

# The Effects of Retail-Mix Strategy on Performance and Competitive Advantage

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## ABSTRACT

This study aimed to determine empirically whether the retail-mix in small-retail businesses, that includes physical facilities, merchandising, pricing, promotion, services, and organization / personnel has an effect on the performance of small retail businesses and their competitive advantage. The sampling method used was the purposive sampling, in which a total of 280 respondents were drawn among small-retail businesses in Tangerang. The data analysis technique used was Structural Equation Modeling (SEM) using LISREL version 8.8 to test the hypotheses. The results show that, retail-mix strategy, that includes physical facilities or location, merchandising, services, and organization / personnel has an effect on the performance of retailers. Meanwhile, pricing and promotion have no effect on the performance of retailers. Furthermore, the retail-business performance has an effect on the competitive advantage. These results need the attention of small-retail businesses to keep improving the combination of retail-mix strategy, either already has an effect or not on the business performance, because good performance can affect their competitive advantage in this sector.

**Keywords:** *retail mix, performance, competitive advantage, SEM*

## 1. INTRODUCTION

Small-retail business is important to be studied in many researches. This kind of business is plenty and spreading, even becomes one of the income sources for many people, and is able to provide a lot of employment. [1] said that retail business is one of the potential sources for global economics because of the capability of retail shops to provide a lot of employment. In running a retail business, there are a lot of obstacles especially high competition for the retailer to sell more products. [2] stated that most of the retail businesses cannot survive in facing a lot of competitors, because many retailers have bad performance. The opinion explained that performance is the main investment in achieving superior competitive advantage. In doing so, retailers must be able to improve their performance. The role of retail strategy is an important factor to achieve good performance. Retail strategy from internal side includes service [3], location [4], [5], product choices [6], and have an influence on performance; and then performance affects the competitive advantage [7]. This research was conducted with three different variables from the previous research. It can be found in retail-mix. The success of a retailer in doing business needs an ability to play the combination of retail-mix for achieving the performance and competitive advantage. The problems of this research can be formulated into: (1) Do physical facilities or location have an effect on small-retail business performance? (2) Does merchandise have an effect on small-retail business

performance? (3) Does price have an effect on small-retail business performance? (4) Does promotion have an effect on small-retail business performance? (5) Do services have an effect on small-retail performance? (6) Does organization / personnel have an effect on small-retail business performance? and (7) Does small-retail business performance have an effect on competitive advantage?

## 2. LITERATURE STUDY

### 2.1. Retail-Mix

Successful retailers must fulfill the customers' needs more than do their competitors. Therefore, the retailers should pay attention to the combination of retail-mix in running the business to increase performance. According to [8], retail-mix is the combination of several elements: physical facilities or location, product, price, promotion, service and, organization / personnel that has an important role in facing end-consumers who can be a target market. Determining the target market is a requirement in creating a competitive advantage, when a retail business is forming a retail-mix [9].

### 2.2. Performance

[10] stated that retail performance can be measured through sales volume, effectiveness, net-profit, customer

loyalty, and benefit for customers. [11] stated that the measurement of performance assessment objectively still has weaknesses. There is not yet a consensus about performance measurement, so there is no the most-effective-method in giving assessment to performance measurement. Consequently, it is enabled to use subjective measurement, which is based on the manager perceptions [11]. [12] proved that subjective measurement of performance has a high reliability and validity level. Therefore, a retailer can choose the measurement that is most appropriate in its retail-business activity. So, it can be concluded that the assessment of performance achievement can be obtained from the result of this business.

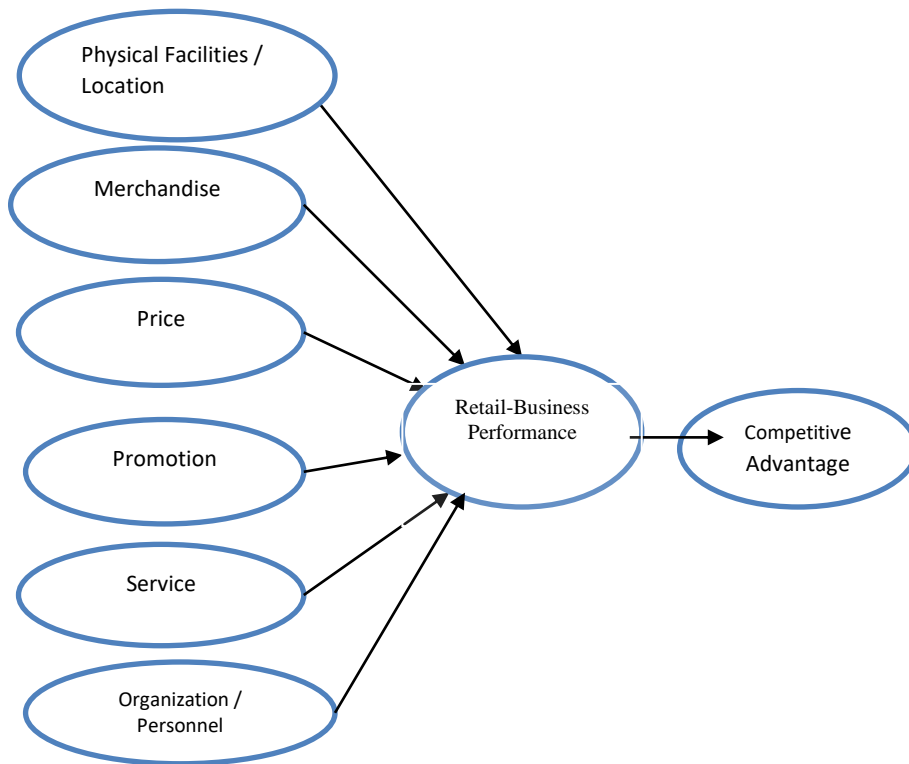
**2.3. Competitive Advantage**

Competitive advantage is the long-term company achievement [10]. In achieving competitive advantage, it is really necessary that the business performance is difficult

to be imitated by competitors, having conviction that it will be more special, more advanced, and also having better resources than do the competitors.

**3. RESEARCH MODEL**

A retailer looks for a new market strategy to attract and defend its customers with unique product, variety of products, variety of brands, better service, giving discounts, reasonable prices, strategic location, and attractive display. In retail business, these are known as the retail-mix, which includes physical facilities / location, product, price, promotion, service, organization or personnel. To increase the activity of retail business, a retailer must combine the elements of retail-mix. As a result, it will increase the retail sales. This condition in long-term will increase the performance of the business, meaning that the business has a good performance. So, this research model can be described as follow:



**Figure 1** Research Model

The hypotheses of this study could be developed as follows:

- H<sub>1</sub>: Physical facilities (location) have an effect on small-retail business performance
- H<sub>2</sub>: Merchandise (product) has an effect on small-retail business performance
- H<sub>3</sub>: Price has an effect on small-retail business performance

- H<sub>4</sub>: Promotion has an effect on small-retail business performance
- H<sub>5</sub>: Service has an effect on small-retail business performance
- H<sub>6</sub>: Personnel / Organization has an effect on small-retail business performance
- H<sub>7</sub>: Performance has an effect on competitive advantage

#### 4. DATA AND RESEARCH METHOD

The research population is shoes retailers located in several malls in Tangerang Area. The technique used was purposive sampling. Sampling measurement depends on the number of indicators multiplied by eight. According to the minimum result of sample calculation using the formula suggested by [13]and [14], the sample taken in this research was 280 respondents. Data-collection technique was questionnaire distribution, with conventional number of 1-10 for the answers ranging from “very disagree” to “very agree”. The data analytical tool was SEM, using LISREL version 8.8. SEM is the statistical analytical technique that enables to examine the relationship between complex variables [10].

#### 5. RESEARCH RESULT AND DISCUSSION

The results of the finding according to the hypothesis and theories that are used in retail mix are that facilities,

product, service and organization / personnel have an effect on small retail business performance. Whereas promotion and price have no effects on small retail business performance. [15]said that running a retail business is determined by the price offered. There are many methods to determine selling price on the retail business depending on demand, market condition, discount, etc. Although in this research price doesn't significantly affect the retail performance, [16] described a strategy that emphasized on the principle whether the product was with high price or low price, so the manager ought to select a competitive strategy that will give the organization a competitive advantage. [8] stated that there are many methods that can be done by retailer in introducing the product and attract consumers attention. By using retail mix communication such as advertising, personal selling, sales promotion, publicity and direct marketing hopefully will affect retail business activity positively. In this research promotion doesn't significantly influence retail performance. This happens because retail performance is influenced more by other variables beside promotion.

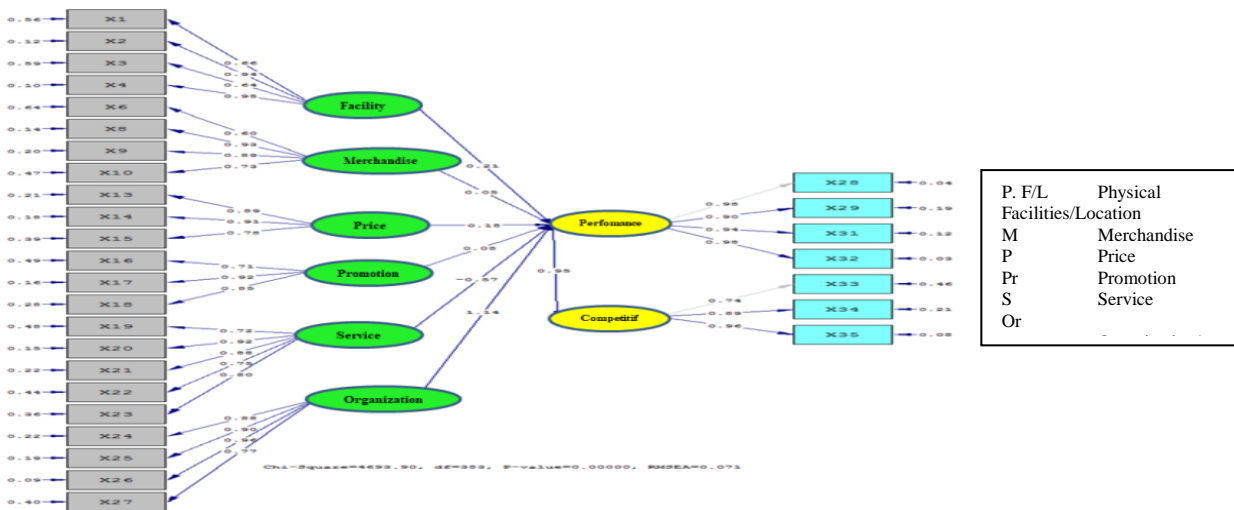


Figure 2 Structural Model (Standardized Solution)

The Structural Equation models was developed as follow:

$$\text{Performance} = 0.21 * \text{Location} + 0.052 * \text{Merchandise} + 0.18 * \text{Price} + 0.077 * \text{Promotion} - 0.57 * \text{Service} + 1.14 * \text{Organization}, \text{Errorvar.} = 0.0052, R^2 = 0.99$$

=	(0.086)	(0.026)	(0.14)	(0.041)	(0.23)	(0.16)	(0.011)
	2.44	1.97	1.31	1.89	-2.52	7.02	0.48

$$\text{Competitive} = 0.95 * \text{Performance}, \text{Errorvar.} = 0.096, R^2 = 0.90$$

	(0.058)	(0.019)
	16.36	5.12

Source: Data Analysis Result (2020)

The results of hypothesis tests are displayed as follows:

**Table 1 The Results of Hypothesis Tests**

Hypothesis 1	Estimate	t-value
The physical facilities have a significant effect on small-retail business performance.	0.21	2.44 (> 1.96)
Hypothesis 2	Estimate	t-value
Merchandise (product) has a significant effect on small-retail business performance.	0.052	1.97 (> 1.96)
Hypothesis 3	Estimate	t-value
Price has a significant effect on small-retail business performance.	0.18	<b>1.31</b> (< 1.96)
Hypothesis 4	Estimate	t-value
Promotion has a significant effect on small-retail business performance.	0.077	<b>1.89</b> (< 1.96)
Hypothesis 5	Estimate	t-value
Service has a significant effect on small-retail business performance.	- 0.57	-2.52 (< -1.96)
Hypothesis 6	Estimate	t-value
Organization / Personnel has a significant effect on small-retail business performance.	1.14	7.02 (> 1.96)
Hypothesis 7	Estimate	t-value
Performance has a significant effect on competitive advantage.	0.95	16.36 (> 1.96)

Source: Data Analysis Result (2020)

## 6. CONCLUSION

Based on the results of data analysis that had been conducted, the conclusions were acquired as follows:

1. Physical facilities have a positive effect on small-retail business performance.
2. Merchandise (product) affects small-retail business performance.
3. Price does not affect small-retail business performance.
4. Promotion does not affect small-retail business performance.
5. Service has a negative effect on small retail business performance.
6. Organization / personnel affects small-retail business performance.
7. Performance affects competitive advantage.

## 7. POLICY IMPLICATIONS

This study took the samples from several shops in the Malls located in Tangerang City with many variations. It is hoped that further research can be carried-out in several cities, for example: Central Jakarta, Depok, Bekasi, so it will provide more objective results and can broaden the generalization of the research results.

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