

The Role of Strategic Alliances, Innovation Capability, Cost Reduction in Enhancing Customer Loyalty and Firm's Competitive Advantage

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Abstract : Mining industries are known to be very volatile due to their sensitive nature toward changes in the environment, particularly coal mining. Heavy equipment distributors and coal mining contractors are among heavily affected by such volatility. They are facing more uncertainty on the sustainability of the coal mining industry. Strategic alliances and organizational capabilities such as innovation capability have long been seen as ways to stay competitive with a focus more on the strategic alliances partner-to-partner in serving their customers. In today's rapid change in the environment, a shift in consumer behaviors, and the human-centric business approach, this study looks at the strategic alliance partner-to-customer relationship in both the industrial organization and resource-based theories. This study was conducted based on 250 respondents from the strategic alliances partner-to-customer between heavy equipment distributors and coal mining contractors in Indonesia. This study finds strategic alliances have the highest association toward cost reduction, a proxy of operational efficiency followed by its association toward innovation capability. Further, strategic alliances and innovation capability have a positive relationship with customer loyalty, while innovation capability and customer loyalty have no significant relationships toward the firm's competitive advantage. This study also indicates that cost reduction is not a condition to develop customer loyalty in the strategic alliance partner-to-customer relationship. It confirms strategic alliances are a strategy that creates a firm's operational efficiency, innovation capability that develops customer loyalty, and competitive advantage.

Keywords : strategic alliance, innovation capability, cost reduction, customer loyalty, competitive advantage

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