



## **Analysis of Generic Porter's Strategy in Increasing the Competitive Advantage**

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### **Abstract**

The development of fashion trends has undergone major changes towards modern fashion styles. Many new trends are emerging, one of which is the popularity of Western-style clothing among young people. This phenomenon causes a reduction in people's loyalty to local cultural products, so that many local products are left behind compared to other products. This encourages entrepreneurs operating in the cultural products industry to compete to create excellence in their products so they can compete in the modern era. The method used in this research is a qualitative research method. This research aims to analyze the competitive environment and what strategies are suitable for Kyan Ulos. The results of the research findings are that Kyan Ulos has a fairly high competitive environment, and the strategy that Kyan Ulos can use is the Differentiation Strategy

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## **1. INTRODUCTION**



Globalization has brought many changes, especially in the economic world. Businesses not only struggle with how to produce and sell goods, but also struggle with how to stay in business or even outperform competitors (Ernst & Haar, 2019). To survive in the market, businesses need to expand and develop their operations (Lau, 2020). As producers of goods and services, businesses must understand the dynamics of competition in their sector and create competitive strategies to be able to compete, survive and develop in a competitive market (Kamkankaew et al., 2022).

One tool to gain competitive advantage is strategy. Strategy is a way to achieve long-term goals (Farida & Setiawan, 2022). Furthermore, strategy has an impact on the long-term growth of the company (Chowdhury et al., 2022). The main factor that guides a company in a competitive market is the strategy the company uses (Paley, 2021). Porter (2011) identified three generic strategies that business actors can implement to increase competitive advantage in the industry. The three strategies are cost leadership, differentiation, and focus.

Previous research found that to build competitive advantage, companies usually choose only one of these three strategic approaches (Kharub et al., 2017). The three generic strategies above are alternative approaches that can be used to overcome competitive forces. According to Porter (2011) determining an efficient plan for your company to outperform competitors will be easier if you know the competitive landscape. Porter

emphasized the need for strategic analysis in strengthening competitive advantage as seen from the industrial competitive environment.

Change happens so quickly without knowing time. The development of current fashion trends has experienced a significant shift towards modern fashion styles (Konina et al., 2020). There are many new trends emerging, one of which is the trend of western-style clothing which is currently popular with young people (Kavas, 2015). This phenomenon causes a reduction in people's loyalty to local cultural products, so that many local products are left behind compared to other products.

Kyan Ulos is one of the businesses that advances the ulos industry in Pematang Siantar. Founded in 1994 by Mother Fony Sitanggung. Kyan Ulos is a ulos weaving craft center located at Horas Market, building 2 floors 2, Dwikora, West Siantar District, Pematang Siantar City and Jl. Melanthon Siregar Pematangsiantar. This company has a total of 25 employees consisting of weavers, tailors and shop employees. Ulos production is carried out weekly and is also adjusted to orders. There are 15 types of Ulos produced by Kyan Ulos.

Based on pre-research interviews, the Ulos with the highest sales and production levels are Ulos Ragihotang and Ulos Simpar. Ulos Ragihotang is the ulos used by bridal couples, while ulos simpar is the ulos used to attend traditional events or invitations. The following is Kyan Ulos sales data for the last 3 months:

**Table 1.** Total Sales for the Last 3 Months

Name Product	January	February	March
Ulos Ragihotang	100	90	90
Ulos Sadum	30	30	20
Ulos Pinunsaan	35	20	20
Ulos Ragihidup	10	-	-
Ulos Sibolang	5	-	5
Sitoluntuho	-	-	-
Ulos Mangiring	10	-	5
Ulos Bintang Maratur	7	5	-
Ulos Antakantak	15	10	10
Ulos Boleon	20	15	10
Ulos Sibunga/Simpar	100	85	90
Ulos Suri suri ganjang	13	15	10
Ulos Simarinjani sisi	5	-	-
Ulos Sitoli tuho	20	20	15
Ulos Tujung	30	40	25

Source: Kyan Ulos Pematang Siantar (2024)

In an interview at the Kyan Ulos Branch on Jalan Melanthon Siregar Pematang Siantar, it was found that people's interest in traditional products, such as ulos, was decreasing and the impact of this was being felt by the Kyan Ulos business. So far, sales of ulos have only depended on the types of ulos used for traditional events. Outside of traditional events, ulos are rarely used for everyday use, although many ulos have now been innovated little by little. Many are more interested in modern trend creations and imported goods. Based on pre-research interviews from Kyan Ulos consumers, the perception was found that ulos is less attractive than other traditional product creations such as batik and songket. Ulos is considered to be lagging behind in terms of innovation and development of traditional products. Based on the problems above, Kyan Ulos is a business that needs to see and find competitive advantages in the products it can create.

Judging from previous research conducted by Agustian and Mutiara (2023) The focus of the problem in this research is the industrial competitive environment faced by Rich Fried Chicken and what generic strategy is best to excel in the competition. The results of this research are that the highest threat faced is competition between similar companies. And based on Michael Porter's generic strategy model, the author concludes that the most suitable and best strategy for the Rich Fried Chicken Business in Jambi City is an overall cost

leadership strategy or overall cost leadership strategy. There are differences and similarities in these two studies. The study objects and data collection methods used in these two studies are different. Previous studies used questionnaire-based field research and library data research. However, this data collection method utilizes observation, interviews and documentation.

In this context, this research has a research focus on analyzing the competitive environment of the Kyan Ulos industry and what strategies are suitable for Kyan Ulos, looking at each operational characteristic of the Kyan Ulos business and adapting it to the generic strategy model, namely, cost leadership strategy, differentiation strategy, and focus strategy.

## **2. METHODS**

Descriptive qualitative research is the methodology used, which methodically explains current facts using words or sentences and elements related to the phenomenon (Sugiyono 2023). The location of this research is Kyan Ulos whose address is Pematang Siantar City. Data collection techniques were used using various techniques including interviews with business owners, consumers and Kyan Ulos employees as well as conducting observations and documentation. Primary and secondary data are two categories of data used in this research. Data collected directly from businesses is called primary data (Agustianti et al., 2022). In this research, primary data was obtained from observations and interviews. In contrast, secondary data is information collected from other sources or from second parties that can be accessed before the research is conducted.

- a. Industry competitive environment analysis:
  - 1) Threat of new competitors
  - 2) Existing company competition
  - 3) Bargaining power of consumers
  - 4) Bargaining power of supplier
  - 5) Threat of substitute products
- b. Porter's Generic Strategy Model that fits the company's operating characteristics
  - 1) Comprehensive cost leadership strategy
  - 2) Differentiation Strategy
  - 3) Focus Strategy

## **3. RESULT AND DISCUSSION**

Kyan Ulos is a business that produces ulos weaving. Ulos are made in various types and adapted to their functions. Kyan Ulos was founded in 1994 by Mother Fonny Sitanggang. The motivation for developing this ulos business is of course to increase the income of weavers while preserving ulos as Indonesia's cultural heritage. Especially for housewives who can help the family economy. The price of kyan ulos products varies depending on the product's raw materials and the processing process, such as weaving using machines and hand weaving which is more expensive because the quality is classy. The vision of the Kyan Ulos Weaving Business is to expand the workforce that is, to produce labor in addition to earning a living for themselves and their brothers and sisters. The aim of the Ulos Kyan Weaving Company is to preserve the traditions or designs found in Ulos.

### **Analisis Porter's Five Forces**

The competitive strengths of an industry can be identified and analyzed using Porter's Five Forces, which can also be used to identify an industry's strengths and weaknesses. An inspection of the Kyan Ulos industrial environment based on information obtained from interviews is provided below:

- a. Competition between similar companies  
Kyan ulos is a business that operates in the ulos weaving business by making various types of ulos which are made based on their use. Competition from existing companies is very high and threatening. This means that the level of competition between companies is very tight. Based on the results of interviews, the number of competitors in this business is quite large. In fact, competition also occurs between cultural products such as batik and songket, which continuously develop their creations and innovations. Local, imported or individually produced products are also increasingly outperforming world trends.
- b. Threat of new entrants  
Apart from competitors with similar businesses, competition also arises from new entrants. Based on the results of the interview, the level of tight and complex business competition indirectly means that Kyan Ulos feels this is encouraging him to try to create new innovation ideas based on trends or even ones that have not yet been created. The threat facing Kyan Ulos is that the more businesses that emerge, the more competition there is. However, Kyan Ulos still has the opportunity to create added value by increasing customer loyalty. Kyan Ulos creates customer loyalty by improving the performance and service of its stores.
- c. Bargaining Power of Buyers  
Kyan Ulos is a business that operates in business and cultural development. As we know, ulos is an item commonly used for traditional Batak events. The dominant consumers of Kyan Ulos products are mostly aged 30 years and over. Purchasing power on Kyan Ulos is also determined based on the number of preorders and consumers who visit the store directly. The threat is that consumers are not always bound to Kyan Ulos, because there are many variations in prices and products which make consumers free to choose the lowest offering with competitive quality.
- d. Threat of Substitute Products  
The potential threat of substitute products is low, ulos is a Batak cultural heritage product that is still respected as a product that is only used during traditional events. So far, the use of ulos only depends on its use. The use of ulos as a product used in traditional Batak events means that ulos is not dominated by substitute products. Because the function of ulos itself already exists in each type of ulos and is not found in any other type of product.
- e. Bargaining Power of Suppliers  
Kyan ulos still needs suppliers, because producing ulos requires various raw materials such as various types of yarn, nabara, nabanjar, nahunik, narara yarn and many more. According to the results of the interview, it was explained that the material was received directly by Kyan Ulos from suppliers in Samosir. And other equipment such as accessories and other accessories provided by Kyan Ulos are goods from suppliers. Kyan Ulos does not only depend on one supplier. There are several suppliers from within and outside the region. They also ensure the quality of products from suppliers by checking them directly and adjusting their purchase prices. The opportunity that exists is that Kyan Ulos has many suppliers as backup. Kyan ulos also often moves from one supplier to another. And that switching cost is also determined by which type of supplier they use.

### **Michael Porter's Generic Strategy Analysis**

After looking at the conditions of industrial competition, we will then analyze the operational characteristics of Kyan Ulos, the following is an analysis of the operational characteristics of Kyan Ulos:

- a. Operational Costs  
Kyan Ulos' operational costs are quite high. Costs are determined by raw materials and the processing process. Kyan Ulos is still unable to reduce its production costs because it sees the process of producing its products as difficult. Kyan Ulos still maintains that

its products have guaranteed quality in the market. So Kyan Ulos shows more of a differentiation strategy.

b. Marketing

Kyan Ulos improves service quality and product quality by always controlling the work process up to the stage where the product will be marketed so that consumers are expected to be satisfied with the products offered and not turn to other competitors. So Kyan Ulos shows a differentiation strategy.

c. Products

The products provided by Kyan Ulos vary. They make various types of ulos according to their function and use, and develop ulos into other products that differentiate them from their competitors, such as suits, vests, wallets and bags. So Kyan Ulos shows a differentiation strategy.

d. Innovation

Kyan Ulos continues to innovate in developing its products with the latest creations, based on trends, and creating differentiators to be able to compete with new entrants or similar companies. Kyan Ulos prepares various kinds of fashion designs which will become projects in the development of Ulos without abandoning its cultural values. Kyan Ulos shows a differentiation strategy.

e. Price

Kyan Ulos has low margins. However, large volume means high profits because the sales volume is large even though the profit margin is low. So based on the price, Kyan Ulos shows a cost leadership strategy.

f. Others

Kyan Ulos has superior sales force and employees who are experienced in their respective fields, including weavers. Kyan Ulos also has several technologies that are used to help the production process, namely weaving machines. So based on other focuses, Kyan Ulos shows a Differentiation Strategy.

After analyzing the operational characteristics of Kyan Ulos, the following is a table of adjustments to the operational characteristics of Kyan Ulos with Michael Porter's Generic Strategy:

**Table 2.** Adjustment of Kyan Ulos Operational Characteristics

No	Company resource capabilities	Overall cost advantage	Differentiation
1	Operating Costs		High operational costs based on material processing, workmanship, and product quality.
2	Marketing		Product and service quality, customer satisfaction
3	Product		Product function and use, Development of product innovation
4	Innovation		Always creating the latest innovations, trends, newest fashions
5	Price	Low Margin, Large Volume	
6	Etc		Has an intensive sales force and employees
<b>Total</b>		<b>1</b>	<b>5</b>

Source: Data Processed (2024)

Based on Michael Porter's generic strategy model, the author found that a suitable business strategy for Kyan Ulos is a Differentiation Strategy. Kyan Ulos must prepare itself to always be a ulos weaving business, by developing ulos into an innovative product capable of outperforming the competition without abandoning the cultural values contained in ulos products. Kyan Ulos is required to always pay attention to market trends, how their products are able to catch up with other cultural products such as batik and songket which

are in great demand by the market by utilizing the performance of employees who are able to make creations.

The results of this study are in line with previous findings showing that differentiation strategies are very relevant for culture-based businesses, such as Kyan Ulos, to remain competitive in the market. Previous studies also confirm that product development with innovations rooted in cultural values can create unique appeal for consumers. This strategy has proven effective in increasing the competitiveness of traditional products, such as batik and songket, which have successfully utilized innovation to reach a wider market. By focusing on employee creativity and adapting to market trends, Kyan Ulos has a great opportunity to achieve competitive advantage while maintaining a strong cultural identity.

#### 4. CONCLUSION

Based on the problem formulation, as well as analysis of research results and discussions as previously described, the industrial competitive environment faced by Kyan Ulos is: The potential threat of new entrants is not too high, this is because Kyan Ulos still has opportunities to increase customer loyalty. The competition between existing companies is very high, this then means that the level of competition between companies is very tight. Buyers' bargaining power is quite high. Suppliers' bargaining power is low, because Kyan Ulos still has opportunities by not only depending on one supplier. The potential threat of substitute products is low, because the use of ulos as a product used in traditional Batak events means that ulos is not dominated by substitute products. Based on the results of the analysis of the industrial competitive environment, with the largest total points from Michael Porter's generic strategy model, the author concludes that the most suitable and best strategy for Kyan Ulos is the Differentiation Strategy

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