

Analysis of Porter's Five Forces on PT. Bank Rakyat Indonesia (Persero), Tbk

Porters Five Forces

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ABSTRACT

The aim of this research is to analyze Porter's Five competitive force strategies of PT. Bank Rakyat Indonesia (Persero), Tbk. To compete in the banking industry. The research method used is a descriptive qualitative method. The data used is secondary data, with data collection using documentation data. From the results of research using five competitive forces PT. Bank Rakyat Indonesia (Persero), Tbk has a competitive advantage in the field of MSME credit, in lending. In 2022, BRI distributed credit amounting to 16.05% of total national credit. In maintaining this competitive advantage, BRI develops transformation strategies innovation in facing competition and change (adaptable). BRI provides digital services in banking activities, whether opening an account or making transactions using the Brimo application, even at the medium business or corporate level use the Business Internet Banking Application (Ibbiz) with more complete facilities.

Keywords: BRI, Credit, Banking, Porters Five Force

ABSTRAK

Tujuan dari penelitian ini adalah untuk menganalisis strategi five competitive force-nya Porter pada PT. Bank Rakyat Indonesia (Persero), Tbk. dalam bersaing di industri perbankan. Metode penelitian yang digunakan adalah metode kualitatif deskriptif data yang digunakan adalah data sekunder dengan pengumpulan data menggunakan data dokumentasi. Dari hasil penelitian dengan menggunakan five competitive forces PT. Bank Rakyat Indonesia (Persero), Tbk memiliki keunggulan kompetitif Di bidang Kredit UMKM, dalam penyaluran kredit. Pada tahun 2022 BRI menyalurkan Kredit sebesar 16.05 % dari total kredit nasional. dalam mempertahankan keunggulan kompetitif tersebut BRI mengembangkan strategi transformasi, inovatisi dalam menghadapi persaingan dan perubahan (adaptable). BRI memberi layanan Digital dalam kegiatan perbankan, baik pembukaan rekening ataupun transaksi transaksi dengan menggunakan Aplikasi Brimo bahkan untuk level bisnis menengah ataupun korporasi bisa menggunakan Aplikasi Internet Banking Bisnis (Ibbiz) Ibiz dengan fasilitas yang lebih lengkap.

Kata kunci: BRI, Kredit, Perbankan, Porters Five Force

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INTRODUCTION

Banking is one of the main pillars of Indonesia's economic growth (Bhegawati & Utama, 2020) and is an intermediary institution between surplus funds and deficit funds (Rejekiingsih et al., 2022; Werner, 2014; Werner, 2014). From year to year, BRI innovates and transforms in terms of service to customers, both deposits and loans, with the aim of providing the best service, and this is evidenced by developing Artificial Intelligence in services, namely the "Sabrina" service. In November 2023, BRI was named The Best State-Owned Enterprise 2023 or became Top BUMN in 2023 due to the company's performance, innovation, and business transformation,

To achieve its position as the best bank in Southeast Asia by 2025, PT Bank Rakyat Indonesia (Persero), Tbk. (BRI) must face various challenges of increasingly dynamic competition at the domestic and global levels. In particular, the presence of new competitors in the form of digital banks that target the micro and retail segments poses a serious threat to BRI's main market share. In facing this increasingly complex competitive environment, BRI needs effective analytical tools, one of which is Porter's Five Competitive Forces framework.

According to Porter (2008), understanding the existence of competitive forces around the industry or industry structure can reveal what factors can affect profitability in a certain period of time. Therefore, a deep understanding of the structure of the banking industry is very important for BRI. By comprehensively knowing the five competitive forces that affect the banking industry, BRI can adjust its strategy to increase profitability and stay ahead in having a competitive advantage.

This study aims to analyze BRI's strategy to face five competitive forces according to Porter's Five Competitive Forces analysis framework. By understanding each force, BRI can identify opportunities and risks surrounding the banking industry and develop appropriate strategies to maintain and improve its position in the market.

LITERATURE REVIEW

Michael Porter's Five Competitive Forces

The character and competitive forces that exist and operate in an industry are never the same from one industry to another. The use of the Five Competitive Forces model as a tool to analyze the character and competitive forces in the industry can bring tremendous significance to the formulation of competitive strategies. This model was developed by Michael Porter and published for the first time in 1979 through the Harvard Business Review. The Five Competitive Forces model became the most successful and widely used analytical tool for diagnosing major competitive pressures in the industry. This model states that competitive pressure on companies in an industry comes from five sources (Kalita & Chepurensko, 2020). The Five Competitive Forces can be described as in Figure 1.



Source: Porter (2008)

Figure 1. Five Competitive Forces

Threat of New Entrants

New entrants into the industry will threaten the position of existing firms as they will increase the number of rivals, compete fiercely for market share, and, in the process, increase the industry's production capacity (increase the supply side). The threat of new entrants adds competitive pressure on firms in the current industry, thus serving as an important competitive force (Lumpkin & Dess, 2001). The presence of new entrants often pushes existing firms in the industry to lower the prices of their products or services and implement other entry barriers to deter new entrants.

Bargaining Power of Buyers

The extent to which buyers have bargaining power and the extent to which buyers are price-sensitive will affect their ability to exert strong competitive pressure on firms in an industry (Porter, 1980). Buyers with strong bargaining power, e.g., corporate buyers, can typically limit industry profitability by demanding lower prices, better payment terms, or additional features and services that increase industry operating costs compared to individual buyers. Similarly, the price sensitivity of buyers can limit the profit potential of firms in the industry by limiting their ability to raise prices without losing revenue due to buyers switching to other firms' products or services.

Bargaining Power of Suppliers

The strength of suppliers' competitive forces depends on the extent to which suppliers have sufficient bargaining power to influence the terms and conditions of supply in their favor. A supplier that is the sole supplier of raw materials in an industry will obviously be a strong source of competitive pressure due to its ability to charge higher prices to firms in the industry and limit their opportunities to find better deals (Porter, 2007).

Threat of Substitute Product or Services

Firms in one industry are vulnerable to competitive pressures from the actions of firms in industries that are not in the same industry whenever buyers see products or services from both industries as good substitutes (Luo, 2003). So, this type of competitive force comes from outside the industry. A substitute product from outside the industry is a product that can perform the same or similar function for buyers as a product in an existing industry. For example, companies providing streaming viewing services face competitive pressure from movie theater companies. Similarly, banks face competitive pressure from online lending companies, etc.

Rivalry among Existing Competitors

When competition among firms in the industry is strong, the struggle for market share is generally so intense that the profit margins of most of these firms are squeezed to a low level. When competition is moderate, although there is maneuvering among the firms, it is still possible for most of them to earn more normal profits. When competition is weak, most firms in the industry are relatively satisfied with their sales growth and market share and rarely maneuver to steal customers from each other. Weak competition means that there is no pressure towards low levels of industry profitability due to this type of competitive force. These maneuvers are realized by the confrontation of product or service prices, the provision of advertising and product introduction, and after-sales service.

However, Bruijl (2018) states that in today's highly competitive business environment and advanced technological developments, Porter's Five Competitive Forces model needs to include other competitive forces such as the level of innovation of competitors, the challenges of digitalization, customer-oriented products and the implementation of change management. So, in our opinion, the three general strategies in achieving Porter's competitive advantage can be further developed into innovative, growth, and alliance strategies.

Definition of Bank

According to Pierson, a Dutch economist, a bank is a body or institution that receives credit. Banks receive deposits from the public in the form of demand deposits, time deposits, and savings (Mooij & Prast, 2003).

Definition of Bank According to Law No 10 of 1998, is a business entity that collects funds from the public in the form of deposits and also distributes them to the public in the form of credit or other forms in order to improve the lives of many people (Langodai & Luthillah, 2019).

According to the Indonesian Accounting Association, a bank is an institution that acts as a financial intermediary between parties who have funds and parties who need funds, as well as institutions that function to facilitate payment traffic (Dewi & Dewi, 2017).

Banking Function

Banking plays an important role in life, with various benefits that can be provided to individuals and businesses. One of the benefits is an investment model, where derivative transactions can be a form of short-term investment (yield enhancement) (Ashta & Herrmann, 2021). In addition, banking also acts as a way of hedging, where derivative transactions can be used to eliminate risk through hedging or risk management. Banks also serve as price information providers, where derivative transactions provide insight into the future prices of commodity goods through price discovery (Natoli, 2021).

In addition, derivative transactions also have a speculative function, providing an opportunity for speculation on changes in the market value of the transaction (Quemin & Pahle, 2023). This creates an opportunity to profit from fluctuations in market value. Finally, through derivative transactions, banks can also support the production management function by giving producers an idea of future market demand and needs. Thus, the role of banks in providing derivative services provides financial benefits and contributes to efficiency and risk management in business and investment activities.

Types of Banks According to Their Functions

Rural Bank

Bank Perkreditan Rakyat (BPR) is a type of bank that carries out business activities conventionally or based on Sharia principles, which in its activities do not provide services in payment traffic (Sukmana et al., 2020). The activities of BPRs are much narrower when compared to the activities of commercial banks. It is because BPRs are prohibited from accepting demand deposits, foreign exchange activities, and insurance, as is done in general types of banks.

Central Bank

A country's central bank is generally the agency responsible for monetary policy in the country's region. The function and role of the central bank seek to maintain currency stability, banking sector stability, and the financial system as a whole (Bindseil, 2019).

In Indonesia, the central bank function is carried out by Bank Indonesia (BI). As the central bank, BI has a single goal, which is to achieve and maintain rupiah stability. This rupiah value stability contains two aspects, namely, the stability of the value of the currency against goods and services, as well as stability against other countries' currencies (Mukhlis et al., 2020).

Commercial Bank

Commercial banks are banks that carry out business activities conventionally and or based on Sharia principles, which in their activities provide services in payment traffic which in their activities provide services in payment traffic (Choiriyah et al., 2021; Fahlevi et al., 2019; Ichsan et al., 2021). The nature of the services provided is general in the sense that it can provide all existing banking services. Likewise, the area of operation can be carried out in all regions.

METHODS

This research adopts the literature study method by utilizing secondary data obtained from Annual Reports, journals, books, and other sources. Data processing is done through the documentation method, where relevant information is taken and analyzed from various literature that form the basis of the research.

RESULTS AND DISCUSSION

Analysis of Porter's Five Competitive Forces of PT Bank Rakyat Indonesia (Persero), Tbk.

Threat of Newcomers

With the development and advancement of the use of technology in the Financial World, many new Digital bank entrants have emerged that have managed to be popular in a short time, such as Jenius, Neobank, Seabank, Bank Jago, Digibank, Line Bank, and Allo Bank. The main newcomer threat is when the digital bank does not need a branch office. When we make cash withdrawals, digital banks need ATMs from other banks (parasite partnerships). This step is very burdensome for other conventional banks because they have to bear the maintenance costs of each ATM, rental costs, security costs, employee costs, costs per branch office, electricity costs, and other unexpected costs. Digital banks can save huge funds and earn high profits. The high internet usage in Indonesia also supports the accelerated growth of digital banks.

BRI responded in the face of this with two strategies. The first strategy was to conduct a Hybrid in the BRI company itself. The success of this Hybrid strategy is evidenced by the increase in the growth of its transaction volume until October 2022, reaching IDR 2,084 trillion, or growing more than double the same period in 2021. The number of BRImo users has grown 73.55% yoy to 22.37 million users.

BRI's Second strategy since 2021, Bank Raya, a subsidiary of BRI, is officially transforming into a Digital Bank. Bank Raya has launched a new aspiration, "The Best Digital Bank by Becoming House of Fintech and Home for Gig Economy." With this aspiration, the bank will transform in all aspects, including Human Capital, Network, Infrastructure, Business Model, Products and Services, and Credit Portfolio (ticket size and quality). Bank Raya is committed to building a strong financial foundation for the new business model and focuses on channeling digital-based funding to new market segments, especially the Gig Economy segment. To provide excellent service for Gig Workers, Bank Raya will initiate Community Branches, especially to serve the informal sector economy community (gig economy) and fintech agents in several areas to build digital infrastructure for the gig economy sector through a coherent customer experience.

In 2022, Bank Raya has successfully launched 6 (six) Pinang digital products consisting of 5 (five) digital loan products and 1 (one) digital deposit product. Then, in terms of bank as a Service, Bank Raya is currently developing the Raya Open API, which can connect the Raya application with partner applications currently through the Raya API. Transaction integration can be carried out in the form of open accounts, transfers (internal and external), and balance checks. The Raya Open API product will be integrated with several partners in the near future to form a strong ecosystem. by digitizing New Account Openings, Digitalizing Transactions, using the Brimo Application, and even Payroll Submissions can use BRIMO.

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Buyer's Bidding Power

Data from the Central Bureau of Statistics (BPS) listed a total of 107 commercial banks in Indonesia in 2022, excluding people's financing or credit banks. The large number of banks is an option for customers to save, invest, borrow, and exchange money according to the offer given and the basis of trust that customers have. Customers will choose the

most profitable and most attractive offers that trigger competition between banks. BRI management sees this opportunity by offering products according to market segments.

BRI divides several segments: the Micro Segment, the SME (Small Medium Enterprise) Segment, and the Corporate Segment. The micro-segment has historically been BRI's forerunner since its establishment in 1985 when BRI was still called Hulp en Spaarbank der Inlandsche Bestuurs Ambtenaren. This was with the aim of alleviating poverty in the Purwokerto Community at that time. By rotating the funds of the Mosque.

For BRI's Micro Segment in 2023 in the first quarter PT Bank Rakyat Indonesia (Persero) Tbk. (BBRI) or BRI recorded a positive first semester-2023 performance, with a net profit of IDR 29.56 trillion, up 18.7% on an annual basis (yoy). President Director of BRI Sunarso said the solid performance was inseparable from credit growth that outperformed the banking industry.

As President Director, Sunarso stated that he is optimistic that he can boost credit growth by 10% to 12% in the rest of 2023, in accordance with the company's plan. Although BRI's credit growth in the first half of the year was still below target, he sees the potential in the second half of the year as good.

Regarding credit growth in the first semester of 2023, Sunarso said the driver was the micro-segment, which grew 11.41% yoy to IDR 577.94 trillion. Thus, microcredit contributed 48.08% to the total distribution of financing to third parties.

For SME Segmentation, serving small and medium businesses, BRI is committed to providing banking services that are fast, easy, and safe. Until September 2023, BRI managed to encourage lending to grow 12.53% yoy to IDR 1,250.72 trillion. Especially for MSME lending, it was recorded that it grew 11.01% from IDR 935.86 trillion in the third quarter of 2022 to IDR 1,038.90 trillion in the third quarter of 2023, so the portion of BRI's MSME credit to total credit reached 83.06.

For the corporate sector, BRI channeled BRI corporate loans in 2020, reaching IDR 168.9 trillion, then rose to IDR 172.4 trillion in 2021. This figure continued to rise in 2022, worth IDR 180.6 trillion, and finally, in the first semester of 2023, to IDR 195.7 trillion.

Supplier Bidding Power

Suppliers in the banking sector value chain can be ATM machines, EDC machines, and electronic payment providers. In BRI's 2022 financial report, it is unclear who BRI purchased ATM and EDC machines. Therefore, we chose to focus on industry suppliers of electronic payments such as Mastercard and Visa. All banks are charged the same rate but can choose which type of Visa and Mastercard to use. Visa also charges an additional rate for transactions made abroad of 1%, while Master Card charges a rate of 0.2% to 1%, depending on the merchant.

Threat of substitute products or services

BRI's products are highly differentiated by providing individual deposits, loans, wealth management, and credit cards. For the micro market, BRI from Simpanan offers Simpedes savings, while for loans in the form of Kupedes and KUR.

For SMEs, BRI Offers Deposit Products in the form of Deposits, Britama, Britama Business, and Giro. All these products are covered with various facilities, such as Internet Banking, Ibiz, Payroll, and so on, for the convenience and comfort of transacting customers in order to facilitate customer business.

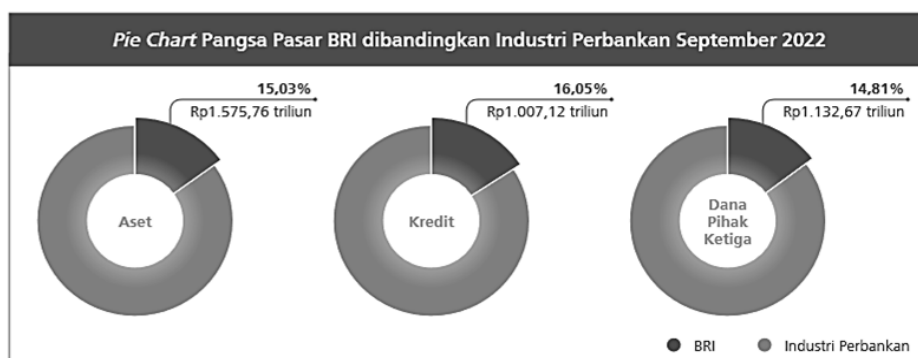


Figure 2. Competition in Similar Industries

To maintain its existence, BRI also offers Insurance Products in the form of Brilife, a subsidiary of BRI. Due to the increasing openness of prospective customers to investment, with the hope that other banks or companies do not acquire BRI customers who have very potential. BRI also offers DPLK (Financial Institution Pension Fund) so that customers can plan their old-age finances. Of all the products, BRI products are issued to survive and become The Most Valuable Banking Group in Southeast Asia and the Champion of Financial Inclusion (Figure 2).

BRI, as one of the largest banks in lending in September 2022 BRI, controls a market share of 16.05% (1,007.12 trillion), which is dominated by micro, small, and medium credit. Micro Credit is the main focus of BRI Bank. In this segment, BRI is the Market Leader. In 2022, micro-credit growth reached 13.27% YoY, with the number of debtors reaching 14.35 million people and recorded third-party funds of IDR 367.66 trillion (Annual Report 2022).

CONCLUSION

Companies facing business competition must have a competitive advantage in order to survive in a changing business environment. Companies can maintain and achieve competitive advantage by applying five competitive forces. According to our analysis using five competitive forces, BRI has a competitive advantage in the field of MSME Loans and even lending in 2022, which is 16.05% of the total national edit kr. In maintaining this competitive advantage, BRI develops an innovative transformation strategy in the face of change (adaptable). Customers who want speed, convenience, and comfort can open a BRI account only through their Gadget and make transactions only using Brimo; even medium business levels can use Ibiz with very satisfying facilities, such as managing transfers to suppliers in large quantities between banks, managing employee salary management, etc.

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