

STRATEGY MODEL OF OPTIMAZING FOR MINIMARKET RETAIL BUSINESS PERFORMANCE: STUDY IN JAKARTA AND BANDUNG, INDONESIA

Syahmardi Yacob*, Sucherly, Diana Sari, Asep Mulyana**

*Management of Department Faculty of Economics and Business

University Jambi, Indonesia, Email:dedy.yacob@gmail.com

**Doctorate Program in Management Faculty of Economics and Business

University Padjadjaran, Bandung, Indonesia Email:sucherly@yahoo.com; diana.sari@fe.unpad.ac.id;

asep.mulyana@fe.unpad.ac.id

Abstract. This study aims to examine the influence of the attractiveness of the retail industry and the uniqueness of resource capabilities on competitive and alliances strategy as well as evaluating its implications for the business performance of retail minimarket in Jakarta and Bandung. Descriptive and quantitative methods used in this study with analysis units are the mini-market retail business. The Managers and supervisors are being as observations unit from retail outlets in Jakarta and Bandung. The result shows that the management in formulating its business strategy has examined the appeal of an attractive retail industry, capabilities of the unique, competitive and alliance strategy with appropriate and the performance of business minimarket well. The attractiveness of the retail industry is an important factor in the formulation of competitive strategy. Alliance and competitive strategy mediate the effect of retail industry attractiveness and uniqueness of the performance capabilities of the minimarket. The study found a superior performance optimization strategy model for mini-market business that has not been found by previous studies.

Keywords: attractiveness of the retail industry, the uniqueness of capabilities resources, alliance strategy, competitive strategy, minimarket business performance.

1. INTRODUCTION

1.1. Background

Some researchers claim that business execution can be measured by development in deals, piece of the overall industry, and productivity (Wheelen & Hunger, 2014; Best, 2013). Furthermore, many experts recommend that the measurement of business performance can be divided into two dimensions financial performance or nonperformance financial. (Barney & Hesterly, 2012; Kaplan & Norton, 2010). However, from the perspective of the measurement have limitations in performance measurement for other purposes such as social responsibility and employee development.

In this regard, one of the performance measurement tool business is the Balanced Scorecard (BSC) is applied with money and included three points the views of non-budget, which is becoming a particular client, procedures and learning and development (Kaplan & Norton, 1992, 1996), Balance scorecard became one of the most performance measurement tool that a

little criticized, most popular and are widely accepted and implemented as a means to measure performance. (Paranpajape, Rossister, & Pantano, 2006; Evans, 2006).

However, based on observations and previous research, measurement of business performance using the Balanced Scorecard for the retail business has never been found and studied, this study used the Balanced Scorecard approach to measuring business performance minimarket.

Furthermore, in conditions of reality business competition between retail companies minimarket national and international brand in Indonesia is very tight which is dominated by two mini-market retail companies, namely Alfamart and Indomaret, each with a market share above 43%. Based on data from a preliminary survey in 2015 can be described that the financial performance of retail minimarket Indonesia, shows the numbers fluctuate over a period of 5 years from 2010 to 2014 of 5 mini-market retail largest in Indonesia, each Alfamart, Indomaret, OMI, Ceriamart and Circle K Indonesia.

Referring to the above business competition conditions, the low performance of the retail business in Indonesia minimarket, still have a disadvantage in designing competitive strategy. Competitive strategy is supposed to meet few conditions (Simon, 1988; Mintzberg, 1996; Walters and knees, 1989; Brooksbank, 1994; Corstjens & Doyle, 1989). It should be related into the ownership of a viable and significance with a focus on customer segments; viewed by the client; maintainable, and not effortlessly imitated by contenders.

Furthermore, according to Barney (2010), competitive strategy can be formed through a strategy of differentiation, cost leadership strategy and the strategy of speed. Based on the preliminary results of the survey conducted on the leader minimarket outlets in the city as many as 30 people, when questioned the accuracy of the implementation of competitive strategy revealed that the competitive strategy that has been implemented by the company relative mini-market retail is still not entirely appropriate. The phenomenon of competitive strategy mini-market retail companies in Indonesia precisely whether or not the management of minimarket in implementing the competitive strategy of the dimensions seen leadership cost strategy, differentiation strategy, and speed strategy.

In addition, no determination of the optimal performance of the business and competitive strategy allegedly caused partnership strategy has not woven optimally among retail companies minimarket. Based on the concept of Cravens (2013: 196) the partnership is an effort to cooperate with stakeholders, including strategic alliances that are used by many companies, competing worldwide.

Based on the presentation of the concept of partnership at the top, then build a strategic partnership in this study refers to the concept of Organizational Relations (Cravens, 2013) the Partnership's internal, Supplier Relationship, Customer Relationship and Partnership Lateral coupled with the strategic concept of the alliance (Wheelen & Hunger, 2014) , in the face of the modern retail industry competition.

Preliminary survey results illustrate that today there is a tendency that management was not fully able to develop a partnership strategy optimally. This is indicated by the still not optimal business relationship between the company minimarket with suppliers in terms of trading terms, private labels, and distribution cost.

In connection with the appeal of the retail industry, according to Walker, et al (2009; 57) the attractiveness of the market / industry can be measured through market size, market growth, competitive intensity, price levels, profitability, sophistication,

and government regulations. While Day (1999; 107) reveals that the attractiveness of the market can be measured through government intervention, changes in technology and market developments, while the Best (2013; 107) more fully stated that the attractiveness of the retail / market can be measured by market size, competitive intensity and market access.

In accordance with the results of a preliminary survey known phenomenon attractiveness industry competition issue mini-market retail company in Indonesia. Mini-market retail companies are still often too late and not optimal in anticipation of the appeal newcomers. Besides mini-market retail companies also have not been able to effectively meet customer expectations that the longer likely to be a smart shopper and value seekers.

In addition to the phenomenon of fascination industry competition problems aforementioned, it turns out the mini-market retail company management has not yet been able to effectively perform resource development (unique capability). Collin & Montginery (1998: 27-28) proposes two classes of retail venture asset minimarket i.e. substantial resources, elusive resources, and authoritative abilities. As per the consequences of a preparatory study of the state of the novel capacities of the issue on the small scale showcase retail company in Indonesia has not demonstrated the capacity really to be a one of a kind asset.

Based on the phenomenon of the problem above and previous research is a reference in the preparation of this research is that there has been no research specifically examines the attractiveness of the retail industry and the unique capabilities of the resource and its influence on competitive and partnership strategies and the implications on the minimarkets business performance in Jakarta and Bandung.

1.2. Research Purposes

This research is to build up the idea of a business technique to enhance business execution minimarkets in Jakarta and Bandung. Particularly the goals to be accomplished in this examination is to pick up a dialog about the bid of mechanical studies and the novel capacities of the retail on focused procedure and association methodologies and the suggestions on the business execution minimarkets in Jakarta and Bandung.

1.3. Literature Review

The attractiveness of the retail industry is one that must be observed by business management minimarket. Cravens & Piercy (2013: 137) states that Retail / market attractiveness can be measured by market growth rate projections and attractiveness assessment made by management. Meanwhile, Walker, Boyd, and Larre'che '(1996: 57) revealed that the attractiveness of the market can be measured by market size, market growth, competitive intensity, price levels, profitability, technology, sophistication, and government regulation. While the Best (2013: 275) more fully explained that the attractiveness of the retail / market can be measured through market forces, competitive intensity, and market access.

The uniqueness of the capabilities of the firm can be classified into tangible assets, intangible assets and organizational assets. This is similar to Collins & Montgomery (1995), which states grouping resources of the company into three groups, namely: tangible assets, intangible assets and assets of the organization.

Competitive strategy becomes an important part of developing a business in the fierce competition. This is similar to what is disclosed by Wheelen & Hunger (2014: 183) that the competitive strategy of focusing on developing better competitive position of business units engaged in goods and services. Then, according to Pearce & Robinson (2014: 215) contends that

aggressive system is an exertion for the making of a feasible upper hand through the uniqueness of the item and cost administration

Berman (2010) states in *Competing Though Times* which is the 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. Furthermore, in addition to competitive strategy, partnership strategy is no less important part in formulating the business strategy, particularly minimarket business. Wheelen & Hunger (2014) states that the partnership strategy can also be used to create a competitive advantage in an industry by working with other companies.

This study utilized an adjusted scorecard way to deal with measure the execution of the retail business, on the grounds that balance scorecard is a gathering of coordinated execution measures got from the organization's procedure and backing the organization's technique all through the association. A balance scorecard approach, top administration lays out its procedure into execution measures with the goal that workers comprehend and can actualize something to accomplish the methodology. Measuring the success of the business unit's performance based on the balanced scorecard approach is divided into four perspectives, (Kaplan & Norton, 1996), namely: Financial Perspective. Customer Perspective. Internal Business Process Perspective.

II. RESEARCH METHODS

In accordance with the objectives to be achieved then the form of research is descriptive and verification, which is a type of research that aims to know the description of study variables and relationships between variables through hypothesis testing something.

2.1. Sources and Information Data

The examination information was sourced from essential and optional information. Essential information was acquired from field research, namely data from interviews with management minimarkets in Jakarta and Bandung, represented by the head of the shop and supervisors. While secondary data obtained from the management company as well as related institutions such minimarket APRINDO. The composition of the number of respondents from each of the mini-market retail outlets in Jakarta and Bandung are respectively 160 respondents to the two areas.

2.2. Variable operationalization

Operationalization of the variables used to obtain data and information from the research variables. Studies asymmetrical relationship, in particular there are two kinds PLS latent variables are exogenous variables (free) and endogenous variables (bound). This study has two exogenous variables (free) were given the symbol X is the attractiveness of the retail industry (X_1) and the unique capabilities of the (X_2). While endogenous variable that business performance minimarket (Z) with an intervening variable (mediating) is the competitive strategy (Y_1) and strategic partnerships (Y_2).

2.3. Research Model

This study tries to analyze the attractiveness of the retail industry and the unique capabilities of the on competitive and alliance strategy and its implications for business performance minimarkets in Jakarta and Bandung.

III. RESULTS AND DISCUSSION

Based on research inter variable relations image that corresponds to the research paradigm, the result more from data analysis using SEM SmartPLS 3.0, which involves all the dimensions of each constructs of measurements can be shown in the following figure:

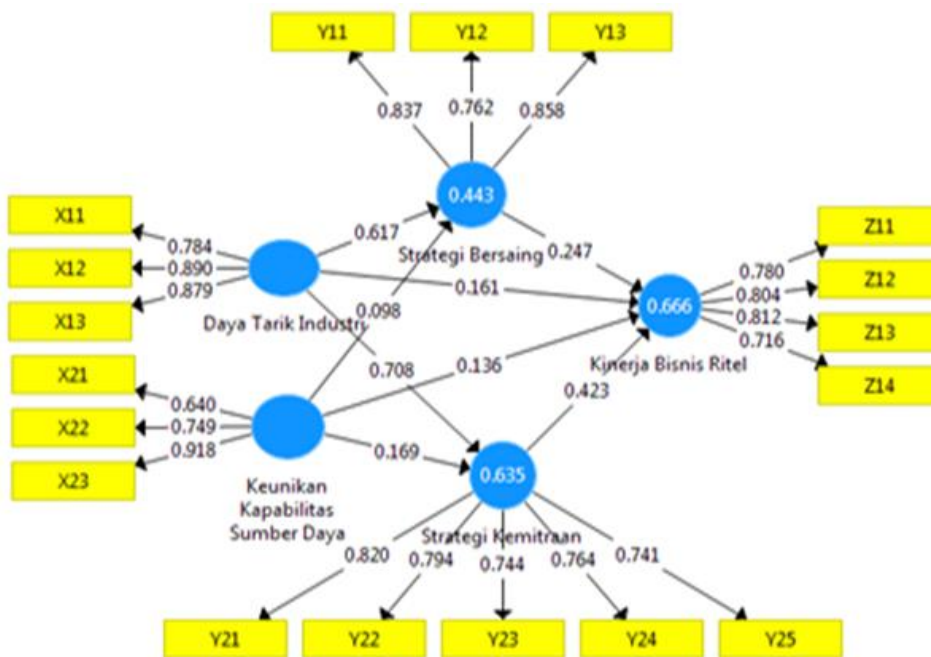


Figure 1. Path Coefficient Value

Based on the picture above is to show coefficient parameter or the path coefficient between the variables of the study. As for seeing the significance level of influence can be seen in the image below:

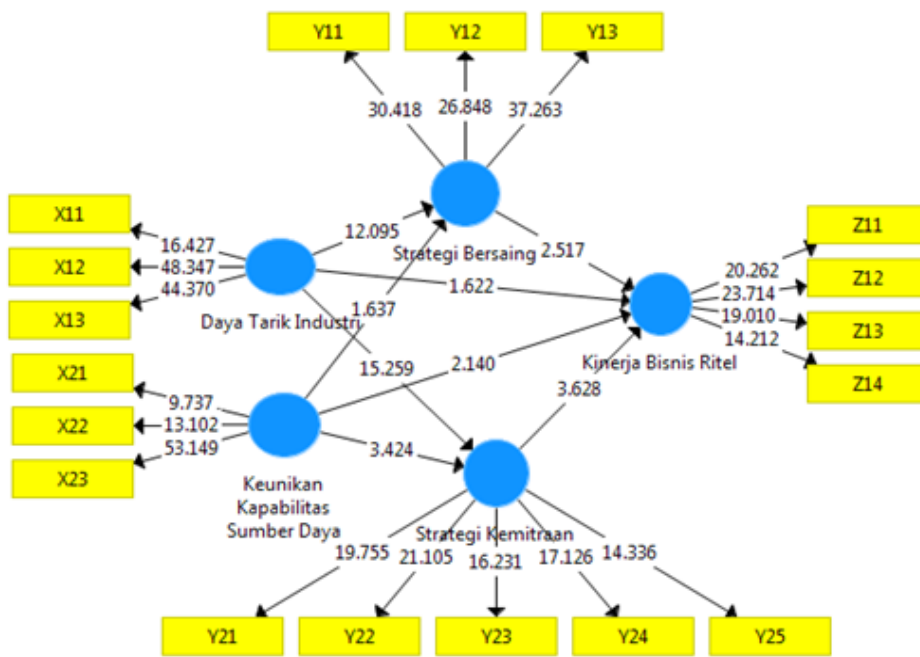


Figure 2. The value of t-statistics

Based on the test results can be explained that the appeal construct retail industry has a dimension which reflects the attractiveness of the retail industry in order are as follows: competitive intensity (X12) with a value of 48.347 and Market Access (X13) with a value of 44.370; Market power (X11) with a value of 16.427. These results indicate that the testing of each indicator has a strong influence on the dimensions of the attractiveness of the retail industry.

Furthermore, the unique capabilities of the dimensions that reflect the unique capabilities of the sequentially as follows: Asset organization (X23) with a value of 53.149; Intangible assets (X22) with a value of 13.102 and physical assets (X21) with a value of 9737. Results of testing the indicator give the sense that asset organization dominant influence in the formation of the unique capabilities of the dimensions.

Competitive strategy has dimensions that reflect the competitive strategy can be broken down sequentially as follows: a value-based strategy (Y13) with a value of 37.263; the cost-based strategy (Y11) with a value of 30.418 and a strategy based on differentiation (Y12) with a value of 26.848. It is clear that the indicator value-based strategies influential in the formation of competitive strategy, followed by indicators based on expense and differentiation strategies.

As alliance strategy has dimension which reflects a strategy of partnership with the order as follows: Partnership with suppliers (Y22) with a value of 21.105; Partnership with the internal (Y21) with a value of 19.755; Lateral (Y24) with a value of 17.126; Partnership with customers (Y23) with a value of 16.231 and partnership strategy (Y25) with a value of 14.366. The test results are visible indicators that the partnership with suppliers provides high enough influence in the formation of strategic partnerships.

Business performance minimarket have dimensions will reflect business performance minimarket with details of the

order is as follows: The customer perspective (Z12) with a value of 23.174; Financial perspective (Z11) with 20.262; Internal business process perspective (Z13) with 19.010 and the value of learning and growth perspective (Z14) with a value of 14.212. This result explains that the business performance minimarket is shaped and influenced by a considerable influence on the customer's perspective followed by financial perspective, business of internal process and learning and growth.

IV. CONCLUSIONS

The study concluded that the management in formulating its business strategy has examined the appeal of an attractive retail industry, capabilities of the unique, competitive strategy and partnerships with proper road and the performance business minimarket well. The attractiveness of the retail industry is an essential variable factor in the formulation of competitive strategy.

Alliance and competitive strategy mediates the retail industry attractiveness and uniqueness of the resource capabilities to business performance minimarket. The study found a model of performance optimization strategy wow minimarket business that has not been found by previous studies.

REFERENCES

- Best, R. J. (2013). *Market-based Management: Strategies for Growing Customer Value and Profitability*: Pearson.
- Berman, B. R., & Evans, J. R. (2013). *Retail Management: A Strategic Approach*: Pearson Education.
- Barney, J. B. (2012). Purchasing, supply chain management and sustained competitive advantage: the relevance of resource-based theory. *Journal of Supply Chain Management*, 4 (2), 1-6
- Berman, B. R. (2010). *Competing in Tough Times: Business Lessons from L.L.Bean, Trader Joe's, Costco, and Other World-Class Retailers*: Pearson Education.
- Cravens, David W and Nigel. F Piercy. (2013). *Strategic Marketing*. New York: Mc Graw-Hill
- Collis, D. J., & Montgomery, C. A.(1998). *Corporate strategy – a resource-based approach*. Boston: Irwin McGraw-Hill.
- Day, G.S. (1999). Misconceptions about Market Orientation. *Journal of Market Focused Management*, 4, 5–16
- Evans, J. R., Dean, J. E., Dean, J. W., & Reviews, C. T. (2006). *Studyguide for Total Quality: Management, Organization and Strategy by Dean, Evans &*, ISBN 9780324178715: Cram101 Incorporated.
- Kaplan, R. S., & Norton, D. P. (2010). *Balanced Scorecard: Measures That Drive Performance*: Harvard Business School Publishing India Pvt. Limited.
- Kaplan, R. S., & Norton, D. P. (1996). *The Balanced Scorecard: Translating Strategy Into Action*: Harvard Business School Press.
- Mintzberg, H. (1996). Generic Business Strategies. In: Mintzberg, H., Quinn, J. (Eds.), *The Strategy Process* (third ed., pp. 83–92). Upper Saddle River/NJ: Prentice Hall International.
- Pearce, John.,& Robinson, Richard.(2014). *Strategic Management*. McGraw-Hill Education
- Paranjape, B., Rossiter, M., & Pantano, V. (2006). Performance measurement systems: successes, failures and future – a review. *Measuring Business Excellence*, 10(3), 4-14. doi: doi:10.1108/13683040610685748

- Wheelen, T. L., & Hunger, J. D. (2014). *Strategic Management and Business Policy: Toward Global Sustainability*: Pearson/Prentice Hall.
- Walker, C. Orville., Boyd, Harper., Larréché, Jean-Claude.(2009). *Marketing Strategy: planning and implementation*. (Rev Ed) Irwin. New York. USA
- Walters, D., Knee, D., (1989). Competitive strategies in retailing. *Long Range Planning* 22 (6), 74–84.
- Wortzel, L., (1987). Retailing Strategies for today's mature marketplace. *Journal of Business Strategy* 8 (spring), 45–56