Exchange Relationship between Companies and Competitors in Building Materials Retail Sector in Palu

Calvin Sovanno Logianwy, Cicilia Larasati Rembulan
Psychology Study Program Ciputra University Surabaya

Abstract: Relations between companies and competitors are always related to rivalry in profit seeking, but the truth is, both companies and competitors can work together and fulfil each other’s requirements. This research aims to explore how exchange relations happen between companies and competitors in building materials sector retail. Participants in this study were 4 business owners. Data collection was conducted through interviews and documents. This study shows that coopetition between local companies and competitors through informal interactions by several situations causes them to cooperate and compete. When both sides compete, this research found several things that are being competed by both sides, and when they cooperate, this research found several exchanged resources along with the benefit for both parties. Additional findings in this research are the appearance of coexistence relations between local companies and competitors which is not the focus of this research, and how there are good and bad competitors in business.

Keywords: coopetition, resource exchange, building materials retail sector, competitor

INTRODUCTION

In building materials retail industries, there are many varieties of items sold, from solid materials like plywood, glass, wrench tools to liquid materials such as paint, thinner, glue, etcetera.

Varieties of resources open opportunities for companies to relate competitively with the competitors (Bengtsson & Kock, 2000). Generally, the relation between companies and competitors is always linked to competition and in gaining profits (Armstrong & Colloy, 1996; Griffith & Rust, 1997; Graf et al., 2012) and is focusing on the development of their own superior products to ensure competitiveness (Broeke et al., 2021). In fact, there are 4 (four) relations which are formed from companies and competitors, namely cooperation, competition, and coopetition (Bengtsson & Kock, 1999), however, this study mainly focuses on coopetition relations. Coopetition is defined as a relation in which the coexisting doers involved, are competing for the available resources in the market to gain profit and are cooperating due to similar interests and needs towards the resources (Bengtsson & Kock, 2000; Nalebuff & Brandenburger, 1996). Competition relations between companies and competitors could be mutually beneficial since both parties will gain benefits from both competition and cooperation conducted. For example, building materials store A and B. A customer visits store A to buy 15 sheets of glasses. Store A, promoting their product details to attract the customer to buy more products, is checking their stocks only to find that they only have 10 sheets. To maintain customer’s loyalty, store A contacts store B to

*Corresponding Author.
e-mail: csovanmo@student.ciputra.ac.id
buy 5 more sheets for the customer. Store B agrees so, the needs of the customer are met. Likewise, store B contacts store A whenever they run out of stocks. Both stores consistently make the transaction and build mutual trust to each other up to the point where they are willing to provide loan as long as the other party would pay back the stock they owe. The movement of resources from both sides in coopetition has become a unique discovery because all parties have options to make an action not only to gain profit which at one point will potentially create conflicts among each other (Ritala et al., 2014) but also to strengthen cooperation (Bengtsson & Kock, 2000).

The concrete example above, shows competition (to gain profit) and cooperation (exchange of resources) between A and B. Competition between companies and competitors will bring changes in the market from various aspects (such as: price, bargain, service) so companies should be able to adapt and give response with innovation and performance to maintain their business (Yang & Zhang, 2018). That way, it could stimulate companies to grow (Bengtsson & Kock, 2000; Chen & Miller, 2012). On the other hand, if companies and competitors are willing to cooperate, both parties could exchange resources such as information, reputation, competency, and other resources necessary for the business (Bengtsson & Kock, 1996), which could become an important asset for the business.

Considering that the context of the study is in Asia, which stresses on long term relation between companies (Ravald & Grönroos, 1996; Vu, 2019), one of the methods that companies and competitors could do to preserve their relation is to conduct exchange of resources in stages (Millman & Wilson, 1995) so that both parties could maximize each other’s resources to achieve mutual goals (Hillman et al., 2009; Gulati, 2007; Xia, 2011) and to build mutual trust between companies and competitors (Ravald & Grönroos, 1996; Chi & Seock-Jin, 2017). In addition, based on the concrete example of competition described above, it shows that the needs of resources are based on dependency on competitors which generate repetition of transactions and consistent successful transactions so the relation with competitors will be built from time to time. As mentioned by Brogaard (2019) dan Wolff (1994), trust and resources dependence are keys to build collaboration and long term relation. Besides, the higher the success frequency from exchange of resources conducted, the more potentials for repetition of transactions between the same doers, which are supported by studies stating that mutual trust are reflected from the big interest of a company to do exchange of resources with competitors (Palmatier et al., 2007; Zaheer & Venkatraman, 1995; Chen, Lin, & Yen, 2014).

There are studies reviewed exchange relations in business, namely cooperation between companies selling semiconductor chip (Park et al., 2014), between manufacture companies in England (Tether, 2002), in Sweden (Lööf & Heshmati, 2002), and in Taiwan (Tsai, 2009), however, previous studies discussing the exchange relation in building materials retail industries were rarely done, so this study aims to contribute in the field. This study finds a population gap within a topic that is hardly ever discussed (Miles, 2017).

This study is conducted due to the urgent perspective that the relation between companies and competitors tend to be competition-based and focus on gaining profits, so it triggers unhealthy competitions and damages the mar-
ket shares as a whole. In fact, companies and competitors could become good business partners who can mutually help each other in terms of materials as well as non-materials regardless of their status as competitors who normally compete with each other. Based on the above, the researchers intend to know how exchange relations between companies and competitors happen especially in building materials retail industries. Building materials retail industries are chosen because they have abundant variety of resources so the chances of the companies to get involved in coopetition relation is higher. It is hoped that this research will answer the following questions:

1. Which situation triggers companies and competitors to exchange resources and compete?
2. What are companies and competitors competing for?
3. How do companies communicate with competitors?
4. What resources are exchanged by companies and competitors?

**METHODOLOGY**

This research will use qualitative research design with instrumental case study. According to Stake (2005), with instrumental case study, researchers could gain perspectives from the researched population. The reason behind choosing the case study approach is because researchers could investigate daily life phenomena and directly collect the data (Zainal, 2007; Yin, 2018). In addition, case study approach could help researchers to explain daily incidents which are difficult to describe through experiments and surveys (Zainal, 2007).

Participants of the study are owners of 4 building materials retail sectors. The subjects of the study are company owners. Subjects are chosen using *purposive sampling* techniques which is normally used in qualitative research method to identify and choose cases with abundant information (Patton, 2002) and individuals/groups who are expertise and understand the researched phenomena (Creswell & Plano, 2011). The criteria of the subject are company owners who currently have a relation and conduct resource exchange with the competitors. To ensure the criteria of the participants are met, researchers will *build rapport* to introduce the research.

Data collection will start with contacting the *interviewees* via social media (Whatsapp, Instagram, and the like) and creating a list of questions for the interview. After preparing for the interview, researchers book an interview schedule with the *interviewee* to conduct the interview via Zoom, Whatsapp *Call*, and Whatsapp *Chat* application. To ensure the research ethics, the researchers prepare the *informed consent* before the interview. The kind of interview conducted is semi-structured interview because informal language is used in the interview (Sandrotto, 1999). Subject 2, 3, and 4 are interviewed once (one) time with the duration of approximately 45 minutes and subject 2 are interviewed twice (two) times with the duration of 35 minutes. During the interview, researchers could elaborate the listed questions to gain richer information. In addition, to better describe the context of the study, the researchers also collect documents of the products and environment of the companies.

Upon the completion of the interview, researchers triangulate the collected data to make sure the accuracy and accountability of the results. This is supported by Creswell (2013) who stated that enhancing the credibility could
be done by triangulation of data sources. This study makes use of triangulation of data through checking the interview data with participants and documents. When the analysis of data is completed, researchers continue with **member checking**, which is validating research results from the participants. By **member checking**, credibility of and trust toward the results could be enhanced (Birt et al., 2016; Doyle, 2007) and researchers could collect feedback of the research results.

**RESULTS**

**Place Orientation**

This research is conducted to find the exchange relation between companies and competitors. The findings of this study is based on interview results and supported documents. The four research subjects are business retail owners in exterior and interior materials who started their business in Palu, Central Sulawesi. Each subject sells various products majority of which are building materials. They apply different concepts to their business, some are more modern and some are conventional in doing the transaction.

**Situation Urging Companies to Exchange Resources with Competitors**

Table 2 depicts findings on situations urging companies to exchange resources with competitors. The four interviewees indicated that companies need to practice exchange of resources to fulfil the needs of stock and market information.

The scarcity of resources (stock) is a situation in which a company experiences a short-
age or unavailability of stocks due to the inability of the supplier to fulfil the company's demand. This constraint invites companies to work together with competitors to meet customer's demands. Below are responses from the participants concerning stock problems that happened:

“About stock, there were times when we needed items that people rarely buy, the supplier didn’t have the stock, either. That was the problem. Sometimes the supplier were not ready yet with the stock” (W-3/M/137)

“Eerm it is not hard to find but it is the problem of late delivery” (W-1/R/132)

“So, I had to borrow from the competitor or did not buy it. The problem is late delivery” (W-1/R/132)

Incomplete products is a situation in which the company is not ready with the brand that the customer is looking for so it needs resources from others, such as the competitor which has the brand that the customer wants. Likewise, the competitor sometimes buys a particular item from the company to fulfil their customer’s needs.

“If many customers look for the products (sold by the competitor) in my store, then the profit is not bad at all, we don’t mind that kind of cooperation” (W-3/M/123)

It could be seen from the table that resource exchange done is not limited to material needs (stok & brand), but also non-material needs, such as benchmark on market information. The needs to benchmark is a situation where a company has a limitation of information which could support the running of their business.

“ermm, we send information to each other, open to one another, so nothing to hide” (W-1/R/64)

“But tend to ask questions about the market more, how is going here and there” (W-2/E/50)

“For instance we call to ask about items that we need, like we ask about the price, we might need to have the stock in case a customer wants it” (W-3/M/173)

“Yes, we ask each other about market information and anything good about it” (W-4/J/81)

Situation Urging Companies to Compete with Competitors

Table 3 depicts various situations that could stimulate a competition between companies and competitors. The interviewees stated that similarities in product selling, price, and a resource struggle, competitors tend to fight for the available potential profit.

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<td>Characteristics of Competitors</td>
<td>Similar Products</td>
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Similar products is a situation in which competitors have similar products so prospective buyers have more than one option to shop for the product. Similar products sold by companies and competitors could be detected from the following responses:

“it is normal to compete in business, it’s impossible not to do so, even if we’re friend, doing business with similar products, there must be competition there” (W-2/E/28)

“‘Competitors’ are companies producing or selling the same or similar products or services we are offering” (W-5/R/2)
“The characteristic of competitors is to have similar products, haha, that is it, just like that, with price” (W-3/M/74)

The pictures above show products sold by each participant. Generally, items sold by the stores have some similarities, such as paint and various carpentry tools and equipment.

Competition for Similar Resources (Products) is a situation where companies and competitors are aiming at similar resources for the running of their business. The situation could be seen in the responses below:

“Yes, it could be like that, it happened to me in the past, I saw them sell similar item, but we didn’t have any stock and wanted to buy from them, they said they didn’t have any” (W-4/J/92)

“Yes, they are not willing to sell similar items to us” (W-4/J/94)

Things Being Competed for by Companies and Competitors

Table 4 shows things being competed for by companies and competitors, it was found that companies and contenders compete for providing the best service to customers, setting competitive price, developing various attractive product promotions as well as designing brand product variations popular in the market.

Customer service is an act of meeting the needs of customers done by the company to achieve customer satisfaction and repeat order. It can be seen from the responses below:

“It’s important to be friendly to customers” (W-1/R/26)

“We should be friendly to customers as much as possible, explaining the benefits of the product, so it’s not just about getting money from them but letting them know how good

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the product is, telling them that the product they buy is beneficial to them.” (W-3/M/92).
“so it is about service. The principle is that price doesn’t matter. As long as they are with our service, they will come back” (W-4/J/42).

Competitive Selling Price is a situation where competitors sell a product with the same or similar price. Similar price stimulates companies and competitors to compete for prospective buyers by lowering the price until they agree to buy. In a particular case, constantly reduced price will ruin the product price and brand itself in the market. Competitive price between companies and competitors could be seen from what the participants said below:

“Yes, we tell customers our product is better even though they said there shops selling the product with a cheaper price” (W-3/M/44).
“competitive price, for instance if the price of a product is one million, based on the price list and I start to offer with that price, but the same product is sold nine and a half by store X, so I have to lower the price, and will continue doing so if they come back, so we compete in a fair manner” (W-1/R/42).
“In Palu, competitive price is based on the original price, so we basically lower the price” (W-2/E/38).

Ways to Promote the Product to Customers is a way done by the company to market or promote their product to customers not only through the media (for instance, social media application, e-commerce) but also without the media (face to face) to boost selling. The kind of promotion done by the company could be seen from the quotes below:

“That’s the only one (giving a discount to customers) attracting the customers, seldom in Palu, it’s only via YouTube in Palu” (W-1/R/80).
“We could tell the customers that the quality of our product is better, the way to talk to customers to attract them to buy” (W-3/M/42).
“because there are cheaper and more expensive ones compared to ours, so we turn to online, which other stores do not do yet, so S, marketplace, S, L, T and website, we have done those.” (W-4/J/50).

Apart from selling similar product, brand variations within the same product could influence the customer’s decision to buy. Product Brand is a collection of resources needed by customers and owned by the company and the competitor. Below are quotes from participants:

“We sell what we can (sell)), it’s just that we have some products with better brand than them” (W-3/M/42).
“We stick to a certain brand, so only our store has it, so if they want they could get it only in our store” (W-4/J/56).
“sometimes we run out of stock, they go to other store to buy it” (W-4/J/110).

How Companies Build a Relation with Competitors

Table 5 shows how the company interacts with the competitor. From the response given

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Table 5 How Companies Build a Relation with Competitors
by the participant, it could be seen that companies and competitors interact informally through media such as cell phones or without the media, that is through face to face communication.

**Telephone communication** is a way used by both the company and the competitor to communicate and particularly to exchange resources when face-face interaction is not possible. The use of telephone to communicate could be seen in the quotes below:

“that’s how we communicate, through telephone, to ask questions, but not too often, if we need, we make a phone call” (W-3/M/173).

“Haha 2 times a week maybe (calling the competitor)” (W-4/J/84).

In addition to using the communication media, companies and competitors also conduct direct interactions. **Direct communication** is a face to face interaction between companies and competitors to talk about something without any aid in the specified place.

“Eerm we already know each other, maybe we don’t just talk about business, so we just talk casually” (W-2/E/96).

“sometimes we visit the store, when we need to pick up items, not always, only when it is urgent to pick up the items or they cannot deliver the items, so we have to pick them up ourselves” (W-3/M/177).

“Palu is a small city, people know each other, usually that’s the case, we don’t call it competition, we also talk about other stuff” (W-4/J/116).

**Resources Being Exchanged with Competitors**

Table 6 depicts resources being exchanged by the company when building a relation with the competitor. From the response given by the participants, it could be seen that the resources being exchanged is in the form of both materials and non-materials.

**Material resources being exchanged** are tangible resources received by the company when conducting the exchange, in this study is in the form of stocks, products bought from the competitor to be sold to customers.

“for example when our stock is out, we buy from the competitor, maybe borrow, buy from the competitor, with one benefit” (W-1/R/116).

“what I am looking for is items, as one example, like the exchange of products, borrow from each other or buy from each other” (W-1/R/130).

“We cooperate with competitors by buying their stuff it’s necessary because we want it long term, I mean we want to sell, then want to buy items from them if they have the stuff, It’s necessary” (W-3/M/179).

In addition, **non-material resources exchanged** is an intangible benefit gained by the company and competitor when building the relation, in this study, it is in the form of adding a network to a new supplier.

“for example, we don’t sell brand X, but they do, so I can get the contact number of brand X distributor” (W-1/R/120).

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“Yes, one time, we wanted to sell, but we didn’t have the contact number, so we looked for information to get it” (W-3/M/147).

DISCUSSION

Companies which run out of product demanded by customers tend to get resources from their competitors which have the products from the brand that the customer wants, likewise, competitors sometimes buy stock of a particular brand from companies to fulfil the customer’s needs. The unavailability of the selling product has become one of the reasons why companies and competitors collaborate. The findings of this research are supported by previous research stated that factors determining companies to cooperate with competitors is variation of resources (Bengtsson & Kock 2000; Gnyawali & Park, 2009; Peng & Bourne, 2009). Companies sometimes experience limitations of information which could support the smooth running of their business, including new product update, current market and changes of product price. Other findings also explain that competitors will tend to cooperate when they lack resources (Bengtsson et al., 2003; Bengtsson & Kock, 2000; Vuola & Hameri, 2006; Staropoli, 1998).

This study finds a slightly different result from that of Lankford (2022) indicating that benchmarking tends to be easier because the other actor is not a direct competitor, while participants
of this study stated that benchmarking activity could be done with the competitor.

Competing businesses tend to have a high level of similarity in terms of resources between them (Chen, 1996; Ritala et al., 2014). The interview results indicated that companies and competitors selling similar products will do whatever they can to compete for customers to gain profit. Similar products give more options to customers so they consider factors increasing the potential to pick products from the companies. Interview findings indicated that the results of this study are different than that of Porter (1990). Findings of the research of Porter (1990) assumed that there are two aspects stimulating companies to compete and excel in the market. One of the factors in line with the results of this study is similar characteristics such as resources they control and strategy they aim, however the other aspect contradicts the results of this study, namely resources in the market is heterogeneous (various) instead of static as they are easy to market, whereas findings of this research stated that resources could not be consistently and easily marketed. This study found that participants indicated that competitors refused to give their resources to the company due to the stock unavailability, while companies found that competitors have the demanded stock. In addition, a research by Wernerfelt (1989) stated two aspects stimulating companies to compete and excel in terms of resources they have. This finding is in line with that of Wernerfelt (1989) stating that first, companies are heterogeneous (selling various items) in an industry considering resources that they have; and second, resources could not easily move from companies to companies.

Providing the service and product information are effective ways to compete since they satisfy customers when making transactions and increase the chances for customers to return to make a transaction in the company. It could support previous research indicating that innovative service to customers is an important asset for the company to be able to compete in the market (Gray et al., 2007; Lusch et al., 2007; Berry et al., 2002). The finding also showed that when companies are doing promotion through providing discounts and highlighting product superiority, they attract customers to buy their products, moreover, with the advancement of technology nowadays, companies promote their products online, namely through social media and e-commerce. This finding could support that of Drèze & Hoch (1998) explaining that product promotion through various methods could increase traffic (visitors coming in). Other studies also highlighted that the use of information and communication technology could help boost efficiency, variety of products, competing price (Bayo-Moriones & Lera-Lo ıpez, 2007).

Interview results indicated that varieties of product brand influence how companies could maintain business, considering resources owned by competitors and customers’ needs vary. This finding is in line with Briesch et al. (2009) indicating that customers tend to appreciate a variety of products in the company so they could attract more transactions.

Research findings show that companies and competitors build a relation and exchange resources without using written formal agreement (for instance MoU), which is an interesting because the partnership here is a company which tend to have conflict when they build a relation (Bengtsson & Kock, 2000) and sell similar products with competing price, so when one of the party denies the agreement, it will be diffi-
cult to sue the other legally without formal written agreement. The result shows that companies really trust the competitor, as mentioned by Currall & Epstein (2003) that trust is a kind of decision to rely on the other party in a risky condition.

Companies which are committing a relation with competitors will gain profits from resource exchanges from each other. Research shows that companies get intangible benefits in the form of more networking with new suppliers. The finding could support a research by Chetty & Wilson (2003) stating that when a company is committed to a relation with a competitor will tend to gain abundant knowledge through exchanges of information.

The availability of resources demanded by companies and competitors in the market is not always only for competition purposes to gain profits because at the same time, companies and competitors could also become working partners in exchanging resources to meet each other’s needs which is called coopetition. Various resources needed by customers urge companies and competitors to compete for meeting customers’ demands. When a company is able to fulfill the needs of buyers, they can compete in the market. As they are not always ready with what the customers want, companies and competitors cooperate in the form of resource exchange to fulfill the needs of both parties and customers. Furthermore, results reveal that companies and competitors build a strong mutual trust since they are willing to informally exchange resources without a particular written agreement. The mutual trust has helped both sides to build a long-term relationship.

This study has several limitations, one of which is the data collection method. Data was collected only from the perspectives of companies and not specifically from those of the competitors. This was done to avoid any potential misunderstanding between related parties and to prevent conflicts due to the research findings. For future studies, researchers could focus on what situations trigger competitors to either hold or distribute resources. In addition, exchange relations being investigated is limited to one type of business. It would be better for future studies to explore other types of business that will reveal new findings that are more updated than previous studies. Good relations are important for companies and competitors because they could help fulfil the needs of resources. Moreover, communication plays an important role for companies and competitors so as to avoid any misunderstanding that could destroy mutual trust between 2 parties when exchanging resources.

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