THE IMPACT OF INDOMARET OPERATED ON TRADITIONAL SMALL KIOSKS SALES IN MANADO CITY

DAMPAK BEROPERASINYA INDOMARET TERHADAP PENJUALAN WARUNG-WARUNG TRADITIONAL DI KOTA MANADO

by:

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Abstract: *Competition between traditional retail and modern retail has most attention, because it puts one party (the traditional retail) in a weak position. The rapid growth of modern markets begun since the Indonesian government promulgated the presidential decree in 1998 that removed the retail business from the foreign investment negative list (Pandin in Tumbuan and Shiratake, 2010). Furthermore, in 2000, under the liberalization policy, the Indonesian government again promulgated another presidential decree to open the local retailing industry to the modern markets run by foreign capitals. These policies have led to fierce competition in this industry all over the country. The objects of this research are the small kiosks near and parallel to Indomaret in Manado city, especially in Malalayang sub-district. This research purpose for analyze how much an impact of opened Indomaret on the sales of existing small kiosks. This research is using qualitative method to describe the topic and the result of research. The research result show more than 60% of informant in this research got negative impact on their sales. Government of Manado city is should be to give more attention to small kiosk (traditional retail). For example, through the structured trainings, business guidance, help the business capital, and legal protection through Local Regulation, so small kiosks have more protected and being able to compete.*

Keywords: marketing, marketing channels, retailer, sales

Abstrak: Kompetisi antara ritel tradisional dan ritel moderen mendapat banyak perhatian, karena menempatkan salah satu pihak (tradisional ritel) di posisi yang lemah. Pesatnya pertumbuhan pasar modern dimulai sejak pemerintah Indonesia mengumumkan keputusan presiden tahun 1998 yang menghapus bisnis ritel dari daftar negatif investasi asing (Pandin dalam Tumbuan dan Shiratake, 2010). Selanjutnya, pada tahun 2000, di bawah kebijakan liberalisasi, pemerintah Indonesia kembali mengumumkan keputusan presiden lainnya untuk membuka industri ritel lokal ke pasar modern yang dijalankan oleh modal asing. Kebijakan ini telah menyebabkan persaingan sengit industri ini di seluruh negeri. Objek penelitian ini adalah warung-warung yang berdekatan dan sejajar dengan Indomaret di kota Manado, khususnya di kecamatan Malalayang. Tujuan penelitian ini untuk menganalisa seberapa besar dampak dari dibukanya Indomaret terhadap penjualan warung-warung yang sudah ada. Penelitian ini menggunakan metode kualitatif untuk menjelaskan topik dan hasil penelitian. Hasil penelitian menunjukan lebih dari 60% informan dalam penelitian ini mendapat dampak negatif terhadap penjualan mereka. Pemerintah kota Manado sebaiknya memberi perhatian lebih pada warung (rital traditional). Misalnya, melalui pelatihan terstruktur, bimbingan bisnis, membantu permodalan usaha, dan perlindungan hukum melalui Peraturan Daerah, sehingga warung-warung lebih terlindungi dan dapat bersaing.

Kata kunci: pemasaran, jalur pemasaran, peritel, penjualan

INTRODUCTION

Research Background

Competition between traditional retail and modern retail has most attention, because it puts one party (the traditional retail) in a weak position. The presence of modern retail in Indonesia started with the emergence of supermarkets in 1970. Until 1983, supermarket formed a small sector located mainly in Jakarta area serving a niche of market-expatriates and upper-class Indonesians (Sunanto, 2012). At the beginning of modern retail business is dominated by domestic retailers such as Matahari and Ramayana. The rapid growth of modern markets begun since the Indonesian government promulgated the presidential decree in 1998 that removed the retail business from the foreign investment negative list (Pandin in Tumbuan and Shiratake, 2010). Furthermore, in 2000, under the liberalization policy, the Indonesian government again promulgated another presidential decree to open the local retailing industry to the modern markets run by foreign capitals. These policies have led to fierce competition in this industry all over the country.

The Indonesian Retailers Association reported that the number of hypermarkets had increased markedly during 2004 and 2008 almost 40% per year; supermarkets had increased 10.9% per year; and minimarket outlets had grown significantly by 16.4% per year (Pandin in Tumbuan and Shiratake, 2010). Their market share in retail food and daily goods had also increased, reaching 38.2% in 2009, whereas the traditional market share had decreased (Tumbuan and Shiratake, 2010).
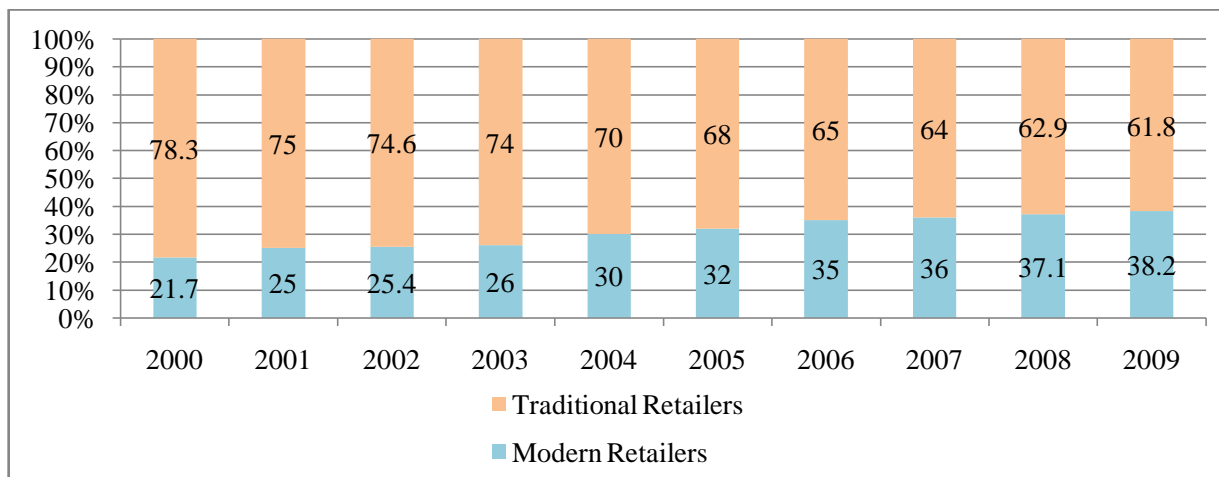

**Figure 1. Market Share in Retail Food and Daily Goods of
Traditional Retailers and Modern Retailers in Indonesia**

Source: AC Nielsen Survey Group in Tumbuan and Shiratake, 2010

One of the modern retail is growing rapidly in Indonesia today is a minimarket with the franchise concept and exist throughout Indonesia. Indomaret is minimarket chain store that provides convenience goods with an average sales area of less than 200 m2. Indomaret owned 9,096 stores in 2014, of which 60% of them are owned by Indomaret while the rest of them are owned by franchisees in some cities (Sunanto, 2012, data processed). In 2014, Indomaret focus in the three cities on Indonesia, are; Manado, Banjarmasin, and Pontianak. With the most extensive regions, Manado city became the most potential to expand minimarket store network, starting from September 2014 through January 2015 the existing 35 Indomaret outlets have been opened. In Manado city there is no real number of minimarket and have no government regulation to arrange about minimarket itself, as evidenced by the uncontrolled growth of minimarkets in Manado in recent years.

Research Objective

To analyze how much the impact of opened Indomaret on the sales of existing small kiosks in Manado city, especially in Malalayang sub-district.

THEORITICAL FRAMEWORK

Marketing

Bovee and Thill (2008:215) defined marketing is process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create and maintain relationship. McDaniel, Lamb, and Hair (2011:3), marketing has two facets. First, it is a philosophy, an attitude, a perspective, or a management orientation that stresses customer satisfaction. Second, marketing is activities and processes used implement this philosophy. Marketing is a process or activity to executing conception, pricing, promotion, and placed of goods or services and exchanging offerings that have value to fulfill needs or wants for individual or society at large.

Marketing Channel

Pride, Hughes, and Kapoor (2008:465) said marketing channel is a sequence of marketing organizations that directs a product from the producer to the ultimate user. Also in McDaniel, Lamb, and Hair (2011:417), marketing channel is a set of interdependent organizations that ease the transfer of ownership as product move from producer to business user to consumer. Marketing channel is a way of product from producer to consumer.

Retailer

McDaniel, Lamb, and Hair (2011:421), retailer is a channel intermediary that sells mainly to consumers. McDaniel, Lamb, and Hair (2011:485), retailing is all the directly related to the sale of goods and services to the ultimate consumer for personal, non-business use. Retailer is a person/peoples or place/organization as a channel to selling product to the ultimate consumer.

Modern Retailer

The first modern retail presence in Indonesia is the Sarinah Department Store was founded in 1962. In the 1970s up to the 1980s, it continues to grow the business format. Early 1990s was a milestone entry of foreign retailers in Indonesia. It is characterized by the operation of Japan's biggest retail 'Sogo' in Indonesia. Some kind of modern retailer, are; modern market, department store, specialty store, mall/supermall/plaza, and trade center.

Modern Market

Modern market generally has a relatively strong bargaining power against its suppliers. This is because modern retailers, generally is a company with a large scale and extensive distribution channels, so the purchase of goods at a supplier can be done in large quantities. Strong bargaining power gives many advantages for modern retailers.

Minimarket

Minimarket is often interpreted as a convenience store, are stores which contain a wide variety of daily needs and are located in certain strategic areas. In Bovee and Thill (2008:272), convenience store is offers staple convenience goods, long service hours, and quick checkout. Pride, Hughes, and Kapoor (2008:474) defined convenience store is a small food store that sells a limited variety of product but remains open well beyond number business hour. The characteristics of the minimarket is selling goods that can be used directly or fast, hours of operation usually 12-24 hours. In one shift, usually only employ 1-3 peoples, located in a residential or near densely populated area, usually have a small parking area, and some even do not have a parking lot at all. Minimarket is often interpreted as a convenience store, are stores which contain a wide variety of daily needs and are located in certain strategic areas.

Traditional Retailer

Sunanto (2012) defined Indonesia defines traditional retailers as merchants who sell their merchandise in a small store owned by them or rent a space located in a traditional market or near a traditional market and/or residential area. There are some types of traditional retailer known in this country; traditional market (called *pasar*), small kiosk (called *warung*), mom and pop store, and street hawker.

Small Kiosk

In *Kamus Besar Bahasa Indonesia* (Indonesian Complete Dictionary, 2008) small kiosk or *warung* is a place to sell food, drink, grocery, etc. Small kiosk selling a product that is almost similar to a minimarket but only limited to local goods and imported goods are rare. In quality, the items in the small kiosk of the same quality as those sold in a minimarket, but the average minimarket have a better quality of service. In quantity, generally small kiosk only had a little inventory in accordance with the capital owned by the owner or the demand of consumers. Small kiosk management is more traditional or more simply than a minimarket.

Franchise

Bovee and Thill (2008:143), explain franchise is business arrangement in which one business obtains rights to sell the goods or services of the supplier (franchisor). Schaper et al (2011:117) defined franchise is an arrangement whereby the originator of a business product or operating system permits another business owner to sell the goods and/or to use the business operating system on the originator's behalf. Franchise is the business/person given contractual permission by the original owner of a system or product to operate a business franchise system or sell a product.

Business System Franchise

Schaper et al (2011:117) defined business system franchise is an arrangement whereby the franchisor supplies the product, and gives comprehensive guidelines on how the business is to be run. The companies sell or lease their commercial rights, or trademark as well as a business system to run the business. This will usually include pricing; production process; marketing; staff recruitment, remuneration, training and evaluation; product offerings and promotional methods; recordkeeping; operating hours; use of different suppliers; store layout and fittings and so on.

Previous Research

Vij (2013), The Study and The Analysis: An Impact of Organized Retail on Unorganized Retail in India. Kalliapan et al (2008), Liberalization of Retail Sector and the Economic Impact of the Entry of Foreign Hypermarket on Local Retailers in Kiang Valley, Malaysia. Sunanto (2012), Modern Retail Impact on Store Preference and Traditional Retailers in West Java.

RESEARCH METHOD

Types of Research

Sekaran and Bougie (2009:369) stated, qualitative data are in form of words, for examples are interview notes, transcripts or focus groups, answers to open ended questions, transcriptions of video recordings and the like. Hancock (2009) explained qualitative research is concerned with developing explanations of social phenomena. Hancock (1998) explained about four types of qualitatives research design, are; (1) Phenomenology, (2) Ethnography, (3) Grounded Theory, (4) Case Study.

Hancock (1998) define case study research is used to describe an entity that forms a single unit such as a person, an organization or an institution wherein the value of case study relates to the in depth analysis of a single or small number of units, as a research design, th e case study claims to offer a richness and depth of information not usually offered by other methods because it can capture as many variables as possible and be able to identify how a complex set of circumstances come together to produce a particular manifestation.

Place and Time of Research

The research is taken place in Manado city, especially in Malalayang as a sub-district particularly at small kiosk located on the edge of the highway that is parallel and adjacent to Indomaret. This research is conducted in January 2015 - April 2015.

Social Situation and Sampling

The social situation that is mainly observed in this research is owner of small kiosk near Indomaret in Manado city, especially in Malalayang sub-district. Informant of this research consists of 15 peoples all of the informants are the owner of small kiosks.

Data Collection Method

Sources of evidence to obtain data necessary to answer the research questions are interview (as primary data) and documents (as secondary data). Many of the qualitative research has been doubted the validity because of the researcher subjectivity, less of control in interview questions, and incredible data resources. Also in Sekaran and Bougie (2009:385) The idea of the triangulation method is that one can be more confident in a result if different methods or sources leads to the same result. The validity of data checked with:

1. Credibility: to prove the validity of this research process and result. This researcher using the triangulation method as explained in Sekaran and Bougie (2009) in order to obtain the maximum validity of the data collection.
2. Transferability: The result of this research can be implement in different condition and this researcher is responsible in providing accurate data systematically and trustworthy of the research result.
3. Conformability: The way of proving the validity of the result of the research which is match with the data collection on the field notes and make a discussion with people who is not involved with this research to give an objective opinion.

Data Analysis Method

Marshaal and Rossman (2006:34) present detailed data analysis techniques for data analysis process. Furthermore, they explain the several steps that should be done in qualitative research analysis, such as; (1) organizing data, (2) grouping based on categories, themes, and pattern of response, (3) examining the assuming or exiting theories and the data, (4) seeking for the alternative explanation of the data, and (5) writing the result and research.

RESULT AND DISCUSSION

Result

1. Does the existence of Indomaret in this area have a negative impact on sales of your small kiosk?

Table 1. Small kiosk owners answer

Impact on Sales	Total	Percentage
Yes	10	66.67 %
No	5	33.33 %

Source: Primary data processed 2015

2. How big an impact of opened Indomaret on the sales of your small kiosk? (on percentage)

Table 2. Small kiosk owners answer

Informant	4	5	7	8	9	10	11	12	13	15
Percentage	40%	10%	50%	45%	60%	40%	25%	50%	75%	40%

Source: Primary data processed 2015

Discussion

By looking at several factors in the previous chapter can draw the conclusion that the presence of minimarket can be deadly small kiosks around, in other words, the economy will small kiosk owners increasingly difficult. Such as the results of previous studies by Sunanto (2012) define modern retail gave negative impact for traditional retailers in sales. In Vij (2013) define organized retail was always won the competition against unorganized retail like in this research Indomaret as organized retail and small kiosk as unorganized retail. And Kaliappan et al (2008) define after the modern retail operated is always negative impact on traditional retail, like in this research after Indomaret operated small kiosk got negative impact on sales.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

Restriction small kiosk with Indomaret concerning economic marginality of, namely in the form of a reduced number of visits of buyers and falling value of sales which directly lowers profit. This is due to the competition is so tight that eventually won by minimarket. It happened because the minimarket is found adjacent to the small kiosk. In operation minimarket business has a very extensive network and reliable. Conversely, small kiosk usually do not have that particular network so that the time of arrival of goods sometimes imprecise and impact on the supply of goods.

Recommendations

Government of Manado city is should be to give more attention to small kiosk (traditional retail). For example, through the structured trainings, business guidance, help the business capital, and legal protection through Local Regulation, so small kiosks have more protected and being able to compete. Provides an opportunity small kiosk owners to take advantage of growth opportunities as well as the public demand for help anticipate environmental changes that would threaten the existence of small kiosk. This is because the nature of the small kiosk owners who are generally weak in many respects, it is necessary role of government to actively empower small kiosk. This can be done by helping improve their access to information, capital, and the relationship with the manufacturer or supplier.

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