

Competitive Strategies of Building Material Stores in Facing Retail Industry Competition: A Case Study of XYZ Building Material Store

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ABSTRACT

The retail industry in Indonesia has experienced rapid growth, especially in the building materials sector. This research aims to analyze the competitive strategies implemented by XYZ Building Store in the face of increasing competition in this sector. This research uses a case study approach, collecting qualitative data through in-depth interviews, direct observation, and analysis of company documents. The findings show that there is an adoption of a combination of cost advantage, differentiation, and focus strategies to maintain its position in the market. External factors such as fluctuating raw material prices, government policies, and technological advancements also have a significant impact on competitive dynamics. In addition, this study highlights inter-store or retail competition, the existence of supplier monopolies, and the procurement of development plans that are often won by certain stores. Digital transformation and innovation are proving crucial in improving operational efficiency and market reach. The insights gained from this research make a valuable contribution to academic literature and practical business strategy development, offering guidance for building materials retailers to improve their competitiveness in an ever-evolving market.

KEYWORDS

competitive strategy, building stores, innovation, retail competition

1. INTRODUCTION

The retail industry in Indonesia has been rapidly growing, including in the building materials sector. This sector has shown significant growth in recent years, driven by economic growth and aggressive infrastructure development. The construction and building sector in Indonesia reflects a continuous increase in demand for building materials, fueling the growth of building material stores across various regions. In 2022, the construction sector grew by 6.1%, largely driven by major infrastructure projects (BPS, 2022).

Despite this significant growth, competition in the retail building materials market is becoming increasingly fierce. This poses a challenge for building material stores to continuously innovate and develop effective competitive strategies to maintain and increase their market share. While many studies have been conducted on competitive strategies in the retail industry in general, there is still a research gap regarding the application of these strategies in specific local contexts, particularly in the building materials sector in Indonesia (Rahman & Dewi, 2020; Setiawan, 2021). Previous research often underemphasizes the impact of external factors such as fluctuating raw material prices and government policies on competitive strategies in this sector (Wibowo, 2019).

This research aims to analyze the competitive strategies implemented by XYZ Building Store in facing the increasingly fierce competition in the retail industry. Through this case study, it is expected to gain deeper insights into the competitive dynamics and effective strategies to enhance the competitiveness of building material stores in the local market. Additionally, this study also examines external factors such as fluctuating raw material prices, government policies related to the construction sector, and technological advancements impacting business operations (Porter, 1985).

This study offers new contributions by exploring how a combination of cost advantage, differentiation, and focus strategies can be effectively applied in the local Indonesian market context. Furthermore, it highlights the crucial role of digitalization in competitive strategies, which is rarely discussed in the context of building material stores in Indonesia (McKinsey, 2021). These findings are expected to fill the research gap by providing new and practical perspectives on how building material stores can survive and thrive amid fierce competition (Johnson et al., 2020).

This research has several important significances. From a scientific perspective, it adds to the literature on competitive strategies in the retail building materials industry, particularly in the unique context of the Indonesian market (Rahman & Dewi, 2020). From a practical perspective, the results of this study provide guidance for other building material stores in developing effective and adaptive competitive strategies to external environmental changes (Setiawan, 2021). From a social perspective, this research can help policymakers understand the competitive dynamics in this sector and formulate policies that support the sustainability of the building materials retail business (Wibowo, 2019).

Data from BPS shows that the price of construction raw materials has increased by an average of 3.5% per year over the last five years (BPS, 2023). The trend of digitalization is also beginning to penetrate the building materials retail industry, with around 45% of building material stores in Indonesia adopting digital technology in various aspects of their operations, including inventory management and online marketing (McKinsey, 2021).

Thus, this research not only focuses on internal competitive strategies but also on external factors affecting competition in the building materials retail industry. The results of this research are expected to provide significant contributions to academic literature and

business practitioners in understanding and developing effective competitive strategies in this industry.

2. METHODOLOGY

This research uses a case study approach with qualitative methods to gather in-depth insights into the competitive strategy of XYZ Building Store. Qualitative data was obtained from various sources, including company documents, internal reports, sales data, and marketing materials that provided insights into the store's competitive strategy. In addition, external data such as industry reports, market analysis, and data from the Central Statistics Agency (BPS) were used to contextualize the findings within the broader industry landscape (BPS, 2022).

The instruments used in this study include semi-structured interview guides to obtain in-depth information from key informants, field observation notes to document direct observations, and qualitative data analysis software to assist in coding and analyzing the data (Kvale & Brinkmann, 2015).

Data Analysis, following the qualitative nature of this study, thematic analysis was used to analyse the data collected from interviews, observations, and document analysis. The thematic analysis involved coding the data to identify recurring themes and patterns related to competitive strategies and external challenges. The coding process was iterative, allowing for the refinement of themes as the analysis progressed (Braun & Clarke, 2006). The results were then interpreted to provide a detailed understanding of XYZ Building Store's competitive strategy and its effectiveness in the context of external challenges.

The sample for this study includes key informants selected from XYZ Building Store based on their roles and expertise in the company's strategic decision-making process. These informants include store managers, store owners, and employees who are authorized to manage or act as cashiers as well (Palinkas et al., 2015). With this comprehensive methodology, it is hoped that this research can provide in-depth and practical insights into how XYZ Building Stores can compete effectively in the building materials retail industry in Indonesia.

3. RESULTS AND DISCUSSION

This research found that XYZ Building Store adopts a combination of cost advantage, differentiation, and focus strategies to maintain its position in the increasingly competitive market. Qualitative data collected show that the company focuses on operational efficiency and cost management to offer competitive prices. Additionally, XYZ Building Store offers unique products and superior customer service to differentiate itself from competitors.

The adoption of digital technology, such as e-commerce and advanced inventory management systems, is also an essential part of their competitive strategy. The cost advantage strategy implemented by XYZ Building Store aligns with the concept proposed by Porter (1985), where operational efficiency and cost control are key elements. Additionally, differentiation through unique products and superior customer service is consistent with previous research findings that state that service and product quality can enhance customer loyalty and store competitiveness (Johnson et al., 2020).

Data collected from XYZ Building Store include sales reports, operational observations, and interviews with key informants. Below are some key findings illustrated through tables:

Table 1. Strategy and Description

Strategy	Description
Cost Advantage	Operational efficiency and cost control to offer competitive prices.
Differentiation	Unique products and superior customer service to differentiate from competitors.
Focus	Targeting specific market segments that require specialized products and services.
Digital Technology	Utilizing e-commerce and inventory management systems to enhance efficiency and market reach.

These findings show that the combination of cost advantage, differentiation, and focus strategies implemented by XYZ Building Store is effective in enhancing competitiveness in the local market. The adoption of digital technology also proves crucial in improving operational efficiency and expanding market reach.

This research also identifies several external factors affecting competition in the building materials retail industry. Fluctuating raw material prices, government policies, and technological advancements are key external factors impacting business operations. Data from BPS show that the price of construction raw materials has increased by an average of 3.5% per year over the last five years (BPS, 2023), compelling building material stores to continuously find ways to manage costs and keep prices competitive.

Additionally, interviews with key informants reveal the emergence of new stores as competitors in various regions, as well as supplier monopoly practices that force old stores to stop supply or sales, requiring them to find new suppliers. Findings on fluctuating raw material prices and their impact on competitive strategies align with the study by Lee et al. (2019), which shows that fluctuating raw material prices are a significant challenge for the construction industry. Government policies related to the construction sector also play an important role in determining competitive dynamics. Additionally, technological advancements and digitalization adoption have been identified by McKinsey (2021) as key factors transforming the building materials retail landscape. Supplier monopoly practices and the emergence of new stores as competitors also highlight the complex competitive dynamics and the need for adaptive strategies.

External factors such as fluctuating raw material prices and government policies emphasize the importance of adaptability in competitive strategies. Building material stores that can quickly adapt to external changes have a better chance of surviving and thriving. Additionally, the emergence of new stores as competitors and supplier monopoly practices highlight the need to diversify supply sources to avoid dependency on a single supplier.

Thus, the right combination of competitive strategies and the ability to adapt to external factors are key to success in the building materials retail industry. This research not only provides theoretical contributions to academic literature but also offers practical guidance for building material stores in developing effective competitive strategies. This research also emphasizes the importance of adaptive strategies in facing fierce competition, considering external factors that continuously change and influence market dynamics.

Table 2. Comparison of Strategies with Previous Studies

Study	Key Factors	Main Findings
Porter (1985)	Cost Advantage, Differentiation, Focus	Operational efficiency and cost control are key elements. Differentiation through superior products and services enhances competitiveness.
Johnson et al. (2020)	Service and Product Quality	Service and product quality can enhance customer loyalty and store competitiveness.
Lee et al. (2019)	Fluctuating Raw Material Prices	Fluctuating raw material prices are a significant challenge for the construction industry.
McKinsey (2021)	Digital Technology, Digitalization Adoption	Technological advancements and digitalization adoption transform the building materials retail landscape, enhancing efficiency and market reach.

This research provides valuable insights for other building material stores in developing effective and adaptive competitive strategies in facing fierce competition and continuously changing external factors.

4. CONCLUSION

This study found that XYZ Building Store adopts a combination of cost advantage, differentiation, and focus strategies to maintain its position in the increasingly competitive market. Cost advantage strategies are implemented through operational efficiency and cost control, while differentiation is achieved by offering unique products and superior customer service. These findings indicate that the combination of these strategies effectively enhances XYZ Building Store's competitiveness in the local market.

Additionally, the study identifies external factors such as fluctuating raw material prices, government policies, and technological advancements that affect competition in the building materials retail industry. Data show that fluctuating raw material prices and government policies play a significant role in determining competitive dynamics, while technological advancements and digitalization adoption help building material stores improve their efficiency and market reach.

Supplier monopoly practices and the emergence of new stores as competitors also highlight the complex competitive dynamics and the need for adaptive strategies. XYZ Building Store can leverage supply source diversification to avoid dependence on a single supplier and strengthen its competitiveness.

Practically, the findings of this study guide other building material stores in developing effective competitive strategies. Academically, this research contributes to the literature on competitive strategies in the building materials retail industry, particularly in the unique context of the Indonesian market. The study also emphasizes the importance of adaptive strategies in facing fierce competition, considering continuously changing external factors that influence market dynamics.

Practical implications of these findings include recommendations for building material stores to continuously improve operational efficiency and customer service and to adopt digital technology to remain competitive. Theoretical implications include contributions to the literature on competitive strategies in the building materials retail sector and the importance of adaptability in facing market changes. For future research, it is recommended to further explore the impact of digital technology and supply diversification strategies in a broader context, as well as assess the effectiveness of various competitive strategy approaches in different market conditions.

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