Business Development Strategy For Improving Sales In Start Up Retail Building Material (Case Study: Hero Castle)

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ABSTRACT
Hero Castle is a retail company that started its business on February 1, 2015 located in Raya Pemda street Singaparna Tasikmalaya. Hero Castle sells building finishing materials such as ceramic / granite for the floors and walls, sanitary and kitchen tools, paint, glue, and building accessories for doors and windows. As a new company that has been in operation for eight months, Hero Castle needs to maintain its growth with the right business strategies. This thesis will discuss about the implementation of business strategies in Hero Castle to improve sales. Based on the sales data per month from Hero Castle, a decrease in sales is evident in the second to fourth month. In this study has applied a hybrid strategy to improve sales in Hero Castle. This study is divided into two periods, namely the first period from February to May. The second period is from June to September. The first period is the period before implementation of hybrid strategy, while the second period is the period after treatment or after the application of a hybrid strategy. The result in the second period (June – September) shows the average sales increased to 71.38% from the previous period (February – May). The main weaknesses and threats were found based on the results of SWOT analysis is a lack of capital and technology. Thus the implementation plan will focused to fix these two problems. To maintain and improve business performance Hero Castle has a strategic implementation plan which is divided into three steps, namely improving the quality of human resources, improving management distribution and utilization system technology.

Keywords: retail, business strategy, hybrid strategy, building material store

INTRODUCTION
Facility of house is a major requirement for humans. Based on the Central Statistics Agency (BPS, 2013) The population of Indonesia is increasing every year, followed by an increase in the number of households. According to data from the Central Statistics Agency (BPS, 2013) the number of households in Indonesia in 2010 was 61 390 300 of households increased to 64 041 200 of households. The increase of households strongly influence the level of demand for residential needs, the needs of residential houses every year in Indonesia is estimated to reach 800,000 homes (Kementerian PUPR, 2015). Product housing or residential property market will drive growth in Indonesia because the housing needs are still high, due to the level of the
gap between supply and demand (backlog) big house (Bank Indonesia, 2011). The high demand for the availability of the building is still much higher than the offer provided by the developer. Business property is currently providing opportunities and they are open to thrive. Increased demand for residential and office buildings needs of building materials as basic needs. Therefore, it must be followed by an increase in supply on building materials.

Hero Castle is a retail company that started its business on February 1, 2015. It is located in Raya Pemdasreet Singaparna Tasikmalaya. Hero Castle sells building finishing materials such as ceramic / granite for the floors and walls, sanitary and kitchen tools, paint, glue, and building accessories for doors and windows. As a new company that has been in operation for eight months, Hero castle needs to maintain its growth with the right business strategy. This thesis will discuss about the implementation of business strategies in Hero Castle to improve sales.

LITERATURE REVIEW

BUSINESS ISSUE

Hero Castle is a new company that is engaged in the retail of building and finishing materials such as ceramic / granite for the floors and walls, builder hardware, power tools, paint, fasteners, and plumbing. Based on the sales data per month from Hero Castle, a decrease in sales is evident in the second to fourth month.

Figure 1. Graph of Sales in Hero Castle

Source: Hero Castle

Figure 1 shows that the sales in Hero Castle decreased after the second month. This is in contrast to the desired sales growth target which reflects the company's positive prospects. The growth rate of a company sales become one of the considerations in the policy of capital structure. According to Brigham and Houston (2006), a company with a relatively stable level of sales can be more secure to obtain more loans while the burden remains higher for companies whose sales are not stable. In addition, the company with high sales growth rates will be easier to obtain loans. On that basis, this research will focus on business strategy to maintain growth by analyzing existing business today.

RESEARCH QUESTION

Based on the business issue, there are several question that Hero Castle has to address in this research paper.

1. How is the current business strategy in Hero Castle?
2. What is the most suitable business strategy for Hero Castle in order to compete with competitors?

RESEARCH PURPOSES

The Purpose of this study is to analyze the application of a business strategy to increase sales in Hero Castle

1. To evaluate the current business strategy of Hero Castle
2. To develop the most business strategy for Hero castle in order to compete with competitors.

METHOD
The conceptual framework above is designed based on observation and literature review to solve the company’s issue in improving sales. The analysis conducted to determine implementation strategies for improving sales. The expectation is that it will be the best strategy or guidelines for the company maintain the business growth.

BUSINESS EXPLORATION

SWOT Analysis

The SWOT analysis is a business analysis technique that organization can perform for each of its products, services, and markets when deciding on the best way to achieve future growth.

The following is a result of SWOT analysis in Hero Castle based on data from Hero Castle, interviews with costumers and suppliers of Hero Castle and survey. The field work was conducted for 8 months from February until September 2015.

Strengths

Strength is internal factors that are favorable for achieving organization’s objective
a) Hero Castle is a specialty store
b) Providing design consultancy services by architect
c) Has a lot of variety of options and types
d) Lay out store and display are different from the other building store
e) Has a clean, comfortable and strategic place
f) Friendly service (woman as a sales offers)
g) Competitive pricing ( implement economic of scale strategy)
h) Online service and marketing
i) Human capital (young, professional, understand technology and design of building)

Weaknesses

Weaknesses is internal factors that are unfavorable for achieving organization’s objective.
a) Hero castle is a new company
b) Limited capital (transportation, warehouse, human capital)
c) Limited technology (still using manual administration)

Opportunities

a) Opportunities is external factors that are favorable for achieving organization’s objective. Indonesia is one of the major ceramics manufacturers in the world, Indonesia’s ceramics market is expected to grow by 7% per year (Pefindo, 2014). Therefore it can increase the supply of product.
b) According to BPS Tasikmalaya District (2014) the number of households in Tasikmalaya is increase every year, its follow by an increase demand for residential buildings. Increased demand for residential and office buildings in Tasikmalaya, therefore it can be increase the demand of building materials.
c) District of Tasikmalaya does not yet have a specialty stores as competitor
d) Store located in strategic areas

**Threats**
Threats is external factors that are unfavorable for achieving organization’s objective.

a) Number of material store as competitor is increasing every year
b) Online shop

**Hybrid Strategy**
Hybrid strategy is a combination of cost leadership and differentiation strategies. In this strategy the company try to achieve differentiation and low prices simultaneously in competition with its rivals. The level of success of the implementation this strategy is dependent of company ability to provide more benefits to its customers at a low price, but the company can still achieve the sufficient margin to reinvest, maintain and develop bases of differentiation (Baroto, et al, 2012).

Some major companies in the world that have been successful in implementing the strategy hybrid are IKEA (by combining the strategies of differentiation in product design by offering low prices), Toyota (providing quality and low price), Ahold (providing quality and low price) and the last is Wal-Mart is a largest retail company (Baroto, et al, 2012)

This study has applied a hybrid strategy to improve sales in Hero Castle. The following table 4 shows the hybrid strategy implementation in Hero Castle.

The table shows how Hero Castle implements both cost leadership and differentiation strategy at the same time in the second period from June until September. Or, in other word the company implements hybrid strategy.

This study is divided into two periods. The first period is from February to May and the second period is from June to September. The first period is the period before implementation of hybrid strategy, while the second period is the period after treatment or after the application of a hybrid strategy.

**RESULTS AND DISCUSSION**

**FIVE C ANALYSIS**

**Customer Analysis**
Customers visited for 8 months shows the increase in the second period. The total of the average monthly customers who had come in the first period is 37 people and in the second period increased to 197 people. Below is a chart of the average monthly customer visited for 2 periods.
The average number of customers in the second period increased to 543, 45% compared to the first period. For the two periods, male customers are more than female customers. The following is chart of data customer visited in Hero Castle.

**Figure 3. Chart of The Average Monthly Customer Visited**

From the data of customers in Hero Castle during 8 months, the types of consumer that arrives in the store were 62.78% personal users, 33.18% of resellers, while builders comprised of 2.8% of the total consumers and developers were 1.23%. This is consistent with the expectation that the main target market Hero Castle is the end-user.

**Company Analysis**

**Product**

The key to making sales is to sell or supply good quality products. Retail company primary purpose is to sell merchandise and provide the best service to consumers. In general, retailers have to offer a diversity of products to satisfy the needs and wants of customers thus increasing customer’s intention to make the purchase. Hero Castle provides products of materials for building which is complete with competitive prices. In meeting the needs of building finishing materials to the consumer, Hero Castle prioritize customer satisfaction by providing a good quality product choices that comes from local and also imported from abroad. Variant of products owned by Hero Castle is growing rapidly. Hero Castle has been able to provide more than 360 kinds of quality product customer needs.

There are more than 360 available products in Hero Castle, divided into 6 categories of products (namely power tools, fasteners, builder hardware, paint, plumbing, ceramics and granite). From the results of product sales data in Hero Castle, it is found that the frequency of the fastest selling in order are of ceramics & granite, builders hardware, plumbing, paint, fasteners and power tools. Categories of products sold in Hero Castle are narrow, namely finishing materials, but each category provided are supplied with plenty of choice. Hero Castle’s product diversity can be defined as to the narrow and deep assortment type of product.

According to Berman and Evans (2001) narrow and deep type has many advantages, namely: brings an image of a special booth or specialist, having many choices in the category sold, have skilled staff, more customer loyalty, does not require much investment and no customers were let down.

**Price**
The pricing methods that the company apply, is competition based pricing. The big advantage of competition based pricing is that the company are focused on the industry and therefore the competition. An industry focus looks closely at the types of existing and emerging competition. Once the company know what the competitors are doing, the company can better decide how the company will manage the business. Understanding the competitors will take some research. The company get or find information about competitors from customers, distributors and direct surveys. The price for a standard product is applied in a minimum price that is comparable to competitors. This is done so that the price can compete with competitors when consumers compare them. Products can be plotted on a scale according to how unique they are. Homogeneous products are on one end of the scale. Highly differentiated products are on the other end. The term highly differentiated is used to describe products which are unique and cannot be compared to other products on the market (AG-Strategies, 1999). The company apply a maximum price on the product or brand that competitors do not have, or the product is not sold in general so that the consumer cannot compare prices with competitors.

The company apply method of market penetration pricing for some products that will lure customers away from the competition. This type of pricing intends to improve market share or penetrate the market. To motivate customers to come the shop, to notice the product and to make a purchase decision the company will need to lower the company's price. Market penetration pricing works well in the introduction stage of the product life cycle. In highly competitive markets this strategy will sell product quickly, creating economies of scale and market penetration. As the consumers buy the products in larger quantities some of the costs will decrease because of economies of scale. The lower costs per unit may be due to bulk buying of the products, marketing costs spread over to more units or more efficient turnover warehouse and labor, and therefore the company provide rebates to consumers who buy products in large quantities.

After the company achieved market penetration pricing, the company adopt market share pricing for the some products. Market share happens when the firm sell large volumes of product into a market. Companies who seek market share describe the amount of market they supply as a percentage. Market share is calculated by dividing the amount each company in an industry sells of the total market number.

A retailer’s price policy must fit its target market and positioning, product and service assortment, the competition, and economic factors. All retailers would like to charge high markups and achieve high volume, but the two seldom go together. Most retailers seek either high markups on lower volume (most specialty stores) or low markups on higher volume (mass merchandisers and discount stores) (Kotler and Armstrong, 2012). Good product prices are important to any successful business. Pricing takes creativity, time, research, good recordkeeping and flexibility. The company need to balance the costs of producing a product with competition and the perceptions of your target
customer to select the right product price (AG-Strategies, 1999).

Place

Hero Castle is located in Raya Pemda Sukamulya street Singaparna district Tasikmalaya regency, within one kilometer from Tasikmalaya district government offices area. Located an area of 60 x 14 m² with a building area of 10.5 x 8 m². The building area that is use as a product display is 6.5 x 8 m². Other buildings are use as warehouses. The following figure 4 shows Hero Castle Store.

Figure 5. Hero Castle

Hero Castle differentiate through the creation of store layout. Stores selling building materials are generally less comfortable and not clean, Much dust are accumulated from building construction materials, such as cement and iron. But Hero Castle comes with a more comfortable layout and is cleaner as the store uses a ceramic tiling. Hero Castle has public facilities for consumers, such as a large parking area, restrooms, and a lounge area. Hero Castle focus and adjust to the needs of the target market as a leisure facilities for consumers by displaying product and different layout store compared with other building material stores. The company serve customers by showing an example of building design image in accordance with the needs and desires of consumers. This is expected to increase the interest of consumers to buy a product. According Suwarman (2002) Store layout should be attractive in order to improve the buying interest of visitors. Store layout that will either affect consumer shopping behavior.

Promotion

The company promote the shop and the products are sold by way of advertising, sales promotion, direct marketing (such as brochures, banners, billboard, display the products in the store) and online marketing (such as advertising through broadcast BBM, internet and facebook fan page). Online service to its customers by providing online services in BBM, Facebook and Line making it easier for consumers to choose products without having to come directly to the shop. Online direct marketing is growing rapidly. By one estimate, the Internet now influences a staggering 50 percent of total retail sales (Kotler & Armstrong, 2012).

Advertising on social media as a online marketing channel always show samples of products that the company sell. In addition to social media. The company also create brochures and large billboards. Marketing communication goes beyond these specific promotion tools. The product’s design, price, shape and color of packaging, and the stores that sell it all communicate a message to buyers. Thus, although the promotion mix is the company’s primary communications activity, the entire marketing mix of promotion, product, price, and place must be coordinated for greatest impact (Kotler & Amstrong, 2012).

Sales
The average total income in the first period is Rp. 29,899,250 increased to Rp. 51,242,025 in the second period. The graph shows that after Hero Castle implement hybrid strategy in the second period (June - September) the average monthly income increased by 71.38% compared the first period (February - May). The below chart is the average monthly income of Hero Castle for two periods.

![Graph of The Average Monthly Income in Hero Castle](image)

**Figure 6.** Graph of The Average Monthly Income in Hero Castle

According to Porter (1980), if the company wants to increase its business in the increasingly fierce competition, companies must be able to choose a business strategy to be applied, namely a high-priced product or products at low prices. The point of sale is becoming increasingly important for two reasons. One is that the consumer media environment is becoming more fragmented making it more difficult to reach shoppers with traditional tactics. The other reason is that retailers are getting stronger, smarter and better at marketing (Berman & Evans, 2001).

Dollar sales by year may be difficult to compare due to changing retail prices and inflation; unit sales are easier to compare (Berman & Evans, 2001). The graph shows the total monthly item sold in Hero Castle for the last 8 months.

![Graph of The Average Monthly of Sales in Units](image)

**Figure 7.** Graph of The Average Monthly of Sales in Units

The average monthly sales in units in the first period is 488 units increased to 1116 units in the second period. The above graph shows an increase in unit sales in the second period by 239% from the previous period. More product variety not commonly sold by other competitors give the exclusive impression for the store to its customers, Hero Castle always offer the latest products at least five products every month. The type of product that the company sell always increase every month. In June to September the total income and item sold of Hero Castle increased.

According to Brigham and Houston (2006) high turnover inventory indicates that the company has been able to manage the inventory well and shows that the company can work productively.

![Graph of Turnover Inventory Stocks Over The Last 8 Months in Hero Castle](image)

**Figure 8.** Graph of Turnover Inventory Stocks Over The Last 8 Months in Hero Castle
Higher productivity can lead to an increase in the company’s profit. Below is a graph that shows inventory stocks turnover for the last 8 months of February to September 2015.

The above chart shows that the most popular product sold during the last 8 months are ceramic and granite (5126 items), builder hardware (212 items), plumbing (144 items), paint (43 items), fasteners (28 items). whereas the least popular products is power tools (1 item sold). It can be concluded that the ceramic and granite is a product of very high inventory turnover in Hero Castle. In the long run, having unit sales as a performance target is vital.

Competitor Analysis
To plan effective marketing strategies, the company needs to find out all it can about its competitors. It must constantly compare its marketing strategies, products, prices, channels, and promotions with those of close competitors. In this way, the company can find areas of potential competitive advantage and disadvantage (Kotler & Armstrong, 2012). Based on data from Official Licensing Tasikmalaya District building materials retail stores in Tasikmalaya region is increasing every year, until the 2014 there were 185 building material stores.

The retail business competition in the field of building materials in Tasikmalaya district is very tight. From the survey results there were 11 competitors in the Singaparana area, 3 of them are large stores. However, some small shops is a reseller of the products we sell. Competition, a critical factor in marketing management, includes all of the actual and potential rival offerings and substitutes that a buyer might consider (Kotler, 2000).

The advantages of the three competitors are that their location is closer to the market area, which is located on the main street of the city. They are mostly old players who have been in the field for quite some time, has a large capital and have more categories of products sold.

The weakness is competitor still using manual administration, offline marketing, unattractive store layout, unattractive display of product, and little choice of products from each category. There is often little that retailers can do to limit the entry of competitors. In fact, a retailer’s success may encourage the entry of new firms or cause established competitors to modify their strategies to capitalize on the popularity of a successful retailer. A major increase in competition should lead a company to re-examine its strategy, including its target market and merchandising focus, to ensure that it sustains a competitive edge. A continued willingness to satisfy the target market better than any competitor does is fundamental (Berman & Evans, 2001).

Collaborator Analysis
Hero Castle selects its distributors based on the bid price, quality and type of product offerings, promotional programs and costs. It aims to maximize leverage with chosen suppliers, avoid switching cost and threat of backward integration.

Hero Castle has 17 authorized distributors or suppliers as a distributor of product. More than two types of new products enters every month, either by old or new channels of goods. The current system of
cooperation with the majority of the distributors is a payment system with time limits and nominal limits. When cooperation has long overdue and payment is always on time, distributors usually provide additional time and nominal limits.

**Context Analysis**

**PEST Analysis**

**a) Politic**

Based on Undang – undang RI, No 1 of 2011, about housing and area of settlement, everyone is entitled to live and earn a good and healthy living environment. States are responsible for protecting the nation through the organization of housing and residential areas. Government's role in provide facilities and assistance for housing and residential areas for the community.

Based on the regulation of the Minister of Public Works and Housing of the Republic of Indonesia No. 38 / PRT / M / 2015 of Infrastructure, Facilities, And Public Utility Assistance for Public Housing, Indonesia currently has one million housing programs for communities in some areas.

**b) Economic**

The construction market and building material sector in Indonesia has grown significantly, driven by the rapid growth of the property / real estate market in the country and the increase in private investment and government spending. The construction sector's contribution to gross domestic product (GDP) of the country has grown from about 7.07% in 2009 to 13% in 2014 and has encouraged the growth of building materials and construction industry in Indonesia (Construct Indonesia, 2015).

The construction market is projected to grow by 14.26% to reach Rp 446 trillion in 2015 and will be one of the most promising sectors for the acceleration of the government's infrastructure development plans. The construction sector has an important role in the country's economy because it affects most sectors of the = country’s economy and is an important contributor to the development of infrastructure that provides the foundation on which efforts to develop their physical and improvement of living standards can be realized (Construct Indonesia, 2015).

**c) Social**

The population of Indonesia is increasing every year, followed by an increase in the number of households. According to the data from the Central Statistics Agency (BPS), the number of households in Indonesia in 2010 was 61,390,300 households and has increased to 64,041,200 of households. The increase of households is strongly influenced by the level of demand for residential needs. The needs of residential houses every year in Indonesia is estimated to reach 800,000 homes (Kementerian PUPR, 2015).

**d) Technology**

Housing construction is done by developing environmentally friendly technologies and designs, and also developing the building materials industry that prioritizes the utilization of domestic resources and local knowledge that is safe for health (Undang – undang RI, No. 1 of 2011, about housing and area of settlements).

Housing and settlement development has always endeavored to make use of research and technology development, industrial building materials, construction and design that is appropriate to the
environment, and the wise use of local building materials, energy saving techniques and using local labor. This is intended to reduce the cost of construction with sufficient quality and encourage the development of enterprises and production centers, in order to expand business opportunities, job opportunities and enable equitable development and results (Constitution of Indonesia, Article 4 of 1992, about housing and area of settlements).

CONCLUSION

Hero Castle has implements a hybrid strategy to improve sales and the result in the second period (June – September) the average sales has increased to 71.38% from the previous period (February – May).

IMPLEMENTATION PLAN

As a new company to compete with competitor, Hero Castle must have a strategy that could achieve its objectives. Implementation plan is divided into three stages: short term (1st – 2nd year), medium term (3rd – 4th year) and long term (5th year). Hero Castle will focus on strategies that will be made based on the results of SWOT analysis. The main weaknesses and threats were found based on the results of SWOT analysis is a lack of capital and technology. Thus the implementation plan will focused to fix these two problems. Thus the implementation plan will focused to fix these two problems. Hero Castle has a strategic implementation plan which is divided into three, namely improving the quality of human resources, improving of management distribution and utilization system technology.

FUTURE RESEARCH

The conclusion shows after Hero Castle implements hybrid strategy in the second period (June – September) the average sales has increased to 71.38% from the previous period (February – May). Future research needs to be done for maintain the business growth to evaluate performance regularly by analyzing market, technical and financial.

REFERENCES


