



Porter’S Five Forces Analysis Of Indomaret In The Digital Era

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Abstract : Retail businesses become shopping centers that provide necessities in locations that are easy to reach and visited by many people. Retail business itself has the meaning, an activity consisting of business activities involved in selling goods and services to consumers for their own or family interests. Based on this, the retail industry is currently developing rapidly, determining location is important to determine the target market and consumers in purchasing goods. Through the Porter's Five Forces approach, it is used to find out the advantages, disadvantages and opportunities of determining the location of the Indomart retail business. Supporting data such as sales value comparisons and number of stores are also used to determine the best location for opening an Indomart in the future.

Keywords: Retail Business, Porter's Five Forces

INTRODUCTION

The retail industry in Indonesia is one sector that is experiencing rapid development, especially after the Covid-19 pandemic which changed people's consumption patterns. Competition between retail companies is getting tighter, so every company must have the right marketing strategy in order to survive and remain successful amidst this increasingly fierce competition. One of the leading retail companies in Indonesia, namely Indomaret, is also not immune from this intense competition. Indomaret is the largest minimarket chain in Indonesia which was founded in 1988 by Pepito Widjaja. To date, Indomaret has more than 19,000 outlets spread throughout Indonesia and continues to grow rapidly to meet consumer needs.

Indomaret offers various quality products and services at affordable prices and attractive promotions, as well as friendly and comfortable service for consumers. One of the marketing strategies carried out by Indomaret to be able to survive amidst increasingly heated

competition in the retail industry is to determine strategic locations for Indomaret store outlets. The location of Indomaret store outlets is one of the factors that determines the success of a business, because the location of Indomaret store outlets can influence visibility, traffic and consumer loyalty, as well as business efficiency and profitability.

Therefore, this research aims to determine and analyze Indomaret's marketing strategy in determining the location of Indomaret store outlets, as well as the factors that influence the determination of the location of Indomaret store outlets. It is hoped that this research will provide benefits for Indomaret as material for evaluating and improving its marketing strategy, as well as for researchers and readers as reference material and knowledge regarding Indomaret's marketing strategy in determining the location of Indomaret store outlets.

This research also uses supporting data such as a comparison of sales revenue, number of employees, and number of stores from the two companies to find out which one is superior and provide recommendations for which one is less good. This data is obtained from official financial reports and other reliable sources. It is hoped that this research can provide an objective and comprehensive picture of the minimarket business in Indonesia, especially Indomaret, as well as provide benefits for business people, academics and the general public.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Porter's Five Forces modeling was first developed by Michael Porter. Porter's Five Forces is a tool used to analyze how a competitive environment will affect the marketing of a product. This tool is said to be simple but very powerful for understanding the situation of the business being run. Apart from that, it also helps in knowing the superior position of the current competition and what will be faced later. So that companies can improve their strengths, anticipate weaknesses and avoid companies making wrong decisions. Conventionally, this tool can also be used to identify whether a new product, service or business can generate profits. But apart from that, it will be very helpful to understand the balance of forces that influence the business situation at hand. Some of the indicators offered in his book are as follows:

1. Entry of new competitors
2. Threat of substitute products
3. Buyer's bargaining power
4. The bargaining power of suppliers
5. Competition between existing companies

Table 3.1 Comparative Analysis Analysis between Indomaret and Alfamart

Porter's Five Forces	Indomaret	Alfamart
Company		

Threats from new competitor	There are many types of retail companies, from national to foreign companies. To anticipate this, Indomaret offers many attractive bundling promotions and discounts. The aim is to attract consumers to shop at Indomaret.	There are many types of retail companies, from national to foreign companies. To anticipate this, Alfamart provides member services for its loyal customers, thereby creating engagement between the company and customers.
Threats from the change product	A variety of threatening substitute products, Indomaret offers products with the best quality and affordable prices so that they attract the attention of consumers.	There are many threats from substitute products. Therefore, Alfamart provides quality guarantees and also promotions to increase consumer confidence.
Buyer's bargaining power	Indomaret offers promotions every week by providing very cheap prices for several daily necessities products, there is a 2-week edition of leaflets that promotes products at low prices. Apart from that, there are also monthly promotions for certain products in the form of giving gifts or discounts.	Alfamart tends to take advantage of certain moments to attract consumer interest; such as the World Cup, the month of Ramadan, the Asian Games and also commemorations such as Mother's Day, Valentine's Day and other occasions.
The bargaining power of suppliers	Indomaret always offers and delivers products that have the best quality and performance to consumers, and provides basic food products and other necessities using private labels.	Alfamart's supplier strength is not too big because the types of goods sold are daily necessities. The company does not want to switch to another supplier because the market price is not expensive and does not require large costs. Alfamart also has private labels in the form of household necessities and tools

RESULT AND DISCUSSION

A. Threat of New Competitors

In every business, of course, there are competitors that emerge. Likewise with the retail industry which has competitors from within and outside the country. Indonesia, as a country with a large population, is a profitable area for investors in the foreign retail sector. This, coupled with low salary levels, makes opening a retail business in Indonesia quite profitable. There are several foreign retailers such as Carefour or those from Indonesia such as Superindo. The existence of competitors certainly means that companies need to continue to develop and innovate to be superior to other competitors.

The goal is for customers to remain loyal to the company even though there are many other retail companies available. The way to face competition is to compete to show the company's superiority. Like Alfamart and Indomaret, most of which have outlets close to each other. This is certainly not done carelessly. Of course, this decision has reasons. This phenomenon is included in a marketing strategy that aims to gain a wider market and attract more consumers. Apart from that, the company also provides promotions that appear to benefit customers.

For example, with Superindo which has promos every day, Alfamart and Indomaret also have promo products that attract customers, such as bundling promos which we can see on the front shelves or are written on many banners. This aims to retain customers from switching to other retail companies. Apart from that, what is often done is giving member cards to customers. Alfamart provides member cards to loyal customers. Customers who have member cards will be given special benefits that other customers cannot get. This will provide or create engagement between the company and customers. So, customers will again think about the benefits they get through Alfamart.

B. Threat of Substitute Products (Substitutes)

In facing competition in the growing retail industry, companies must determine the right strategy, for example by having private label products. Private label products are products that have the store's own label or brand. Usually these products are produced by the same company as the shop or another company that was purchased to be used as a product for the shop's label. This has become something of a trend among retailers. However, the use of private label strategies is still hampered by the presence of national brands. This is because consumers still have the perception that national brands have more comparable value and price when compared to private label products (Naoenz, 2018).

Therefore, to promote their products, retail companies often provide special promotions for products with private labels. This is done so that customers are interested in at least trying the product and it is hoped that customers will finally know that the quality of private label products is no less good than national brands. Apart from providing promotions, for several company needs, the company always tries to use its own products. For example, when we go to the toilet at Indomaret, all the items used are Indomaret brand. Starting from scoops, tissues, to hand washing soap.

This is like giving a tester to a customer and showing that the quality provided is not as bad as the customer imagines. Of course the quality is no less good than other products. The products sold are of good quality and affordable prices, as is the case with Indomaret. The hope is that this will attract consumers' attention to use this product compared to other products.

C. Buyer Offering Power (in terms of Marketing Mix)

Promotions carried out by Indomaret are in the form of product promotions offered through billboards or banners, through visual and auditory advertising media such as radio, television, newspapers, magazines, and through social media such as Instagram, Facebook, Line and so on. Indomaret in carrying out other promotions uses print media or electronic media as a means of communication for its marketing strategy. Periodically, Indomaret and Alfamart have carried out promotional programs with various things to attract the attention of consumers. Examples include providing discounts, lucky draws or direct prizes. The promotion carried out by Indomaret also distributed a promo price catalogue, lots of pamphlets put up on the roadside, put up banners, banners, promotions through advertisements on television and newspapers, and notifications via online messages via social media.

(Riki, 2020), Promotions carried out by Indomaret include weekly promotions by providing very cheap prices for several daily necessities products, then there is a 2-week edition of leaflets which promotes products at low prices as an offer for thrifty shopping consumers. There are also monthly promotions for certain products in the form of giving gifts or discounts, etc. (Humariah et al., 2019). This buyer offer can also be seen in terms of price, almost all prices at Indomaret are said to be lower than at Alfamart. However, there are also several product prices at Alfamart that are cheaper than Indomaret, it's just that there are many opinions that have developed in the community that Indomaret prices are cheaper. (Sani & Faiz, 2021).

D. Supplier Bargaining Power

Many retail industries and retail entrepreneurs turn to suppliers who are able to provide products at cheaper prices. Generally, Indomaret always offers and provides products that have the best quality and performance to offer to consumers. This aims to increase consumer satisfaction when carrying out shopping activities at Indomaret.

Alfamart's supplier strength is also not large because the types of goods sold are daily necessities. These goods are not expensive on the market, and have many suppliers and do not require large costs if the company moves to another supplier.

Indomaret uses private label products whose prices tend to be cheaper. When consumer purchasing power decreases, private labels are able to increase sales. Private label is a strategy that refers to the description of the types of products provided by suppliers to the retail industry. (Muryuniarsih & Rahman, 2017).

In relation, this private label is produced by several companies that already have their own branding, then resold by adding the name of the company that bought it. The characteristics of private label products are prices that are said to be easily accessible and for companies, price control and optimization of high utility capacity.

However, private label products have a perception of lower quality than developed brand goods and companies become dependent on suppliers because they cannot produce their own goods. (Hartanto, 2019) Indomart's private label products include: mineral water, hand washing soap, tissue, liquid detergent, rice, snacks, syrup, granulated sugar, stationery, combs, sandals, cup instant noodles, cotton, and various other products.

Alfamart also sells its private label products at cheaper prices, such as dishwashing sponges, beef floss, Paroti white bread, local snacks, various types of tissue, mineral water, rice, hand soap, beauty cotton, batteries, clothes softener, dishwashing soap, jam, cooking oil, granulated sugar, and various other products. (N.C, 2013) E. Competition between existing companies. These two companies operate in the retail franchise business and in fact. In Indonesia, there are quite a few companies operating in the retail franchise sector for daily needs.

These two retail stores are both subsidiaries of a large company, namely Indomaret which is a subsidiary of PT Indoritel Makmur Internasional Tbk and Alfamart which is a subsidiary of PT Sumber Alfaria Jaya Tbk. In terms of location, almost many Indomaret and Alfamart locations are close to each other and almost the number in every city in Indonesia is equal. In this regard, both retailers opened their outlets in locations not only in the city center, but also in remote districts. Apart from that, it is known that Indomaret was the first retail industry in Indonesia in the form of a retail franchise, which was established in October 1988. Then in June 1989 the emergence of Alfamart as a rival to Indomaret which now has the same strength. (Kenichi, 2013). The following is the sales revenue table :

No	Tahun	Indomaret (USD)	Alfamart (USD)
1	2018	5.027.000.000	4.773.000.000
2	2019	5.947.900.000	5.178.000.000
3	2020	5.900.000.000	5.256.000.000
4	2021	6.197.000.000	5.443.500.000
5	2022	7.605.000.000	7.622.000.000

Total 30.676.900.000 28.273.200.000

Source : United States Department of Agriculture (USDA)

If we look at the financial reports of the two companies, it is known that Indomart has had a significant increase in its operating profit from 2020 to 2021, namely IDR 30,676,900,000. Meanwhile, Alfaria has received an increase of IDR 28,273,200,000 USD. From calculating this increase, it can be concluded that Indomaret has an increase in operating profit (before calculating it into net profit) (Alfaria, 2021; Indoritel, 2021).

CONCLUSIONS

This research discusses the retail industry in Indonesia, with a focus on two main players, namely Indomaret and Alfamart. These two companies are competing fiercely to dominate the retail market in Indonesia. In the analysis, various important factors have been identified:

1. **Threat of New Competitors:** Both companies must consider new competitors that may emerge in the retail industry. Indomaret uses bundling promotions and discounts to attract consumers, while Alfamart focuses on building relationships with customers through member cards.
2. **Threat of Substitute Products:** Retail companies must overcome the threat of substitute products by offering high-quality products at affordable prices. Both use a private label product strategy to build customer trust in product quality.
3. **Buyer Offering Power:** Indomaret and Alfamart use a variety of promotional strategies, including price cuts, prize draws, and specific product promotions, to attract and retain customers. Indomaret often offers lower prices than Alfamart.
4. **Strength of Supplier Offering:** Indomaret emphasizes high quality products and the best performance to satisfy consumers. On the other hand, Alfamart has more limited supplier power because it focuses on daily necessities.
5. **Persaingan Antar Perusahaan:** Indomaret dan Alfamart memiliki strategi lokasi yang serupa, dengan gerai-gerai yang tersebar di seluruh Indonesia. Keduanya juga terus berinovasi dan berkompetisi dalam hal penawaran produk dan promosi.

Suggestion:

1. **Product Diversification:** Both companies can consider expanding their product range to attract more consumers.
2. **Promotional Innovation:** Continuously develop creative and attractive promotional strategies to retain and attract new customers.
3. **Strengthen Relationships with Suppliers:** Build strong partnerships with suppliers to ensure the supply of high-quality products at competitive prices.
4. **Regular Analysis of the Market:** Conduct regular market analysis to identify trends and understand evolving consumer needs.

5. Expand Locations: If possible, consider expanding into unreached areas to expand market share.
6. Leverage Technology: Leverage technology and digital platforms to expand coverage and simplify the consumer shopping experience.

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