DO REALLY COMPETITIVE STRATEGY AND STRATEGIC ALLIANCES AFFECT RETAIL BUSINESS PERFORMANCE?
EVIDENCE FROM THE MINI MARKET RETAIL IN JAKARTA AND BANDUNG CITY, INDONESIA

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Abstract
This study aims to reveal the effect of competitive strategy and strategic alliances towards the mini market retail business performance. This research is expected to provide additional information in theory and strengthen the concept of knowledge strategy management in relation to the competitive strategy and strategic alliance as well as retail business performance format mini market. This study is able to contribute to the mini market retail, regulators, and stakeholders. This study examined comprehensively about the underlying theories that are
supporting the integration of competitive strategy and strategic alliance on business retail performance into mini market retail industry. This idea has been never examined. For the practitioners, this study provides information to pursue right organizational strategy implementation by highlighting the links and alignment between competitive strategy, strategic alliance, and retail business performance.

Keywords: Competitive strategy, Strategic alliances, Retail business, Performance, Mini market retail, Indonesia

INTRODUCTION

Now day’s dynamic focused business environment is obliged effective organizations consistently rehash in request to pick up or hold unrivaled execution and upper hand (Hilman & Mohamad, 2011). Especially, the retail business, which comprises of hypermart, supermarket, and minimarket/groceries is confronting solid rivalry from the fast innovative turbulence, continuous changes in client's requirements and desires, outer ecological many-sided quality and unpredictability (Kaliappen & Hilman, 2013; Wang, Chen, & Chen, 2012; Bordean, Bonza, Nistor, & Mitra, 2010). Because of these requests, the retailer ought to rehearse nonstop change by making few key vital arrangements; if legitimately used can help the retail to accomplish superior business retail performance and competitive advantage.

In Indonesia, the retail business is a standout amongst the most potential industry that variously adding to the country's economic growth (Aprindo, 2014). It has not only contributed to economic growth, but also employment force requiring industry that has ability to procedure additional job opportunities (BPS, 2013). Furthermore, based on the Business Monitor International report and Berrau of Statistic center, 2013, the cumulative number of modern retail outlets in Indonesia (in the format of minimarkets, supermarkets and hypermarkets) experienced growth of total outlets 10.276 in 2008 to 19.876 outlets in 2013. It is supported by the more massive modern shopping centers mainly in large cities, such as Jakarta, Surabaya, Bandung and Makassar. Number of employment by the sector also increased from 3.7 million in 2008 to 6.4 million in 2013. The development is also evident from the increasing total turnover of modern retail sales of Rp70.5 trillion in 2008 to Rp132.5 billion in 2013. This in turn also increases the contribution of this sector to the GDP (Gross Domestic Product), from the number 19.3% in 2008 to 21.6% in 2013. The development is also supported by the Indonesian retail market potential of a relatively large good in the context of regional and global, so that it will continue to the opportunity to increase competition, especially with the increasing number of
foreign retailers who are interested to invest their capital in large numbers to operate in the retail market in Indonesia, as the largest economy in Southeast Asia.

However, the business retail performance shows volatile in recent years and is not in line with the increase in the growth of retail minimarket nationally every year. It's fluctuating of the business retail performance for top 5 minimarket largest brand in Indonesia in terms of sales, ROA, and the market shares that moves up and down (Aprindo, 2014).

Prior studies have been tended to a few aspect of competitive strategy, strategic alliance, and retail business performance, yet every study concentrated on a specific premise. Even though, the previous studies, contributing significant data to body of knowledge, yet, it is still lacking in integrating these key variables in the connection of retail industry in Indonesia, particularly for Jakarta and Bandung City. Over the previous decade, there is developing examination result to contribute of competitive strategy (Pearce & Robbinson, 2011; Yan, 2010; Jusoh & Parnel, 2008; Porter, 1980) and strategic alliance (Wheelen & Hunger, 2014; Cravens, 2013; Gomes-Casseres, 1996; Yoshino & Rangan, 1995) on business performance. So, in order to the bridge the existing research gap, this present study will integrating and investigating the strategic link of competitive strategy and strategic alliance on retail business performance in Indonesia. An investigating of these issues is critical because it assists to formulate better business strategic among the retail’s managers in Jakarta and Bandung City.

Purpose of study
This study discusses the rational consideration on integration of these strategic variables through theoretical base. The talk on underpinning theories is very significant to strengthen the interrelationship among the variables in the study. This present study examining comprehensively about the underlying theories that are supporting the integration of competitive strategy and strategic alliance on business retail performance into mini market retail industry. This idea has been never examined. Beside, this present study will be make new information that can expand business retail performance adequacy by utilizing appropriate business key. Thusly, the researchers are justifying and establishing the solid relationship of these critical variables that could reshape companies strategic direction.

CONCEPTUAL LINKAGE
Competitive Strategy
Competitive strategies deal with the development of attributes that characterize a company and differentiate the quality it makes and offers in correlation to its rivals (Porter, 1980), i.e. the "center thought regarding how the firm can best contend in the commercial center" (Pearce and
Robinson, 1994, p. 220). Since rivalry on the retail part has been expanding for quite a long time, the significance of adding to a successful focused technique has all the earmarks of being expanding always (Cortjens and Doyle, 1989; Ellis and Kelley, 1992; Harris and Ogbonna, 2001). Given that retailing has turned into an adult industry with overcapacity, high focus and, much of the time, cost driven showcasing systems which have prompted rather homogeneous stores, separation from contenders through situating appears to be progressively fundamental (Wortzel, 1987; Walters and Knee, 1989, p. 74). As indicated by Porter (1985), competitive strategy can be comprehended as the exercises an organization attempts to gain sustainable competitive advantage in a specific industry. These studies are dictated by the key choice on the specific competitive advantage which the organization is endeavoring to accomplish, i.e. what point of preference ought to be utilized to hoist the organization from its rivals'. This competitive advantage ought to satisfy certain criteria (Simon, 1988; Aaker, 1992; Mintzberg, 1996, p. 88; Walters and Knee, 1989; Brooksbank, 1994, p. 12; Cortjens and Doyle, 1989, p. 171). It must: Relate to a property with worth and significance to the focused on customer segment; be seen by the customer; be sustainable, i.e. not easily imitated by competitors.

Consequently, the competitive advantage that a company selects should be based on its resources, strengths or uniqueness capabilities relative to competitors (Brooksbank, 1994, p. 12), but must also be perceived by consumers. That is, consumers must be aware of these capabilities. This suggests a concurrent consumer and competitor-orientated point of view in the development of competitive strategies (Aaker, 1992). In his familiar matrix with the dimensions “competitive advantage” and “extent of operation”, Porter (1985) expects that there are essentially three generic types of competitive strategy (based on two basic types of competitive advantage): cost leadership, differentiation and focus on certain target segments (which itself is either anchored through low-cost or differentiation). He also emphasizes that companies must “make a choice” between the different generic strategies, since “being” all things to all

Individuals’ is a formula for strategic mediocrity and below average performance (Porter, 1985, p. 12; see also Mintzberg, 1996, p. 87). While it is ordinarily acknowledged that the (essential) idea of competitive advantage and competitive strategy is relevant crosswise over across different industries, researchers have criticized Porter’s concept in a few respects, including the allegedly oversimplified dichotomy of cost leadership vs. differentiation (for an overview, see Miller and Dees, 1993). Additionally, the specific attributes of certain industries, including (food) retailing, would require a more particular concept and allow different competitive advantages than in the other industries (e.g. Harris and Ogbonna, 2001, p. 157; Uncles, 1998; Turock, 1999).
Hubbard and Beamish (2011: 20) argues competitive strategy is how to position the business more competitive compared to other similar industries. This is similar to whether is mentioned by Wheelen and Hunger (2014: 183) that the competitive strategy focuses on developing a better competitive position of business units engaged in goods and services. Furthermore, Ireland, Hoskisson and Hitt (2009: 90) revealed that the competitive strategy is an integration and coordination in designing the commitment and action to win the competition in a specific market. Then, according to Pearce and Robbinson (2011: 215) argues that competitive strategy is an effort for the creation of a sustainable competitive advantage through the uniqueness of the product and cost leadership. A few of the concepts of competitive strategy above was revealed that at its core competitive strategy is a set order of a systematic plan in positioning the product on the market that are relatively more superior when compared to competitors’ products at more competitive prices, and be able to more quickly adapt to business environment, where the dimensions used in measuring competitive strategy is generally to use the concept of Porter, which is a strategy of cost leadership, differentiation and focus strategy. Competitive strategy can be achieved by running multiple generic strategy based on cost and differentiation as seen in the retail owners must consider three strategies: a focus on low cost, focus on differentiation and value orientation. Sometimes it can be mixed and matched between the product line retailers.

Jusoh and Parnell (2008: 15) argues that a complete measurement of the variables competitive strategy consists of: 1) Efficient producers of goods and service (producers of goods and services which efficiently); 2) Highly innovative (very innovative); 3) Customers feel as if we understand them (customers feel understood); 4) Most in tune with customer demands (most in tune with customer demand); 5) Leader in the industry (the industry leader) 6) Market products exceptionally well (a good market products); 7) Quick and effective response to customers (response quickly and effectively to customers); 8) Concentrate on innovation (concentrated in innovation); 9) Unique products and services (products and services that are unique); 10) Different attributes in products and services (attributes of different products and services); 11) Offer Lowest possible price (offer the lowest possible price; 12) Lowest priced products and services (the lowest prices for products and services).

Furthermore, Parnell (2011) stated that in the end, the study of competitive strategy has assessed the relationship between strategy and performance within a fixed time frame is relatively short. High-performance businesses generate profits and other positive results for a certain period. So the competitive strategy is a strategy to get high performance that can generate profits and other positive impacts within a certain time.
Berman (2011) suggested that business lessons from various retail companies world-class in the United States, has further developed the theory of Competitive Strategy Porter, namely: Cost-Based Strategy, Differentiation-Based Strategy, and Value-Based Strategy. The concept of competitive strategy in research on the retail industry mini market refers to the concept of competitive strategy of Porter and Berman (2013), which is defined as a set order of a systematic plan in positioning the product on the market that are relatively more superior when compared to competitors’ products, and is able to more quickly adapt business environment with its dimensions, namely: Cost-Based Strategy; Strategy Based Differentiation, and Value-Based Strategy.

Here are respectively the dimensions and indicators of variables competitive strategy as follows: 1) Fee-Based Strategy: a. Fresh Power-Based Strategy; b. efficiency; c. Trade Off. 2) Based Differentiation Strategy: a. Atmospheric Shops; b. Merchandise; c. Customer Service d. Confidence. 3) Value-Based Strategy: a. Product quality; b. Value for Money; experience Customer Service

**Strategic Alliances**

Some scholars have mentioned that strategic alliances have become increasingly important elements in a firm’s portfolio of strategies and are viewed as a resource of competitive advantage. Yoshino and Rangan (1995) and Gomes-Casseres (1996) define alliance as a cooperative venture between firms situated on the continuum between markets and hierarchies, and is distinguished by several characteristic: independent firms; horizontal or vertical relationships; relationships which are not solely transactional; partners bring resources, share risks and benefit but have limited control; and incomplete contracts. Yet alliance has proven to benefit firms, there is also a dark side. Non-cooperation to benefit firms, whether through competition, the opportunistic behavior (Williamson, 1975), or defection, may lead to a partner’s or alliance’s failure. Furthermore, strategic alliances bring together otherwise independent firms to share resources in product design, production, marketing, or distribution. Forging an alliance enables a firm to focus resources on its core skills and competencies while acquiring other components or capabilities it lacks from the marketplace. These alliances and the network organizations they create are becoming increasingly important as competitive pressures force firms to adopt flexible and more focused on its organization. Alliances can take many forms, ranging from simple agreements with no equity ties to more formal arrangements involving equity ownership and shared managerial control over joint activities.

Based on the concept of Cravens (2013: 196) partnership is efforts to cooperate with stakeholders, in whom the strategic alliance is used by many companies, compete worldwide.
The partnership includes the vertical relationship that consists of relationships with suppliers and customers (customers) and which consists of a horizontal lateral partnership and internally. A useful way to determine the enterprise partnership is to investigate whether vertical or horizontal track. The strategic alliances between the companies in the present to consider the elements of the overall strength of competition - technology, costs, and marketing. Some power creates a need to develop a strategic partnership with other organizations. These powers include diversity, change, and risk factors of the global business environment; increasing complexity of technology; needs huge resources; needs gain entry into the world market; and the ability of the impressive array of information technology to coordinate operations between the companies. These forces are divided into two broad categories, namely: (1) the diversity and Environmental Change, and (2) Skills Gaps and Resources. The overcome of diversity involves both internal organization and its relationship with other organizations. Rapid changes, this vertical relationship between the supplier and the manufacturer or horizontally among members of the industry. A financial need to be able to compete in world markets is often greater than the capacity of a single company. As a result, many companies have to look for partners to obtain the resources that are important for competition in many industries or to spread the risk of financial loss to the other companies. Cooperative relations consists of activities that are divided as product and process design, implementation assistance, long-term supply contracts, and program supply the goods on time (just-in-time). Number of cooperation can vary between industries. According to Gordon Walker (2009), the motivation of a company to cooperate is intended to: (1) Transfer of Technology, (2) Market access, (3) Reduction of costs, (4) Reduction of risk, (5) Changes in industry structure. This cooperation is based on mutual trust, openness variety of risks and benefits in improving the competitive strategy to produce a better performance than when not collaborating.

Wheelen and Hunger (2014) states that the partnership strategy can also be used to create a competitive advantage in an industry by working with other companies. Furthermore, partnership strategy divides into two, namely: 1) collusion strategy, and 2) strategic alliances. Strategic Partnership types can be structured based on the degree of ownership and control (level of ownership and control) and the extent of investment and risk. The higher the ownership and control of the higher level of investment and the risks borne, and vice versa. The types of cooperation strategies are: (1) Consortium, cooperation involving many companies which have differences in products/services that they delivered. Consortium formed to complete a project with the aim to attract resources of financial and managerial as well as reduce the risk. (2) Licensing (licensing) is transaction based contracts where business model ownership (licensor) offers a number of intangible assets (brand) to a foreign company (license) in order to obtain
royalties. (3) Franchising (franchise) is a transaction based on the contract as a license to replicate a business model. The owner of the business model (franchisor) gives rights to the other company (franchisee) to use the trademark names and other knowledge of the owner of the business model in order to obtain royalties. (4) Contract Manufacturing is a collaboration of the company brand owners and manufacturers to produce a number of parts of a product or all parts of a product. (5) Joint Venture (a joint venture) is a partnership between two or more companies to form a new company.

Partner companies to bring their resources to be combined in a single company formed. Furthermore, Plazibat, Ivana; Filipovic, Davo, (2010), argues that globalization and internationalization of business have imposed significant structural changes in the retail industry. Currently, the most interesting partnership strategy is a partnership through strategic alliances. The positive relation between the Croatian company entered a strategic alliance and strengthen competitive advantage is scientific contributions of this paper. In other words, the hypothesis concerning the ability of Croatia retail companies to form strategic alliances as a means to achieve competitive advantage is being raised. The strategic alliance forms vary from simple bilateral contracts based on the exchange of knowledge and experience to make it difficult strategic alliances such as joint ventures. The strategic alliance could be an outstanding business strategy for retailers in the country who are willing to learn and grow not just locally. The hypothesis that the Croatian retail company able to form strategic alliances as the source of their competitive advantage is confirmed by minimal statistical significance. Based on the exposure of the partnership concept above, then constructs a partnership strategy in this study refers to the concept of Organizational Relationship (Cravens, 2013) -that Internal Partnership, Supplier Relationship, Customer Relationship and Partnership Lateral - coupled with the concept of Strategic Alliances (Wheelen & Hunger, 2014) , in which five of these dimensions tend to be highly relevant to retail industry research object (minimarket), especially today in the face of the modern retail industry competition.

**Business Retail Performance**

According to Wheelen & Hunger (2014: 332) that business performance can be measured by sales, market share and profitability. Meanwhile, according to Best (2009: 66), business performance is the output or result of the implementation of all activities related to business activities, business performance indicator is the growth in sales and profitability. According to Hubbard and Beamish (2011: 140), an indicator of business performance can be seen from the aspect of marketing and through the company's financial performance. Measurement of business performance through marketing performance can be measured such as by sales,
market growth and market share. Perspective financial performance is measured by using a measurement: (1) return on investment (ROI), (2) the mix of income (revenue mix), (3) the use of the assets (measured by asset turnover), and (4) reduced costs significantly. The measurements are used to assess the performance depends on how the organizational unit will be assessed and how the objectives will be achieved. Some measures such as Return on Investment (ROI), Return on Equity (ROE), Earning per Share (EPS), Economic Value Added (EVA) is a good measure for evaluating the ability of a company or division to achieve profitability targets. However, measurements such as these have limitations in measuring other goals such as corporate social responsibility or employee development. Meanwhile, according to Ferguson and Reio (2010) asserts that business performance can be measured on the basis of two perspectives, namely: financial performance and corporate performance. In short, through business performance can be presented efficiency and effectiveness of the company to measure and evaluate the performance of the finance department, employees, businesses, and organizations.

It is risky to accentuation just on monetary viewpoints on the grounds that such business performance may deceive managers to ignore other key objectives (Karzai & Toga, 2001; Morgan & Daniels, 2001). Various researchers have prescribed that business performance must include both money related and non-monetary measurements (Kaplan & Norton, 1996; MacDougall & Pike, 2003). Along these lines, Balance Scorecard (BSC) held the money related measures and included three non-budgetary points of view, to be specific client, interior procedure and learning and development (Kaplan & Norton, 1992, 1996). BSC is the most mainstream, minimum scrutinized, generally acknowledged what's more, executed an execution estimation apparatus (Parajape, Rossiter, & Pantano, 2006; Evans, 2005). Scholars specified that money related measures were considered as slacking pointers so that the BSC changed these slacking markers with a few vital non-money related drivers as driving pointers of future financial execution (Paranjape et al., 2006; Niven, 2002; Kaplan & Norton, 1992, 1996). In the other side, Neely et al. (2002) defines performance measurement and performance measurement system. Performance measurement is the process of quantifying the efficiency and effectiveness of past action. A performance measurement system enables informed decisions to be made and actions to be taken because it quantifies the efficiency and effectiveness of past actions through the acquisition, collation, sorting, analysis and interpretation of appropriate data. Through the years, the Balanced Scorecard has evolved, from the performance measurement tool originally introduced by Kaplan and Norton (1992), to a tool for implementing strategies (Kaplan and Norton, 1996) and a framework for determining the
alignment of the organization’s human, information and organization capital with its strategy (Kaplan and Norton, 2004).

This study used a Balanced Scorecard approach to measuring the performance of the retail business, because of the Balanced Scorecard is a group of integrated performance measures derived from corporate strategy and supports the company’s strategy throughout the organization. Objectives and measures in the balanced scorecard is more than just a set of financial performance measures and nonfinancial special, but all the objectives and measures of a process from top to bottom (top down) driven by mission and business strategy. In a balanced scorecard approach, top management lays out its strategy into performance measures so that employees understand and can carry out anything to achieve that strategy.

Balanced Scorecard is a strategic management system, or more accurately be called a "Strategic based on responsibility accounting system", which describes the mission and strategy of an organization into operational objectives and performance measures for the four different perspectives, namely the financial perspective, customer perspective, internal business processes, and learning and growth perspective (Kaplan & Norton, 1996) Model balanced scorecard is shown in Figure 1.

Figure 1. Balanced Scorecard Model

So, based on the explanation above that this study aligns competitive strategy and strategic alliance to produce better retail business performance or in the other words the effect of competitive strategy and strategic alliance influence retail business performance. The figure 2 clearly illustrated the conceptual framework of this study through the following simple research paradigm.

**Figure 2. Research Paradigm**

![Diagram showing the relationship between Competitive Strategy, Strategic Alliance, and Retail Business Performance]

**IMPLICATIONS AND CONCLUSION**

The present study contributes to competitiveness theory and strategy theory development by reshaping the organizational strategies. A few key conclusions can be drawn from the current study. Initially, this study will endeavor to clarify the competitive strategy and strategic partnerships influencing toward the performance of modern retailing formats mini market in Jakarta and Bandung. Second, partnership strategy affects the competitive strategy of modern retail formats minimarkets in Jakarta and Bandung. Third, this study will inform that competitive strategy and partnership strategies affect the retail business performance formats minimarkets in Jakarta and Bandung.

For the practitioners, this study provides information to pursue right organizational strategy implementation by highlighting the links and alignment between competitive strategy, strategic alliance, and retail business performance. However, this study presents the implications based on the logical view of underlying theories, so the matter of this study required further investigation to empirically indicate the relationship among these strategic factors towards retail business performance in order to achieve competitive advantage in a fluctuating business condition.

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