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# VILLAGE ECONOMIC ACCELERATION: EVALUATION OF BUSINESS STRATEGY SCHEMES IN THE RETAIL BUSINESS

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**Abstract.** Lamongan Regency's economic growth in 2020 has decreased from 5.5 percent to -2.26 percent, so that the district government tried to boost the regional revenue growth rate through BUMDes (Village Owned Enterprises). The Village Community Empowerment Service (PMD) initiated the establishment of LA Mart as a local retail store business managed by BUMDes in 2018. The existence of LA Mart is a strategic step to accelerate the movement of the village economy. Among the many LA Marts that have been established since being initiated in 2018, there are only five LA Marts that have survived and exist throughout Lamongan district today. This study aims to evaluate the current business strategy of LA Mart and provide solutions in the form of updating relevant strategies by LA Mart. Data collection methods used in this research include interviews, document analysis and observation. The data analysis used is a qualitative descriptive analysis by evaluating and comparing the strategies that have been used, using a business strategy approach including Business Model Canvas (BMC), Value Chain and Porter's Five Generic Strategy at LA Mart in Lamongan. The results of this study showed that the current LA Mart business has used a combination strategy between low prices and differentiation strategies. LA Mart can indirectly increase the marketshare of the village economy and provide opportunities for the community and MSMEs to innovate to produce products that are competitive in the market.

**Keywords:** Value chain strategy, canvas business model, five generic porter's, LA Mart, BUMDes

## 1. INTRODUCTION

Retail industry is one of the sectors that has great potential in supporting the Indonesian economy. Development of the retail industry is characterized with many types of modern retail such as department stores, supermarkets and minimarkets that are widely established in several regions in Indonesia. Based on this, it shows that the retail industry is one of the industries that have grown so rapidly that it can indirectly improve the country's economy.

The development of technology is extremely successful in creating growth in the retail industry as well, thereby making the market in Indonesia more competitive. This is evidenced of the large total number of modern retail outlets that have been established in Indonesia of almost 4.1 million units (1). Increasingly, modern retail outlets that stand in each region indirectly cause very intense competition for small-scale retail producers such as retail producers in villages. This requires each producer to focus on selecting and implementing the right business strategy in order to be competitive and stay in the retail industry. Small-scale retail businesses are part of MSMEs managed by villages in the form of Village-Owned Enterprises (BUMDes) which are one of the sources of income and drivers of local labor in a village.

Recently, the development of Micro, Small and Medium Enterprises (MSMEs) in various sectors has grown quite rapidly. This development has an impact on increasing GDP, which has indirectly helped save Indonesia's economic growth from the crash during the Covid-19 pandemic. According to the official website of the Indonesian Information Portal, MSMEs contributed 61.07 percent of GDP in 2021 (2). The rate of growth produced by MSMEs is also inseparable from the government's intervention in supporting the growth rate of these MSMEs. On the other hand, the growth of MSME outcomes is also supported by the number of UMKMs that have been distributed across all regions in Indonesia. Several regions that have the most MSMEs are in the Java region, one of which is east Java Province with a total of 1.2 million business units (3). Given the large number of MSMEs, this shows how the economic growth conditions in the region.

The high number of MSMEs in east Java is inseparable from the support of each district that has business units from each village, one of which is Lamongan District. Until now, Lamongan Regency has 462 villages (4), each village also has a Village-Owned enterprise (BUMDes), which produces several business units, one of which is a retail business called LA Mart.

The government of Lamongan in 2018 through the Community and Village empowerment Agency (DPMD) initiated the establishment of Lamongan Mart (LA Mart) as a local retail store business managed by

BUMDes. The establishment of LA Mart is a strategic step for the Lamongan government to support village units in order to have a holding of the business unit themselves, so that it can indirectly increase the acceleration of the village economy through village original income. The special advantage of LA Mart is that 25 percent of the goods marketed at LA Mart are local products from local MSMes. This provides a facility for the village's original small entrepreneurs to produce and promote their products.

Along the way, the development of LA Mart has shown a decline in business performance. This is shown by the fact that the number of LA Marts owned by each village has not increased since its establishment. Since the establishment of LA Mart until now, there are only five LA Marts listed across Lamongan Regency. The five LA Marts are LA Marts owned by BUMDesma in Sukodadi, Maduran, Mantup, Kalitengah, and Pucuk (5).

The decrease in performance at LA Mart is strongly influenced by several factors, including the occurrence of the covid-19 pandemic. During the Covid-19 Pandemic which has been going on for approximately the last two years, entrepreneurs have felt a considerable negative impact in the form of a decrease in the number of sales, reduced capital, hampered marketing and distribution processes (Amri 2020) . This impact also affects the performance of LA Mart itself. This can be seen from the data on the decline in economic growth in 2020 in Lamongan Regency from 5.43 percent in 2019 to 2.65 percent (7). The downward trend is due to the Covid-19 pandemic which has caused a decline in the performance of business fields, especially in the retail industry.

Another factor that influences LA Mart's performance decrease is the selection and appointment of a business strategy that is less precise and less effective. Business strategy is a plan, step, target and guide carried out by every entrepreneur in running their business. On the other hand, business strategy is also a combination of all decisions made to achieve business goals and maintain the competitive position of the business in the market. The accuracy in the use of strategy is very important for entrepreneurs, because it affects the success of a business. On the other hand, it is essential for entrepreneurs to determine and use the appropriate strategy because business strategy is the foundation or pillar that strengthens a business. Ineffectiveness in implementing business strategies at LA Mart is shown by the use of basic strategies that only focus on determining the 4Ps (Product, Place, Promotion, and Price) without considering the development of the era and the competitive level of competitors in the market.

This research aims to evaluate the business strategy of LA Mart that has been implemented and provide solutions in the form of relevant strategy updates used by LA Mart at this time by assessing and comparing LA Mart's performance with similar businesses using several business models; Researchers also want to know the application of appropriate and effective business strategies for LA Mart so that it can increase revenue and be able to face intense competition in the retail industry; The researcher will also try to find the problems and reasons why there are only five LA Marts in five of the 27 sub-districts in Lamongan Regency; On the other hand, the researcher also wants to analyze the promotion and marketing digitization program that can be carried out by LA Mart to expand the market and increase its business income.

The benefit of this research is that LA Mart as a retail producer owned by BUMDes can determine the right and effective business strategy so that it can be implemented to compete and survive in the midst of high business competition. On the other hand, this research can provide opportunities for the village in terms of increasing revenue through the retail business so that it can indirectly improve the welfare of the community around the village.

The research gap of this study refers to several studies that have been conducted by previous researchers, including research conducted by (8), regarding evaluation of Coffee Shop Business Strategies Using the Canvas Model Business Approach. This research is a descriptive qualitative type with in-depth interview method. This study states that the development of a business model in seven blocks on the canvas business model, namely the development of the customer segment, is a type of profession or entrepreneur. In customer relationship development, what you get is push notification email or WhatsApp. The development of revenue streams is a consignment fee. Development of key resources is the customer database. Key activity development is an ongoing online promotion. Development of key partnerships, namely partnering with bakery shops and development of the cost structure is the cost of business development.

The same research has also been carried out by (9) regarding the Analysis of the Business Model at the Biondi Store Using the Business Model Canvas. In this research based on qualitative interviews and observation as research methods. By using the canvas model strategy, it resulted in research that the Biondi Store as a grocery store can update the business strategy used as previously the operational form was used traditionally, the Biondi store can take advantage of technological developments by means of online payments, product marketing can be done through digital marketing and record consumer database in order to offer products to consumers.

According to (10), regarding Value Chain Analysis at Suryamu Sukoharjo Minimarket, stating that to increase competitive advantage is to increase the variety of products, because this will make it easier for customers to find the items they want. As well as maximizing the existing community by meeting every consumer need. In this study, it focuses more on business strategy analysis through the value chain method with interviews and observation as research methods.

Another study conducted by (11) concerning the Analysis of the Business Model Canvas for Micro, Small and Medium enterprises at JIF Stores in Bandung, Indonesia. This research is qualitative based with the

canvas model as the analytical method. The research states that a suitable business development strategy implemented at JIF Stores is the optimal use of technology in the form of adding payment alternatives with e-money and increasing the use of e-commerce platforms to expand consumer reach.

Research conducted by (12) regarding Analysis of Porter's Generic Strategies in enhancing Competitiveness in Retail Industry (A Survey on Pajajaran Sindangkasih Minimarket, Ciamis). The results of this study show that the generic porter strategy applied to research objects often provides discounts for various items within a certain period. For staple products and other general retail products, on average, Minimarkets are superior at selling lower prices than competitors. In differentiation Minimarket offers services that make it easy for consumers. The focus strategy used is to evaluate the profit per merchandise product offered to customers which is the basis for establishing a more comprehensive retail management strategy.

Another research that was conducted by (13) Porter's Generic Strategy Analysis of the IKEA Company Study. The results of this study show that the IKEA company's business strategy refers to Porter's generic business strategy, namely differentiation strategy, low cost strategy and focus strategy. The use of differentiation strategies, for example, is related to product design. Using the low cost strategy, the IKEA company sets low prices for all of its products, because this strategy positions IKEA differently from other companies. Then implementing the focus strategy, IKEA is very focused on the function and usability of goods and is suitable to be placed anywhere, a comfortable and spacious shopping area, and quality products and a modern style.

According to the results of previous studies that have been described above, the research gap conducted by researchers is to evaluate the accuracy of the strategy used by LA Mart in the past by using several strategic analysis models such as the Canvas Business Model, Value Chain and Five Generic. The analysis model used can see the accuracy of business strategies that can be used by LA Mart so that it can survive and compete in the midst of increasingly high business competition.

The state of this research is First, this research is a qualitative descriptive research with a case study approach, different from other studies because researchers want to dig deeper into the level of effectiveness of the strategies currently used by the LA Mart retail industry and provide updates on relevant strategies used by LA Mart in the face of competition in this era so that it can survive in the market and can become a distributor or wholesale center for local village MSMe products, as well as a source of Bumdes and regional income. Second, this research can be used as reference material for retail businesses in developing their business so that these businesses can survive and compete in the industry. Third, this research uses analysis of five generic competitive strategies, business model canvas analysis and value chain strategy.

## 2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

### 2.1 Retail Industry

Basically the retail industry is an industry that involves selling goods or services to consumers in units or retail. Consumers who buy products or services aim to consume them personally and not resell them. According to (14); (15), retail includes all activities involved in selling goods or services directly to final consumers for personal, non-business users. Retail is a series of activities of a business that includes the sale of products, services until the product is consumed by consumers personally. This definition is also reinforced by the opinion stated by (16), that retail is a business activity involved in selling goods and services to consumers for personal, family, or household needs. According to (17), retail is the end of an activity in a distribution channel that connects producers and consumers in selling products or services.

### 2.2 Value Chain Strategy

each industry is a collection of all activities in which a process of production, marketing, delivery and product or service support occurs. All activities carried out by an industry will form a value chain internally until it finally creates and produces a product or service that can be consumed by consumers.

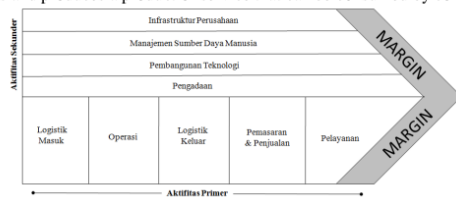


Figure 1. Value Chain Framework

Value chain is a form of business strategy that can be used to analyze the competitive advantage of a business. The main purpose of this analysis is to identify ways to improve business performance so that related elements or actors in a business can be placed in appropriate positions (18). According to (19), the value chain is a form of business framework that is used to differentiate added value in a business.

The strategic value chain is a business model that describes the various activities required to make and

supply products or services to end consumers (20). Basically the concept of the value chain was first put forward by (21), who stated that the value chain is the process of making and maintaining the life cycle of a product from production design, procurement of inputs, production, logistics, marketing, sales and promotion services.

According to (21), the value chain model can be divided into 2 activities, the first is the main activity (primary activities) which is the main activity in creating value for customers. Indirectly this activity is very closely related to the physical processing, sales and maintenance of a product or service. Indicators of main activities such as inbound logistics, operations, outbound logistics, marketing and sales, service. The second activity is support activities which are activities needed to facilitate and improve the performance of the main activities. This activity includes procurement, technological development, human resource management and company infrastructure.

### 2.3 Canvas Business Model Strategy

The business model canvas strategy is a strategy developed by (22). This model succeeded in turning a complicated business model concept into a simple one (23). The business model canvas is a model that can be used to define, explain, assess, visualize and change business models in an industry. This model can also be used to analyze and evaluate the conditions of a crowded market with competitors in it.

According to (22), stated that there are nine elements that must be present in the canvas model strategy including customer segments, value propositions, channels, customer relationships, revenue streams, key resources, key activities, key partnerships, and cost structure.

### 2.4 Porter's Five Generic Strategy

Strategy is one indicator that is dynamic and easily adapts to changing times. Competitive strategy in an industry or company deals exclusively with the specifics of management activity. Competitive strategy is a strategy used by an industry to position itself in the market, how to please consumers, and ward off competitive threats from similar competitors.

According to (24), there are five generic competitive strategies that can be used by industries or companies in order to survive and be able to increase their business in intense competition including the following: First, Low Cost Provider Strategy, this strategy seeks to achieve higher costs, lower overall than competitors on comparable products that can appeal to a wider range of consumers; Second, Broad Differentiation Strategy, this strategy seeks to differentiate the company's product offerings from competitors with aspects that will appeal to a broad range of buyers; Third, Focuses Low Cost Strategy, this strategy concentrates on the needs and requirements of smaller buyer segments and strives to meet these needs at a lower cost than competitors; Fourth, Focused Differentiation Strategy, this strategy concentrates on smaller buyer segments and outperforms competitors by offering several special aspects to consumers that meet targets and requirements that are superior to competitors; Fifth, Best Cost Provider Strategy, the strategy seeks to combine high-end product attributes at a lower cost than competitors. The theory above is the result of the adoption and development of the theory put forward by Porter about the three generic strategies. The following is a chart on Porter's five generic strategy analysis.



Figure 2. Five Generic Porter's Strategies

## 3. RESEARCH METHODS

This research design uses a qualitative descriptive research approach based on case studies. This research describes the actual situation that occurs on the object to be studied during the research process. According to (25), qualitative method is an interpretative technique that seeks to describe, code, translate so that it relates to the understanding rather than the frequency of phenomena that often or rarely occur naturally.

In collecting samples, this research uses the snowball sampling method. This method is a sampling technique that is initially small in number, then gets bigger (26). At first, researchers only wanted to target one or two research subjects, but as the research process progressed, it was felt that other subjects were needed to complete the research data needed. And the sample data used by researchers began with the manager of LA Mart in Lamongan, the manager of BUMDes to the manager of the Lamongan regency village community empowerment office.

The next step used in collecting data is by using interview and observation methods. The interview

method is a systematic way to obtain information in the form of oral questions about an object or event to informants that takes place in one direction. This method is a feasible method used in qualitative research (25). On the other hand, this research also uses the observation method in the data collection process. This method is used to complement the disadvantages of the interview method, because this method requires an in-depth observation and recording of the object or subject targeted in a study. According to (26), observation is a complex process and is composed of various biological and psychological processes because observations are not limited to people but also other natural objects.

The next step is to carry out the data analysis stage. In this case, the data analysis method used is by reducing the data and finally drawing conclusions and verification of the interview results. According to (27), there are three steps in analyzing interview results, namely by reducing data, presenting data conclusions and verifying data.

The last step in data analysis after verifying the data is to analyze the data using several business strategy analysis models including First, conducting value chain strategy analysis which is used to target the value chain used by the object at this time; Second, conducting business model canvas analysis using nine indicators including customer segments, value propositions, channels, customer relationships, revenue streams, key resources, key partners, key activities, and costs (22). This analysis is carried out to identify the best business model for LA Mart's current development; And finally, the analysis of porter's five generic, this analysis is used to determine the appropriate strategy used by LA Mart in order to be competitive and persist with competitors in the same industry.

## **4. RESULTS AND DISCUSSION**

### **4.1 LA Mart Profile**

LA Mart is one of the retail industries that was initiated by the Regent of Lamongan in 2018 in collaboration with the Lamongan Regency Community and Village empowerment Office and BUMDes and BUMDes together. In that year, five LA Marts owned by BUMDes Bersama were also established, namely Sukodadi, Maduran, Mantup, Kaliengah, and Pucuk sub-districts. Meanwhile, WarLA is a business line owned by BUMDes in each village in Lamongan Regency, such as BUMDes in Tebluru village, Karanggeneng village, Labuhan village, Sendang Agung village, Lembor village, Dagan village, Piyaman village, etc.

The establishment of this business is a step to develop and accelerate the village economy where each village allows it to have MSMes, which can make LA Mart a means to promote local products native to the village. On the other hand, the existence of LA Mart can be a center for the results of natural resources managed by the community in the village so as to improve the economic welfare of the village.

### **4.2 Value Chain Strategy**

Value chain strategy is a form of business strategy that can be used to analyze the competitive advantage of a business. According to (21), the strategic value chain in business activities is divided into two parts, including: First, primary activities include inbound logistics, operations, outbound logistics, marketing and sales, and service; second, support activities include procurement, technology development, human resource management, and firm infrastructure. The following are the results of the analysis of the strategic value chain at LA Mart:

#### **A. Inbound Logistic**

The internal process that deals with receiving, storing, and distributing an input is an inbound logistics process. This aspect is part of the internal process related to receiving, storing, and distributing an input. In the process of receiving products, LA Mart cooperates with various distributors. The various sequences carried out by LA Mart at this stage are as follows:

- Make an order to the supplier;
- Suppliers deliver goods to the store;
- The store clerk checks the goods that arrive to see whether they are in accordance with the order and delivery invoice, and then;
- The store clerk inputs the goods that have been matched into the application used and finally the products that have been inputted later;
- Products that have been inputted into the system are then arranged by the store clerk on the display shelf, and some are stored in the warehouse as inventory.

At this stage, there is one aspect that must be given great attention by business actors, especially LA Mart managers, because it is the determining stage of the quality of the products produced. There are several strategies that can be used by managers in order to compete in the retail industry, including paying attention to the variety of products offered to consumers according to the segments needed by the market (10). Basically, the completeness and availability of products needed by consumers in a store is the main key to the success of a retail business. This is reinforced by (28), which found that a greater variety of products makes the store more attractive to consumers. The completeness of the products available at retail stores is a special satisfaction for consumers when they want to buy goods at these stores.

In this case, the strategy used by LA Mart is to work directly with several distributors and MSMe players in villages and sub-districts close to LA Mart to complement the needs of the store, which can also be a means of promotion for local products. Besides selling basic daily needs products, LA Mart also provides a variety of digital products ranging from PPOB (Payment Point Online Banking) payments to ticket purchases, etc.

Another strategy is price competition with rivals; this is one of the most important aspects for managers to compete and improve LA Mart's performance. The step used by the manager is to find suppliers and distributors who offer product prices at lower prices so that later, the prices sold by LA Mart to consumers are in accordance with consumer desires. In addition, LA Mart managers must also take into account and pay attention to how the position of consumer surplus occurs in the market, because paying attention to this can attract consumer interest in buying products at LA Mart. Because the game and sloping pricing are the main indicators of improving company performance, especially in the retail industry, This opinion is reinforced by (Jimisiah, *et al.*, 2016), who state that price is the most important aspect in the retail industry, including store location, facilities, and product quality. In addition, according to (15), one of the strategies to improve company performance from the marketing mix aspect (7P) is product, price, promotion, place, people, process, and physical evidence.

#### **B. Operations**

Operations is an activity related to converting inputs into outputs to fulfill the needs and desires of consumers. A number of things in the operation process conducted by LA Mart included:

- Organizing the interior layout of the store,
- Arranging merchandise according to product categories,
- Positioning the cashier's location always on the right side of the entrance,
- store locations that are easily accessible to target consumers,
- In managing store goods using the FIFO (Firs in First Out) strategy.

The second component of the value chain strategy is closely related to the management of operational activities in the retail industry. The operational activity carried out by LA Mart is the management of product layout design, which is reflected in the physical appearance of the store both from outside the store and from inside the LA Mart store itself. Physical appearance is something that can be seen by someone, in this case consumers, both in the form of place settings, store cleanliness, store lighting itself, and so on. According to (30), store appearance is the key to the success of modern retail. On the other hand, the physical appearance of the store can influence consumers' desire to buy a product in the retail industry (Cornelius, Natter, and Faure, 2010).

The operational activities implemented by LA Mart at this stage include, first, arranging a good and attractive store interior layout. Based on the results of interviews with LA Mart managers, on average, they think that by designing the store interior attractively, consumers will be more interested in shopping. LA Mart's own interior design in terms of lighting is relatively bright, making it easier for buyers to choose the items to be purchased.

Next is the arrangement of merchandise in accordance with its category, ranging from food, drinks, soap, etc., with the aim of making it easier for consumers to find the products they want. As for what is interesting about the placement of cashiers in each LA Mart store, all LA Mart stores position the cashier on the right side of the entrance door.

In terms of location, LA Mart is located in the center of the sub-district and close to the market. This is certainly very strategic considering that the majority of villagers, if they want to buy a product, will definitely go to the sub-district center. Finally, the application of the FIFO strategy, according to the managers, is very effective because it anticipates damage to the product because it is stored too long in the warehouse.

#### **C. Outbound Logistic**

This component of the supply chain strategy includes all activities related to the collection, storage, and distribution of products or services to consumers. The services provided by LA Mart to its customers include always maintaining the cleanliness of the store and the appearance of shop assistants, ensuring that the products sold remain clean, not dusty, and not expired, and being friendly to customers by always giving greetings and smiles to every customer who shops at LA Mart. In this aspect, what needs to be improved by LA Mart management is the activity in the distribution of products to consumers based on digitalization. In the current era, digitalization, especially in the retail industry, is an aspect that needs to be implemented as a form of competitive advantage, especially for LA Mart, in order to provide convenience for consumers (Reinartz, Wiegand, and Imschloss, 2019).

#### **D. Marketing and Sales**

The process of delivering product information to the customers as a stimulus for the customers to make purchases and facilitate the purchase of their customers. Basically, promotion is a form of activity that needs to be carried out by producers to introduce the products they produce to consumers. Promotion and

increasing product sales to consumers have a positive relationship. When producers can find the right promotion pattern for the products produced for the targeted market segments, it can significantly increase business sales. As for some forms of promotions that are always carried out by LA Mart, LA Mart imposes promotions at certain moments, such as in the month of Ramadan, the end of the year, etc.; conducting promotions for kitchen needs or daily needs in order to attract customers who will eventually shop for other products (cross-subsidy strategy or prevention of expired products); and bundling products that are less attractive to consumers. In determining the promotional strategy, LA Mart managers must be able to adjust the conditions of the consumer segment they are targeting because this greatly affects the effectiveness of the promotional process for the products offered (Guissoni, Sanchez, and Rodrigues, 2018).

#### **E. Service**

Service is an activity provided by producers to maintain the quality of products or services produced in order to attract customers to buy these products or services. The form of service provided by LA Mart in helping customers is by providing convenience for customers in terms of transactions with several payment options ranging from cash payments to credit cards to transfers between accounts, and LA Mart provides services through shop assistants who are ready to help consumers whenever needed.

At this stage, it is very important for LA Mart to provide the best possible service to consumers. Good service in the retail industry, such as at LA Mart, is closely related to the form of communication of shop assistants to customers and how these assistants create a sense of security and comfort when buying goods at LA Mart. Because providing good service can increase customer interest in shopping again at LA Mart, customer loyalty can be created. According to the results shown by (Cuong and Long, 2020), service quality has a positive effect on customer satisfaction and can also affect customer loyalty (Anderson and Mittal, 2000).

#### **F. Company Infrastructure**

The infrastructure aspect of the company is a form of activity that is closely related to the role of strengthening and maintaining operational activities in a company. At LA Mart itself, the preparation of financial reports is carried out at the end of each month and reported to BUMDeSMA (Bumdes Bersama) with financial reporting that has been mutually agreed upon and applied to each LA Mart establishment. In its establishment, each sub-district must provide an initial capital of 200 million obtained from village funds through Bumdes in one sub-district and prepare a store that has a minimum area of 224. On the legal side, LA Mart already has an official license and is registered with the relevant agencies.

In this aspect, there are some improvements that need to be made by the LA Mart management in terms of strengthening standard operating procedures (SOP) related to all LA Mart activities in terms of operations, human resources, production, and finance in detail and up to date so that they are in line with the development of the times and the needs of LA Mart itself. The success of retail industry management depends on the establishment of internal policies and SOP that are in line with industry needs (Panigyrakis and Theodoridis, 2009).

#### **G. Human Resource Management**

This activity is a series of processes related to the preparation of human resources in a business that includes recruiting, training, developing and motivating, and dismissing employees. The form of human resource management at LA Mart is by providing employee training which is carried out for 3 months after employee recruitment, training is carried out by LA Mart management. The content of the training and training starts from product knowledge, sales data entry, cashiering and customer service; On employee contracts, employees who have been deemed worthy will sign a contract whose contents are about the working period and the rules that apply at LA Mart and LA Mart prioritizes employees who come from local villagers. Based on the results obtained from the interview with the manager of LA Mart, there are several things that can be improved and maintained in HR management such as the manager can continue to motivate employees to provide good service to consumers who come to LA Mart in the form of friendly communication, courtesy and attitude and in order to implement 3S (Smiles, Greetings, and Greetings). because by utilizing and implementing 3S can directly create comfort to customers so that it can increase the purchasing intentions of customers to LA Mart (Perea Y Monsuwé, Dellaert, and De Ruyter, 2004) (Koistinen and Järvinen, 2016).

#### **H. Technological Development**

All activities related to management, security, and all types of activities related to the use of technology. Broadly speaking, LA Mart's operational activities are technology-based. This is done so that data entry in all types of transactions and business activities can be done more easily, starting with recording the entry and exit of goods, buying and selling, and monitoring the fast or slow sales of a product provided in the store. Some forms of technology utilization carried out by LA Mart include providing three CCTVs in each LA Mart. This is done to monitor all types of activities in the store. From this, it is also expected to increase security at LA Mart. In terms of payment, LA Mart also utilizes eDC technology. This is applied in an effort to provide a sense of security to each of its customers. According to (29), providing a sense of



security to consumers can create a positive image for consumers and producers, which can encourage them to shop at the store.

#### **I. Procurement**

Acquisition or input so that the company can stand. The form of procurement in establishing LA Mart was initiated by the discourse of the Lamongan regent in 2018 through the Community and Village empowerment Service (DPMD) in initiating the establishment of Lamongan Mart (LA Mart) as a local retail store business managed by BUMDes. The main objective of establishing LA Mart is a strategic step to accelerate the movement of the village economy, which has sold at least 25 percent of local products from local village MSMEs, so that it can become a new marketing medium for local MSME players.

What can be achieved to increase competitive advantage at this stage is to maximize the productivity of MSME players in the village to produce an innovative product that is in demand by consumers. In addition, LA Mart will also have to maintain good service to its customers so that it can indirectly increase consumer confidence to continue shopping at this minimarket. Besides, LA Mart must also continue striving to always be able to meet the needs of the products that its customers are interested in, because fulfilling their needs can create a sense of satisfaction for their customers (28).

#### **4.3 Canvas Business Model**

The Canvas Business Model is a business analysis tool with a scope of Nine Business Building Blocks that contains nine important elements in the business, namely: value proposition, key partners, key activities, key resources, customer segment, customer relationship, channels, cost structure, and revenue streams (Slavik, Stefan Bednar, 2014). Below are the results of LA Mart's analysis using the Business Model Canvas:

##### **A. Value Propositions**

According to (22), a value proposition represents a business model that can help a company recognize more about the product or service being developed and connect it with market desires so that it can create value that can be seeded to meet consumer needs and desires.

Based on the results of interviews with the manager of LA Mart, the value proposition of the LA Mart Store is the completeness of the products offered; the price of the products is also quite affordable; and the location is also quite strategic so that it is easily accessible to consumers and prospective consumers. At present, LA Mart often provides promotions to its consumers. LA Mart stores don't have competitors considering their location in the village, and they can also help village communities improve their economies with MSME products.

##### **B. Key Partners**

Key partners are how a company or organization builds key partnerships with a network of suppliers and partners so that the business model can work. In this aspect, LA Mart stores provide a wide range of daily necessities such as groceries, cosmetics, cigarettes, medicines, etc. LA Mart also supplies local products from MSMEs produced by local residents. So that LA Mart stores work with several distributors and suppliers who can provide these goods, including distributors of groceries, distributors of stationery, cigarette distributors, distributors of cosmetics and medicines, and suppliers and manufacturers of local MSME products.

##### **C. Key Activities**

Key Activities is how a company can explain the main key activities that are favored by the business being run. The main activity in LA Mart Store is selling its products by opening the store at 05.30 WIB and closing it at 21.30 WIB. LA Mart also carries out other activities that support its main activities, such as purchasing merchandise stock, storing goods in the warehouse, selling goods to consumers, serving customers, and establishing good relations with consumers and suppliers.

##### **D. Key Resources**

Key resources are an important aspect for the company because having quality human resources can create its own value proposition. The resources available at LA Mart Retail Stores include: (1) Human Resources, namely: directors, store managers, cashiers, shop assistants, and warehouse employees; (2) Physical Resources, namely: land, store buildings, warehouses, and store equipment; (3) Financial Resources, namely: capital obtained from BUMDeS; (4) Intellectual Resources, namely: store brand, knowledge and experience of store managers, and consumer awareness that LA Mart is a BUMDeS-owned business entity.

##### **E. Customer Segment**

Customer segment is one of the elements used to determine who the buyer is, the target market, and which segment is in accordance with the products produced by the company or organization. Based on the results of interviews by LA Mart, the market segment of LA Mart is the community of both men and women from the age of toddlers and adults, because LA Mart sells a variety of needs, both primary and supporting, needed by the community in general.

##### **F. Customer Relationship**

This aspect is a core strategy in running a business by integrating internal processes and functions with all external networks to create and realize value for consumers (40). LA Mart Retail Store provides good and

friendly service to its customers. LA Mart is giving discounts, and also a bonus to its customers in order to establish a good relationship with consumers.

#### **G. Channels**

According to (22), this aspect describes how a company can communicate with customer segments and reach them to provide its own value proposition for customers. LA Mart stores use the word-of-mouth method to introduce and convey their products to new consumers and utilize existing technology by intensifying promotions through digital marketing.

#### **H. Cost Structure**

This aspect is closely related to the determination of the cost structure used by the company when producing a good or service. The initial source of funds for the initiation and establishment of the LA Mart retail store was BUMDeS, which was allocated for the development of the BUMDeS business entity. Currently, the allocation of rotating funds from LA Mart is to fulfill product purchasing activities and operational costs. Meanwhile, retained earnings will be allocated for the development of the business.

#### **I. Revenue Streams**

Revenue streams are forms of revenue received by the company from market segments. The monthly turnover of LA Mart Retail Store is estimated to be more than 20 million rupiah each month, so the annual revenue is approximately 200 million and will continue to grow along with the development of LA Mart's marketing expansion.

### **4.4 Five Generic Porter**

The five generic porter strategy is a form of competitive strategy that can be carried out by business actors in positioning themselves in the market. The competitive advantage of LA Mart is to create a combination of low prices and differentiation or the best cost provider strategy. Based on the analysis of the value chain strategy and the business model canvas discussed earlier, Porter's generic strategy at LA Mart can be explained as follows:

#### **A. LA Mart Low Price Strategy**

LA Mart as one of the retail industries owned by BUMDeSMA in Lamongan Regency has offered various kinds of daily needs needed by its customers at prices that are affordable and in accordance with the capabilities of its customers. LA Mart also provides many promos for kitchen and daily needs in order to attract customers. On the other hand, LA Mart also often provides promos in the form of product bundling or cross subsidies and many other forms of service that make it easier for customers. LA Mart also provides various products with special prices or discounts at certain moments such as discounts during Ramadan, year-end discounts and so on.

LA Mart's low price advantage strategy is to make operational cost efficiencies so that it can indirectly reduce the price of the products sold. On the other hand, LA Mart also performs price comparisons on products provided with its closest competitors such as Tiara Supermarkets, Barokah Supermarkets, Bismillah Supermarkets, Indomaret and Alfamart. LA Mart is also looking for products that come from the first supplier so that it can lower product prices compared to competitors. Based on the results of interviews with the manager of LA Mart Solokuro, it was found that there was a 2.5 percent difference in the price of cheaper products such as rice and eggs compared to Alfamart. ATK prices are 2 percent cheaper than bismillah supermarkets. In general, LA Mart offers and sells products at lower prices than its competitors, although there are some products that are sold at high prices.

#### **B. LA Mart Differentiation Strategy**

The form of differentiation strategy carried out by LA Mart in differentiating the products or services offered is by selling products produced by MSMEs and local residents so that they can indirectly improve the village economy. By selling products that come from local producers, LA Mart can market these products at low prices. LA Mart provides several forms of service that make it easy and profitable for consumers to shop at the minimarket, such as convenience in payment transactions through electronic data capture (eDC), convenience through shop assistants who are ready to assist consumers in shipping goods purchased. Another product differentiation strategy is selling snacks, daily needs such as bulk rice in kilograms.

## **5. CONCLUSION**

Based on the above results using value chain strategy analysis, and the canvas business model, LA Mart buys products from distributors and suppliers of the goods it sells, including MSME products from producers from villages. LA Mart in inventory management uses the FIFO strategy. The location of each shop is always in the center of the village which is strategic so that it is easily accessible to consumers and potential customers. The arrangement of goods in the store is arranged according to categories to make it easier for consumers to shop. In addition, the atmosphere in the store is also arranged in such a way that consumers feel comfortable while shopping. The customer service at LA Mart is very good in the form of smiles, greetings, greetings and service that is more responsive to customer complaints.

In its marketing activities, LA Mart uses a word of mouth strategy and several other promotional strategies such as giving discounts, bonuses, and bundling strategies to increase sales. The turnover obtained by LAMart ranges from 100 to 200 million per month. LA Mart's initial funding source came from BUMDeS funds allocated for the development of village-owned enterprises. So that with such a large profit it can provide added value to village income. The allocation of profits generated by LA Mart is not fully handed over to the village, but 70 percent of the profits will be allocated for the operation and development of LA Mart.

The results of the analysis using five generic porter's at LA Mart show that in its efforts it tends to use a combination strategy of low prices and differentiation where LA Mart sells products at lower prices than its competitors. In terms of differentiation, LA Mart is a modern retail shopping center in the middle of the village while selling several MSMe products produced by local villagers. By combining these two strategies, it can be said that LA Mart has used the best cost strategy.

## 6. RESEARCH IMPLICATIONS

Based on the results of the research above, it can be explained that the implication of this research is to provide evaluation material for LA Mart managers to keep paying attention to the selection and determination of business strategies to be used so that they can achieve business goals, namely obtaining the maximum profit.

## 7. RESEARCH LIMITATIONS

This research is only limited to using three business strategy analysis models, namely business model canvas analysis, value chain analysis and porter's five generic analysis. But in fact there are still several business strategy analysis models that can be used such as PeSTeL business analysis (political, economic, social, technological, environmental, legality), this analysis can be done to monitor the influence of environmental factors both internal and external to a business; CATWOe analysis (customers, actors, transformation, process, worldview, owners, environmental constraints), this analysis can be used to consider goals, strategic issues and how a product can affect business; and balance scorecard analysis, this analysis can be used to measure the results of the work used by the company.

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