

BUILDING SYNERGY BETWEEN INDONESIA'S TRADITIONAL AND MODERN RETAIL INDUSTRIES WITH E-COMMERCE

MEMBANGUN SINERGI ANTARA INDUSTRI RETAIL TRADISIONAL DAN MODERN DENGAN E-COMMERCE

Edmira Rivani

(Research Centre of Economics and Public Policy, Expertise Agency of House of Representative of Republic Indonesia,
Setjen DPR RI Gd. Nusantara I Lt. 2, Jl. Jend. Gatot Subroto,
e-mail: rif_green@yahoo.com)

Eka Budiyantri

(Research Centre of Economics and Public Policy, Expertise Agency of House of Representative of Republic Indonesia,
Setjen DPR RI Gd. Nusantara I Lt. 2, Jl. Jend. Gatot Subroto,
e-mail: eka.budiyantri@gmail.com)

Sony Hendra Permana

(Research Centre of Economics and Public Policy, Expertise Agency of House of Representative of Republic Indonesia,
Setjen DPR RI Gd. Nusantara I Lt. 2, Jl. Jend. Gatot Subroto,
e-mail: sony.hendra@gmail.com)

Naskah diterima: 31 Maret 2020, direvisi: 26 Agustus 2020,
disetujui: 30 September 2020

Abstrak

Indonesia mempunyai pasar yang sangat potensial dalam industri retail. Laporan hasil survei perusahaan konsultan global A.T. Kearney dalam Global Retail Development Index tahun 2016, juga menyebutkan bahwa Indonesia menempati peringkat urutan 5 dari 30 negara berkembang perihalsektor bisnis retail paling potensial di dunia. Pertumbuhan industri retail tersebut tidak berlanjut di tahun 2017. Fenomena- fenomena tersebut dikhawatirkan merupakan ancaman akan masuknya pendatang baru dan produk substitusi (seperti perdagangan elektronik/ e-commerce), mengharuskan pelaku retail untuk menggunakan strategi pemasaran yang tepat agar produknya tetap diminati konsumen sehingga penjualan produk mereka terus meningkat. Analisis ini bersifat deskriptif dengan menggunakan pendekatan kualitatif. Hasil penelitian ini mengungkapkan bahwa retail tradisional membutuhkan suatu sistem atau teknologi yang berperan untuk mengumpulkan barang dari pengecer tradisional, melakukan perencanaan logistik, menjamin standarisasi barang, ketepatan waktu pengiriman, dan pengendalian kualitas. Sementara itu, pelaku bisnis retail modern di dorong untuk mengubah strateginya dalam menghadapi persaingan ekonomi. Melibatkan elemen- elemen wisata casual atau liburan di setiap produknya adalah salah satu strategi untuk membangun sinergi, yang merupakan cerminan dari perubahan terbaru dalam pola konsumsi publik. Pengusaha retail modern tersebut juga dapat meningkatkan produk tradisional ke tingkat nasional dengan membantu mereka memenuhi standar sehingga mereka dapat dijual di pengecer modern, bekerja sama dengan UKM untuk memasuki distributor retail modern perdagangan berbasis e-commerce.

Kata kunci: retail tradisional, retail modern, e-commerce

Abstract

Indonesia has a very potential market in the retail industry, proven by its position in 5th rank out of 30 developing countries regarding the business sector retail most potential in the world. Meanwhile, the growth of retail industry does not continue in 2017. These phenomena are possibly due to the entry of new entrants and substitute products, requiring retailers to use the right marketing strategy. This paper aims to describe how to build synergy strategy between traditional and modern retail industry with e-commerce. This paper is descriptive by using a qualitative approach. The results of the study reveal that traditional retail need a system or technology which role was to collect goods from traditional retailers, carry out logistics planning, ensure standardization of goods, punctuality of delivery, and quality control. Meanwhile, modern retail businesses are encouraged to change their strategies to face economic competition. Involving elements of casual tourism or leisure in each of its products is one of the strategies to build synergy, which is a reflection of the recent changes in public consumption patterns. Those modern retailers also can further elevate traditional products to the national level by helping them meet the standards so that they can be sold in modern retailers, cooperating with SMEs to enter the modern retail chain distribution e-commerce-based trading.

Keywords: traditional retail, modern retail, e-commerce

INTRODUCTION

The retail industry in Indonesia contributes significantly to the Gross Domestic Product (GDP), which was 15.24% and also absorbed employment of 22.4 million workers, or 31.81% of non-agricultural labor.¹ As a developing country, the strength of people's purchasing power; population growth; and people's need for fulfillment of consumer products influence the growth rate of industry retail in Indonesia. Business retail is the sale of goods in various types of outlets such as kiosks, markets, department stores, boutiques and others (including sales to the system), service delivery which is generally to be employed directly by the buyers concerned. The development of business retail in Indonesia is influenced by changes that occur in society. The current increase in people's income is the most influential factor in the development of retail industry, which leads to changes in people's purchasing power and lifestyle. Consumers who initially prioritize the daily necessities available in the business retail have changed with the increasing need that emphasizes comfort, cleanliness, security in shopping, and the completeness of the items provided. It triggered changes businesses from traditional retail business to modern retail business. Population growth is one of the driving factors of the development of retail industry in Indonesia.

Growth of Indonesia's retail in 2016 was 12% better than the previous year which only reach 8%², while the business market share retail will continue to grow in the range of 10% -15% every year.³ A survey-based report by global consulting firm AT Kearney in Global Retail Development Index 2016 also states that Indonesia ranked 5th out of 30 developing countries regarding the most potential business sector retail in the world.

¹ Republika, "Peran Retail Dalam Perekonomian Nasional Makin Besar", (*online*) (<http://republika.co.id/berita/ekonomi/makro/17/05/05/opgtdc368-peran-ritel-dalam-perekonomian-nasional-makin-besar> was accessed on 08 March 2018).

² Markeeters.com, "Tahun 2016, Retail Bisa Tumbuh 12%?", (*online*), (<http://marketeters.com/tahun-2016-ritel-bisa-tumbuh-12/>), was accessed on 02 March 2018).

³ A.C. Nielsen. *Asia Pacific Retail and Shopper Trends*. 2014.

Meanwhile, there is a contrast between modern and traditional retail's growths. Based on data of the Indonesian Market Traders Association (IKAPPI, 2016), the number of modern retail outlets jumped from 10,731 in 2010 to 19,979 in 2015, with department stores and mini markets as the fastest growing segment in the sector. Within the same period, the number of traditional markets declined from 13,550 in 2010 to 9,950 in 2015 (Table 1).

Table 1. Number of Traditional and Modern Retail in Indonesia, 2010-2015 (units)

Year	Traditional Market	Modern Market
2010	13,550	10,731
2012	13,448	13,578
2015	9,950	19,979

Source: IKAPPI, 2016

The growth of modern retail industry in Indonesia was stagnant in 2017, where sector sales growth retail has experienced a significant decline. The growth number only reached 2.2% in August 2017 from the previous range of 8-10%. Even modern retail had a negative growth of as much as -3.3% in July 2017.⁴ This decline is not only seen in the statistics, but also in the field. In the past few months, many shopping centers have been lacking of visitors. For example, At Glodok Market, legendary electronic shopping center in West Jakarta, there are many kiosks closed due to falling sales. Similar facts are also experienced by modern shopping centers, for example PT Matahari Department Store. Tbk., a leading retail company in Indonesia that closes its outlets in Pasaraya Manggarai and Pasaraya Blok M this year. In addition, 8 outlets owned by PT Ramayana Lestari Sentosa, Tbk., were also closed. In fact, the Hero group management (Hero Supermarket Tbk) has also closed its 74 outlets, including 39 Starmart, 22 Guardian, 10 Hero and 3 Giant. In addition, PT Mitra Adiperkasa, Tbk, also closed its Lotus and Debenhams outlets.⁵

⁴ Eastspring Investments, "Benarkah Bisnis Retail Lesu", Slice of Life from *Eastspring Investments* Edisi Oktober 2017.

⁵ *Ibid.*

These phenomena are feared to be a threat to the entry of newcomers and substitute products (such as e-commerce), requiring retailers to use the right marketing strategies so that their products remain attractive to consumers and to increase product sales. The problem of new entrants and substitution products in the form of electronic commerce (e-commerce) is something that needs to be taken into account, in addition to competition among modern retail and traditional retail industries.

Retail development in Indonesia faces several obstacles such as government regulations, central and regional regulations, high interest rate, infrastructure problems, the labor law, domestic instability and security and the political situation.⁶ Therefore, this study will discuss synergy strategies for improving the competitiveness of the Indonesian retail industry. Building synergy between Indonesia's traditional and modern retail industry with e-commerce is important to handle the problem above.

LITERATURE REVIEW

Based on research were conducted by Tulus (2004) and Abdullah (2003), the form of competition that occurs between modern retail companies in the same category is in terms of seizing market segments, service systems, price competition, and quality product. While competition between modern retail companies in different categories often becomes irrelevant because each has placed itself in a different market segment. Even though small modern retailers were shutting down because they were unable to compete with large modern retailers. In terms of competition between traditional retailers, it seems a contrast to modern retailers in determining their location. The modern one always considers the number of consumers, accessibility, and feasibility. Meanwhile, location does not affect sales turn over per day for traditional retailers.

Since this study will discuss synergy strategies for improving the competitiveness of the Indonesian retail industry, we need to understand the concept of synergy. Synergy is defined by

Gupta and Roos as the interaction of two or more intellectual capital resources from previously sovereign organisations, which enhances the combined effect of value creation and competitive performance, which effect is greater than the sum of the individual effects.⁷ Argenti, in Krumm, Dewulf & De Jonge, defines synergy as "the concept that combines two or more different businesses, activities, or processes that will create an overall value that is greater than the sum of the individual parts".⁸ This synergy concept suggests that advantages are created when economies of scale and speed are combined with administrative co-ordination. Harris (2004) contends that synergy represents a dynamic process, involves adaptation and learning, creates an integrated solution, entails joint action by many in which the total effect is greater than the sum of the effects when acting independently, does not signify compromise, and facilitates the release of team energies.⁹ Describing synergy as increased efficiency in the sharing of skills and other assets, Ansoff, in Ensign, identifies four types of synergy, namely sales, operating, investment and management synergy.¹⁰ Wells, in Chang, identifies five categories of synergy in diversified organisations, namely financial synergy, which comes from risk reduction; entrepreneurial synergy, which flows from the pursuit of attractive new investment opportunities; expansion synergy, which originates from the application of existing resources to new business; market power synergy, which arises from cross-subsidisation; and operational synergy, which comes from sharing activities and knowledge.¹¹

⁷ O. Gupta & G. Roos, "Mergers and acquisitions through an intellectual capital perspective", *Journal of Intellectual Capital*, 2(3), 2001, pp. 297-309.

⁸ J. M. M Krumm, G. Dewulf, & H. De Jonge, "managing key resources and capabilities: pinpointing the added value of corporate real estate management". *Facilities*, 16(12/13), 1998, pp. 372-379.

⁹ P. H. Harris, "European leadership in cultural synergy", *European Business Review*, 16(4), 2004, pp. 358-380.

¹⁰ P. C. Ensign, "Interrelationships and horizontal strategy to achieve synergy and competitive advantage in the diversified firm", *Management Decision*, 36(10), 1998, pp. 657-668.

¹¹ Y.M. Chang, "Synergy, relatedness, and organization form in the strategic management of diversification", *Unpublished doctoral dissertation*, University of Illinois at Urbana Champaign, 1990.

⁶ Marketers.com, "Tahun 2016, Retail Bisa Tumbuh 12%", (online), (<https://www.marketeers.com/tahun-2016-ritel-bisa-tumbuh-12/>, diakses 25 November 2018)

Drawn from the above summary we propose the following integrative definition of synergy: Synergy is a concept that describes the systemic processes whereby business units of diverse, complex organisations will generate greater value through working as one system than working as separate entities.

METHODOLOGY

The qualitative approach being used in this study is to find out what is needed to building synergy strategy between Indonesia's traditional and modern retail industry with e-commerce, in which data was obtained from various sources of information. The secondary data collection method of this study is that content documentation was taken from books, newspapers, articles, journals, or other data sources.

The data analysis technique of this study is content analysis. The content analysis method is principally a systematic technique for analyzing messages content and processing messages or a device for observing and analyzing the contents of open communication behaviors and selected communicators.¹² According to Neuman, content analysis is a technique for gathering and analyzing the content of the text. In this case, content refers to any word, meaning, image, symbol, idea, theme, or another form of communication that can be communicated.¹³ This study uses content analysis techniques to obtain a complete description of various sources, such as text and interviews on traditional retail, modern retail, e-commerce, and governance. In the end, data analysis results can be mapped to obtain research output in the form of a strategy for building synergy between Indonesia's traditional and modern retail industry with e-commerce. Based on the time dimension, this research is a cross-sectional research, which is a study that is conducted at a certain time and only takes one part of the social phenomenon (symptom) at a certain time.¹⁴

¹² Burhan Bungin, *Metodologi Penelitian Kualitatif*, Jakarta: Prenada Media Group, Jakarta, 2005, pp. 175.

¹³ Lawrence W. Neuman, *Social Research Methods: Qualitative and Quantitative Research*. USA: University of Wisconsin, 2006, pp. 322.

¹⁴ Neuman, *Social Research Methods: Qualitative and Quantitative Approaches*, London: Pearson, 2014.

ANALYSIS AND RESULTS

A. Retail Industry in Indonesia

The government has issued several regulations that apply nationally to provide structuring and guidance for modern retailers, shopping centers, and traditional retailers. This effort is made by providing space for each type of retail in carrying out its business by complementing each other. In addition to regulations from the central government in the retail sector, local governments in several districts and cities also issue regulations to properly regulate this retail business. Some regulations governing modern retail, shopping centers, and traditional retail at National level and in DKI Jakarta in particular are as follows (Table 2.).

In 2007 the Government issued Presidential Regulation No. 12/2007 which regulates traditional retail and modern retail, especially those related to zoning which limits the development of modern markets in order to reduce the impact on traditional markets, as well as discussed opening hours, permits and trading terms very troubling modern market suppliers. However, the problem and reality that occur is the extent to which the rules are effectively applied and have an impact on retail business actors. Not only that, at the end of 2008 the Government issued supporting regulations from Presidential Regulation 112/2007, namely the Minister of Trade Regulation No. 53 of 2008. In this law, more details are regulated regarding the problem of zoning and trading terms.¹⁵

All regulations issued by the government should be carried out to organize both modern and traditional retail aiming at harmonization, but in fact, the number of traditional markets declined from 13,550 in 2007 to 12,000 in 2015. During this period, it illustrates the existence of a traditional market closure of 1,550 units. In contrast, within the same period of time from 2007 to 2015 there was an increase in the number of modern retail outlets. This has become very anomalous with regulations issued by the

¹⁵ Suryadarma, et al., *Dampak Supermarket terhadap Pasar dan Pedagang Ritel Tradisional di Daerah Perkotaan di Indonesia*, Jakarta: Lembaga Penelitian SMERU, 2007, pp. 10.

Table 2. Regulations on Traditional and Modern Retail Arrangements at the National Level, as well as the Provincial Level of DKI Jakarta

Description	Regulatory
National level	<ul style="list-style-type: none"> - Presidential Decree No. 118/2000 concerning Amendments to Presidential Decree No. 96/2000 concerning the Open and Closed Business Sector with several conditions for foreign direct investment. - Decree of the Minister of Industry and Trade No. 107/MPP/Kep/2/1998 concerning Provisions and Procedures for Granting Modern Market Business Licenses. - Decree of the Minister of Industry and Trade No. 420/MPP/Kep/10/1997 concerning Guidelines for the Arrangement and Development of Markets and Shops. - Joint Decree of the Minister of Industry and Trade and Minister of Home Affairs No.57 and 145/MPP/Kep/1997 concerning the Arrangement and Development of Markets and Shops. - Regulation of the Minister of Industry and Trade No.12/MDAG/PER/3/2006 concerning Provisions and Procedures for Issuance of Franchise Business Registration Certificate. - Minister of Trade Regulation of the Republic of Indonesia Number: 53/MDAG/PER/2008 concerning Guidelines for Structuring and Guiding Traditional Markets, Shopping Centers and Modern Stores.
Province (DKI Jakarta)	<ul style="list-style-type: none"> - Provincial Regulation No. 2/2002 concerning Private Markets in DKI Jakarta. - Governor Decree No. 44/2003 concerning the Implementation of Private Market Guidelines in Jakarta.

Sources: Suryadarma, et.al, 2007 and 2015

government which structuring and fostering modern retailers and traditional retailers to grow together.

Retail businesses can be classified according to shape, size, and level of modernity so that various types of retail businesses will be found. However, government regulations regarding retail business are in the flow of thought as in general because they tend to use approaches that limit retail business only to in-store retailing, including in providing restrictions on traditional retailing and modern retailing. Presidential Regulation No. 112 of 2007 concerning the Arrangement and Development of Traditional Markets, Shopping Centers and Modern Stores, provides the following limits on traditional markets and modern stores in article (1):

a. Traditional markets are markets that are built and managed by the Government, Regional Government, Private Sector, State-Owned Enterprises, and Regionally-Owned Enterprises, including cooperation with the private sector with businesses, shops, kiosks, booths and tents owned/managed by small traders, middle, non-governmental

organizations or cooperatives with small-scale businesses, small capital and with the process of buying and selling merchandise through bargaining.

b. Modern stores are shops with independent service systems, selling various types of goods in retail in the form of minimarkets, supermarkets, department stores, hypermarkets, or wholesalers in the form of grocery. This Modern Store Limit is emphasized in article (3), in terms of sales floor area as follows: i) Minimarkets, less than 400 m² (four hundred square meters); ii) Supermarkets, 400 m² (four hundred square meters) to 5,000 m² (five thousand square meters); iii) Hypermarket, above 5,000 m² (five thousand square meters); iv) Department Store, above 400 m² (four hundred square meters); v) Loans, above 5,000 m² (five thousand square meters).

The traditional market above seems less representative of the understanding of traditional retailing as a whole. This is because, in contrast to the detailed modern store boundaries ranging from the smallest form (minimarket) to the biggest

(hypermarket), traditional market boundaries only explain the existence of a large (or broad enough) place to localize shops, kiosks, and plots as a place of business owned by traders and where people buy goods for daily needs. The following are characteristics of the market type (Table 3.).

provides many benefits than traditional retailers. In addition to that modern retailers are more convenience in terms of the period of repayment of goods, and discounted prices.

Those advantages of the bargaining position that makes modern retailers able to apply low

Table 3. Comparison of Modern and Traditional Retail

Types of Retailers	Main Characteristics	Market
Modern Retail (Modern stores and shopping centers)	<ul style="list-style-type: none"> - Modern management - Modern technology - Strong capital - Price is certain - Advanced facilities - Payment can be made with a Card-Based Payment Instrument (APMK, such as a credit card, debit card or e-money) - The principle of selfservice - Many promotional, discount and gift activities - Generally managed by private parties - Generally there are in urban areas - The condition of the building is generally clean and well maintained - Consumers are middle to upper class 	<p><u>Modern stores:</u></p> <ul style="list-style-type: none"> - Hypermarket (> 5,000 m²) - Grocery / wholesale (> 5,000 m²) - Supermarket (400-5000 m²) - Department store (> 400 m²) - Minimarket (< 400 m²) <p><u>Shopping Centers:</u> (Mall, plaza, square, shops, trade centers) Shopping centers are a combination of several modern shops in the same location</p>
Traditional retail (Folk markets)	<ul style="list-style-type: none"> - Management is not professional - Small scale - Small capital - Price of bargaining - Cash transactions without Card-Based Payment Instrument - There is rarely a promotion program - Government managed - Spread in cities and villages - The condition of the building is generally slim / poorly maintained - Lower middle consumers 	<ul style="list-style-type: none"> - Small scale traditional market (kiosk, stall, tent) - Medium scale traditional markets - Village market

Source: Serfianto, dkk, 2013

Modern retail is actually a not too high profit rate business, around 7-15% of turnover. However, this business has a high level of liquidity because sales to consumers are made in cash, while payments to suppliers can generally be done in stages. Like other modern retailers, retailers generally have a relatively strong bargaining position with their suppliers. This is because modern retailers are generally large-scale companies and extensive distribution channels so that the purchase of goods to suppliers can be done in large quantities. A strong bargaining position of modern retailers

prices and compete with traditional markets on the one hand. On the other hand, modern retailers are still able to maintain the convenience of their outlets.

B. Retail Competition in Indonesia

There has been a shift in consumer behavior patterns by choosing online purchases, especially in big cities, and increasingly fierce business competition has made the retail sector start to be shaken, apart from the decline in people's purchasing power. A number of entrepreneurs in the retail sector began

Table 4. Government Regulations are considered to inhibit the development of modern retailers

Regulations	Points are Considered to Inhibit	Reasoning
<u>National</u> Presidential decree No. 112 of 2007 and Rules of Trade Ministry No. 53 of 2008, concerning Structuring and Guiding of Traditional Markets, Shopping Centers and Modern Stores	<ul style="list-style-type: none"> - Modern Retail location besides minimarket, has to referring to district/city spatial planning (RTRWK). For the region that does not have RTRWK is prohibited give the establishment of modern retail permit. - The establishment of modern retail has to consider the distance between the traditional retail that has been established. - Trading term that has to be set by modern retail for the supplier, has to follow this condition: <ul style="list-style-type: none"> - Modern retailer can not ask for regular discount if the supplier provides net published prices to all modern retail. - Fixed Rebate (discounted prices from suppliers to modern retail without being linked to sales targets), can only be given periodically in 3 months, a maximum of 1% - Fixed Rebate, discount given by the suppliers related to sales target, with the conditions: <ul style="list-style-type: none"> - If the sales achieve 100% from the target, get the discounted price a maximum of 1%. - If the sales achieve 101%-115%, then the excess gets a maximum discount of 5%. - If the sales achieve >115%, then the excess gets a maximum discount of 10%. 	<p>These regulations are considered inhibit because:</p> <ul style="list-style-type: none"> - Limiting the location of modern retail. - Making business relationships between the modern retailers and their suppliers inflexible, due to the specific trading terms.
Regional (DKI Jakarta) Provincial Regulation No. 2/2002 concerning Private Markets in DKI Jakarta	<ul style="list-style-type: none"> - The minimum distance of 100-200 m² modern retailer area with traditional retailer is 0,5 km. - The minimum distance of 200-1000 m² modern retailer area with traditional retailer is 1 km. - The minimum distance of 1000-2000 m² modern retailer area with traditional retailer is 1,5 km. - The minimum distance of 2000-4000 m² modern retailer area with traditional retailer is 2 km. 	<p>This regulation is considered as severely limiting the space for modern retail market.</p>
<u>Governor's Instruction No. 115/2006</u> concerning Postponement of Establishment of Minimarkets in the DKI Jakarta Region	<ul style="list-style-type: none"> - The > 5000 m² area of modern retail business licenses are granted only if it is in the shopping center building - The license of stand alone modern retail won't be extended. 	<p>This regulation is considered as severely limiting the space for modern retail market.</p>

Sumber: Warta Ekonomi, INDEF (Dampak Ekonomi Keberadaan *Hypermarket* Terhadap Pasar Tradisional)

to go bankrupt or close their outlets. In the study of Hortaçsu and Syverson, regarding the evolution of the ongoing retail industry in America, showing that over a period of 60 years from 1954 to 2014, the value added of the retail sector continued to decline from 8.7% to below 6% during 2014.¹⁶

In terms of modern retailers, policies in the form of Regulations such as Presidential Regulation No. 2 of 2007, Minister of Trade Regulation No. 53/2008

concerning Structuring and Guiding of Traditional Markets, Shopping Centers and Modern Stores as well as several Regional Regulations (especially the Provincial Government of DKI Jakarta) such as Regional Regulation No. 2 of 2002, and Governor's Instruction No. 115 of 2006 concerning the Postponement of License for Establishment of Minimarkets in the DKI Jakarta province, are considered to inhibit the development of modern retailers. Reasons why those government regulations are considered inhibiting the development of modern retailers were given at Table 4.

¹⁶ Ali Hortaçsu, & Chad Syverson, "The Ongoing Evolution of US Retail: A Format Tug of War", *Journal of Economic Perspectives*, Volume 29 Number 4 Fall 2015, pp. 89-112.

Modern retail that has been developed since the year of 2000 is predicted to decrease start from 2019. Becomes a threat when consumers no longer want to shop far away looking for mini market stores, where all the needs for goods or products can be ordered via the Online way. So that there is no need for a mini market anymore, as an outlet that becomes a meeting between consumers as buyers and mini markets as sellers. Although the mini-market retail business potential is still very promising for the medium and long term, due to product demand, especially food and beverages, it is still the main contributor (> 60%). Also marked by the increasing population with the advantage of demographic factors and rapid community growth, the existence of urbanization, a strong level of consumer optimism and growth everywhere property both housing, apartments and so on, making retail-based businesses such as mini markets are still very much needed.

It is strengthened by Global Retail Development Index (GRDI) which show the fast growing of global retail development in 30 developing countries with the indicators of market attractiveness, country risk, market saturation, and time pressure (Table 5).

(28).¹⁷ In the Kearney study, it was explained that Indonesia remained a promising retail market and provided major retail investment opportunities in the medium to long term despite the various challenges that exist, especially as they relate to increasingly strict government regulations.¹⁸ These include rules about the maximum number of modern franchise outlets allowed (including foreign ones), operational closing hours, and rules about the proportion of local content among products sold at least 80 percent of the number and types of goods traded. Despite these challenges, in general it can be said that the Indonesian retail market is still attractive to foreign retailers. This is evidenced by the continued entry of world class retailers into Indonesia in 2013, such as Lotte Shopping (South Korea), Galeries Lafayette (France) and Uniqlo (Japan). Meanwhile, there are a number of other foreign retailers who also began operating in Indonesia in 2014, such as IKEA (Sweden), Lawson Asia (Singapore), Parkson Group (Malaysia) and Central Department Store (Thailand).

Table 5. Global Retail Development Index (GRDI) 2014

2014 Rank	Country	Market Attractiveness (25%)	Country Risk (25%)	Market Saturation (2014)	Time Pressure (25%)	GRDI Score
2	China	60,9	52,5	44,5	100	64,4
9	Malaysia	66,7	68,7	32,2	43,5	52,8
15	Indonesia	46,2	33,4	57,7	59,6	49,2
18	Sri Lanka	6,3	36,7	78,8	67,3	47,3
20	India	26,4	39	72,3	43,4	45,3
23	The Philipines	33	33,2	55,8	50,5	43,1
28	Vietnam	3,8	21,9	75	55,7	39,1

Source: Kearney, 2014

GRDI places Indonesia in the 15th position among developing countries as a destination for retail investment. Asian countries that made it into the Top 30 of GRDI besides Indonesia were China (2), Malaysia (9th), Sri Lanka (18), India (20), Philipines (23), and Vietnam

¹⁷ A.T. Kearney, "The 2014 Global Retail Development Index", (*online*), (<https://www.atkearney.com/>), accessed on 1 November 2019).

¹⁸ *Ibid.*

C. Pros and Cons of Traditional and Modern Retail

Based on experience from several foreign countries such as Chile, China, Japan, Brazil, Republic of Korea, Thailand, Taiwan, Mexico, etc., in general it shows that the presence of modern retailers will ultimately change the function and behavior of each member in a distribution channel that includes consumers, retailers, and suppliers, as the focus of this research is the impact on domestic suppliers, it is believed that the presence of multinational retail companies not only changes the structure of the retail sector and competitive environment in the host country but also has a significant impact on supplier countries and supply chains through local products that are a source of activity.¹⁹

There are various other benefits obtained by domestic suppliers in their relationship with modern retailers. Domestic suppliers and farmers are forced to improve product quality and their safety when they strive to meet the standards and requirements set by modern retailers.²⁰ Finally, the convergence between national and international standards is realized and this facilitates local suppliers to achieve international competitiveness and achieve a greater share of global trade, they here learn about procurement systems, appropriate storage, and accounting systems, etc. But it is important to note that there are the possibility of domestic suppliers facing the threat of being pushed out of the market because of the discriminatory practices of modern retail businesses and dominant purchasing power, another possibility is that suppliers will be moved if they cannot achieve strict quality standards and requirements set by modern retailers.²¹ Overall, the entry of modern retailers will mobilize both positive and negative impacts on domestic suppliers or what we mentioned as harmonious

and disharmonious relations. On the positive side, business relations with modern retailers can eventually lead to the development of domestic companies in terms of product quality, production capacity, increased sales volume, new product development, and access to international markets.

Overall, the entry of modern retailers will mobilize both positive and negative impacts on traditional retailers (Table 6.) or what we mentioned as harmonious and disharmonious relations.

Table 6. Pros and Cons of Traditional and Modern Retail

Positive Effects	Negative Effects
- More Shopping alternative	- Traditional retailers being pushed out
- Prices go down	- Traditional suppliers or farmers being pushed out
- Diversity of quality	- Traditional distributors being moved out
- Shopping convenience increases	- Informal workers in traditional retailers being pushed out
- More employment by modern retail	

Source: The Business Competition Supervisory Commission (KPPU), Positioning Paper Retail, 2009

On the positive side, business relations with modern retailers can eventually lead to the development of traditional retail in terms of product quality, production capacity, increased sales volume, new product development, and access to international markets.

D. Building Synergy in The Fourth Industrial Revolution

The industrial revolution is a fundamental change in the way of life and human work processes, where information technology advances can integrate into the world of life with digital which can have an impact on all disciplines. With the development of information technology that has developed rapidly, there has been a breakthrough including in the field of intelligent information, where computer technology is a discipline that adopts one's expertise into a technology-based application and produces information technology and production processes that are automatically controlled. With the birth of digital technology,

¹⁹ Dedie S. Martadisastra, "Dampak Regulasi dan Persaingan Terhadap Hubungan Ritel Modern Dengan Pemasok Domestik", *Jurnal Persaingan Usaha* Edisi 6 Tahun 2011, pp. 95.

²⁰ Reardon And Bardegue'JA, "the retail-led transformation of agrifood systems and its implications for development policy", (*online*), (www.rimisp.org/getdoc.php?docid=6432), was accessed on 23 November 2018).

²¹ *Ibid.*

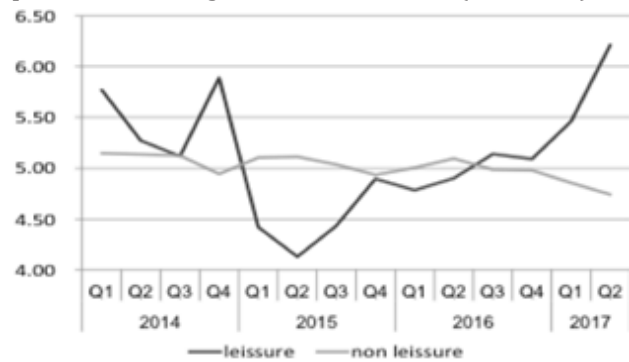
today in the industrial revolution 4.0 has an impact on human life throughout the world. Industrial revolution 4.0 all processes are carried out in an automation system in all activation processes, where the development of internet technology is growing not only connecting people all over the world but also becoming a basis for the process of online trade and transportation transactions.

All retailers have to be aware, that there has been a shift in consumer behavior patterns by choosing online purchases, especially in big cities, and increasingly fierce business competition has made the retail sector start to be shaken, apart from the decline in people's purchasing power. A number of entrepreneurs in the retail sector began to go bankrupt or close their outlets. In the study of Hortaçsu and Syverson, regarding the evolution of the ongoing retail industry in America, showing that over a period of 60 years from 1954 to 2014, the value added of the retail sector continued to decline from 8.7% to below 6% during 2014.²²

In the era of industrial revolution 4.0, traditional retail need a system or technology which role was to collect goods from traditional retailers, carry out logistics planning, ensure standardization of goods, punctuality of delivery, and quality control (Picture 1.).

to the relaxed element, starting from the basic human needs, eating, drinking, and getting entertainment.²³ This is increasingly supported by the development of the digital industry today. As the report released by the Inventure marketing agency titled "Welcome Leisure Economy", there has been a change in the consumption pattern of the people from the original consumption of goods, to the consumption of experience.²⁴

In Indonesia, leisure is dominated by vacations and dine out, it can be seen from BPS data which shows that in the second quarter of 2015 the economic growth of the leisure tourism sector was only around 4.2%. Meanwhile, in the second quarter of 2017 growth is above 6% (Picture 2).



Source: Statistics Indonesia (BPS), 2018

Picture 2. Growth of Leisure vs non-leisure (yoy)



Sumber: The Coordinating Ministry of Economy, 2017

Picture 1. Synergy Strategy Between Traditional and Modern Retail Industry With E-Commerce

That way, traditional retailers can compete with modern retailers. Meanwhile, modern retail businesses are encouraged to change their strategies to face economic competition. Involving elements of casual tourism or leisure in each of its products, which is a reflection of the recent changes in public consumption patterns. At present all public consumption is directed

The increasing consumption of the Indonesian people in the tourism sector, also can be seen

²² Ali Hortaçsu, *Op.cit.*

²³ Discussion with April Wahyu Widati, Chairman of the Indonesian Retail Entrepreneurs Association (APRINDO) East Java, on Tuesday 31 July 2018.

²⁴ "Strategi Bisnis: Pengusaha Harus Libatkan Unsur *Leisure* Pada Tahun 2018", (*online*) (<http://baranews.co/2018/01/01/strategi-bisnis-pengusaha-harus-libatkan-unsur-leisure-pada-2018/>, was accessed on 25 November 2018).

from the level of occupancy of star hotels. 2017 BPS data shows, hotel occupancy rates reached 64.99%, even though in 2014 the number was only 60.31%. The ease of Indonesian people to go on vacation and stay in starred hotels is supported by the ease of transacting on social media. Data compiled by Inventure from Daily Social in 2017 noted, 65.77% of consumers booked tickets or hotels through the traveling application. In the changing patterns of consumption today, the trend is happening, namely the change in all things consumption towards relaxed tourism. Changing the function of the mall, which was previously a place for buying and selling goods, became a relaxing tourist spot. If the department store does not lead to casual functions such as large malls with lifestyle types, it is rather difficult for them to continue to survive.

At the end of 2017, the empty outlets that were not rented out at the mall in Jakarta reached 12.1%, an increase compared to 2016 of around 10.3%. This phenomenon is expected to continue until 2020. Currently, Jakarta is dominated by upper-middle-class malls as much as 43%, 30% upper class, 14% luxury malls, and 13% lower middle. The vacuum of outlets in the Jakarta mall was also followed by a decline in rental prices in the middle and lower middle-class malls between 3-4%. The rental price in luxury malls is not affected because the level of leasing has not changed. This cannot be separated from the development of buying and selling goods online.

Data from eMarketer shows, in 2016 online buyers in Indonesia reached 8.7 million people. That number increased dramatically compared to 2013 which only reached 4.6 million people. In addition to changes in mall functions, changes also occur in eating places. Places to eat outside the home are now turning the function into a place of socialization and relaxation, compared to the basic function as a place to fulfill life's needs, eating.

The poll conducted by Inventure in 2017 received a response from consumers that 83% of consumers aim to eat in a restaurant or outside the home are not only eat but socialization with friends. 48% spend free time, and 24% want to

get good pictures or photos. Not only eating, but sports also are now not just people doing it for health, but for socialization with friends. For example, running 10k, color run, that's for fun. Not to mention mobile phones, no longer as a tool for information, but for leisure, when viewed from applications that are often seen such as youtube, Spotify, and others. So, everything now functions change towards leisure. Both Traditional and modern retail can collaborate with various established online application companies such as lazada, tokopedia, bukalapak, blibli.com, Go-Mart, and various other available platforms or application. With this service, traditional and modern retail in Indonesia can increase sales due to the wide and good promotion. Promotion coverage is said to be increasingly widespread because by using online applications, small businesses can reach new consumers who have not known the product.

CLOSING

A. Conclusion

At present all public consumption is directed to the relaxed element, starting from the basic human needs, eating, drinking, and getting entertainment. This is increasingly supported by the development of the digital industry today. Retail businesses are encouraged to change their strategies to face economic competition. To improve competitiveness of Traditional retail, a system or technology which role was to collect goods from traditional retailers, carry out logistics planning, ensure standardization of goods, punctuality of delivery, and quality control will be needed. That way, traditional retailers can compete with modern retailers. For Modern retail, involving elements of casual tourism or leisure in each of its products, which is a reflection of the recent changes in public consumption patterns.

In the retail sector, for example, large entrepreneurs can collaborate with various established online application companies such as lazada, tokopedia, bukalapak, blibli.com, Go-Mart, and various other available platforms or applications. Those applications certainly help both traditional and modern retail providing

better promotions to the wider community, and increasing the volume of sales transactions.

B. Recommendation

There are several strategies that can be done to improve the competitiveness of industry retail in Indonesia. Modern retail is expected to elevate traditional retail to the national level by helping them meet the standards so that they can be sold in modern retail, cooperating with traditional retail to enter the distribution chain of modern retail companies that use-based trading e-commerce, though e-commerce becoming the most popular means, retailers are not provoked to create e-commerce independently. It would require more substantial costs and have not guaranteed to expand the market of its products. Both Traditional and modern retail can collaborate with various established online application companies. Those applications certainly helps both traditional and modern retail providing better promotions to the wider community, and increasing the volume of sales transactions.

REFERENCES

Books

- Bungin, Burhan. (2005). *Metodologi Penelitian Kualitatif*. Jakarta: Prenada Media Group.
- Neuman, W. Lawrence. (2006). *Social Research Methods: Qualitative and Quantitative Research*. USA: University of Wisconsin.
- Neuman. (2014). *Social Research Methods: Qualitative and Quantitative Approaches*. London: Pearson.

Journal Article

- Gupta, O. & Roos, G. (2001). Mergers and acquisitions through an intellectual capital perspective. *Journal of Intellectual Capital*, 2(3).
- Hamdan. (2018). Industri 4.0: Pengaruh Revolusi Industri Pada Kewirausahaan Demi Kemandirian Ekonomi. *Jurnal Nusamba*, 3(2), Oktober 2018.

- Hortaçsu, Ali & Syverson, Chad. (2015). The Ongoing Evolution of US Retail: A Format Tug of War. *Journal of Economic Perspectives*, 29(4).
- Martadisastra, Dedie S. (2011). Dampak Regulasi dan Persaingan Terhadap Hubungan Ritel Modern Dengan Pemasok Domestik. *Jurnal Persaingan Usaha*. 6(1).
- Krumm, J.M.M., Dewulf, G. & De Jonge, H. (1998). Managing key resources and capabilities: pinpointing the added value of corporate real estate management. *Facilities*, 16(12/13), pp. 372-379.
- Cockerill, S.K. (1995). Unfolding systemic ideas. *Executive Development*, 8(4), pp. 4-8.
- Harris, P.H. (2004). European leadership in cultural synergy. *European Business Review*, 16(4), pp. 358-380.
- Ensign, P.C. (1998). Interrelationships and horizontal strategy to achieve synergy and competitive advantage in the diversified firm. *Management Decision*, 36(10), pp. 657-668.

Research Report

- Chang, Y.M. (1990). Synergy, relatedness, and organization form in the strategic management of diversification. *Unpublished doctoral dissertation*, University of Illinois at UrbanaChampaign
- Eastspring Investments. (2017). Benarkah Bisnis Retail Lesu. (Slice of Life From *Eastspring Investments* Edisi Oktober 2017).
- Nielsen, A. C. (2014). *Asia Pacific Retail and Shopper Trends 2014*.
- Pandin, Marina L., (2009). Potret Bisnis Retail di Indonesia: Pasar Modern. (*Economic Review* No.215 Maret 2009).
- Suryadarma, Daniel, et.al. (2007). *Dampak Supermarket terhadap Pasar dan Pedagang Retail Tradisional di Daerah Perkotaan di Indonesia*. Jakarta: Lembaga Penelitian SMERU.
- Tambunan, Tulus TH, dkk. (2004). Kajian Persaingan dalam Industri Retail. *Laporan Penelitian Komisi Pengawas Persaingan Usaha (KPPU)*. Jakarta: KPPU.

Regulation

Peraturan Presiden Republik Indonesia Nomor 112 Tahun 2007 Tentang Penataan dan Pembinaan Pasar Tradisional, Pusat Perbelanjaan dan Toko Modern.

Peraturan Daerah DKI Jakarta Nomor 2 Tahun 2002 Tentang Perpasaran Swasta di Daerah Khusus Ibukota DKI Jakarta.

Website material

Baranews. (2018). Strategi Bisnis: Pengusaha Harus Libatkan Unsur *Leisure* Pada Tahun 2018. (*online*), (<http://baranews.co/2018/01/01/strategi-bisnis-pengusaha-harus-libatkan-unsur-leisure-pada-2018/>, Retrieved November 25, 2018)

Markeeters.com. (2015). Tahun 2016, Retail Bisa Tumbuh 12%?, (*online*), (<http://marketeers.com/tahun-2016-ritel-bisa-tumbuh-12/>, Retrieved March 2, 2018)

Reardon And Bardegue'JA. (2002). The retail-led transformation of agrifood systems and its implications for development policy. (*online*), (<http://www.rimisp.org/getdoc.php?docid=6432/>, Retrieved November 23, 2018)

Republika. (2017). Peran Retail Dalam Perekonomian Nasional Makin Besar. (*online*), (<http://republika.co.id/berita/ekonomi/makro/17/05/05/opgtdc368-peran-ritel-dalam-perekonomian-nasional-makin-besar>, Retrieved March 8, 2018)

