



ENVIRONMENTAL ANALYSIS AND ALFAMART BUSINESS STRATEGY

Agus Tamrin Reni¹, Della Jane Wijaya², Verina³

^{1,2,3}Master of Management Program, Universitas Internasional Batam, Indonesia
Corresponding E-mail: 2144037.agus@uib.edu

Abstract

This study aims to determine the condition of the retail business in Indonesia by analysing the environment and business strategy of Alfamart. In this study, using a literature review, Data collection was carried out by means of interviews, direct observation, and documentation. The analytical technique used to analyse Alfamart's business environment and strategy is the analysis of 1) Directional Strategy, 2) Portfolio Strategy, and 3) Parenting Strategy. The results of Alfamart's environmental analysis and business strategy are: 1) directional strategy analysis: Alfamart has succeeded in proving its target achievement with the number of outlets reaching 16,492 by the end of 2021. Alfamart can obtain a wider target audience because online shopping methods are easy and can be accessed anywhere. 2) Strategy Portfolio Analysis: Alfamart Company has the potential to gain market share and enter the stars category when its sales exceed those of its competitors; and 3) Parenting Strategy: implementation of the parent company strategy that has been applied to subsidiaries in terms of corporate funding and the determination of investment and development.

Keywords: *Environmental Analysis and Strategy, Directional Strategy, Portfolio Strategy, Parenting Strategy, Alfamart*

1. INTRODUCTION

In 2020, the world was faced with the Covid-19 pandemic which disrupted the wheels of the economy nationally and globally. The Covid-19 pandemic has had a huge impact on the slowdown and contraction of economic growth in Indonesia, and this pandemic can even tHuman Resourceeaten a recession for several countries around the world (Junaedi & Salistia, 2020). This has caused losses for many companies, because people's declining purchasing power has hampered the increase in company sales and income (Hadi et al., 2022). Alfamart as one of the companies in Indonesia has certainly implemented a number of strategies to survive this pandemic. An example of a strategy implemented by Alfamart is a growth strategy or growth strategy. In order to deal with the Covid-19 pandemic, Alfamart is implementing a strategy of horizontal concentration and market development by increasing the number of Alfamart outlets in various regions in Indonesia (Alfamart, 2020). The aim of this strategy is to increase sales volume and target more consumers.

The main concern for Alfamart during a pandemic is limiting people's mobility such as the government's policy of Imposing Restrictions on Community Activities, which can lead to a decrease in customer visits to Alfamart outlets, especially in office areas where Work From Home is required. This will cause the number of consumers who come to decrease. Therefore, retail business expansion activities in the right location will provide benefits for the company. For example by targeting residential or housing areas. The reason is because during a pandemic, especially if there is a policy on Imposing Restrictions on Community Activities that is currently in effect, most people's social activities are limited by the government. At the level of Enforcing Certain Community Activity Restrictions, Large-Scale Social Restrictions are even enforced which prohibit ordinary people from wandering around or leaving residential areas if they have no interests. Meanwhile, people still have to carry out activities and need daily needs, so people who cannot go to the market or supermarket will switch to shopping at Alfamart which is located close to their homes. Thus, this Alfamart strategy can be said to be effective in increasing the company's

growth and surviving during a pandemic that is increasingly difficult for the economy. This is proven through an increase in Alfamart's net profit which can be seen in Figure 2, that in 2020 when the pandemic occurred, Alfamart managed to obtain an increase in net income compared to the previous year, which amounted to IDR 25,970,743. In 2021, Alfamart will still use the same strategy and succeed in scoring another increase in net income reaching IDR 27,493,748.

2. IMPLEMENTATION METHOD

This research is a literature review. Data collection techniques in this study were carried out by means of interviews, direct observation, and documentation. The analytical technique used to analyze the business environment and strategy of PT Sumber Alfaria Trijaya, Tbk with analysis of 1) Directional Strategy, 2) Portfolio Strategy, and 3) Parenting Strategy.

3. RESULTS AND DISCUSSION

3.1 Directional Strategy Analysis

1. Increase the number of Alfamart outlets to increase sales volume

Alfamart remains committed to continuing its retail business expansion. In the first year of the pandemic in Indonesia, namely 2020, Alfamart managed to add 1004 outlets in Indonesia with the number of outlets at the end of 2020 reaching 15,434 stores. Then in 2021, Alfamart will deploy capital of 2.5 to 3 billion rupiah as a budget for expanding outlets in Indonesia. Alfamart's retail expansion target in 2021 is 650-850 outlets, Alfamart has succeeded in proving its target achievement with the number of outlets reaching 16,492 by the end of 2021 (Kusnandar, 2022).

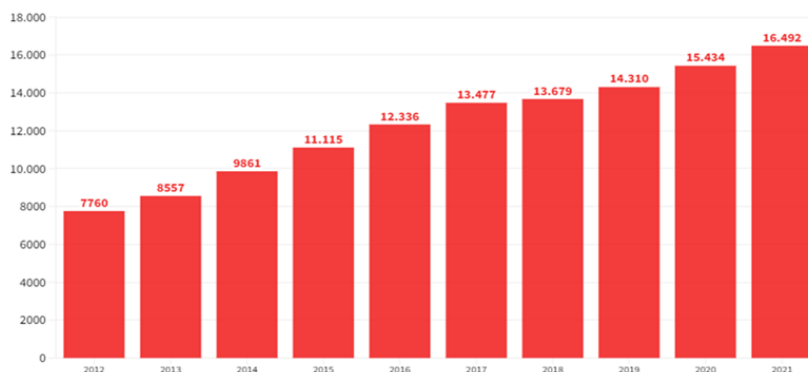


Figure 1. Number of Alfamart outlets in 2012-2021

2. Development of Online Shopping Through the Alfagift Application

Kominfo (2021) states that the e-commerce business has increased since the pandemic and believes that it will increase to 33.2% in 2022. According to a report by Google with Bain & Company (2020), the time people usually spend on e-commerce was 3.7 hours the day before the pandemic. Then when the lockdown was enforced, this habit changed to 4.7 hours per day. Which means this encourages increased online shopping activities for the community. Alfamart is basically an offline retail business, thus to be able to compete and meet consumer needs, Alfamart has begun to adjust consumer spending patterns by running an online retail business.

Alfamart online shopping services can be accessed and available on the Alfagift application which can be downloaded via smartphone. The Alfagift application is designed as a user-friendly application, where through this application users can get bonus points, discounts, customer cards, shop online, and various other rewards. The main purpose of the Alfagift



application is to increase public brand awareness and increase interaction between businesses and consumers. The results of research by Fitriani (2021) show that the Alfagift application provides an important role for Alfamart during the Covid-19 pandemic. On average, the interviewees admitted that using the Alfagift application made it easy for them to shop for basic needs at Alfamart during the pandemic.

The strategy implemented by Alfamart is also a growth strategy that concentrates on service and market development. The results achieved from this strategy are that Alfamart can obtain a wider target consumer because the online shopping method is easy and can be accessed anywhere. One proof of Alfamart's success in implementing this strategy is the 2021 Best Issuer Indonesia Award in the Primary Goods Retail Trade Sector Company category which was held by the *Bisnis Indonesia Daily* virtually. The award was held with a theme titled "Growth in Pandemic". Alfamart's Corporate Affair Director, who is the representative for the award recipients, stated directly that Alfamart's success in receiving this award was due to the fact that during the pandemic they carried out all strategies to adapt to new shopping patterns in society, one of which was by changing business operations that provide online shopping services through the Alfagift application. (Alfamart, 2021).

3.2 Strategy Portfolio Analysis

The BCG Matrix was originally developed in the 1970s by a consulting group in Boston, an American-based consulting firm. The BCG matrix has been used extensively as a portfolio management tool for businesses and in its development can identify priorities in optimizing a company's product portfolio to assist in the effective allocation of resources (The Executive Fast Track, 2008). The use of the Boston Consulting Group (BCG) matrix in this article is intended to see the condition of a company in a certain quadrant to pass it on to a marketing strategy. The BCG Matrix allows multidivisional organizations to manage their business portfolios by considering the relative market share position and industry growth rate in each division relative to other divisions within the organization.

Based on the calculation of the BCG matrix to find out market growth and relative market share, it can be concluded that Alfamart's sales growth is still smaller than its competitor Indomaret and Alfamart's relative market share in 2021 is 0.28 times smaller than 1 compared to the previous year, which means that the company Alfamart has a smaller market share than the previous year. However, Alfamart's market share is still smaller than Indomaret. With Alfamart's 2021 market growth results of 11.97% and a relative market share of 0.62x, it can be concluded that Alfamart companies belong to the Question Mark category. Alfamart has the potential to gain market share gains and enter the stars category when its sales outperform its competitors.

3.3 Parenting Strategy Analysis

Campbell, et al. (2014), Gold, et al. (1998), and Wheelen, et al. (2014) revealed that Parenting Strategy is determined by looking at the suitability between parenting characteristics of the parent company and parenting opportunities that exist in subsidiary companies, and the critical success factors of subsidiary companies in the industry where they operate. According to Campbell, et al. (2014), Gold, et al. (1998), and Wheelen, et al. (2014) Parenting is determined by looking at the suitability between parenting characteristics of the parent company and parenting opportunities that exist in subsidiary companies, and the critical success factors of subsidiary companies in the industry where they operate. Furthermore, Campbell, et al. (2014), as well as

more recent studies from Kim (2018), and Kishita & Hayashi (2019) parent companies need to ensure value creation through parenting in subsidiary companies. This is not easy considering that each subsidiary operates in different areas with different competitive characteristics. In accordance with studies from Nell (2013), Munir (2017), and Kim (2018) parent companies must be able to care for them to provide benefits or parenting advantages, in the form of creating more value for subsidiaries and their business groups as a whole. The parent company is expected to be able to carry out nurturing that will make the core competence of its business group continue to develop (Ciabushchi, et al. 2016) and then the business group can continue to create value and grow using the core competency base (Rawley, et al., 2018). Parenting can also have the opportunity to damage value (value destruction) if there is no compatibility between the parent and subsidiary companies. This discrepancy can occur because there is no match between the characteristics of the parent company and the characteristics of its subsidiaries (Campbell, et al. 2014). The incompatibility of the characteristics between the parent and the subsidiary will cause the parent company to be unable to provide care that is beneficial for the growth of the subsidiary (Asikin, et. al, 2021).

To deal with existing external and internal challenges, Alfamart implemented the Parenting Strategy of the parent company that has been applied to its subsidiaries, namely: First, Corporate Funding is carried out by Alfamart as the parent company, this is part of the central function services and resources; Second, Determination of Investment & Development and Research is carried out by Alfamart, in the form of investment guidelines for subsidiaries, and mechanisms or procedures that refer to the company's articles of association, this is part of the corporate structure, management systems, and processes; Third, Human Resource Development, Alfamart develops a competency-based human resource management system, so that starting from the recruitment stage to employee performance evaluation it is based on fulfilling human resource competencies and personnel needs in all work units, also managing corporate knowledge management systems, Alfamart also ensures that corporate values which form the basis of corporate culture are implemented in all subsidiary companies. This is part of the corporate structure, management systems, and processes, the nature, experience, and skills of managers in the parent organization (people and skills), the parent's mental maps that guide parent managers.

4. CONCLUSION

Based on the results of the analysis that has been carried out by researchers regarding environmental analysis and Alfamart's business strategy, it can be concluded that the strategy implemented by Alfamart is appropriate because it is proven by Alfamart's satisfactory performance compared to similar competitors. However, in facing environmental changes and developments, there are still things that need to be considered so that Alfamart can continue to maintain its competitive advantage, including regarding products and promotions.



REFERENCES

- Alfamart. (2020). Jaga Pertumbuhan Bisnis, Alfamart Siapkan Strategi. Alfamart.Com. <https://alfamart.co.id/news-detail/Jaga-Pertumbuhan-Bisnis-Alfamart-Siapkan-Strategi>
- Alfamart. (2021). Melaju di Masa Pandemi, Alfamart Raih Penghargaan Ritel Terbaik di Bisnis Indonesia Award 2021. Alfamart.Com. <https://alfamart.co.id/news-detail/Melaju-di-Masa-Pandemi-Alfamart-Raih-Penghargaan-Ritel-Terbaik-di-Bisnis-Indonesia-Award-2021>
- Asikin, Budi. (2021). Strategi Pengasuhan PT. Pupuk Indonesia (Persero). *Journal of Management and Business Review*. Volume 18, Nomor 2, Special Issue (2021) Hal: 541-557. <https://doi.org/10.34149/jmbr.v18i2.294>.
- Campbell, A., M. Goold, dan M. Alexander. (1995). Corporate strategy: The quest for parenting advantage. *Harvard Business Review* (March-April): 120-132.
- Campbell, A., M. Goold, dan M. Alexander. (2014). Strategy for the corporate level: Where to invest, Where to cut back, How to growth organization wite multiple divestation. San Francisco: Jossey-Bass.
- Company, B. &. (2020). e-economy SEA 2020 Report.
- Fitriani, P. I. (2021). Peran Aplikasi Digital Alfagift di Alfamart daam Transaksi Jual Beli di Tengah Pandemi Covid-19. Institut Agama Islam Negeri Palangka Raya.
- Goold, M., Campbell, A., dan Alexander, M. (1998). Corporate strategy and parenting theory. *Long Range Planning*, 31(2), 308-31.Hadi, N., Martinus, T., Huangs, A., Yanti, K., Annisah, T., Page, N. H., Manajemen, J., & Meka, A. (2022). Analisis Rantai Pasok Dan ERP PT . Sumber Alfaria Trijaya Tbk Pada Masa Covid-19. *Jurnal Manajemen, Ekonomi, Keuangan Dan Akuntansi (MEKA)*, 3(1), 448–455.
- <https://www.fitcHumanResourceatings.com/>. Fitch Rates Indonesia's Alfamart 'AA-(idn)'; Outlook Stable. Diakses 10 November 2022.
- Junaedi, D., & Salistia, F. (2020). Dampak Pandemi COVID-19 Terhadap Pertumbuhan Ekonomi Negara-Negara Terdampak. In *Simposium Nasional Keuangan Negara* (pp. 995–1115).
- Kominfo. (2021). Bisnis E-Commerce Semakin Gurih. *Kominfo.Go.Id*. <https://www.kominfo.go.id/content/detail/32999/bisnis-e-commerce-semakin-gurih/0/artikel>
- Kusnandar, V. budy. (2022). Alfamart Terus Ekspansi Gerai di Masa Pandemi. *Databoks.Id*. <https://databoks.katadata.co.id/datapublish/2022/06/21/alfamart-terus-ekspansi-gerai-di-masa-pandemi>
- The Executive Fast Track. (2008). The Boston Consulting Group Matrix. <http://www.12manage.com>
- Wardani, P., Silalahi, P. R., & Tambunan, K. (2022). Strategi Pemasaran Online Alfamart Menghadapi Tantangan Selama Masa Pandemi Covid-19 (Studi Kasus Alfamart Amaliun Kota Medan). *JIKEM: Jurnal Ilmu ...*, 2(1), 30–40. <https://ummaspul.e-journal.id/JKM/article/download/2814/805>.