

COMPETITIVE DYNAMICS IN MICRO : ANALYSIS OF PERCEPTION ABOUT COMPETITION IN UNITOMO STREET FOOD BUSINESS

Bambang Raditya Purnomo, SE, MM

Management Studies University Dr Soetomo
email:dewi_raditya@yahoo.com

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Abstract. *The purpose of the study this is to explore small and micro businesses in their connections with competitors and the competitive force in the market. This study uses the information processing approach to examine three activities, scanning the competitive environment, the interpretation of competitive actions, and reactions based on that assessment. This research is motivated by the lack of competitiveness of micro businesses, especially those engaged in the culinary field. This study uses qualitative approach with phenomenological methods, in which researchers try to explain or reveal the meaning of a concept or phenomenon of experience based on the awareness that occurs in some individuals. In this study, researchers collect, summarize and interpret the data obtained, which is then processed back in order to obtain a clear, directed and thorough pictures of the problem which become the object of research. Phenomenological approach is used to analyze the original data collected from interview with the informant. Structural interpretation of the experience described by researchers in the description of the participants.*

Keywords: competitive dynamics, perceptions of competition, micro-business, phenomenological

I. INTRODUCTION

Small and micro Enterprises (SMEs) always portrayed as a sector which has an important role in economic development in Indonesia, since the majority of the population lives in small business activities both traditional and modern sectors. The role of small businesses that become part of precedence in the planning stages of development that are managed by two ministries, the Ministry of Industry and Trade and the Ministry of Cooperatives and SMEs. However, development efforts that have been implemented is still not making satisfactory result, because in reality the progress of SMEs is very small compared to the progress made in large multinational enterprises.

In the increasingly fierce competition, since the increasing openness of the domestic market, the SMEs threatened by the increasing number of goods and services that go beyond the impact of globalization. Therefore, the promotion and development of SMEs currently felt increasingly urgent and very strategic to lift the economy of the people, the independence of the SMEs can be achieved in the future. With the development of the people's economy is expected to increase people's income, employment opportunities, and prosperity of the society as a whole.

According to Laforet & Janifer (2006), the main obstacle experienced by small business is a great dependence on customers, lack of skills and knowledge acquired through training, and poor attitude of learning and building networks for their traditions to work alone (autonomous). Vaaland and Heide (2007) adds that the small and micro enterprises are not paying too much attention to the methods of planning and controlling than the large companies. This cause the capacity of small

businesses are less competitive and subsequently affects sales. The low power of small businesses forced them to sell their products with the following terms and conditions of the buyer. Therefore, it can be concluded that small businesses can not show a good performance because of the lack of practice and the strategies used.

Various strategic management literature that studies about competition emphasize to the process behind the competitive strategy and competitive action decision-making process at the level of corporate analysis. According to the competitive dynamic approach, an important role in the competitions are played by key decision makers who monitor rival organizations and formulate strategies to achieve competitive success (Porter, 1980). A critical element of this view is how companies perceive their competitive environment and react based on these perceptions.

The approach that widely used to study the competitive perceptions is the information processing approach that consists (a) observation to information, (b) the interpretation of the information, and (c) a reaction based on this interpretation (Kiesler & Sproul, 1982; Daft & Weick, 1984). Such approach is more often used in strategic management and marketing literature (eg Chernatony, Daniels & Johnson, 1993; Lang, Calantone & Gudmundson, 1997; Clark & Montgomery, 1999; Waarts & Wierenga, 2000). However, various authors emphasize that there are still much empirical research needed to explore these variables. This research studied perceptions of small and micro businesses in the competitive environment.

II. THEORETICAL FRAMEWORK

A. Small and Micro Business

According to the Office of State Minister of Cooperatives and Small and micro Enterprises argues that the Small and Micro Businesses are businesses entity that belong to the citizens, both individuals and legal entities who have a net worth (excluding land and buildings) as much as Rp.200 million and/or have a turnover/value of output or sales results on average per year until maximum Rp.1 billion and the stand-alone business.

While the World Bank provides Small and Micro Businesses definition are non-agricultural (including livestock and fisheries), which employs at most 10 workers, including business owners and family members, have the sales approximately Rp.100 million per year, and had assets excluding land and buildings at most Rp. 25 million.

B. Competitive Perception

There are two perspectives that explain the perception of competitive (competitive perception), firm driven perspective and event oriented perspective.

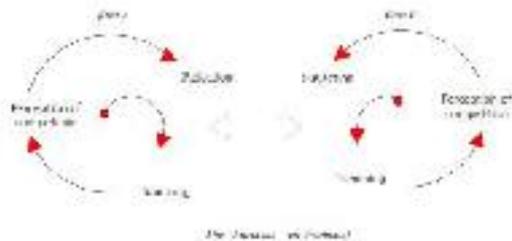


Figure 1. Competitive Perception (Kemp & Hanemaaijer, 2004)

1) Driven Firm Perspective

This perspective is rooted in cognitive psychology in categorizing the competitive environment (Porac & Thomas, 1994). The underlying assumption is the company's vision and business strategy will determine how the competitive environment is perceived (Porter, 1980). The company's competitive strategy can be seen as "stable focusing device" which is presented as a point in the middle of the company (see figure 1). The selected strategic focus directs attention of the company's managers on topics and certain

competitive actions of other companies that are considered as the main competitor. For example a company with a cost reduction strategy will focus attention on competitors who have the same strategy, supplier at a low cost, and so forth. Consequently the same company will form a group of strategies that have the same perception of the competition. They identified the same company as a competitor and the same thing as a competitive threat. In Figure 1 the arrows indicate the direction of the company's head scanning, which symbolizes that the company will focus the scanning activities on the basis of business strategy.

2) Event Oriented Perspective

The second perspective is more market-oriented and rooted in the marketing literature. This perspective explains how entrepreneurs and managers perceive events in the market, such as price changes, new product introductions or new market players, as a threat to the company's business. The illustrations are as follows: Company A as the lead company in the market is going to introduce product innovations (action), while company B as the target company scans the environment and heard about celebrities for advertising making contracts with companies A. After doing some quick research, company B perceives information as a threat because it affects the profitability of the company. As a reaction to this interpretation, the company accelerate their product innovation, which should have two months to two weeks. Sooner or later, the company A will hear about it and plan for more intensive advertising. If company B does not perceive the actions of the company A as a threat, then they will not take any action.

C. Scanning

Scanning is gathering information about events and relationships in the external environment to gain knowledge that will guide top management in defining the company's actions in the days to dating (Aguilar, 1967). Choo (1998) frame scanning activities into four aspects (Figure 2).

SCANNING ACTIVITY	Unstructured scanning	Structured scanning
	Many narrow search Minimal effort Usually occur in response to a problem Take central role in early stages "Needless"	Fewer searches used Mediation effort Usually use a specific focus in the process Search results is satisfactory "Exploiting"
APPLY	Structured scanning Few searches used Low effort Occurring in search for a specific need Search of pre-specified topic or subject "Following"	Unstructured scanning Many searches used High effort Systematic search for a target Retention of information in the process "Discovering"
	Passive	Active

Figure 2. Model scanning activity (Kemp & Hanemaaijer, 2004)

Undirected viewing aiming to get coverage to detect any movement or change in competitive action. There are various sources and forms of information used (eg, internet, business magazines, conferences, business meetings, etc.). In *conditioned viewing*, scanning process narrowed to topics and specific standardized resources, such as external reports, or information sources are widely used in industry. The aim is to monitor and evaluate the significance of the environment and the effects of competitive information found.

In *informal search*, employers actively looking for more information to learn about certain specific issues. His quest is referred to informally as not a formal analysis, they are more limited and unstructured (eg, visiting a store competitors). The goal is to obtain information about matters that affect competition, such as the time and effort required. In *search of formal*, entrepreneurs make a conscious effort to get information that is specific and sensitive. The procedure for obtaining more standardized information (such as SWOT analysis, benchmarking). The goal is to get more detailed information as a basis for decision making adequate strategic.

III. METHODS

This study is a qualitative research with a phenomenological approach, where researchers try to explain or reveal the meaning of a concept or phenomenon of experience based on the awareness that occurs in some individuals. In this study, researchers collect, summarize and interpret the data obtained, which then reprocessed in order to obtain a clear picture, directed and thorough of the problem which is the object of research.

Phenomenological approach is used to analyze the original data collected from interview questions and dialogue with the informant. Structural interpretation of the experience described by researchers in the description of the participants. Once the data is collected and examined to reveal the structure, the configuration of meaning, coherence, and the state of the informant, the clustering of the theme/topic ascertained (Moustakas, 1994).

Subjects as key informants in this study are merchants at Unitomo Street Food Surabaya. In addition, researchers also assign some students as a regular informant. Collecting data in this study was done by using interviews, literature study, and documentation. Interviews were conducted with the merchants and the board Cooperative Unitomo as key informants and ordinary consumers as informants.

The data analysis research conducted with qualitative descriptive strategy. In this study, the data obtained from the interviews. The results of the interview obtained from respondents, is presented in tabular form containing questions a respondent's answers to the questions. So that researchers understand the tendency of respondents to be analyzed based on logical arguments. While the data obtained through library and documentation used as supporting data relating to the aspects studied.

IV. DISCUSSION

Unitomo Street Food Surabaya is street vendors centre in the campus of the University Soetomo (Unitomo) Semolowaru Road, Surabaya, East Java, which was inaugurated by the Mayor of Surabaya, Mrs. Tri Rismaharini on 22 January 2013. The establishment of the Center is one way to curb illegal traders in Surabaya, especially Nginden region. Currently there are 50 (fifty) food and beverage merchants fill the stands in Unitomo Street Food.

Additionally, Unitomo Street Food is a living laboratory especially for students of the University Dr Soetomo to learn SMEs, Marketing Strategy or Entrepreneurship. Unitomo Food Street is under the guidance of Dr Setomo Cooperative University in collaboration with the Department of Cooperatives and SMEs Surabaya.

A. Scanning Competitive Environment

In gathering information about the competitive relationship in the external environment, researchers are using Porter's Five Forces Model which consist of *rivalry among competitors*, the potential entry of new competitors, the potential development of substitute product, the bargaining power of suppliers, and the bargaining power of consumers. The results of the analysis conducted by researchers in scanning the competitive environment can be described as follows:

1) Competition between rival company

Threat from a rival company to the fellow traders on the street food is the easiness of customers to switch to another trader. This resulted in the reduction of the number of consumer demand as the number of competitors from fellow traders increased. Moreover, the products offered by traders in Unitomo Street Food Surabaya tend to be similar, namely food and local drinks.

2) Potential Entry of New Competitors

A new business in the culinary field in Surabaya is very easily open, proven that today there are a lot of new food traders kept popping. Especially around the area of Semolowaru Surabaya, there are a lot of places to eat, ranging from constructed stalls, depot, warkop to restaurants. The number of new eating places that popping up is certainly going to create competition in the field of culinary, and efforts are becoming increasingly stringent. The threat from those new competitors are increasingly difficult to attract customers to become regulars because the choice of restaurants are growing.

3) Potential of Substitute Products

Threat from substitute products of merchants in Unitomo Street Food Surabaya are the increasing number of fast food restaurant around the area of Jl. Semolowaru, like AW, Dundee, KFC and this year it is already planned to develop Mc Donald Restaurant in the campus of the University Dr Soetomo. Not to mention the food delivery services such as Go Food (Products of GoJek) makes the

consumer becomes easier to find food that desirable though located far away. With that services they can be easily and quickly get. Of course, the potential replacement products will create competition in the culinary field Surabaya become heavier.

4) Bargaining Power of the Suppliers

The bargaining power of suppliers is not too much of a threat that complicate Unitomo Street Food traders in Surabaya. Traders can book a sustainable raw material of course by making payments under the contract that have been determined. Supported by the ease of information technology and transportation make cooperative relationships with suppliers became easier.

5) Bargaining Power of the Consumers

Consumers have more bargaining power than Unitomo Street Food merchants in Surabaya. Consumers have more options to determine the menu and place the desired food. Consumers were also able to switch to substitute products offering quality, taste and a better price. In addition to the advances in information technology, transportation and food delivery service makes consumers have more choices. This is what causes the bargaining power of traders to be lower than the consumer.

B. Competitive Perception

Researchers observed that traders in Unitomo Street Food Surabaya using Event Oriented Perspective competitive perception, in which traders have a tendency to more market-oriented perception. This perspective explains how entrepreneurs and managers perceive events in the market, such as price changes, new product introductions or new market players, as a threat to the company's business. And to analyze this competitive perceptions, the researchers analyzed the strengths, weaknesses, opportunities and threats that exist in Unitomo Street Food traders in Surabaya

1) Strength

- (S1) There are strong desires of traders to continuously improve the quality of their products and services.
- (S2) Traders always maintain the quality of its food by purchasing the raw materials of food every day.
- (S3) Prices of products sold very affordable, especially for high school students and undergraduate students which is the biggest market share in Unitomo Street Food Surabaya.
- (S4) The strategic location, since it is close to schools, colleges, housing and highways.

2) Weakness (Weakness)

- (S1) The system used is still very traditional financial management that is done manually
- (S2) There are no special marketing strategy
- (S3) Depending on competitor pricing.
- (S4) There are no evaluation to analyze visitor or customer satisfaction.

3) Opportunities (Opportunity)

- (S1) Market is huge because it is surrounded by many junior high school, high school and university.
- (S2) Many media campaign that cheap as through social media
- (S3) Increasing consumer purchasing power.
- (S4) Supplier options quite a lot.

4) Threat (Threat)

- (S1) Number of new competitors that have sprung up around the area Unitomo Street Food
- (S2) Competitors have good business concepts, from the outlet until management (ie. Fast food outlet)
- (S3) At any particular time raw material prices increased.
- (S4) Competitors are heavily promoting.

The fourth element was added to the SWOT matrix to obtain alternative strategies that can be used are:

- **S-O Strategy**

- a. Increase sales turnover by improving service to consumers / visitors.
- b. Increase sales turnover by improving communication with consumers through effective promotional concepts.
- c. Increase sales turnover by improving services through inter-service food concept.
- d. Improving the quality of taste and food menu to build customer loyalty.
- e. Improving cooperation relationship with suppliers through food raw material ordering which is done regularly.

- **W-O Strategy**

- a. Intensify promotion through social media.
- b. Improve services through inter-meal services.
- c. Improve marketing strategies such as promo discount to be better known.
- d. Creating a computer program to facilitate the recording of financial accountability.

- **S-T Strategy**

- a. Keeping customer satisfaction by improving service.
- b. Improving the quality of taste and diet to maintain customer loyalty.
- c. Creating the concept of menu packages so the price can be more efficient ..

- **W-T Strategy**

- a. Optimizing management system mainly marketing and finance.
- b. Creating the concept of discount or package with a variant of the alternate menu so that consumers have a lot of menu options sparingly.

5) The reaction from Competitive perception

By using SWOT analysis mentioned above, the researchers were able to conclude that the reaction in the management of the business in a competitive perception by using Matrix Strategy with the position of the Quadrant II

which rapid market growth and a weak competitive position.

<p>Quadrant I</p> <ol style="list-style-type: none"> 1. Market Development 2. Market Penetration 3. Product Development 4. Integration Horizontal 5. Divestiture 6. Liquidation 	<p>Strong Competitive Position</p>
<p>Competitive Position Weak</p>	

Figure 3. Matrix Strategy Large Rapid Market Development

With the first indication that the rapid market growth because it is known that the food and beverage industry has a high growth with the emergence of many new arrivals, especially from SMEs elements.

The second indicator that the competitive position is weak because the traders in Unitomo Street Food Surabaya has no concept of marketing management and finance, that are well proven with lower promotional activities, pricing that is still very determined competitor and financial records are still done by hand.

In reaction to the perceived competitive, traders of Unitomo Street Food Surabaya can use two concepts, namely *Strategy Formulation and Implementation Strategy*. At the stage of *Strategy Formulation*, Unitomo Street Food merchants should be able to identify external opportunities and threats, determine strengths and weaknesses, and to set long-term goals. Such identification will be generated from alternative strategies for the next few selected and implemented to achieve long-term goals have been determined.

While on stage *Implementation Strategy*, Unitomo Street Food merchants should be able to choose an alternative strategy to be applied in achieving long-term goals. This stage is considered very difficult because it would require a lot of sacrifice for the changes that will be made according to the strategy have been implemented.

Traders Unitomo Street Food should start market development strategy in a way to intensify promotion through social media to introduce new products and variants menu. In addition, some marketing strategies such as creating service packages so that consumers have the variant menu to find more efficient, improving service to enhance customer loyalty and increase the quality and taste of the food menu is offered.

V. CONCLUSION

From the results of research and discussion can be concluded:

- A. From the analysis of the Competitive Environment Scanning can be concluded that the trader Unitomo Street Food earn considerable threat from the many vendors of food and drinks around the new emerging area of Jalan Semolowaru. In addition, competitors have a good concept to begin service, outlet design, marketing management and financial management. Additionally competitors are also promoting more vigorous.
- B. From the analysis of perception Competitive, traders in Unitomo Street Food through the analysis of strengths, weaknesses, opportunities and threats that exist in Unitomo Street Food traders in Surabaya can be concluded at this time is in Quadrant II on the Rapid Growth Market and Competitive Position Weak.
- C. From the data analysis can be concluded that it is necessary to run a market development strategy in a way to intensify promotion through social media to introduce new products and variants menu. In addition, some marketing strategies such as creating service packages so that consumers have the variant menu to find more efficient, improving service to enhance customer loyalty and increase the quality and taste of the food menu is offered.

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