanations, industry distributions, and past investigate ponders, are utilized to analyze industry patterns and competition. Competitive benchmarking is conducted to compare MASA's situating with Hankook in terms of estimating, dissemination, and promoting methodologies.

Expository Approach:

A comparative investigation system is connected to survey MASA's qualities, shortcomings, openings, and dangers (SWOT) within the setting of expanding showcase competition.

Vital assessment methods, such as Porter's Five Strengths, are utilized to get it industry competitiveness and outside weights influencing MASA's showcase execution.

The ponder gives bits of knowledge into how residential companies in rising markets can adjust their techniques when confronted with forceful worldwide participants.

RESULTS AND DISCUSSION

MASA’s recent promotion activities were being an official sponsor of Manchester United (MUTD) started at 2013 and continuing MASA sponsorship of Formula Drift. The promotional activities had been proven to effectively reach a dynamic market of the younger set.

As Hankook entered Indonesian market, the tire industry in Indonesia had a fight already. Based from a several interviews with MASA sales forces and customers on September 2013, the highest-rank of tires’ brand in term of brand awareness was Bridgestone which covered 30% market share. Followed with Dunlop (25% market share,) Achilles (15% market share,) Gajah Tunggal (15% market share,) and GoodYear (less than 5% market share.) There were two other brands which covered small amount of market share; Accelera and Hankook.

The situation, however, shifted even before Hankook’s initial move in Indonesia. Bridgestone, as they were the main player in middle-upper market, realized that they did not have a strong base in middle-lower market – a market which actually had the biggest portion of the total market in Indonesia. Bridgestone watched how their market gnawed by other players in the middle-lower market which made the company decided to enter the middle-lower market too.

Looked at the target market, however, the brands were divided into two (2); middle-up and middle-low. There were only two brands which covered middle-up segment: Bridgestone and Dunlop – while the rest of the brands (Achilles, Gajah Tunggal, GoodYear, Accelera, and Hankook) covered middle-low segment. The competition, however, shifted recently with Bridgestone tried to go into middle-low segment too. “Middle-low segment in Indonesia is still bigger, compared to the middle-up one,” commented a sales officer from MASA, “which is why Bridgestone decided to enter the middle-low segment. They finally realized that they did not have a strong base in middle-low market.”

Exhibit 2. Indonesia Tire Market 2010

ABOUT INDONESIA TYRE MARKET

Indonesia Tyre Sales During 2010 (in Units)

	PCR	BIAS	Total
Production	39.103.647	10.736.384	49.840.041
Domestic Market	8.570.720	5.898.515	14.469.235
Export	30.342.047	4.773.370	35.115.417
Total Sales	38.912.767	10.671.885	49.584.652

By utilizing its global manufacturing capabilities, partnerships with automotive manufacturers, and aggressive pricing, Hankook has created a significant challenge for MASA. MASA, which primarily serves the middle-class consumer segment, has struggled to maintain its market dominance due to Hankook's superior brand perception and international market reach.

The bright prospect for tire industry in Indonesia had also attracted the South Korean tire producer to the make their investment in Indonesia. South Korean tire maker Hankook Tire invested USD 353 million in Indonesia to build factories which would employ a total of about 2,800 people by 2018 and waken up the existing tire manufacturer in Indonesia as they aware on how the Korean aggressivity and hard-working spirit had been proven as their strength on being successful for the other Korean company in Indonesia for the other industries (retail market, electronics, and mobile phone.)

In Indonesia, Hankook Tires from Korea had built the 7th global production plant with the groundbreaking ceremony held in June 2011. Located in Lippo Cikarang, Bekasi, West Java, this new plant would act as an export base for the North America and the Middle East market as well as a regional business hub for Asian market, reaching the production capacity of 6 million tires per year.

Hankook tire products were radial tires for passenger cars, light trucks, trucks, and buses. In 2009, the company earned $3.8 billion for total sales and was the eighth largest tire manufacturer in the world. Its fabrication started in 1941, as the first tire manufacturer in South Korea. The production started in 1942 in Young-Deung-Po, the first plant, Seoul, with an initial annual capacity of 110,000 unites.

In 2007, the company produced its 100 millionth tire since its operation 65 years before, and for the first time achieve the highest score ('Very Recommendable') in a performance test held by German automobile association *Allgemeiner Deutscher Automobil Club* (ADAC).

The type of tire product was fifty (50) models and divided into three (3) categories: passenger car, light truck, truck and bus. The passenger car consisted of ultra-high performance, high performance, general performance and SUV. The Ventus and Optimo series had each quality categories: premium, handling, wet, comfort, durability, all season, and environmentally friendly.

The product of light trucks consisted of All Steel and Radial, Dynapro and Maxi Advantage types. The tire for truck and bus was divided into Long Haul, Regional, On & Off, Winter, and Urban Bus. The specification of trucks bus consisted of All Position, Driver Axle and Trailer Axle.

The largest portion of Hankook's revenues (72%) were generated from overseas market (North America 19%, Europe 19%, Asia 17%, the Middle East 8% and other regions 9%.) For original equipment (OE) productions, Hankook had cooperation with top US and European car manufacturers such as Volkswagen, Audi, Ford, and Hyundai Motor Group which their biggest client, represented 80% of its sales. Michelin's Hankook was listed in the categories of "Best Quality" and "Best Value for Money" in Morgan Stanley survey of European tire distributors

in 2010.

In 2001, Hankook formed a strategic alliance with Michelin, thus strengthen its presence in European market. The partnership was focused on production and distribution to create economies of scale and synergies between the two manufacturers. Michelin would use Hankook's sales network to increase its share in high-end Korean imported tire market, while for Hankook themselves, they made use of Michelin's network in the US and Europe for its share of low-end market. Hankook CEO, Cho Choong Hwan, commented that its alliance with Michelin would help elevate Hankook's technological prominence and brand image.

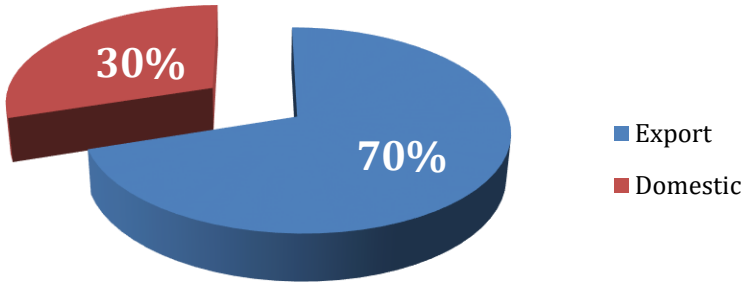
By 2001, Hankook opened a European distribution center in Rotterdam, Netherlands. By the end of 2005, Hankook introducing T'Station stores, a franchise network of tire and auto service centers rolled out throughout the country. As of the end of 2006, Hankook had 100 T'Station stores in operation. In 2007, Hankook also opened its first T'Station flagship store outside its home market, in Shanghai.

The market penetration strategy of Hankook Tire was mainly focused on entering the peripheral areas than comes to center of target market (spiral outside in approaches) and providing less pricing approach as well as highlighting the foreign manufacturing image as Korean tire. Also supported by high nationalism spirit by Korean expatriate in Indonesia who likes to prior their Korean national tire brand as well as the increasing sales performance and demand for Korean car in Indonesia (Hyundai, KIA, DAEWOO) were the critical success factor of Hankook's tire. Apart of that the strong South Korean Government support for any Foreign Direct Investment is another strong point of Hankook presence in Indonesia

Hankook tried to head on competition for middle low market and hijacked the experience employee from Bridgestone and Dunlop as well as making partnership with their good performer's distributor to accelerate the performance of penetrating the domestic market.

As Hankook entered Indonesian market, the tire industry in Indonesia had a fight already. Based from a several interviews with MASA sales forces and customers on September 2013, the highest-rank of tires' brand in term of brand awareness was Bridgestone which covered 30% market share. Followed with Dunlop (25% market share,) Achilles (15% market share,) Gajah Tunggal (15% market share,) and GoodYear (less than 5% market share.) There were two other brands which covered small amount of market share; Accelera and Hankook.

Exhibit 3. MASA Market Segmentation

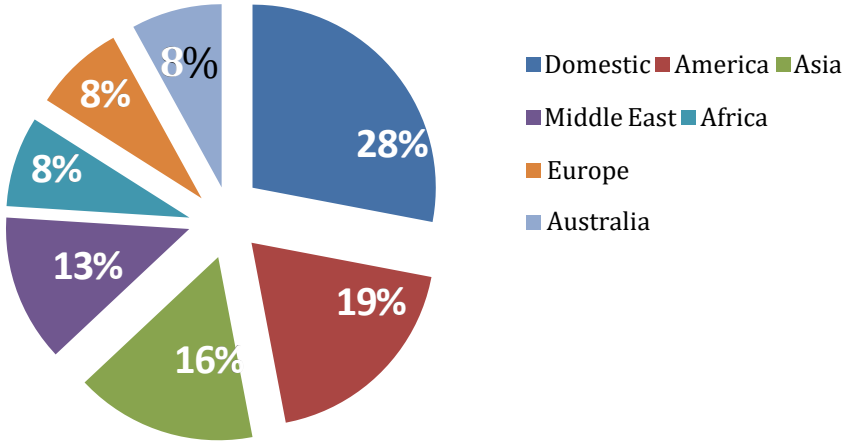


The situation, however, shifted even before Hankook's initial move in Indonesia. Bridgestone, as they were the main player in middle-upper market, realized that they did not have a strong base in middle-lower market – a market which actually had the biggest portion of the total market in Indonesia. Bridgestone watched how their market gnawed by other players in the middle-lower market which made the company decided to enter the middle-lower market too. Looked at the target market, however, the brands were divided into two (2); middle-up and

middle-low.

There were only two brands which covered middle-up segment: Bridgestone and Dunlop – while the rest of the brands (Achilles, Gajah Tunggal, GoodYear, Accelera, and Hankook) covered middle-low segment. The competition, however, shifted recently with Bridgestone tried to go into middle-low segment too. "Middle-low segment in Indonesia is still bigger, compared to the middle-up one," commented a sales officer from MASA, "which is why Bridgestone decided to enter the middle-low segment. They finally realized that they did not have a strong base in middle-low market."

Exhibit 4. MASA Sales Distribution



MASA's challenges include intensified price competition leading to potential margin reductions as well as the limited international brand recognition, unlike Hankook, which benefits from its global presence. Besides the constraints in supply chain efficiency, as MASA relies on a more localized distribution network.

MASA's Strategic Response to Competitive Pressures are to counteract Hankook's growing influence, by initiated several strategic measures aimed at strengthening its market position. These include; expanding its distribution network to reach untapped markets and improve accessibility, enhancing after-sales services and customer engagement to foster brand loyalty and developing marketing initiatives that emphasize the affordability and durability of its products.

Integrating digital marketing strategies and new technologies into PT Multistrada Arah Sarana, Tbk's (MASA) efforts to compete in the automotive industry can significantly enhance its market position, customer engagement, and operational efficiency. Here's a detailed exploration of how MASA can leverage these tools:

1. Digital Marketing Strategies
   Digital marketing is essential for MASA to reach a broader audience, build brand loyalty, and drive sales. Below are key strategies:
   a. Social Media Marketing
      - Platforms: Focus on Instagram, Facebook, LinkedIn, TikTok, and YouTube to showcase products, share customer stories, and engage with the audience.
      - Content: Post visually appealing content, such as videos of tire performance, customer testimonials, and behind-the-scenes manufacturing processes.
      - Influencer Partnerships: Collaborate with automotive influencers and mechanics to promote MASA tires and build trust.
   b. Search Engine Optimization (SEO) and Content Marketing

- Website Optimization: Ensure the MASA website ranks high on search engines by using relevant keywords like "high-performance tires," "durable tires Indonesia," etc.
- Blogging: Publish articles on tire maintenance, industry trends, and automotive tips to position MASA as an industry expert.
- Video Content: Create educational videos on tire safety, installation, and performance comparisons.

c. Email Marketing
- Send personalized emails to customers about promotions, new product launches, and maintenance tips.
- Use segmented lists to target specific customer groups (e.g., commercial vehicle owners, individual car owners).
- d. E-Commerce Integration
- Partner with online marketplaces like Tokopedia, Shopee, and Lazada to sell MASA tires directly to consumers, and develop a user-friendly e-commerce platform on the MASA website for direct sales.

2. New Technologies
Adopting new technologies can streamline operations, improve product quality, and enhance customer experiences.
a. Artificial Intelligence (AI) and Data Analytics
- Customer Insights: Use AI to analyze customer behavior and preferences, enabling personalized marketing campaigns.
- Predictive Maintenance: Offer AI-driven tools to help customers predict when their tires need replacement or maintenance.
- Inventory Management: Optimize supply chain and inventory using predictive analytics.

b. Internet of Things (IoT)
- Smart Tires: Develop IoT-enabled tires that provide real-time data on tire pressure, temperature, and wear, improving safety and performance.
- Fleet Management: Partner with commercial vehicle operators to offer IoT solutions for monitoring tire health across fleets.

3. Industry-Specific Trends
The automotive industry is evolving rapidly, and MASA can align its strategies with these trends:
a. Electric Vehicles (EVs)
- Develop tires specifically designed for EVs, focusing on durability, noise reduction, and energy efficiency and doing partnering with EV manufacturers to become a preferred tire supplier.

b. Sustainability by promoting eco-friendly tire manufacturing processes and materials and launch a recycling program for used tires, emphasizing MASA's commitment to sustainability.
c. Connected Vehicles by doing collaboration with automotive companies to integrate MASA tires with connected car systems, providing real-time data to drivers.

4. Competitive Differentiation
To stand out in the competitive automotive market, MASA should highlight unique selling points (e.g., superior grip, durability, or eco-friendliness), offer value-added services like free tire inspections, mobile installation, or loyalty programs and focus on building a strong brand identity that resonates with both individual and commercial customers.

By embracing digital marketing and new technologies, MASA can not only compete effectively but also lead innovation in the automotive tire industry.

CONCLUSION

Alluded to Hankook's forceful move on entering the huge potential of the Indonesian showcase by doing a middle-low advertising fragment introductory infiltration and highlighting their Korean picture, which is embraced by the enormous populace of the tall patriotism soul of Korean exiles in Indonesia, MASA ought to center the promoting procedure on three (3) fundamental regions: the specialized and after-sales program, the deals and conveyance program, and the client relationship and advancement program. Too, the plausibility of having co-branding with Car ATPM (Sole Specialist of Authorized Holder) with a huge brand like Toyota, Nissan, or Honda is another elective that ought to be considered other than uncovering Manchester United's support in Indonesia.

REFERENCES

Asosiasi Produsen Ban Indonesia (APBI). (2008). Industry Report on Tire Manufacturing in Indonesia.

Badan Pusat Statistik (2008. Economic and Trade Statistics in the Automotive Sector. Jakarta, Indonesia.

Porter, M. E. (2008). Competitive Strategy: Techniques for Analyzing Industries and Competitors. Free Press.

Prahalad, C. K., & Hamel, G. (1990). The Core Competence of the Corporation. Harvard Business Review, 68(3), 79–91.

Kotler, P., & Keller, K. L. (2020). Marketing Management (16th ed.). Pearson Education. Hankook Tire Annual Report. (Year). Global Market Expansion and Regional Performance Multistrada Arah Sarana (MASA) Financial Reports. (Year). Company Performance and

Market Positioning in the Indonesian Tire Industry.