

PORTER'S GENERIC STRATEGIES IN THE CONTEXT OF HOMEGROWN RESTAURANTS IN SANTIAGO CITY

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ABSTRACT

As demand in the food sector increases, it is essential to pinpoint effective strategies that can secure the success of food service establishments. Michael Porter's model of generic competitive strategies—encompassing cost leadership, differentiation, and focus—remains a widely recognized framework for crafting competitive strategies. In Santiago City, Isabela, known as the Commercial and Industrial Center of Cagayan Valley, the food service industry has seen significant growth in recent years. However, the methods by which local food service providers thrive in this competitive environment have not been thoroughly examined. This study explores the characteristics of homegrown restaurants and cafes, including their business profiles and the extent to which they implement Porter's generic strategies, as well as the differences in how they apply these strategies. Employing a descriptive-inferential design, the research collected quantitative data to create a detailed business profile and assess the adoption of Porter's generic strategies. The findings indicate that the sector is primarily composed of small-scale enterprises with simple business structures and limited financial and human resources. These businesses effectively utilize Porter's generic strategies, focusing on innovation and customer satisfaction through differentiation while also capitalizing on cost leadership to realize economies of scale. Furthermore, significant variations in strategy implementation were found based on factors such as years of operation, capital structure, legal framework, and workforce size, particularly in cost leadership and differentiation practices.

Keywords: *strategies, homegrown restaurants, café*

INTRODUCTION

The food service industry offers a wealth of opportunities that can lead to success when effectively managed and operated (Alvarez, 2020; Dingil, 2023). With the rising demand in this

sector, it's increasingly crucial to identify strategies that help ensure the prosperity of these establishments. Pursuing a competitive edge has long been fundamental to sustained business success in today's dynamic global market (Atelievic et al., 2023). Among established frameworks for competitive strategy, Michael Porter's model of generic competitive strategies—encompassing cost leadership, differentiation, and focus—remains a widely embraced approach (Ali et al., 2021). Companies that apply these strategies often outperform those that do not employ these strategies, underscoring the value of these methods in achieving a competitive advantage (Porter, 1980, 1998), as widely noted in strategic management and marketing literature (Li et al., 2023; Kadenyeka, 2023).

In the Philippines, particularly in the fast-food sector where sustainability is often a challenge, a broader strategy aligns with national goals such as the Sustainable Development Goals (SDGs) of Agenda 2030. While smaller businesses strive to adapt to changing customer preferences, there is a growing need for a cohesive national strategy. From a strategic perspective, achieving competitive advantage requires unified competitive strategies (Abdulwase et al., 2020). As Slavik and Hudakova (2020) argue, a company's ability to compete rests on how well it executes its business strategy, making this a prerequisite for survival. Business strategies have long been integral to securing a competitive advantage, benefiting both large and small organizations. Among the numerous business strategy types, Porter's generic strategies—cost leadership, differentiation, and focus—continue to be widely applied by both practitioners and scholars (Knezović & Hamur, 2022).

In Santiago City, Isabela, regarded as the Commercial and Industrial Center of Cagayan Valley, the food service industry has experienced considerable growth in recent years. Despite facing numerous challenges, the ways in which local food service providers in Santiago City succeed in such a competitive landscape remain underexplored. Although prior studies have examined the use of service quality dimensions and marketing strategies in the food industry, there is limited research specifically on how these establishments gain a competitive advantage. This study, therefore, aims to explore how local food service providers in Santiago City employ Porter's generic strategies to strengthen their competitive standing.

METHODS

This study utilized a descriptive-inferential design to gather quantitative data, creating a comprehensive business profile and examining the adoption of Porter's generic strategies. Descriptive statistical methods and visual aids were employed to highlight key business characteristics and commonly adopted strategies, while inferential analysis was applied to compare implementation levels across different types of local food services. Conducted in Santiago City, Philippines, recognized as the Commercial and Industrial Center of Cagayan Valley, this area hosts numerous businesses, banks, educational institutions, and manufacturing companies. The study focused on the city's 126 homegrown restaurant and café businesses. Using G-power sampling software, a representative sample of 95 respondents was determined.

The researcher collaborated with the local permits and licensing office for study approval. Data was gathered through both in-person and online surveys via Google Forms. The survey instrument was adapted from Hossain, Kabir, and Mahbub (2019) and refined with input from

five research experts to enhance validity. To ensure reliability, Cronbach's alpha was calculated, offering a measure of internal consistency across survey items.

Following data collection, survey responses were coded and tabulated. A Shapiro-Wilk test assessed data normality; since the results indicated a non-normal distribution, the non-parametric Mann-Whitney U-test was applied to identify significant differences among groups.

RESULTS

Profile of the Homegrown Restaurants

Category	Frequency	Percent
Restaurant	52	54.74%
Cafe	43	45.26%
Entrepreneurial Tenure		
At least 3 years	53	55.79%
4-6 years	21	22.11%
7-9 years	4	4.21%
10 years and above	17	17.89%
Capital		
50,000 below	33	34.74%
50,000 - 100,000	19	20.00%
101,000 - 150,000	4	4.21%
151,000 - 200,000	14	14.74%
201,000 and above	25	26.32%
Business Legal Structure		
Sole Proprietorship	71	74.74%
Partnership	15	15.79%
Corporation	9	9.47%
Employee		
1-5	61	64.21%
11-15	18	18.95%
16-20	16	16.84%

The first table outlines the business profile based on study results. Of the participants, 52 were restaurants (57.74%) and 43 were cafés (45.26%), representing 75.39% of the total 126 local food service providers in Santiago City, with a higher percentage of restaurants.

In terms of entrepreneurial tenure, 53 businesses (55.79%) had operated for at least 3 years, 21 (22.11%) for 4–6 years, 17 (17.89%) for 10 years or more, and 4 (4.21%) for 7–9 years, indicating a trend toward newer businesses.

Regarding capital, 33 businesses (34.74%) had capital under 50,000, 25 (26.32%) had 201,000 or more, and others fell in between, showing most have lower initial capital. In terms of business

type, 71 (74.74%) were sole proprietorships, 15.79% partnerships, and 9.47% corporations, suggesting a preference for sole proprietorship for its accessibility.

Employee numbers revealed that 61 businesses (64.21%) had 1-5 employees, 18 (18.95%) employed 11-15, and 16 (16.84%) had 16-20, highlighting the small workforce typical for these businesses.

Extent of implementation of generic strategies

Cost Leadership Strategy		MEAN	QD
<i>The business...</i>			
1	frequently uses low prices for its products to remain competitive in the market	2.59	Implemented
2	Enhances its market share by charging lower price	2.58	Implemented
3	Accumulate knowledge to assist in reducing its production cost	2.88	Implemented
4	Employs cost leadership strategy to compete with competitors	2.74	Implemented
5	Employs lower cost strategy to help gain a competitive advantage by reducing its operating costs below its competitors	2.58	Implemented
6	Offers services in a broad market at the lowest prices	2.35	Slightly Implemented
7	Always look for economic scale that helps the firm to remain competitive in terms of cost	2.89	Implemented
8	always look for means in reducing operating costs that helps the firms to adopt cost leadership strategy	2.73	Implemented
GRAND MEAN		2.66	Implemented
Differentiation Strategy			
<i>The business...</i>			
1	Introduce unique products in the market	2.72	Implemented
2	Maintains high innovation adoption	2.97	Implemented
3	Focus on continuous improvement of products	3.33	Implemented
4	Engage highly skilled staff	3.02	Implemented
5	Ensures customer satisfaction	3.56	Extensively Implemented
6	Focuses on value-added services	2.87	Implemented
7	Sets the prices based on the segmentation of the customer	2.32	Implemented
8	Maintains high retention through the continuation of service quality	3.27	Implemented
GRAND MEAN		3.00	Implemented
Focus Strategy			
<i>The business...</i>			
1	Selects particular market segments for some of its products.	2.97	Implemented
2	Concentrates on specific market segments to allow the company to deliver high-quality products.	2.99	Implemented
3	Emphasizes differentiating its products from competitors.	2.96	Implemented
4	Emphasizes competitive pricing to maintain competitiveness.	2.98	Implemented
5	Emphasizes innovation to maintain competitiveness.	3.16	Implemented
GRAND MEAN		3.01	Implemented

Table 2 presents the extent to which local food service providers employ Porter's generic strategies, particularly in cost leadership, differentiation, and focus.

For cost leadership, the overall mean was 2.66 ("Implemented"), indicating that businesses in Santiago City are managing costs to stay competitive. The lowest-scoring indicator, "The business offers services in a broad market at the lowest price," had a mean of 2.35 ("Slightly Implemented"), suggesting that while cost leadership is used, competing solely through low prices in a broad market is not a priority. Indicators focused on reducing operating costs and achieving economies of scale were "Implemented," with economies of scale scoring highest at 2.89. This implies businesses are minimizing costs by streamlining production and selecting suppliers strategically. This aligns with Bardof et al. (2019), who emphasized that supplier selection is complex yet crucial in achieving economies of scale, where buyers consider economic and relationship factors. By choosing suppliers that enhance economies of scale, businesses can lower production costs and maintain competitive pricing, which contributes to cost leadership.

In differentiation strategy, the overall mean of 3.00 ("Implemented") shows a focus on offering unique products and services to stand out. Indicators such as engaging highly skilled staff (mean 3.02) and ensuring customer satisfaction (mean 3.56, "Extensively Implemented") highlight an emphasis on quality and customer experience. The highest score for customer satisfaction suggests that businesses gain a competitive edge by maintaining high service quality, which aligns with Ahmed et al. (2020). Their study stressed that intangible assets—like human capital, organizational knowledge, and stakeholder relationships—are crucial sources of competitive advantage in modern business environments. Effective management of these resources enables firms to create value and drive customer loyalty, which is evident in the practices of Santiago City's food service providers.

The focus strategy achieved an overall mean of 3.01 ("Implemented"), indicating that providers apply targeted approaches to appeal to specific market segments. Indicators such as differentiating products from competitors (mean 2.96) and emphasizing competitive pricing within selected segments (mean 2.98) were "Implemented," while innovation to create competitive advantages received the highest score of 3.16. This suggests that businesses actively seek innovative approaches to appeal to consumers' diverse preferences, which resonates with findings by Sajdakowka et al. (2018). Their study underscored that consumers' food preferences are complex and influenced by evolving perceptions of product quality and health benefits. As the food industry grows more competitive, particularly with globalization, consumer behavior becomes a critical factor, pushing businesses to innovate to meet changing demands.

Hence, local food service providers in Santiago City are leveraging a balanced approach to competitiveness by managing costs, focusing on customer satisfaction and quality, and innovating within specific market segments. The strategic application of Porter's generic strategies, supported by supplier relationships, intangible assets, and innovation, reflects a dynamic response to the competitive food service landscape.

Test of Difference in the implementation of Generic strategies among businesses when grouped according to business profile

		<i>Tenure</i>		<i>Capital</i>		<i>Legal Structure</i>		<i>Number of employees</i>	
Cost Leadership Strategy		<i>F_{0.05}</i>	<i>Sig.</i>	<i>F_{0.05}</i>	<i>Sig.</i>	<i>F_{0.05}</i>	<i>Sig.</i>	<i>F_{0.05}</i>	<i>Sig.</i>
1	Organization frequently uses low prices for its products to be remaining competitive in the market	1.98 _{ns}	0.12	3.00*	0.02	0.52 _{ns}	0.60	16.38	0.00
2	Company enhances its market share by charging lower price	3.29*	0.02	12.18*	0.00	0.08 _{ns}	0.92	0.13 _{ns}	0.88
3	Accumulation of knowledge assists the firm to reduce its production cost	3.00*	0.03	1.44 _{ns}	0.23	1.29 _{ns}	0.28	1.49 _{ns}	0.23
4	Cost leadership strategy protects the organization from its competitors	1.16 _{ns}	0.33	1.23 _{ns}	0.30	3.13 _{ns}	0.05	3.56*	0.03
5	Lower cost strategy helps our organization gain a competitive advantage by reducing its operating costs below its competitors	1.76 _{ns}	0.16	1.59 _{ns}	0.18	1.03 _{ns}	0.36	6.69*	0.00
6	Cost leadership strategy at our organization offers services in a broad market at the lowest prices	1.96 _{ns}	0.13	4.36*	0.00	0.65 _{ns}	0.53	8.14*	0.00
7	In the competitive market organization always looking for economic scale that helps the firm to remain competitive in terms of cost	1.24 _{ns}	0.30	3.48*	0.01	2.41 _{ns}	0.10	0.12 _{ns}	0.89
8	Organization always looking for reducing operating costs that helps the firms to adopt cost leadership strategy	3.34*	0.02	0.93 _{ns}	0.45	4.50*	0.01	3.11 _{ns}	0.05
Differentiation Strategy									
1	Introducing unique products	1.95 _{ns}	0.13	1.87 _{ns}	0.12	1.42 _{ns}	0.25	2.32*	0.10
2	Maintaining high innovation adoption	1.23 _{ns}	0.30	22.97*	0.00	0.49 _{ns}	0.61	12.13*	0.00
3	Focusing on continuous improvement	1.20 _{ns}	0.31	17.24*	0.00	3.08 _{ns}	0.05	1.19 _{ns}	0.31
4	Engaging highly skilled staff	1.65 _{ns}	0.18	10.42*	0.00	0.91 _{ns}	0.41	8.03*	0.00
5	Ensuring the customer satisfaction	0.51 _{ns}	0.68	4.68*	0.00	7.94*	0.00	1.04 _{ns}	0.36
6	Focusing on value added services	0.90 _{ns}	0.45	14.22*	0.00	2.48 _{ns}	0.09	2.20 _{ns}	0.12

7	Setting up the prices based on the segmentation of the customer	1.30 ^{ns}	0.28	5.49*	0.00	2.03 ^{ns}	0.14	3.10 ^{ns}	0.05
8	High retention through the continuation of service quality	0.31 ^{ns}	0.82	8.25*	0.00	4.46*	0.01	1.13 ^{ns}	0.33
Focus Strategy									
1	The company selects particular market segments for some of its products.	0.26 ^{ns}	0.85	8.67*	0.00	0.33 ^{ns}	0.72	1.13 ^{ns}	0.33
2	Concentrating on specific market segments allows the company to deliver high-quality products.	1.40 ^{ns}	0.25	4.66*	0.00	0.10 ^{ns}	0.91	1.97 ^{ns}	0.15
3	The company emphasizes differentiating its products from competitors'.	2.46 ^{ns}	0.07	4.39*	0.00	1.34 ^{ns}	0.27	3.54*	0.03
4	The company emphasizes competitive pricing to maintain competitiveness.	0.74 ^{ns}	0.53	0.09 ^{ns}	0.99	6.40*	0.00	1.31 ^{ns}	0.28
5	The company emphasizes innovation to maintain competitiveness.	0.70 ^{ns}	0.56	7.98*	0.00	0.52 ^{ns}	0.60	1.17 ^{ns}	0.31

The test results reveal complex patterns in the use of Porter's Generic Strategies across businesses with varying tenure, capital, legal structure, and employee count, presenting significant implications for strategic management. Within the Cost Leadership Strategy, the organization frequently utilizes low prices to remain competitive, as indicated by a mean score of 1.98, although this finding was not statistically significant (ns) at a p-value of 0.12. Notably, companies reported enhancing their market share by charging lower prices, with a significant mean score of 3.29 at a p-value of 0.02. This phenomenon is supported by Liu et al. (2018), who noted that newer businesses often use lower prices to gain market share, while more established businesses may rely less on price competition due to other competitive advantages. As firms mature, they may shift their strategic focus from aggressive price competition to other competitive advantages, aligning with the idea that pricing strategies evolve as firms grow.

The data also indicate that knowledge accumulation assists firms in reducing production costs, with a mean score of 3.00 and a statistically significant p-value of 0.03. This observation is further reinforced by research on open innovation practices in SMEs, as highlighted by Radziwon and Bogers (2019). These firms benefit from knowledge inflows and collaborative practices within a regional innovation ecosystem, leveraging their accumulated knowledge to improve innovation performance and cost efficiency.

The significance of capital resources becomes evident in the Differentiation Strategy, where maintaining high innovation adoption received a mean score of 22.97 with a significant p-value of 0.00. This finding indicates that capital-rich firms focus more on innovation and customer-centric differentiation efforts. Ying et al. (2019) underscore that substantial investments in tangible and intangible resources are essential for achieving high profits and ensuring long-term survival in competitive markets. Firms that engage in high retention through service quality also

demonstrated statistical significance, with a mean score of 4.46 and a p-value of 0.01, emphasizing the importance of customer satisfaction and value-added services.

Within the Focus Strategy, the findings reveal that concentrating on specific market segments allows firms to deliver high-quality products, achieving a mean score of 4.66 with a significant p-value of 0.00. Additionally, the company emphasizes differentiating its products from competitors, yielding a mean score of 2.46 and a p-value of 0.07. Research by Ngo (2023) supports these findings, emphasizing the strategic value of cost leadership, particularly in contexts where cost sensitivity is significant. This is especially relevant in the restaurant industry, which has low entry barriers, allowing new establishments to enter the market quickly. Effective cost management and strategic pricing become crucial for restaurant SMEs to maintain competitiveness and improve their market position.

Moreover, Gichohi Njeri (2018) highlights that many local and small restaurants are family-owned and often operate as sole proprietorships or partnerships. These businesses require innovation and competence to develop effective policies and adapt to dynamic economic environments. An entrepreneurial mindset is essential for fostering strategic thinking and gaining a competitive edge. Effective resource management is vital for maximizing wealth and uncovering productive opportunities.

DISCUSSION

The profile of local food services in Santiago, which includes homegrown restaurants and local cafes, reveals several key characteristics. Most of these establishments have an entrepreneurial tenure of at least three years, operate with a capital of less than 50,000 pesos, are legally structured as sole proprietorships, and typically employ between one to five staff members. This profile indicates a landscape dominated by small-scale operations that rely heavily on individual initiative and localized market knowledge.

In terms of competitive strategy, the findings confirm that these businesses effectively implement Porter's generic strategies to establish a competitive advantage. The focus strategy emerges as particularly significant, with many businesses concentrating on innovative practices tailored to the preferences of local consumers. This emphasis on innovation allows them to differentiate their offerings and create a unique value proposition. Additionally, the differentiation strategy is evident in their prioritization of customer satisfaction, indicating that these establishments are not only focused on providing products but also on delivering quality experiences to their customers. Furthermore, the cost leadership strategy is implemented with a clear objective of achieving economies of scale, enabling these businesses to remain competitive despite operating in a price-sensitive environment.

When analyzing the implementation of these strategies based on years in operation, the results indicate that there are no significant differences in the application of focus and differentiation strategies among local food service providers, regardless of their operational tenure. This suggests a degree of consistency in strategic approaches across the board. However, significant differences were noted in practices such as lowering prices to gain market share, knowledge accumulation, and operational cost reduction. These findings imply that as businesses mature,

they may increasingly prioritize these specific areas, potentially reflecting a shift in strategic focus that aligns with their evolving market conditions.

Moreover, when grouped according to capital structure, notable differences emerged in the use of pricing strategies, innovation practices, and efforts toward customer satisfaction and retention. This indicates that businesses with varying levels of capital may adopt different approaches to manage their competitive positioning effectively. Similarly, the analysis of legal structure revealed differences in strategies aimed at reducing operational costs and ensuring customer satisfaction, emphasizing the role that the legal framework plays in shaping operational strategies.

Additionally, the number of employees influenced the strategic implementation significantly. Variations in approaches to operational cost reduction, pricing strategies, the introduction of unique products, and innovation practices were observed. These findings highlight the importance of human resources in driving competitive advantage and suggest that businesses with a larger workforce may have more capacity to innovate and differentiate their offerings.

CONCLUSION

Based on the findings of the study, several conclusions can be drawn about the homegrown restaurants and cafés industry in Santiago. This sector is predominantly made up of small-scale businesses characterized by straightforward business structures and limited financial and human resources. These enterprises successfully employ Porter's generic strategies, emphasizing innovation and customer satisfaction through differentiation, while also leveraging cost leadership to achieve economies of scale. Notably, variations in strategy implementation are observed based on years of operation, capital structure, legal framework, and workforce size, with significant differences identified in cost leadership and differentiation practices.

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ETHICAL CONSIDERATIONS

The researchers ensured responsible research conduct through following several ethical considerations. First, the researchers prioritized informed consent by ensuring that respondents were aware of their rights and the confidentiality of their participation. To protect this confidentiality, the data gathering was conducted through direct communication with the managers, supervisors, and owners of the businesses, which emphasized transparency throughout the research process. Building rapport with the target respondents was also a critical focus, as establishing a trusting relationship encouraged their willingness to participate. Additionally, the researchers took steps to familiarize respondents with the context of the study, clarifying their roles and the significance of their contributions. This approach helped ensure that participants understood the purpose of the research and how their input was valued, reinforcing the ethical integrity of the study.

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