APPLICATION OF COST LEADERSHIP AND DIFFERENTIATION STARTEGY TO REACH A COMPETITIVE BENEFIT (A CASE STUDY OF "FISH STREAT" CULINARY BUSINESS)

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Abstract

The purpose of this study was to measure the implementation strategy of cost leadership and differrentiation to competitive advantage in the culinary business, especially fish streat resto fairly rapid development

Design / method used is to wear a multiple linear regression statistical analysis by the independent variable (X) products Fish n'Chip as Cost leadership (X1) and product Fish n'Pasta as Differrentiation (X2). While the dependent variable (Y) is a competitive advantage

The findings of this study is simultaneously cost leadership and differentiation positive and significant impact on the competitive Keungggulan, while individually the effect is greater than the cost leadership differentiation to competitive advantage

This research is expected to be a reference begi further studies with similar problems in the future

Keywords: culinary business, marketing strategies, fish streat

PREFACE

Culinary business is one kind of business that nowadays had been developing so much and holds quite a huge potential for growth. There have been many examples of successful people who benefited from this kind of businesses. Though it doesn't mean there aren't cases of unsuccessful attempts due to bad marketing strategies and the lack of good services. This means that the success of a culinary business in winning a competition was influenced by accurate marketing strategies and also a good connection or relation with the customers.

Even though there's no particular limit to a culinary business, the increasing number of restaurants in Indonesia could be a parameter to determine the development of this business. According to the data from BPS (2012), the total of culinary business players in Indonesia has been increasing every year but with declining growth. The biggest growth is at 27,7% in 2008, but slows down the following years until finally it's at 2,07% in 2011.

Table 1.1.

The Total of Restaurant (Big and Middle Scale) in Indonesia

Year	Total
2007	1.615
2008	2.235
2009	2.704
2010	2.916
2011	2.977

Source: BPS (2012)

Culinary business in Indonesia was dominated by small scale to middle scale businesses. According to GPMMI in Jawapos (2014), 70% of the players in this industry are small to middle scale businesses. In South Tangerang itself, at least there are 5.000 units of those small to middle scale businesses, 50% of it were dominated by food industries. (Skalanews, 2014).

Quoted from Ali in Setyanti (2012), culinary business was considered to be the top choices among people, as it seemed easier than any other types of businesses. This, in fact, is not quite true as this business relies on a lot of innovations and a sustainable creativity.

The pressence of a tight competition, pushed the companies to determines the most suitable marketing strategies for them so they could stays in the game. Each companies must have had different strategies to reach a competitive benefits. There are 3 general strategies that companies tend to use as a struggle to develop their business in a tight competition in order to reach and maintain competitive benefits. Michael R. Porter in Ritika Tanwar (2013) mentioned those 3 strategies as Differentiation Strategy, Cost Leadership, and Focus. Cost Leadership is a strategy in which by reducing the cost so that the output costs will end up being lower than the companies who applied Differentiation Strategy and Focus.

Cost Leadership Strategy helps allow the company to reach larger benefits because that company could pressed down the production cost thus resulting in a more competitive price and will raise the profits. In other words, the performance of that company will be better. Hashem Valipour, Hamid Birjandi and Samira Honarbakhsh (2012) explained that a company who applied the Cost Leadership Strategy had its financial leverage, business strategy and dividends payout had positive influences toward the company's performances.

The rise of company's performance who applied Cost Leadership Strategy was accomplished by a strict control of costs. A company should work to minimize the costs in every aspects of business. In this case, the company should emphasizes on efficiency where that company produces a large volume of standard products. The purpose of this research is to measure the application of Cost Leadership Strategy and Differrentiation Strategy towards the benefits of competing in culinary business exclusively the "Fish Streat" restaurant who had a rapid development.

This research is done descriptively by trying to analyze a culinary business phenomenon which caused a stir in South Tangerang and South Jakarta area. A similar research had been done by Aldo Hardi Sancoko which titled "Culinary Business Development Strategies of "Time to Eat" Depot in Surabaya" (AGORA Journal, volume 3, no 1, 2015).

LITERATURE STUDY

Cost Leadership

Cost Leadership, or commonly known as Low Cost, is a strategy which could be applied by a company as a struggle to maintain the business in a competitive rivalry. The method of this strategy is to press down the cost as low as possible than the other competitors.

One of the step to reach Cost Leadership is by approaching the production in an economical scale. According to Pearson and Wisner (1993), economies of scale can be divided into two, which is volume economies of scale and learning economies of scale. Volume economies of scale is reducing the cost per unit gained from the rise of production capacity. On the other hand, learning economies of scale included reducing of cost per unit gained from the transformation done by a company, such as an enhancement of worker's ability, production process, and the accumulated plans over time. Learning economies of scale did have a connection with learning curve which states a downsize of cost per unit because of a repeated process. The control of cost and the effort to minimize the prices in all aspects need an attention as well. In this case, the concept of strategic cost management states that different strategies needs different cost perspective or different cost management system and control. (Supriyono, 1999).

Porter (1980) expressed that Cost Leadership Strategy is a method that companies do to reach a competitive benefit by having the lowest cost on the industry. The focus of these companies who applied the Cost Leadership Strategy is a strict control of the costs, holding back from activities which resulted in bigger cost, and focusing on efficiency in every operation. Companies in Indonesia are more cautious in determining the prices of their products. In this case, companies will take into consideration the purchasing power of society with hope to increase the volume of sales. Cost Leadership Strategy according to Aulakh (2000) in Baroto et al (2012), is the most favourite way to be used in developing countries such as Indonesia, Malaysia, India and China. This due to lower cost of labour which resulted in lower production cost. A lower production cost means the company can sell their products with cheaper price than thein competitors. With that the goal of Cost Leadership Strategy could be attained

Cost Leadership is a *generic strategy*. This strategy was done by producing stuff with cheaper price but with relatively similar qualities with other competitors. To run this strategy, the company should have a higher *economies of scale* or advantages in productivity. In other words, companies who project themselves to be the lowest cost producer in the industry on every level of quality, must be applying this strategy (Porter, 1980). This strategy had its sub-strategies which are, (1) The products were sold with average industry price to gain larger benefits than the other competitors, and (2) The products were sold below average industry price to gain a wider range market-share.

Differentiation Strategy

Differentiation Strategy pushes the company to discover their own uniqueness in the market they targeted. The uniqueness of products (things or services) they pushed forward will allow the company to attract as much attention as possible from their potential consumers. The methods varies from each markets, but still related to the aspects and physique of product or the satisfaction gained from the consumers (live or psychologically) regarding that product. Every features such as simple maintenance, extras, flexibility, comfort, etc. that are harder for the competitors to copy are prime examples of differentiation. This kind of strategy usually being used for potential consumer who don't take much considerations for the prices the get (price insensitive).

Differentiation Strategy is a competing strategy devised by Porter (1985), where in this strategy a company looked for their own uniqueness to be a dimension to give larger value to consumers. Differentiation is offering products or services that are the best, different, and original to the consumers (Kaliappen and Hilman, 2014), also able to give best value towards consumers if they were to be compared (Wongsansukchaeron et al., 2013). Chandra and Mustamu (2015) defined product differentiation as the brand's identity and loyalty that consumers had for that company.

It needs to be noted that in every level of differentiation, it didn't gives a guarantee of competitive benefits, especially if the standard products out there had already fulfilled society's needs or if the competitors could copy things faster. The best way to applied this strategy is towards durable products and hard to be copied.

Generally, low cost strategy and differentiating products were applied by companies to reach competitive benefits than their competitors in the market (Look up David, 1998; Fournier and Deighton, 1997; Pass and Lowes, 1997; Porter, 1980 and 1985).

Usually there are two strings attached when a company decided to use this strategy, which is resources, and organization. From the view of resources, then to apply this strategy, a company needs large powers from product marketing, creativity and talent, product engineering, field research, their reputation, distribution, and working skills. Meanwhile from the view of organization, a company should be strong and able to do: coordination between related managements, recruitment of workers with high capabilities, and subjectively measure the incentives rather than objectively (Umar, 1999).

Competitive Advantage

Bharadwaj et al. (1993,p83-84), explained that the advantages of a competition are the results of implementing a strategy which make use of various resources that belongs to a company. Speciality and unique asset were viewed as the source of competitive benefits. Unique speciality is an ability possessed by a company to include their workers as an important part to reach an advantage in a competition. The company's ability in developing the skills of their workers perfectly, will allow them to hold the top place in the game as their human resources-based strategies will be harder to be mimicked by other companies. Meanwhile asset or unique resources, are real resources needed by a company to execute their competing strategy. These two resources must be directed properly to support the creation of a low cost and different performance from one company to another.

A similar statement was also being brought out by Porter (1990, p.3), that a competition's advantage is the centre of a company's performance to face a direct competition. Competition's advantage can be defined as a beneficial strategy for a company who establishes cooperation to create more effective competition benefits. This strategy should be designed to create continuous benefits so that a company could dominate both in old and newer markets. Competition's advantage basically grows from values or benefits a company can create for its consumers. Generally, buyer tends to choose a product which presents more values than what they needs. Even so, those values will be compared with the price that comes with it. A purchase will happen if the benefits and the price given balances out each other. This was supported by Styagraha (1994, p.14), who stated that competition's advantage is an ability of a company to give higher values toward its products than its competitors and those values can bring more benefits for the buyers.

Several indicators used to measure these advantages are uniqueness, rarity, harder to get plagiarized, harder to swap, and the competing price. A product's uniqueness is the characteristic of a product which combined aesthetic values and buyer's taste. Competing price is a company's ability to correspond its product's price with the general price in the market. Rarity means the product's existence is hard to come by in today's competition. Harder to plagiarized means other competitors might be able to copy the product but not with the same quality. Harder to swap means there are not much similar product in existence that can be a substitute.

Mind Frame and Hypothesis

Low cost strategy and Differentiation strategy were applied by companies to reach competitive advantage than the other competitors in the market (Look up David, 1998; Fournier and Deighton, 1997; Pass and Lowes, 1997; Porter, 1980 and 1985). With that in mind, there is an influence of low cost strategy and differentiation strategy towards the advantages a company hoped to gain. As with previous explanation, the research design that should be born is as follow:

Image 2.1
Research Design
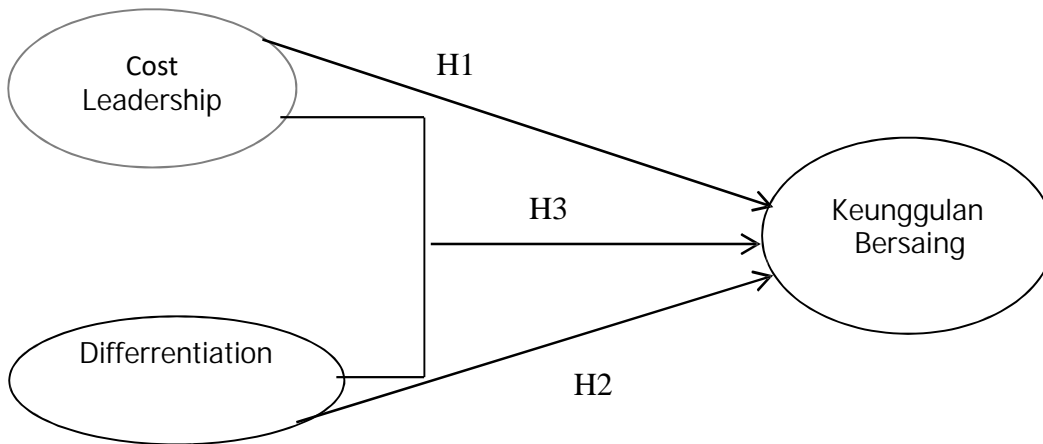
This research's hypothesis are:

1. There's a significant influence of *Cost Leadership Strategy* towards a competitive advantages

2. There's a significant influence of *Differentiation Strategy* towards a competitive advantages

3. There's a significant influence of both *Cost Leadership* and *Differentiation* towards a competitive advantages

RESEARCH METHOD

This research was done descriptively focusing on cases which are detailed researches of an object in particular range of time, done deeply in a complete manner and make use of various data as resources (Hancock & Algozzine, 2006). In the correlation with time and place, the object of the studies is contemporary, which is still happening or already done but left many impacts and influences (strong or particular) when the study begins (Yin, 2003). Yin also said that the most suitable case study of this research is one which had no control over events. Cost Leadership is a formula which is used to determine the main burden of production which in turn resulted in lower cost to grab a particular market segment. Differentiation in this study is the presence of uniqueness from a product that could be compared from similar products from other businesses.

Competitive Advantage is a result of strategy application by a company with these indication: resulting products, segment of market gained, or market share gained. There are 2 products to become this research variables:

1. *Fish n' Chip* which is sold at Rp. 29.000 is *Cost Leadership* variable due to its cheaper price than other business's product and even compared to the other menu inside the restaurant itself

2. *Fish n' Pasta with Creamy sauce* which is sold at Rp. 35.000 is *Differentiation* variable due to its unique presence that no other restaurant had.

The data that are used in this research came from sales data from May to July 2016. The sum comes in 84 data from the outlet in Kesehatan Street, Bintaro. This outlet was chosen because it is the newest one from "Fish Streat" line of business when this research was conducted.

DISCUSSION

Before doing the regression method to the research models, first do the hypothesis which resulted in this:

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.977[a]	.955	.954	1180184.68125	2.217

a. Predictors: (Constant), SALESFNP, SALESFNC

b. Dependent Variable: TOTALSALES

TOTALSALES = 1941063.148 + 1.876FNC + 2.135FNP + E

Going by the output above, we can see that the value of DW is 2.217. Next this value will be compared with the value of significant table (5%), the total of samples (N=82), and the total of independent variables 2(K=2) =2.82. Then we get the value of du 1.6913. The value of DW is 2.217 times larger than the limit (du) which is 1.6913 and less than (4-du) 4-1.6913 = 2.3087. Se we can conclude that there are no autocorrelation in the above regression models.

Simultaneous Influence Test (F-test)

F-test or usually called Simultaneous test and Anova test, is used to watch the influence of all independent variables towards dependent variables. F-test is also used as an indicator as to whether the regression model is significant or not. This test use level of significance with 1%, 5% and 10% of probability. The criteria for receiving area (H0) or rejection in F-test were done by comparing F-test with degree of numerator (k) and degree of denominator (n-1-k), where n is the sum of all samples and k is the sum of all independent variables in this test. With samples as many as n = 82, df denominator = 79 and df numerator = 2. From the distribution table, we get the value of Ftable = 4.88 for = 1%, 3.11 with =5% and, Ftable = 2.37 with =10%. The value of Fstat which is larger than Ftabel, shows that there is a significance influence between independent variables together towards dependent variables.

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	2339310751882097.000	2	1169655375941048.500	839.765	.000[b]
1	Residual	110034034666683.270	79	1392835881856.750		
	Total	2449344786548780.500	81			

a. Dependent Variable: TOTALSALES

b. Predictors: (Constant), SALESFNP, SALESFNC

The table above shows that there is a value of probability Fstat is 0,000 smaller than =1%. Thus we can conclude that the value Fstat is significant.

The testing was done by observing the significance of correlation from each dependent variables. On the table below, shows that the positive value of coefficient depicted that the dependent variable stands perpendicular towards the variables that influenced it. On the other side, the negative value of coefficient depicted that the dependent variable stands inversely towards the variables that influenced it

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	1941063.148	358370.358		5.416	.000		
1 SALESFNC	1.876	.121	.658	15.566	.000	.318	3.145
SALESFNP	2.135	.250	.360	8.523	.000	.318	3.145

a. Dependent Variable: TOTALSALES

Going by the table above, it was discovered that FNC sales free variables reach the value of 1.876 with positive value which means FNC sales had a positive influences towards the overall sales. The same goes with FNP sales which got the positive value of 2.135 which means that FNP sales also had a positivie influences towards the overall sales

According to the result of regression analysis, we get the value of t is 15.566 > t table 1.984 and the value of significance is 0.000 < 0.05. Thus we can conclude that H0 is rejected while H1 is accepted which means FNC sales had a significance influence towards the overall sales. Meanwhile, with FNP sales free variable it was discovered that the vlue of t is 8.523 > t table 1,984 and the significance value is 0.000 < 0.05. So we can say that H0 is rejected and H1 is accepted, which means just like FNC sales, FNP sales also had a significance influence towards the overall sales.

This research only expressed the analysis done towards competitive advantage with the independent variables being cost leadership and differentiation. Also judging by the theories, competitive advantage could be seen from the skills of the human resources, environment, and the choice of location. We hope that future researchers can analyze everything deeper and more detailed.

CONCLUSION

1. Using F-test, it was proven that *Cost leadership* which used *Fish n' Chip* and *Differentiation* which used *Fish n' Pasta* simultaneously had a positive influence and significance toward the Competitive Advantage.
2. While individually, using T-test, it was proven that *Cost leadership* had a positive influence and significance toward the Competitive Advantage.
3. Also *Differrentiation* had a positive influence and significance toward the Competitive Advantage.

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