

# The Impact of Modern Retail Minimarket towards the Continuity of Traditional Retail Businesses

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**Abstract.** Today the business is growing rapidly minimarket with the development of socio-economic conditions of society, and changes in value systems that result in changes to the pattern of life and needs of the community. In meeting the needs and desires, people tend to prefer a wide range of modern facilities expenditures. Thus increasing the number of modern minimarket store increasingly cornered the existence of traditional retail stores are stand-alone and based on social economy. This study aimed to analyze the changes in turnover and market traditional retail stores before and after the modern mini-market retail in the vicinity. To achieve these objectives, conducted survey research approach, this study uses primary and secondary data by distributing interviews and questionnaires to 40 respondents traditional retail store owners in the district of Kuningan which is selected by probability sampling. Descriptive qualitative were used to analyse this study. Based on the survey results revealed that there are significant differences between turnover and market traditional retail stores before and after the modern minimarket in the vicinity. This shows that the presence of modern retail stores provide a decrease in turnover and customers impact for traditional retail stores. But the research also shows that traditional retail stores that improve the quality of services and facilities are not affected by the presence of modern retail stores in the vicinity.

## 1. Introduction

Nowadays, modern minimarket business is growing rapidly along with the development of social-economic conditions of community, with the spread locations of modern minimarket that is not only in the center of town, but has penetrated into the suburbs. The phenomenon of the development of modern minimarket in almost all major cities in Indonesia has an impact on the economic development and has a significant influence on the choice of location determination shopping destination of communities to buy into modern minimarket or traditional retail (Anggraini 2013).

The existences of foreign modern retail in Indonesia has created controversies, especially after Carrefour and Giant entered the market in 1998 and 2002 due, in part to their negative impact on traditional markets and local suppliers. In June 2005, foreign retailers have gained 8.4% of the total market sales, that are dominated by convenience stores and hypermarkets (Sunanto 2012).

Changes in value systems have caused the changes to the life style and the needs of community to reach their needs and desires that tend to prefer choosing various modern facilities. In addition, the conditions of agglomeration / proximity retail locations have also an impact on the determination of consumer preferences because it provides the ease of consumers to obtain the goods according to their needs, it gives a direct impact on traditional retail stores that sell the same products with modern minimarket (Anggraini 2013). The community who in previous shopped at canteens (traditional retail) which is near from their environment for their daily needs, is now being turned into shopping habits in



the air-conditioned shop or mini market which gives more comfort and freedom to shop (Rusno 2008). So that the increment of the number of modern minimarket store increasingly cornered the existence of traditional retail stores that are self-service and based on social economy.

The indicator that shows the imbalance of power between traditional retail and modern minimarket can be seen in terms of the growth of both types of retail. Indonesian Market Traders Federation (Foppi) recorded that in Indonesia occurred shrinking number of traditional market of 8% per year while at the same time modern minimarket growth rate is very much higher than 50% in 2006-2007, even in the same year the growth of hypermarkets reached 70 % (SWA06 / XXV / 2009).

This is due to the presence of modern minimarket assessed potential enough by retail businesses holders. The modern retails growing quite rapidly are minimarkets with franchising or franchise concept (Wijayanti, 2011).

The rapid growth of mini-franchise system has also an impact of high competition and new problems for stores with traditional retail (Rusno 2008). Minimarket franchise system firstly is Indomart in 1988, which until now has experienced remarkable growth that has reached almost 70% (special for Indomaret and alfamart) (Rusno 2008).

Kuningan regency, a district located in the east of west Java has considerable economic potential along with the development of the concept of metropolitan Cirebon development so that Kuningan becomes a potential tourist destination.

In Kuningan Regency, the modern minimarket business continues to develop, based on data from the Department of Industry and Trade of Kuningan district, they have reached 96 modern minimarkets that spread in several areas in the district of Kuningan.

The main point of this research is to examine the impact of modern minimarket retail presence to the continuity of traditional retail business that aims to analyze the changes in the turnover and the number of buyers of traditional retail stores before and after the modern mini-market retail presence nearby, case study in Kuningan regency, West Java.

## 2. Literature Review

### 2.1. Traditional Retail and Modern Retail (Modern Minimarket).

According to Utami (2006), retail is derived from the French language (*ritellier*) which means to cut off or break something. The activities carried out in the retail business are selling products, services, or both to consumers for personal consumption purposes or shared. So that the retail is the last activity in distribution flows that connect the producers with consumers (Aryanti 2011).

In general, the understanding of retail business is narrowed only on *in-store retailing*, it is the retail business using the store to sell the goods, the government regulation of the retail business within the stream of thought as in general because they tend to use an approach that gives limitation for the retail business only on in-store retailing (Utomo 2011).

Retail business in Indonesia is divided into two groups, namely the traditional retail and modern retail. Modern retail is basically an extension of traditional retailing. These retail formats involve and develop along with the economic development, technology and lifestyles of community who demand more convenience in shopping (Pandian, 2009).

Presidential rule No. 112 of 2007 about Management and founding of Traditional Markets, Shopping Centers and Modern Stores, gives the limitation of traditional markets and modern stores in Article 1 as follows:

- **Traditional Market** is a market that is built and managed by the Government, Local Government, Private, State Owned Enterprises and Regional Owned Enterprises, including cooperation with the private sector with businesses such as shops, kiosks, stalls and tents owned / managed by small traders, medium, self-supporting of community or cooperatives with small-scale enterprises, small capital and with the process of merchandise trading through bargaining.
- **Modern Store** is a store with self-service system, selling various kinds of goods at retail in the form of Minimarket, Supermarket, Department Store, Hypermarket, Grocery and the wholesale

shaped. The limitation of Modern Store is emphasized in Article 3, in terms of sales floor width as follows: a) Minimarket, less than 400 m<sup>2</sup> (four hundred meters square); b) Supermarket, 400 m<sup>2</sup> (four hundred square meters) to 5,000 m<sup>2</sup> (five thousand square meters); c) Hypermarket, over 5000 m<sup>2</sup> (five thousand square meters); d) Department Store, over 400 m<sup>2</sup> (four hundred meters square); e) Grocery, above 5,000 m<sup>2</sup> (five thousand square meters).

According to Sujana (2005), Minimarket is a small shop or supermarket that sells mostly items of daily necessities needed by the consumer with an area of radius sales area of between 100 and 1000m<sup>2</sup>. Kotler (2005) argues that the retail sales of goods in retail is covering all activities of sales of goods or services on the last consumers privately. Sujana (2005) explains that riteling is the compiler of goods required by the final consumer, so the consumer will make the retail stores as a place to get the goods needed by them.

Tambunan (2004) divides the retail business into two (2) categories: traditional retail and modern retail as shown in the following table 1:

**Table 1.** Retail Business

<b>Classification</b>	<b>Modern Retail</b>	<b>Traditional Retail</b>
Product Line	<ul style="list-style-type: none"> <li>• Special Stores</li> <li>• Department store</li> <li>• Supermarket</li> <li>• Convenience Stores</li> <li>• Super Store, Combination, and Hyper Market</li> <li>• Discount Stores</li> <li>• Reseller Rebates</li> <li>• Space Sellers Catalog</li> </ul>	<ul style="list-style-type: none"> <li>• Mom &amp; Pop Store</li> <li>• Mini Market</li> </ul>
Ownership	Corporate Chain Store	Independent Store
Use of Facilities	<ul style="list-style-type: none"> <li>• Modern payment tools (computer, credit card, auto-debit)</li> <li>• AC, Escalator / elevator</li> </ul>	<ul style="list-style-type: none"> <li>• Traditional Payment Instrument (manual / calculator, cash)</li> <li>• Ladder, no air conditioning</li> </ul>
Promotion	Available	Not available
Finance	Recorded and can be published	Not necessarily recorded and unpublished
Labour	A lot of Manpower	A few, usually family
Operating flexibility	Inflexible	flexible

Source: Tambunan in T Utomo (2011)

According to Utomo (2011) there are some empirical phenomenon attributes competition between Traditional Retail and Modern Minimarket, they are: turnover, turnover of merchandise, price margins, price, hospitality services, accurate size, location, outlet environment (safety, comfort, and cleanliness).

## 2.2. Sales Turnover and earnings

According to Basu Swastha (1993), sales turnover is the accumulation of sales activity of products of goods and services that is calculated entirely over a period of time, continuously or in the accounting process. While earning according to Hafsah (2003) is all of the output produced from a particular activity, in its practice trying a certain job using various ways so the results of operations that is obtained is also the accumulation of all output produced.

Wita and friends (2014) defines the sales turnover is the overall amount of sales of goods / services within a certain time, which is calculated based on the amount of money earned. While Nasution (2002)

gives the limitation that the earning business is measured from the size of business volume (turnover) that is indicated from the added value for entrepreneurs as participation in a business activity or a particular job.

### 2.3. Consumer Preferences

Consumer preference is an attitude of consumers towards a brand choice of product formed through the evaluation of a variety of brands in a wide range of available options, Kotler and Keller (2009: 181).

The consumer decisions regarding the choice in the purchase of a product is primarily influenced by economic resources owned (Engel, Blackwell, Miniard, 1995; Kotler, 1994). Economic resources such as income is the main variable that must be analyzed in the study of consumer behavior (Engel, Blackwell, Miniard, 1995).

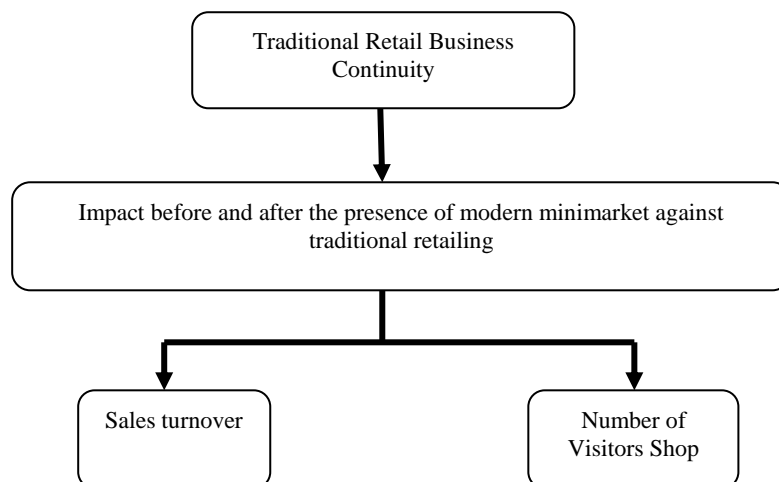
According to Engel, James F. (1994) attributes that affect consumers in choosing where to shop: Price, Location, The nature and quality of the diversity of goods, Advertising and Promotion, Sales Personnel, Services Provided, Attributes of Physical Stores, Atmospheric of Store.

CESS (1998) reveals the main reason consumers shopping in modern market are:

- 1) More comfortable place,
- 2) The certainty of price,
- 3) Feel free to pick and sight-seeing,
- 4) Quality of goods more guaranteed,
- 5) Quality of goods better ,
- 6) Type of goods is more complete, and
- 7) Model of goods is very diverse.

### 2.4. Conceptual Frame Work

This study is aimed to analyze the survival of traditional retail business in Kuningan district before and after the presence of modern minimarket in the vicinity. From this analysis will be seen the change in the aspect of sales turnover and the number of visitors to the store.



**Figure 1.** The survival of traditional retail business in Kuningan district

## 3. Methodology

This research is a qualitative descriptive study, which aims to describe the impact of modern retail minimarket on the continuity of traditional retail business in the district of Kuningan. The object of this research is the traditional retail owners in the district of Kuningan. Sampling was done by probability sampling method with certain criteria that as many as 40 traditional retail shop owners scattered in a

village in Kuningan district with modern minimarket are within a radius of 100-500 meters away from traditional retail. Data was collected through in-depth interviews about the traditional retail business conditions before and after the existence of modern mini-market retail mainly related revenue and visitors to the store, the researchers also used questionnaires in the form of a list of questions to supporting the purpose of this research.

#### **4. Results and Discussions**

The research showed that most of the traditional retail owners are women as much as 67.5%, indicating that most women try to help increase family income through independent business that can be done at home in the form of traditional retail. As for the traditional retail store owner turns out most productive age is 35-50 years of as much as 52.5%. At the age of productive, allow traditional retail businesses to innovate and develop its retail business. Based on the findings the most part they want to develop their business for the better, but the perception of the importance of financial capital is a barrier for them.

Most traditional retail stores feel the negative impact of the existence of modern minimarket a decrease in turnover (75%) and a decrease in the number of buyers (72.5%). After the emergence of several modern retail minimarket visitor's traditional retail stores begin to decline over time, because the majority of consumers prefer to shop in modern retail stores minimarket for facilities, service and ambiance of the store better, which causes a decrease in the revenue of traditional retail stores.

This is consistent with research Deputy SME Resource Assessment in 2006 that concluded the impact of modern market presence on its traditional market is in terms of a decrease in sales turnover (Aryani 2011).

In this study, conducted in-depth interviews after it turns out there are some traditional retail stores are not affected by the presence of modern mini-market retail in terms of both turnover and number of buyers. After further observation turned out to be the main cause for traditional retail stores have a strong motivation to develop their business and be able to establish a good relationship with the customer, as well as improve service, amenities and atmosphere of the shop as increase the variety of products, using a cash register, structuring products and lay out shop more convenient and give buyers the opportunity to choose freely

#### **5. Conclusion**

Based on the research we concluded it turns out the existence of modern minimarket negatively affect the business continuity of traditional retail stores. This is evident from the results of as many as 75% of respondents stated its turnover declined after the advent of modern minimarket, and as much as 72.5% of respondents experienced a decrease in the number of buyers after the existence of modern minimarket in the vicinity. However, based on in-depth interviews are the traditional retail store owners are able to improve the quality of service and his store did not experience a decrease in turnover and a decrease in the number of buyers despite the modern mini retail store in the vicinity.

Required the deep concern of the government and related agencies to organize a program to improve the competitiveness of traditional retail stores, especially in terms of motivation, perspective, and traditional retail business management so that they can compete with modern minimarket in the vicinity. Based on the results of this study also found that the existence of modern minimarket that rival retail traditional can also have a positive impact by increasing motivation for the traditional retailers to increase their competitiveness

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