

## How do Grocery Stores Create Industrial Economics in Surabaya: The Role of Competitive Strategy

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### ABSTRACT

*Business competitiveness plays a crucial role in the future development of grocery stores. To sustain growth, grocery stores must be able to adapt and create changes that foster brand trust. Grocery stores primarily serve middle to lower-income consumers by offering essential goods. The expansion of grocery stores in Surabaya continues to rise, as evidenced by 1,504 stores across 31 districts. Dukuh Pakis contributes 3.72% to this total, with 32 active grocery stores. This study aims to assess the competitive readiness of grocery stores to adapt to consumer changes and establish brand trust. A quantitative approach was employed, focusing on the 32 active grocery stores in Dukuh Pakis District. The findings indicate that 15 grocery stores (47%) fall under Grade 3, 8 stores (25%) under Grade 2, and 9 stores (28%) under Grade 1. The competitiveness assessment, measured through four dimensions, yielded a score of 13.06787109, classifying grocery stores in Dukuh Pakis District as having a strong competitive position.*

**Keywords:** industrial economics, competitive strategy, grocery stores, Surabaya city

### INTRODUCTION

Grocery stores are traditional shops targeting middle to lower-income consumers by selling essential goods. According to (Akbar et al., 2018), grocery stores operate to fulfil household needs and are easily accessible due to their widespread locations. The presence of grocery stores in Surabaya significantly contributes to the local economy. Data from the Surabaya Department of Cooperatives, Small and Medium Enterprises, and Trade indicate 1,504 grocery stores across 31 districts. Dukuh Pakis, a district located in the western part of Surabaya, accounts for 3.72% of these stores, with a total of 56 grocery stores.

Business owners naturally seek ways to sustain their enterprises against evolving challenges. Business sustainability is a crucial indicator in the growth of MSE grocery stores in Indonesia. Data from the Ministry of Cooperatives and Small and Medium Enterprises show that MSEs contribute 61.07% to the Gross Domestic Product (GDP). Business actors naturally desire to sustain their businesses in the long term. The ability of business actors to withstand threats in a business requires a continuous development process. Business sustainability focuses on the continuity of resources and processes in achieving a business objective (Pizzi et al., 2021).

Business sustainability is maintaining consistency in business performance, including growth, development, and implemented strategies (Park, 2019). Furthermore, Fatoki (2014) argues that business growth can be measured absolutely and relatively through changes in sales results, profits, and management within a specific period.

Business strategy refers to the steps taken by a company to reach its planned goals. It serves as a guideline for businesses to compete and ensure sustainability. A company's success in implementing cost leadership and product differentiation strategies directly influences its industry performance (Jiao et al., 202). A well-developed competitive strategy for grocery stores leads to business sustainability, primarily achieved through excellent customer service.

The goal of increasing the competitiveness of grocery stores is to enhance their ability to leverage technology, human resources, capital, and business management skills (Safirin, 2020). In today's era, business development is essential, and understanding that change is a form of business resilience is crucial (Bakaroni, 2020). Enhancing the competitiveness of grocery stores fosters brand trust, encouraging consumers to choose grocery stores over competitors. Store owners can build this trust by providing superior services.

Brand trust significantly influences consumer purchasing decisions. It is the belief that a product or service meets expectations and delivers satisfaction. In the digital age, businesses leverage technology to enhance consumer confidence, driving sales growth (Dharmayana, 2018). Consumers tend to repurchase products from brands they trust, as trust is built through quality products and reliable services.

**Table 1. Status of Active and Inactive Grocery Stores in Dukuh Pakis District**

Sub-District	District Status				Total
	Active		Inactive		
Dukuh Kupang	6	$\frac{6}{11} \times 100\% = 55\%$	5	$\frac{5}{11} \times 100\% = 45\%$	11
Dukuh Pakis	13	$\frac{13}{21} \times 100\% = 62\%$	8	$\frac{8}{21} \times 100\% = 38\%$	21
Pradah Kalikendal	7	$\frac{7}{11} \times 100\% = 64\%$	4	$\frac{4}{11} \times 100\% = 36\%$	11
Gunungsari	6	$\frac{6}{13} \times 100\% = 46\%$	7	$\frac{7}{13} \times 100\% = 54\%$	13
Total	32	$\frac{32}{56} \times 100\% = 57\%$	24	$\frac{24}{56} \times 100\% = 43\%$	56

Source : Author (2025)

Based on the Dukuh Pakis District has a total of 56 grocery stores, which are divided into active and inactive stores. There are 32 active grocery stores, accounting for 57%, while seven are inactive, making up 43%. Inactive stores are categorized based on the following factors: (1) the owner passed away, (2) the store changed to another type of business, (3) the store has closed down, (4) the business ceased due to lack of capital, and (5) the business location moved. Active grocery stores in Dukuh Pakis District are classified into three types of businesses: (1) E-Peken, (2) DBHCT, and (3) Padat Karya.

**Table 2. Distribution of grocery stores based on business type**

Sub-District	E-Peken	DBHCT	Padat Karya	Total
Dukuh Kupang	7	4	-	11
Dukuh Pakis	10	11	-	21
Pradah Kalikendal	11	-	-	11
Gunungsari	11	1	1	13
<b>Total</b>	39	16	1	56

Source: Author (2025)

E-Peken is a type of grocery store that has adopted the E-Peken application, a platform provided by Dinas Koperasi Usaha Kecil dan Menengah dan Perdagangan (DINKOPUMDAG) for conducting online sales. The number of grocery stores classified as E-Peken in Dukuh Pakis District is 39 out of 56 stores. DBHCT refers to a type of grocery store that receives capital access from the Tobacco Excise Sharing Fund provided by DINKOPUMDAG. In Dukuh Pakis District, 16 grocery stores fall under the DBHCT category. Padat Karya is a grocery store focused on rural development and poverty alleviation through productive community-based initiatives. In Dukuh Pakis District, there is one grocery store under the Padat Karya category.

Based on the study above, this research aims to address the issue of grocery store grade classification and to assess the competitiveness of grocery stores in Dukuh Pakis District, Surabaya City. Competitiveness will later serve as a basis for decision-making by the Dinas Koperasi Usaha Kecil dan Menengah dan Perdagangan (DINKOPUMDAG). The success of grocery stores can be evaluated through the quality of competitiveness between stores. Several factors influence this, including demand conditions, factor conditions, company strategies or competitive strategies, and supporting factors.

## RESEARCH METHOD

This study uses a descriptive quantitative approach. Sugiyono (2016) explains that the quantitative research method is based on the positivist philosophy and is used to study samples and populations. Quantitative research presents data in the form of numbers as research results. The object of this research is the grocery stores located in Dukuh Pakis District, Surabaya City. The sample in this study consists of 32 active grocery stores in Dukuh Pakis District. The sampling technique is based on purposive sampling, which means selecting samples based on specific characteristics that have been predetermined.

The data in this study is divided into two types: primary data and secondary data. The primary data is sourced from monitoring forms provided by the Dinas Koperasi Usaha Kecil dan Menengah dan Perdagangan (DINKOPUMDAG) Surabaya City, while secondary data is sourced from interviews. Based on the method used in this study, which is quantitative, the formula used for the research approach is as follows:

- The average importance degree value of each indicator

$$Z = \frac{\sum_{j=1}^n z_j}{n}$$

- Determining the weight of each indicator

$$W_i = \frac{\sum z_r}{\sum_{indicator} z_r}$$

- Determining the weight of each variable

$$W_j = \sum (W_i \times S_i)$$

- Determining the competitiveness index of each variable

$$IDS-j = \sum W_j \times Z_j$$

- e. Determining the competitiveness index of grocery stores in Dukuh Pakis District

$$IDS \text{ GROCERY STORE} = \sum IDS_j \times W_j$$

Description :

- n = Total of Respondents;  
 W<sub>i</sub> = Indicator Weight;  
 W<sub>j</sub> = Variable Weight;  
 S = Indicator Score;  
 i = Indicator;  
 j = Variable;  
 Z = Degree of Importance

The Likert scale is used to measure the degree of importance/weight using a nine-point scale (9) and to evaluate the company's score using a five-point scale (5). The classification of grocery stores in Dukuh Pakis District is divided into three grade groups (grade 1, grade 2, and grade 3)

**Table 3. Grocery store grade criteria**

Grade 1	<ul style="list-style-type: none"> <li>• Revenue &lt; 1 million IDR</li> <li>• Marketing is not yet maximized</li> <li>• No bookkeeping</li> <li>• No marketing efforts</li> <li>• Does not have a Business Identification Number (NIB)</li> <li>• No proper store layout</li> </ul>
Grade 2	<ul style="list-style-type: none"> <li>• Revenue &gt; 1 million IDR, up to a maximum of 3 million IDR</li> <li>• Has implemented online marketing</li> <li>• Possesses a Business Identification Number (NIB)</li> <li>• Maintains basic bookkeeping</li> </ul>
Grade 3	<ul style="list-style-type: none"> <li>• Revenue &gt; 3 million IDR</li> <li>• Has implemented online marketing</li> <li>• Maintains bookkeeping</li> <li>• Possesses a Business Identification Number (NIB)</li> </ul>

Source : Dinas Koperasi Usaha Kecil dan Menengah dan Perdagangan Surabaya City (2024)

## RESULTS AND DISCUSSION

### Classification of Grocery Store Competitiveness in Dukuh Pakis District Through Grade

The classification of competitiveness through grading is a method used to identify opportunities among grocery stores, where the assessment is based on the following factors: (1) Revenue earned by the grocery store in the last three months (2) Business legality, specifically the presence of a Business Identification Number (NIB) (3) Basic financial bookkeeping (4) Marketing process utilizing the E-Peken platform (5) Grocery store layout. This grading system helps evaluate and improve the competitiveness and sustainability of grocery stores in Dukuh Pakis District by identifying their strengths and areas for growth.

**Table 4. Grade criteria competitive strategy grocery store**

Sub-District	Grade		
	Grade 1	Grade 2	Grade 3
Dukuh Kupang	2 $\frac{2}{5} \times 100\% = 40\%$	3 $\frac{3}{5} \times 100\% = 60\%$	0 0%
Dukuh Pakis	5 $\frac{5}{13} \times 100\% = 38\%$	1 $\frac{1}{13} \times 100\% = 8\%$	7 $\frac{7}{13} \times 100\% = 54\%$
Gunungsari	2 $\frac{2}{9} \times 100\% = 22\%$	2 $\frac{2}{9} \times 100\% = 22\%$	5 $\frac{5}{9} \times 100\% = 56\%$
Prada Kalikendal	0 0%	2 $\frac{2}{5} \times 100\% = 40\%$	3 $\frac{3}{5} \times 100\% = 60\%$
<b>Total</b>	9 $\frac{9}{32} \times 100\% = 28\%$	8 $\frac{8}{32} \times 100\% = 25\%$	5 $\frac{15}{32} \times 100\% = 47\%$

Source: Author (2025)

Based on the data through the tabulation results, we can find out that Dukuh Pakis has 32 active grocery stores, where a total of 15 grocery stores can be categorized as grade 3 with a percentage of 47%, eight grocery stores can be categorized as grade 2 with a percentage of 25%, and nine grocery stores as grade 1 with a percentage of 28%. Gunungsari is one of the villages that has grocery store competitiveness based on the grade owned where the number of grocery stores that are in grade 3 in Prada Kalikendal village is 3 with a percentage of 60%, while the village that has low competitiveness for grocery stores based on grade 3 is Dukuh Kupang village with zero grocery stores.

Grocery stores must-have business legality in the form of NIB to be competitive with other grocery stores in Dukuh Pakis District. The existence of business legality grocery stores has a business license that is feasible to operate. Business legality in the form of NIB is a legal umbrella owned by a grocery store, so if there are problems related to the business license carried out, the g, grocery store already has protection in the form of NIB (Pramesti et al. et al.).

NIB's ownership will impact the fulfilment of capital for business actors, so it will be easier when they borrow capital from institutions and banks (Suhayati, 2018). Business legality is currently very easy to access through the government website OSS (Online Single Submission); this convenience will undoubtedly make it easier for grocery stores to make business legality easy, fast, and integrated (Latif et al., 2021). To review the competitiveness of grocery stores in Dukuh Pakis Subdistrict, of course, the author reviews the business legality owned by grocery stores.

**Table 5. Business Legality (NIB) of Grocery Stores in Dukuh Pakis District**

Have business legality NIB	10 Stores
Does not have business legality NIB	22 Stores

Source: Author (2025)

Based on this data, Dukuh Pakis Sub-district is still unable to compete with other grocery stores in Surabaya City; this is evidenced by the number of grocery store owners who do not have NIB is still higher than those who have NIB. Grocery stores with NIBs are 10 stores, while those that do not have NIBs are 22 stores. The Coordinating Ministry for Economic Affairs of the Republic of Indonesia has made it easy for grocery stores to make NIB in 2018. Based on

Fitri and Sharleen's research (2021), it significantly influences access to expansion of the marketing process, ease of carrying out cooperation, and ease of obtaining business capital.

**Table 6. E-peken access for grocery stores in Dukuh Pakis Sub-district**

Using E-PEKEN	14 Stores
Not Using E-PEKEN	18 Stores

Source: Author (2025)

Based on the data above, grocery store business actors in Dukuh Pakis Subdistrict have problems that have an impact on competitive strategy, where only 14 grocery stores still use e-peken. In comparison, the other 18 stores do not use the marketing process through e-poker. The development of technology and information that is growing so rapidly must certainly present a renewal of the marketing process for grocery stores in Dukuh Pakis District.

### **Grocery Store Competitiveness Grouping Through Competitiveness Index Results**

The grouping of grocery store competitiveness is based on calculating the competitiveness index by calculating indicator weights, factor weights, factor competitiveness indexes, and the resulting grocery store competitiveness index. The results of the calculation of the competitiveness index of grocery stores in the Dukuh Pakis sub-district of Surabaya City are listed in the following table 7 :

**Table 7. Competitive Strategy index of grocery stores in Dukuh Pakis Sub-district**

N o	Elements of Competitive Strategy	Indicator Weight	Factor Wight	Factor IDS	IDS Store	Grocery
I	Factor Conditions Dimension		4,6875	1,171875	5,493164063	
1	Capital Source	1,21875				
2	Location	1,28125				
3	Knowledge	1,0625				
4	Technology	1,125				
II	Demand Conditions Dimension		2,84375	0,7109375	2,021728516	
	Market Coverage	1,375				
	Sales Growth	1,46875				
III	Company Strategy and Competitive Structure Dimension		5	0,875	3,0625	
	Product	1,5				
	Adaptation					
	Competitive	1,03125				
	Strategy					
	Threat New Store	0,96875				
IV	Supporting Industry		3,15625	0,7890625	2,490478516	

	Dimension	
1	Financial Institution	1,03125
2	Marketing Intermediaries	1
3	Information Media	1,125
<b>Total</b>		<b>13,06787109</b>

Source: Author (2025)

Based on the calculated competitiveness index data for grocery stores in Dukuh Pakis District, the Factor Conditions Dimension ranks first in competitiveness with a score of 5.493164063. This dimension influences factors such as capital sources, location, knowledge, and technology. The second position is occupied by the Company Strategy and Competitive Structure Dimension, which affects factors like product adaptation, competitive strategy, and the threat of new entrants. The score for this dimension is 3.0625. The Supporting Industry Dimension ranks third with a score of 2.490478516. This dimension is influenced by financial institutions, marketing intermediaries, and information media in the competitive landscape of grocery stores in Dukuh Pakis District. The lowest competitiveness index is found in the Demand Conditions Dimension, which is influenced by market coverage and sales growth. The score for this dimension stands at 2.021728516. Based on the assessment of these four dimensions, the overall competitiveness index for grocery stores in Dukuh Pakis District is 13.06787109, indicating a good level of competitiveness.

## CONCLUSION

Improving grocery store business competitiveness aims to produce grocery stores that utilize technology, human resources, capital, and business development management capabilities. The grocery stores in Dukuh Pakis District total 56, with a percentage of 3.72% of the total grocery stores in Surabaya City. Based on the survey conducted by the author, Dukuh Pakis District has a total of 56 grocery stores, which are divided into active and inactive stores. The number of active grocery stores is 32, with a percentage of 82%. The determination of grocery store grades aims to assess the competitiveness of grocery stores in each village within Dukuh Pakis District. The grading classification results show that 15 grocery stores can be categorized as Grade 3, with a percentage of 47%, eight grocery stores can be categorized as Grade 2, with a percentage of 25%, and nine grocery stores as Grade 1, with a percentage of 28%. The competitiveness calculation, reviewed through four dimensions, resulted in a score of 13.06787109, so the grocery stores in Dukuh Pakis District can be categorized as having good competitiveness.

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