Comparison of Porter's Generic Strategies in Indonesia's Fashion Retail Companies: A Case Study

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Abstract

Indonesia's retail industry for the fashion sector continues to grow rapidly due to an increase in per capita income and an increase in the upper-middle class. The fast globalization has forced the fashion industry to grow rapidly to cope with global trends. The need for clothing as the basic need of human life makes the fashion industry remain a sustainable industry despite globalization. Even though the fashion industry provides basic need such as clothing but fashion retailer needs a strategy to not just survive the fashion retail business but also lead the fashion retail market. The formulation of strategy is important for a company to withstand the market challenge and become the leader in the market. By using Porter's generic strategies, fashion retail companies are assessed and compared their financial performance. In this research, we analyze the financial performance of the company PT. Ramayana Lestari Sentosa Tbk, PT Matahari Department Store Tbk, and PT Mitra Adiperkasa Tbk. The goal is to assess their financial performance based on Porter's generic strategies. This financial analysis is an encouragement either for the entrepreneurs to start fashion businesses or small businesses to continue developing since in the future fashion business is always tempting for investors and customers.

Keywords
Fashion Retail, Porter's Generic Strategies, Financial Performance

1. Introduction
One of the basic needs of human life is clothing. The need for clothing is very important for humans to protect themselves from the weather whether it's hot or cold. Clothing as the basic need for human life has created a business opportunity for the clothing supply. The fashion industry is indeed a dynamic business, characterized by demand uncertainty resulting from the high variation in styles and consumer tastes, which makes it impossible to forecast demand accurately. Several factors such as an increase in purchasing power of Indonesian consumers, especially on special occasions like Aid Mubarak, Christmas, Chinese New Year, etc.; high population growth; rising income per capita; and a rise of middle-up class people in Indonesia support the Indonesian retail growth.

The rapidly growing globalization has enforced the clothing supply industry to also involve in the fashion trend by designing within the trend or even becoming the trendsetter itself. In addition, fashion determines someone from social class to their characteristic. The current business model also makes fashion retailing more utilized, not many manufacturers directly sell their fashion products to the customer but most of them sell to a retailer and then the retailer is the one who will sell the manufacturer's product to the customers.

Indonesia with its large population makes it one of the biggest markets for a fashion retailer. Even though the market is large, the fashion retailer has many competitors other than the retailer itself but also small-medium enterprises that are also competing with them in the fashion market. The occurrence of a pace of innovation that exists in the new market and the changing pattern of consumers requires the existence of a strategy. A strategy is an incremental action -continuous improvement- continuously and is done based on the point of view of what to expect in the future (Nurcahyo et al. 2018).

According to Rangkuti (2006), as cited in Nurcahyo et al. (2018), there are two related concepts in determining the developed strategy, which is distinctive competence, where a company has a competence that is not easy to be imitated by competitors, and competitive advantage, where a company develops and performs specific activities to be superior to the competitor. Competitiveness can be seen from many perspectives (Wibowo and Nurcahyo 2020). Competitiveness can be defined as the ability of a company to successfully compete as long as the cost is lower than the used resources' revenue.

To withstand the market challenge, a fashion retailer needs a well-defined and firm strategy not just to survive the market competition but also to outclass their competitor. Corstjens and Corstjens (1995) suggest basing unique advantages on some resources for the firm, which are difficult to imitate. Branding is widely recognized as a source of customer value creation and a strategic choice for creating a sustainable competitive advantage, differentiating the company (offering) from (the) competitors. One of the principles of branding is positioning the brand personality. Retail brand personality (or 'store personality') has been associated with relevant outcomes such as consumer behavioral intentions (Das 2014), customer loyalty (Zentes et al. 2008; Das 2014), and brand value (Jara and Cliquet 2012). In formulating a strategy (Porter 1985), Porter's generic strategy is the most widely used concept for defining a company's strategies and they are applied in this to assess the performance of fashion retailers in Indonesia. Some generic types of strategies that are often used in competitiveness improvement studies are commonly called Porter's Generic Strategy which includes: Overall Cost Leadership, Differentiation, Focus (Wibowo and Nurcahyo 2020). The competitive advantage of a company can also be seen in its financial performance (Nguyen et al. 2021). This is to determine the sustainability of an industry and the competitiveness of an industry so that industry players can be well directed in determining a decision (Wibowo and Nurcahyo 2020).

According to Kaplan (2011), as cited in Nurcahyo et al. (2021), the financial and non-financial indicators can provide information on the performance of a company, as those indicators can give information on the proportion of what a company had been achieve. Business performance can be seen from financial and marketing performance parameters, like sales growth, profit level, and market share (Feng et al. 2007).

The focus of this research is to compare the impact of implementing Porter's generic strategies on the company's financial performance based on their annual reports by studying the case of Indonesia's fashion retailers: PT Matahari Department Store Tbk; PT Ramayana Lestari Sentosa Tbk; and PT. Mitra Adiperkasa Tbk financial performance is analyzed based on the financial ratio as the performance indicator. Those financial ratios involve ratios such as the return of assets (%), profit margin (%), and return on equity (%).

Food and beverages are considered as the basic need of human life as so as clothing and housing. However, compared to food and beverages, clothing is unnecessary to be purchased or consumed daily. There is very limited research on strategy impact of fashion retailer towards its financial performance in Indonesia. The strategies implemented by food and beverages company may not be suitable since its dealing with different customer behavior. In order to lead the market, the implementation of an effective strategy is vital. Therefore, an analysis of strategy implementation towards fashion retailers' financial performance in Indonesia is needed in order to give a perspective on the impact of strategies towards its financial performance. We hope that this research can contribute to helping (i) the fashion retail industry to analyze their strategies (ii) implement and compare Porter's generic strategies (iii) analyze the effect of strategy formulation towards the financial performance of a company.

In this research, we use Porter's generic strategies because it is the widely accepted since 1980. Porter's generic strategy is very important because Porter's framework of generic strategies conceptualizes key elements of firms' strategic positions in industry. Porter's generic strategies are also instruments that can help a company's management, growth, and profitability to achieve a long-term advantage.

Taking into consideration of the circumstances, focus, and objectives of this research, we can formulate the research questions into two questions which are (1) How Porter's generic strategies can be used for fashion retail companies in Indonesia? (2) How is the relation between the use of Porter's generic strategies and the company's financial performance?

2. Literature Review

2.1 Porter's generic strategies

Generic Strategies which were proposed by Porter (1980) were known as a dominant paradigm in strategic management and marketing literature. Porter defines strategy as the ability of a company to acquire a competitive advantage through three main strategies: cost leadership, differentiation, and focus. Several academic studies confirm that this typology can be seen as a foundation for separating successful and unsuccessful firms on behalf of their strategic choice. All in all, Porter advises firms to choose one of the three strategies for the long term, in order to stay competitive (Eldring 2009).

Cost leadership strategy is about gaining advantage on the market by producing units of products or services with the least amount of cost in producing for customers who are easily affected by price (David 2011). Firms that have a cost leadership strategy strive to become a low-cost producer in the industry. Usually, a low-cost producer sells a standardized product on a broad range and tries to exploit all sources of cost advantages (Porter, 1980). Therefore, a cost leadership strategy is most viable for large firms since they have greater access to resources and lower overhead costs, which results in lower per-unit costs. The example of using cost leadership strategies is the use of mass manufacturing and gives price cuts on their sales (David 2011). With the mass production they could reduce their product cost and could sell the product more cheaply. The MSME sectors in India prefer cost leadership over the differentiation owing to the scarcity of the resources (i.e. technology, flexibility, design and development techniques) (Kharub et. Al 2019). A differentiator is unique within its industry along dimensions that buyers value in a way, that they are willing to pay a price premium. These dimensions can be, for example, a superior product quality, the product itself, the delivery system, or the marketing approach. To implement the differentiation kind of strategy a strong link must be built on the research & development function as well as the marketing function in order to create a unique product that could be sold to customers (David 2011).

Brenes et. al (2020) has shown that value-added agribusiness companies can pursue differentiation strategies through different configurations to achieve prices consistently higher than those of competitors. Sun and Lee (2019) in their research found that franchising can be a more beneficial differentiation strategy for limited-service (e.g., fast food) restaurants than for full-service restaurants. It would be useful for limited-service restaurants to establish strong communication channels with franchisees because it could help strengthen their competitive advantages and market positions, ultimately making them more likely to achieve business success. Focus, the third generic strategy, is based on adopting a narrow competitive scope, which makes this strategy different from the others, which have a rather broad scope (Porter 1985). This niche can be either "a certain kind of customers, a limited geographic market, or a narrow range of products" (Miller and Friesen 1986). The focuser can achieve a competitive advantage within a niche, because large firms are either not attracted to the niche, or have overlooked the potential (Eldring 2009). The focus strategy can be implemented by empowering market development and penetration to offer more focused advantages (David 2011). In the research of Chan and Wong (1999) it was stated that cost focus might not be a viable strategy for niche players in the banking sector due to the difficulty in reaping scale economies.

2.2 Competitive Advantage

Competitive strategies deal with the development of attributes that characterize a company and differentiate the value it creates and offers in comparison to its competitors, i.e., the ''core idea about how the firm can best compete in the marketplace'' (Morschett et al. 2006). Demand conditions, the market demand will influence the competitive advantage of the company. It will help the company to build a competitive advantage. If there is large market demand, the company will invest to get economies of scale which contributes to building a competitive edge (Kharub and Sharma 2017). A company can gain a competitive advantage by smartly positioning itself in the market. The internal aspect of the company, such as resources and capability can also help the company to achieve a competitive advantage (Eldring 2009).

Companies can have competitive advantages through innovation, including the company's activities, products, or services. Dogan et. al (2013) in their tourism industry research shows indicate that architectural innovations are advantage in competition for hotels. Innovation has become one of the most important issues for all organizations to acquire new technological capabilities and explore new business process for staying profitable in the long run. Azadi (2011) stated that development of information along with the development of the internal business processes can lead to some form of a competitive advantage in the market. The businesses and their representatives are directly responsible for the patterns of purchases (in the long run) of each of their customers.

According to Porter, four aspects affect how the company can achieve competitive success, factor conditions; demand conditions; related and supporting industries; the last is firm strategy, structure, and rivalry. Once the company achieves a competitive advantage, it will sustain it through continuous improvement (Porter 1985). Because competition in the retail sector has been increasing for years, the importance of developing an effective competitive strategy appears to be increasing constantly. Given that retailing has become a mature industry with overcapacity, high concentration, and, in many cases, price-driven marketing strategies which have led to rather homogeneous stores, differentiation from competitors through positioning seems increasingly necessary (Morschett et al. 2006).

Morschett et al. (2006) in their research was stated food retail companies seem to develop their competitive strategies along the same dimensions that consumers use to evaluate the retailer. Thus, the cost-quality-convenience-framework obviously can adequately serve to describe the development of competitive strategies in food retailing as well as to evaluate the positioning success from the consumer perspective.

2.3 Financial Performance

Posavec et al. (2021) show that the competitiveness and creativeness of a company can be seen by the level of efficiency and the success of financial performance. Porter's strategy has a positive effect on the financial performance of the firms. Ratio analysis is a method to evaluate the overall financial condition and performance of a company. It compares the number against previous years, other companies, the industry, or even the economy in general. Smith (2011) in his research using financial performance to supports Porter's generic strategies typology, and shows that medical group practices using a differentiated strategy were the best performers, with cost leaders, hybrids, and mixed strategy groups having similar performance levels. Several types of ratio comparison will be used in this research, specifically, return on assets (ROA), return on equity (ROE), gross profit margin (GPM), and net profit margin (NPM). ROA reflects how the firm utilizes total assets to generate revenue. ROE shows how much profit each dollar of common stockholders' equity generates. NPM and GPM are used to determine how well a company's management is generating profits (Xu & Liu 2020). This evaluation enables researchers to assess the strategic success of a firm to see how efficiently a firm has managed its assets and resources to generate earnings.

3. Methods

In this particular research, we combine qualitative-based analysis with quantitative-based analysis. The qualitative based analysis is based on a case study that we conduct on each fashion retail company. We categorize fashion brands, markets, and analyze generic proter strategies. For quantitative-based analysis, the study is based on the financial performance of each fashion retail company, namely the value of Return on Assets (RoA), Return on Equity (RoE), Gross Profit Margin, Operating Profit Margin, and Net Profit Margin. Hence, there is a need to apply this hybrid analysis to study the effect of strategy formulation towards the financial performance of a company. The following analytical results can provide quantitative and qualitative support for fashion retail company to enhance the competitiveness and improve the performance to compete in the market.

The use of a case study is an ideal approach for a holistic perspective of an investigation (Hardwick, 2017; Crowe et al., 2011). Other than that, it is also considered a timely and valuable research approach and appropriate for qualitative analysis (Hardwick, 2017). However, the case study approach mostly only discusses the qualitative dimension and may cause inaccurate and biased results. Therefore, to reduce the inaccurate and biased analysis we also involve quantitative analysis.

For us to study and compare the implementation of Porter's generic strategies in three fashion retail companies in Indonesia we select three companies. The criteria of the company selection are based on (1) Indonesian-based companies and (2) the market target of the companies in Indonesia's market.

Porter's generic strategy is very important in this study because Porter's framework of generic strategies conceptualizes key elements of firms' strategic positions in industry. To capture core dimensions of firms' strategies, it is necessary to understand performance differences between firms. Research on these generic strategies has been challenged by the complexity of capturing relations between generic strategies (i.e., cost leadership, differentiation, and focus) and their interdependencies with other strategic commitments for performance outcomes.

The measurement of each company with Porter's generic strategies (cost leadership, differentiation, and focus) will be based on the product price range, market size, and the variety of the products or brands (David 2011).

After the measurement of the company's strategies based on Porter's generic strategies, then we compared their financial performance to evaluate the effects of implementing their strategies based on Porter's generic strategies on the financial state.

The financial performance will be measured on 5 key financial indicators which are Return on Assets (ROA), Return on Equity (ROE), Gross Profit Margin, Operating Profit Margin, and Net Profit Margin.

The data that are used are secondary data from the company's annual report from the year 2016 until 2020, financial statements, and reliable articles. From these data, we analyzed to determine the company's strategies based on Porter's generic strategies and the financial performance of the company that implements Porter's generic strategies.
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4. Data Collection

In this section, we will analyze the company's strategies and the effect on their financial performance based on Porter's generic strategies. PT. Ramayana Lestari Sentosa Tbk., PT. Matahari Department Store Tbk., and PT. Mitra Adiperkasa Tbk. was chosen for this case study research based on their market in Indonesia and it is an Indonesian origin company. Their short profile is presented below.

PT. Ramayana Lestari Sentosa Tbk. is a public listed company in Indonesia that was established in March 1978 and listed as PT. Ramayana Lestari Sentosa Tbk (RALS)., on June 1996 on Indonesia Stock Exchange (IDX) and operates in the fashion retail business in Indonesia. In 2020, Ramayana owned 106 department store outlets and 79 supermarket outlets in 54 cities around Indonesia. Ramayana has been operating in the fashion retail market targeting the lower class in Indonesia but since 2016 due to business challenges, Ramayana tends to try to reach the middle-class of Indonesia as their market. Their innovation called the "City Plaza" is their initiation to try breakthrough the middle-class market in Indonesia "City Plaza" is a complete shopping solution concept that provides shopping, culinary, and entertainment in one single place.

Matahari Department Store was first established in October 1958 as a clothing store specializing in children's apparel located in Pasar Baru, Jakarta. Following their success, they try to expand towards the department store fashion retail business. In 1992, Matahari announced an initial public offering (IPO) and change its company name to PT. Matahari Putra Prima Tbk in 1992 and changed their entity again in 2009 which is widely known until now as PT. Matahari Department Store Tbk. At the end of 2020, Matahari has 147 outlets operating in 76 cities. Expanding towards the online business domain, they have their own online shopping platform Matahari.com and also in 2015 they establish a partnership with third-party e-commerce platform Matahari Mall and began to offer a high-quality products and exclusive brands to support people's lifestyles.

Mitra Adiperkasa was established in 1995 and ever since then has developed and become a lifestyle retailer in Indonesia and known as MAP the short of Mitra Adiperkasa. Public listed on November 2004 as PT. Mitra Adiperkasa Tbk., now MAP has more than 2.600 retail outlets in 81 cities in Indonesia. MAP in Indonesia is most known as the operator of iconic brands in Indonesia such as ZARA, Marks & Spencer, SOGO, and much more. They expand their business portfolio to other business lines such as food & beverages and also a distributor for sports, kids, and lifestyle brands. In 2011, MAP was voted in Forbes Indonesia's Top 40 Companies.

4.1 Porter's Generic Strategy Identification

David (2011) elaborates Porter's generic strategy into five types. Cost leadership strategy can be defined into two alternatives. The first type is cost leadership – low cost, that serves a large customer market at the lowest price on the market. The second type is cost leadership – best value, which offers the best value for money at the lowest cost on the market, serving the large customers. Differentiation strategy focus on large or niche market customer who are relatively priced insensitive. Focus strategy can be expanded into two categories. The first type is focus – low cost, a strategy that focused on a niche market with the lowest price available on the market, and the second type is focus – best value or focus differentiation, serving customers in a small market with products or services that meet their needs better than other rivals.

Based on the brands, product price, and the market size as an indicator, we identify which Porter's generic strategies that used by three fashion retailers in Indonesia, as shown in Table 1.

Table 1. Strategy indicator and financial performance of the case studies

	Ramayana	**Matahari**	**MAP**
Strategy Indicator			
Fashion Brands	Emba Classic, S135, M231, Emba Jeans, Benhill, Twist, Pingu, Gabrielle, Larusso, Fladeo, RAF21	Connexion, Nevada, T-Zone, details, Greenlight, Cardinal, Cole	ZARA, Typo, Innisfree, Sulwhasoo, Pull&Bear, Stradivarius, Bershka, Marks & Spencer, Zara Home, Lacoste, Calvin Klein
Product Price Range	Lowest	Low (higher than Ramayana)	Middle range
Market	Large (106 department store outlets, 79 supermarket outlets, 54 cities)	Large (147 outlets, 76 cities)	Large (2600 retail markets, 81 cities)
Porter Generic Strategy	Cost Leadership - Low Cost	Cost Leadership - Best Value	Differentiation
Financial Performance (average 2016-2020)			
Return on Asset (RoA)	7,44%	22,60%	3,30%
Return on Equity (RoE)	10,19%	35,84%	7,00%
Gross Profit Margin	41,56%	61,20%	46,78%
Operating Profit Margin	4,78%	12,80%	6,00%
Net Profit Margin	6,10%	9,08%	1,88%

Ramayana is using cost leadership – a low-cost strategy. They offer brands that are considered cheap, with the lowest product price among their rivals. Ramayana is also targeting the large market, identified by the penetration of their store. As of 2020, Ramayana owns 106 department store outlets and 79 supermarket outlets in 54 cities around Indonesia. Matahari, on the other hand, matches the second type of cost leadership strategy. They offer products that are still considered a low price, but not as low as Ramayana. Their market is also large. At the end of 2020, Matahari have 147 outlets operating in 76 cities. Mitra Adiperkasa offers many fashion brands that are considered higher class than what Ramayana and Matahari offer. The price of their brand's product is in the mid-range. They also target large market, as of now, they have 2600 retail outlets in 81 cities in Indonesia.

4.2 Financial Performance

The financial performance is analyzed based on the annual report from 2016 to 2020. We analyze the performance from ROE, ROA, GPM, Operating profit margin (OPM), and NPM. Here is how the three fashion retailers' financial performance in 2016-2020.

Ramayana's ROE is increasing almost year per year from 2016 to 2019. Matahari show a decline in ROE from 2016 to 2018, but manage to increase in 2019. Their ROE is highest than the other rivals. Mitra Adiperkasa manages to increase its ROE year per year from 2016 to 2019. In 2020, all fashion retailers show negative ROE because of COVID 19 pandemic. The average ROE from the three retailers shows that Matahari has the highest average ROE (35,84%), followed by Ramayana (10,19%), and Mitra Adiperkasa (7,00%), as shown in Figure 1.

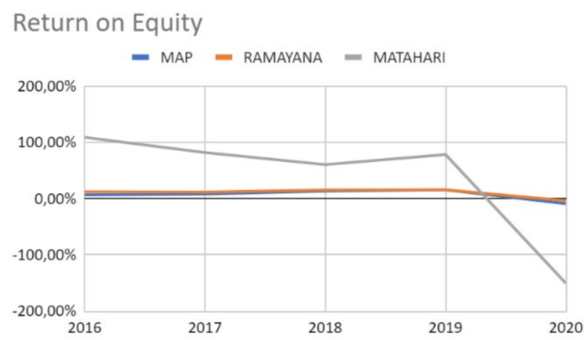

Figure 1. Return on Equity of Ramayana, Matahari, and Mitra Adiperkasa (MAP)

Ramayana and Mitra Adiperkasa showed an increase in ROA year per year from 2016 to 2019, whilst Matahari faced up and down in ROA. In 2020, all retailers faced negative ROA because of the COVID 19. Same as ROE indicator, on average, Matahari have the highest ROA (22,60%), followed by Ramayana (7,44%), and Mitra Adiperkasa (3,30%).

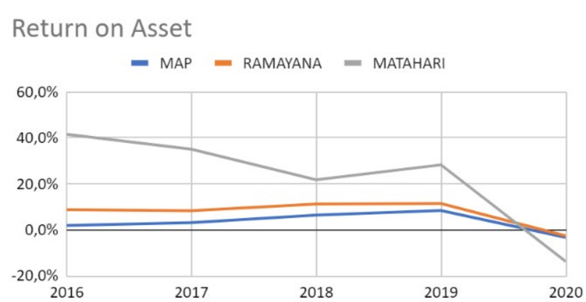

Figure 2. Return on Asset of Ramayana, Matahari, and MAP

Ramayana showed growth in profit margin from 2016 to 2019. Their GPM, OPM, and NPM indicated positive growth in terms of profit margin. Same as Ramayana, Mitra Adiperkasa also successfully gain a positive profit margin from 2016 to 2019. On the other hand, Matahari faced a decrease in profit margin from 2016 to 2018 but managed to bounce back in 2019. Ramayana, Matahari, and Mitra Adiperkasa faced a loss in 2020 because of COVID 19. On average, same as ROE and ROA, Matahari has the highest profit margin, followed by Ramayana and Mitra Adiperkasa. The GPM of those retailers is shown in Figure 3, while Figure 4 represents the OPM, and their NPM is shown in Figure 5.

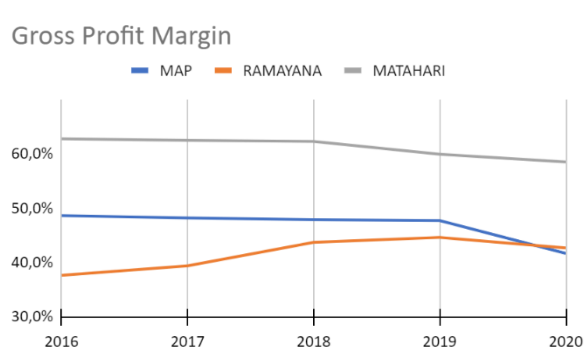

Figure 3. Gross Profit Margin of Ramayana, Matahari, and MAP

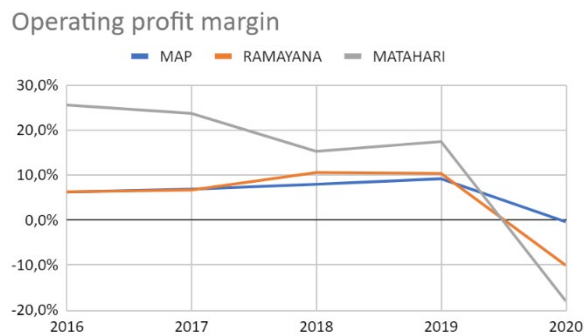

Figure 4. Operating Profit Margin of Ramayana, Matahari, and MAP

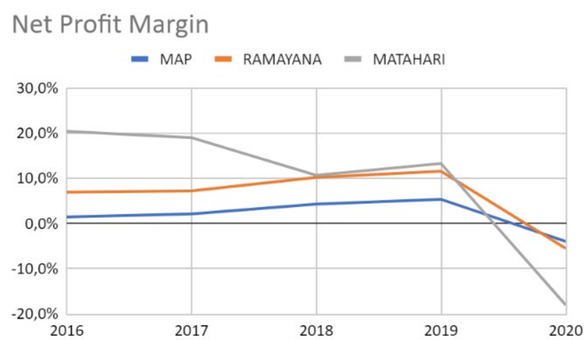

Figure 5. Net Profit Margin of Ramayana, Matahari, and MAP

5. Results and Discussion

The purpose of this study is to analyze Porter's generic strategy used by fashion retail companies in Indonesia, implement and compare Porter's generic strategies, and analyze the effect of strategy formulation towards the financial performance of a company. The spending of Indonesian people especial on fashion increase in the last 5 years. This indicates the fashion market in Indonesia is still growing, supported by the population and economic growth. Fashion retail companies usually have products that are similar to competitors. It is important for fashion retail companies to maintain a competitive advantage sustain by frequently finding their position in the market. In this study, Porter's generic strategy was analyzed based on 3 categories, namely fashion brands, product price range, and market. The three main strategies according to Porter are cost leadership, differentiation, and focus.

To employ a cost leadership strategy successfully, a firm must ensure that its total costs across its overall value chain are lower than competitors' total costs. This can be done by monitoring value chain activities to be more efficient than competitors, controlling the factors that drive the costs of value chain activities, and improving the company's value chain as a whole to eliminate or cut some of the activities that generate costs. A cost leadership strategy is adopted by companies when price competition among rival sellers is especially vigorous, there are few ways to achieve product differentiation that have value to buyers, most buyers use the product in the same ways, and buyers incur low costs in switching their purchases from one seller to another. Companies that use the competitive strategy usually have a similar product to the competitor, which requires the companies to increase the price competition. Fashion retail companies are more attractive to customers if they can compete on product prices relative to competitors. Cost leadership strategy can help the company gain more customers by increasing its market share of the companies.

Cost leadership is divided into 2 categories, namely low cost, and best value. In this study, the fashion retail company that adopted the cost leadership strategy – low cost is PT. Ramayana Lestari Sentosa Tbk. They offer brands that are considered cheap, with the lowest product price among their rivals. Some of the brands that are sold at Ramayana are Emba Classic, S135, M231, Emba Jeans, Benhill, Twist, Pingu, Gabrielle, Larusso, Fladeo, RAF21. Ramayana is also targeting a large market, identified by the penetration of their store. As of 2020, Ramayana owns 106 department store outlets and 79 supermarket outlets in 54 cities around Indonesia. Based on ROA, ROE, and Net Profit Margin, Ramayana's financial performance is lower than Matahari but higher than Mitra Adiperkasa.

Fashion retail company that adopter the cost leadership strategy – best value is PT. Matahari Putra Prima Tbk. They offer products that are still considered a low price, but not as low as Ramayana. Some of the brands that are sold at Matahari are Connexion, Nevada, T-Zone, details, Greenlight, Cardinal, and Cole. Their market is also large. At the end of 2020, Matahari have 147 outlets operating in 76 cities. When comparing the financial performance of Matahari to Ramayana and Mitra Adiperkasa, Matahari has the best ROA, ROE, and Net Profit.

Second Porter's generic strategy is Differentiation. Differentiation strategy should be pursued only after a careful study of buyers' needs and preferences to determine the feasibility of incorporating one or more differentiating features into a unique product that features the desired attributes. A differentiation strategy is adopted by companies when there are many ways to differentiate the product, buyer needs and uses are diverse, few rival firms are following a similar differentiation approach, and technological change is fast-paced. This strategy requires companies to create unique products and differentiate their products from competitors (Banker, Mashruwala & Tripathy 2014). Firms can benefit from a differentiation strategy when product prices are higher than those required to create a unique product (Firoz et al. 2019). To achieve the highest degree of differentiation, a customer-specific customer offer is required. It can be assumed that the potential for customer individualization increases with the increasing number of different product variants

In this study, the fashion retail company that adopted the differentiation strategy is PT. Mitra Adiperkasa Tbk. Mitra Adiperkasa offers many fashion brands that are considered higher class than what Ramayana and Matahari offer. The price of their brand's product is in the mid-range. Some of the brands that are sold at MAP are ZARA, Typo, Innisfree, Sulwhasoo, Pull&Bear, Stradivarius, Bershka, Marks & Spencer, and Zara Home, Lacoste, Calvin Klein. They also target a large market, as of now, they have 2600 retail outlets in 81 cities in Indonesia. Mitra Adiperkasa has the lowest financial performance when compared to Ramayana and Matahari in terms of ROA, ROE, and Net Profit.

Ramayana, Matahari, and Mitra Adiperkasa are targeting middle to low segment. Based on our research, in general, retailers who use a cost leadership approach to target the low-income market perform better than those who use a differentiation strategy to target the middle-income market. The retail industry, particularly fashion retail, is undergoing a bifurcation trend, according to Lobaugh et al. (2018), in which the market is divided and shifting between lower and upper classes. The market was won by either price-based retailers or premium retailers.

6. Conclusion

The purpose of this study is to compare the implementation of Porter's generic strategy and analyze the impact of its implementation on the company's financial performance. Three Porter's generic strategies analyzed are cost leadership, differentiation strategy, and focus strategy. Three fashion retail companies in Indonesia, namely PT. Ramayana Lestari Sentosa Tbk, PT Matahari Department Store Tbk, and PT Mitra Adiperkasa Tbk were chosen to be the objects of this research.

The results of this study indicate that these three fashion retail companies have successfully implemented Porter's generic strategy. Based on qualitative analysis, namely fashion brands, product price range, and market, Ramayana adopted a cost leadership strategy - low cost, Matahari adopted a cost leadership - best value strategy, while Mitra Adiperkasa adopted a differentiation strategy.

Based on the company's financial performance (ROA, ROE, and Net Profit Margin), the order of the company's financial performance from highest to lowest is Matahari, Ramayana, and Mitra Adiperkasa. Because of the retail bifurcation trend, it can be stated that retailers who implemented a cost leadership strategy, which targets the low-income market, perform better than those who implemented a differentiation strategy, which targets the middle-income market.

However, there are still many shortcomings that need to be corrected in this study, because this research is based on limited secondary data that data and information are collected from online sources and company annual reports. To get better analysis and more accurate data, it is necessary to collect primary data and more information directly from the company.

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