

## VALUE CHAIN ANALYSIS IN INDOMARET RAWA SIMPRUG KEBAYORAN LAMA

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**Abstract:** *The value chain is a tool for analyzing competitive advantages and creating the right technology to enhance those advantages. In this article, the value chain is used to analyze the small retail market industry. Retail is the end point of all activities in the distribution channel that connects producers and consumers to sell a product or Service. The retail store used for the analysis is Indomaret Rawa Simprug which is located in Kebayoran Lama. The research method used is descriptive, using raw data obtained through field observations, interviews and recording. The results of the analysis obtained to increase competitive advantage is to increase product variety because it will make it easier for customers to find what they are looking for. Beyond that, the focus is on maximizing the existing community by meeting their every need. What needs to be maintained and improved is to expand the dealer network because with the increase in the number of dealers, products will get cheaper prices and will change the selling price of products, store appearance, use of technology, detailed SOPs and customer Service.*

**Keywords:** *Value chain, retail, competitive advantages*

### 1. Introduction

In cost management, value chain is one of the tools to analyze in an effort to determine strategic decisions of business competition. Shank & Govindarajan (1995); Porter (2001), offers a definition of value chain analysis is a tool used to understand the value chain forming a particular product. Based on Porter (1985) value chain analysis can be used as a tool to analyze strategies to understand competitive advantage better, if the company can reduce costs or increase added value so as to make the business more competitive.

Value chain is a method for assessing a business as a chain of activities that can transform inputs into outputs that have value. For customers, value is derived from the following three basic sources: activities that can reduce product costs, activities that can differentiate between products, and activities that can satisfy customer needs/wants (Pearce & Robinson 2008).

Performance quality is very necessary in an effort to face intense competition, so it is necessary to control the factors that have the potential to affect the success of a company. In addition, the right strategy is also needed to increase competitive advantage. Value chain analysis is a solution that can be used to solve this problem. This analysis concept places more emphasis on activities to market, design, provide services, and deliver products.

Based on Porter (1994), value chain activities can be categorized into supporting activities and main activities. The main activities consist of Operations, Inbound Logistics, Marketing, Sales, Outbound Logistics, and Service. Supporting activities consist of Human resources, Procurement, Technological Development, management, and Infrastructure.

Value chain can be applied in various forms of companies including retail businesses such as minimarkets. Retail business contains various activities which include services, sellers, goods, and consumers. Retailing contains various activities of providing goods that end consumers need, convincing consumers that the goods being traded can meet their needs, and offering selling prices.

The modern retail industry in Indonesia has contributed quite a lot because it has opened up quite a lot of job vacancies as well as contributing to gross domestic product. The level of retail growth in Indonesia is largely determined by the population, people's purchasing power, and community needs.

In the retail business, the supply and completeness of goods is a determining factor. Services to make it easier for consumers to get goods are the focus of similar retail companies, so that the provision of complete goods has become a calculated business competition. Retail which has a complete number of items can make consumers interested in shopping, because consumers can fulfill their needs and desires only in one retailer.

This phenomenon makes the importance of providing consumer needs. Efforts are made to ensure that goods are always available through efficient and effective logistics distribution. Logistics (CLM, 2000) is a part of supply chain management in the implementation, planning, storage of goods & information, flow control, and efficient and effective services according to customer demands.

Efforts that can be made to expedite the distribution of goods from the point of origin to the destination require key activities consisting of: demand forecasting/planning, customer service, logistics communications, inventory management, material handling, warehousing & storage, and traffic & transportation (Lambert). et al., 1998).

Based on the phenomenon related to the retail business, the authors are interested in reviewing the value chain specifically in retail minimarkets. The retail store used for the analysis is Indomaret Rawa Simprug which is located in Kebayoran Lama. This analysis related to retail is expected to show the value chain broadly, this is because in Indonesia, the retail business is a business that is very influential on gross domestic product. In addition, the Indomaret distribution system already uses advanced technology using a digital picking system. This system allows Indomaret to distribute it efficiently. The existence of superior human resources makes the distribution of Indomaret outlets well-served and makes Indomaret's distribution center in Indonesia the best.

## **Literature Review**

The value chain can be used as a cost management analysis tool in the strategic decision-making process for business competition. This is a competitive strategy that will be applied using a differentiation strategy or cost leadership competition in the market (Porter, 1985).

These strategies require different management (Donelan, Kaplan, 2000). The cost leadership strategy emphasizes the management/maintenance of a low cost structure compared to its competitors significantly. This strategy can be implemented by reducing the level of product complexity, restricting product offerings, and limiting customer service. Differentiation is an effort directed at product differentiation that can be done through expanding the customer service network, adding facilities, or increasing product lines.

## **Value Chain Analysis**

Value chain is defined as an assessment method that views business as a chain of activities that converts inputs into outputs that have value. For customers, value is derived from the

following three basic sources: activities that can reduce product costs, activities that can differentiate between products, and activities that can satisfy customer needs/wants (Pearce & Robinson 2008).

Value chain analysis process is the process of identifying activities and useful assistance to increase the value of a product, the results obtained from the identification are used in analysis that increases differentiation or reduces costs. This analysis is a strategy that can be applied in the analysis of the company's internal activities. These descriptions indicate that this analysis is used to look at as well as find out in depth about internal activities, which reveal the advantages and disadvantages of a company.

Based on Porter (1985) value chain analysis can be used as a tool to analyze strategies to understand competitive advantage better, if the company can reduce costs or increase added value so as to make the business more competitive. The focus of Porter's Value chain is on how to convert inputs into outputs for consumers. This analysis is a strategic analysis tool to identify where customer value is to be optimized and cost reduction, understand the company's advantages better, understand the supplier-company relationship better.

### **Primary Activities**

Primary activities are activities that are in the process of transfer to sales buyers, product creation, and after-sales assistance. Primary activities consist of five general categories that are interrelated in the competition throughout the industry, each category is divided into several different activities that are influenced by the company's strategy (Porter, 1994).

#### **1. Inbound Logistics**

Inbound logistics is the whole process related to receiving, storing and distributing inputs into finished goods such as storage, material handling, vehicle scheduling, inventory control, and returning goods to suppliers. Several factors that affect inbound logistics, namely the location of distribution facilities that can shorten the inventory control system time, delivery time, warehousing design and layout, return time to suppliers. The indicator is the implementation of: automatic warehouse, Just-In-Time (JIT) system, and IT.

#### **2. Operation**

The definition of operation is a group of transformation activities to change inputs to outputs with the aim of being sold to customers such as packaging, machine use, equipment maintenance, assembly, printing, testing, and operating facilities.

#### **3. Outbound Logistics**

The definition of outbound logistics is a series of activities to provide services or products to customers that have to do with storage, collection, material handling, product distribution, ordering processes, shipping operations, and scheduling processes.

#### **4. Marketing and Sales**

Sales and marketing is the process of attracting or persuading customers to buy services or products. The contents of this activity are: channel selection, product advertising, pricing, and channel relations.

#### **5. Service**

Service is defined as activities that have to do with maintaining the value of services or products to customers after the process of buying products. This is expected to keep customers afloat and acquire new customers. Examples of services are: repair services, installation, supply of spare parts, training, and product adjustment.

### **Support Activities**

Support activities are activities that support primary activities that support and provide input in the field of human resources, technology, and other functions within the company. Support activities have four categories, such as primary activities, each category of support activities has several different activities (Porter, 1994).

1. Firm infrastructure  
Firm infrastructure activities that include planning (planning), general management (management in general), accounting (bookkeeping), finance (finance), matters related to government, related to law, and quality management.
2. Human resource management  
Contents Human resource management is an activity that has a role in hiring, manpower selection, development, training, and compensation of each type of personnel.
3. Technology Development  
Each value activity has an operating method, technology, technology, and equipment procedure. The placement of technology in each company has a broad scope, starting from the technology used for moving goods, preparing documents, to the technology derived from the product.
4. Procurement  
Reference Procurement is the purchase function of inputs in the value chain. Inputs include supplies, raw materials, and other items such as laboratory equipment, machinery, buildings, and office equipment.

### **Retail Minimarket**

Masrurah (2017), explains that retail as a series of activities carried out in a retail business can include selling products, services or a combination of both to be consumed by consumers personally or shared with others. Amin and Mahasan (2019), offer a similar definition related to retail by assessing it as a combination of all activities with the aim of adding value to products and services for end consumers. One example of retail is a mini market.

According to APRINDO (Indonesian Retail Entrepreneurs Association), retail business or retail business began to develop in Indonesia around the 1980s as Indonesia's economy began to develop. The emergence of this is due to the growth of society in the middle class which is the reason for the emergence of demand for department stores and supermarkets in urban areas. Modern retail is growing with the tendency of people in the upper middle class to be more oriented towards shopping places or locations and not based on the type of goods. The cause of this is a change in people's lifestyles in order to obtain inner satisfaction, because the value of an item is proportional to the location of the place of sale. The location of the goods sold is very influential on the competitiveness of retail with other retailers.

As for retail business management, it requires the implementation of integrated management functions from marketing, finance, HR, and operational functions (Hardiani and Sisharini, 2017). The basic concept of retail management according to (Thoyib, 1998) in (Hardiani & Sisharini, 2017) is written as follows:

1. Target focus on consumers, where sellers must define attributes and uniqueness that suit the needs of consumers
2. Retailers must integrate all plans and activities to maximize efficiency
3. The seller must determine goals and create the best strategy to achieve these goals.

Amin and Mahasan (2019) explain that a greater variety of products makes stores more attractive to consumers. As a consumer can find any item in the store that they want to buy

which increases satisfaction. So, it can be said that product variations affect consumer choices to choose retail stores.

## **2. Research Method**

In this study, researchers chose Indomaret Rawa Simprug located in Kebayoran Lama as the object of analysis in this study. This research method is descriptive type using primary data obtained through field observations, documentation and interviews. Observations are made directly to the object of research while simultaneously conducting interviews with parties related to research and documentation is taken from the annual market report and some related documentation.

## **3. Results and Discussion**

In this section, the author will describe the results of the analysis based on the variables in the value chain analysis which was carried out descriptively.

### **Inbound Logistics**

Inbound logistics is the whole process related to receiving, storing and distributing inputs into finished goods such as storage, material handling, vehicle scheduling, inventory control, and returning goods to suppliers.

Based on this understanding, the data obtained from Indomaret Rawa Simprug in carrying out inbound logistics is in the following order;

- a. Pre-Order to suppliers;
- b. The suppliers deliver the ordered goods;
- c. The shop clerk matches the shipping invoice;
- d. The matched product is put in according to the invoice;
- e. Products are displayed on store shelves and some are stored in warehouses for inventory stock;

In the supplier selection process, the store cooperates with many suppliers, even in some of the collaborations, the store does it directly with the producer so that the price obtained is much cheaper. The distribution of goods from the store sets the price according to the margin of the acquisition price with the agreed profit to be obtained.

This strategy of multiplying and selecting direct suppliers greatly influences the decision to provide the price offered. When the store cooperates with the producer, the price obtained from the supplier will be the cheapest when compared to the price offered by other suppliers, so that the price decision offered will also get many offer options.

### **Operations**

The definition of operation is a group of transformation activities to change inputs to outputs with the aim of being sold to customers such as packaging, machine use, equipment maintenance, assembly, printing, testing, and operating facilities. Indomaret Rawa Simprug when viewed from the operational side of the business, it can be categorized as a trading business, not an industry, even though some of the products offered already come from store products.

In operations related to the products offered, the store applies a system of goods coming stored in the order they arrive or according to the expiration date of the goods. The rules for arranging goods in the warehouse make it easy for the store to control the quality of the goods to be offered according to the expiration date. This is an important point in the supply of goods because the large number of goods that are piled up in the warehouse if not managed



properly will potentially cause the goods to be unfit for sale, besides that the quality of goods that are worth selling makes consumers consider the necessity of buying goods at the store.

Factors that have the potential to affect operations at Indomaret Rawa Simprug are efficient operations (with reduced costs), production quality control system (with reduced costs), manufacturing automation at the appropriate level, good design, efficient layout. The indicators are: the machines used are computer controlled, the machine work is carried out more accurately, quickly, and flexibly so that operations are carried out properly so that they are environmentally friendly and for competitive advantage. The distribution system implemented by Indomaret is sophisticated by utilizing a digital picking system so that Indomaret can make distributions in a sophisticated, reliable, and efficient manner. The existence of superior human resources in their fields makes the distribution process at all Indomaret outlets run well, this is the reason the Indomaret Distribution Center is one of the best in Indonesia.

### **Outbound Logistics**

The definition of outbound logistics is a series of activities to provide services or products to customers that have to do with storage, collection, material handling, product distribution, ordering processes, shipping operations, and scheduling processes.

Indomaret Rawa Simprug stores finished products supplied from suppliers in warehouses with careful records so that the codification set by the store is very helpful in sorting the stored goods, besides that Indomaret Rawa Simprug also carries out shipping operations with vehicles that have been facilitated by the company, so that in the distribution of goods the store becomes easier.

### **Marketing & Sales**

Sales and marketing is the process of attracting or persuading customers to buy services or products. The contents of this activity are: channel selection, product advertising, pricing, and channel relations.

Indomaret Rawa Simprug has a sales secret that cannot be announced publicly, but what is certain is that the secret is valid three days a week or several days a month to promote goods. Indomaret Rawa Simprug does a promo to attract customers to buy the products offered, it's just that it doesn't apply every day, the promo is carried out only for a few days and the time is kept secret in the sense that it's not scheduled. This gives more value to Indomaret Rawa Simprug because with the secret of this promo, it makes customers at least three days a week to check whether the promo is valid or not. The arrival of these customers provides added value, in addition to providing positive value for other customers, it also provides sales benefits. Sales profits are obtained from customers who, even if they only come to ensure promos, will at least indirectly force customers to buy goods.

### **Service**

Service is defined as activities that have to do with maintaining the value of services or products to customers after the process of buying products. This is expected to keep customers afloat and acquire new customers. Indomaret Rawa Simprug in implementing CRM or Customer Relationship Management whose goal is to be able to retain customers that they already have and gain the trust of potential customers who do not yet have them.

One of the tips maintained by Indomaret Rawa Simprug to retain customers is to maintain the best service that must be shown to every customer who comes. Provide convenience for

customers both in searching for goods by providing price tags and neatly arranged locations according to classification, as well as comfort with bathrooms and air conditioners (AC).

The CRM maintained by Indomaret Rawa Simprug and even all major stores in Indonesia greatly influences customer loyalty. Good service and complete facilities will change customer ratings and can even affect other people's assessments of the company.

### **Firm Infrastructure**

Firm infrastructure activities that include planning (planning), general management (management in general), accounting (bookkeeping), finance, matters related to government, related to law, and quality management. Indomaret Rawa Simprug implements management activities with full consideration and in accordance with applicable laws in Indonesia. Indomaret Rawa Simprug's financial recording is also done automatically by utilizing digitalization. The application of digitalization in the system is very helpful in assessing and determining business decisions by managers.

This provides added value to ensure the sustainability of Indomaret Rawa Simprug in market competition. Systematic digitization makes financial reporting easier for both managers and interested parties. When there is an error or instability between sales and the amount of stock held, then the party responsible is the party that regulates sales and purchases (employees). This policy can be considered as a form of professional responsibility of employees because they have sales responsibilities. Firm infrastructure is a planning system that is effective in maintaining comprehensive goals and objectives, the ability to obtain cheap funds to be used as capital as well as to finance working capital, the ability of management to deal with key events and to anticipate trends, the ability to integrate and coordinate activities, build relationships with stakeholder groups, the possibility of instilling organizational culture and values, as well as effective information technology to integrate value creation activities.

### **Human Resource Management**

Contents Human resource management is an activity that has a role in hiring, manpower selection, development, training, and compensation of each type of personnel.

Indomaret Rawa Simprug has a workforce handling division that monitors the performance and effectiveness of employee performance. The selection of employees is carried out by means of a written selection to interviews. The selectivity carried out by Indomaret Rawa Simprug greatly affected the results obtained in improving the company's performance. Human resource management factors are: the quality of relations with the union, recruitment mechanisms to maintain and develop employees effectively, incentives that can motivate employees, and the quality of the work environment to minimize absenteeism and maximize employee performance. In recruiting and retaining effective employees, Indomaret actually does so with full consideration and thoroughness. When selecting employees, for example, Indomaret conducts exams and even interviews to ensure the eligibility of prospective employees to be accepted. In an effort to maintain effective employees at work, Indomaret has imposed incentives and salary increases for senior employees and overtime.

### **Technological Development**

Each value activity has an operating method, technology, technology, and equipment procedure. The placement of technology in each company has a broad scope, starting from the technology used for moving goods, preparing documents, to the technology derived from the product. The factors of technology development are: research and development activities that

are effective for process and product initiatives; positive collaboration between the R&D department and other departments, facilities and equipment mastery; a culture that can enhance creativity and innovation; employees who have good professional qualifications; ability to meet deadlines well.

As an indicator is the existence of component design activities with CAD/CAM, field testing, process engineering, technology selection and research. Indomaret Rawa Simprug is a store that carries technology and digitization. In operations, marketing to services are equipped with technology. Indomaret has CCTV inside and outside the room, this will help customers and employees to monitor and find out if there is something that needs to be known through CCTV. In addition to CCTV facilities, Indomaret also facilitates the existence of customer cards so that customers have the opportunity to get discounts and attractive offers. This is certainly a plus for Indomaret.

### **Procurement (Purchasing)**

Procurement refers to the function of purchasing inputs used in the company's value chain, not purchasing the inputs themselves. Purchased inputs include raw materials, supplies and other goods as well as machinery, laboratory equipment, office equipment and buildings. Indomaret directly records all financial transaction activities carried out. This listing will enable Indomaret to assess the possibilities and pricing of goods and equipment.

Procurement factors are the procurement of raw materials to optimize quality, speed, and minimize associated costs; develop mutually beneficial relationships that collaborate with suppliers, effective procedures for using advertising and media services, analysis and selection of alternative input resources to minimize dependence on suppliers and the ability to make borrowing or buying decisions.

As an indicator is the existence of new supplier qualification activities, purchasing different groups of inputs, and monitoring supplier performance. In determining suppliers and input performance, Indomaret does this through the provisions set by the leadership. This stipulation is under the direct supervision of the leadership, so it cannot be intervened by employees.

## **4. Conclusion and Suggestion**

### **4.1. Conclusion**

Based on the discussion that has been analyzed above, it can be concluded that Indomaret Rawa Simprug has more potential and can improve competitive advantage in an effort to increase store value. The use of digital systems and good services as well as collaboration with major suppliers is an added advantage when compared to other competitors in the same area and business.

### **4.2. Suggestion**

In this paper, the author assesses that for Indomaret Rawa Simprug it has been going quite well, it's just that it is still necessary to try to keep the existing customers and even get new customers. This digitalization era has become an era for minimarkets similar to Indomaret Rawa Simprug, so they must continue to monitor market developments.



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