Interaction among actors in retail market competition in malang city

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Abstract. In several countries, traditional market lose in competition with supermarket. Supermarket has several advantages compared with traditional market. It can provides consumers with lower prices, offer more varieties of products and higher quality products than traditional retailers, has more comfortable place for shopping. In Malang City, the existence of traditional traders was threatened. In a competitive retail market, traditional traders get less protection from the Government of Malang Municipality. Massive demonstrations conducted by traditional traders along with other society elements unable to stem the rapid growth of modern retail. This paper focus on the interaction of Malang Municipality actors in the local retail market competition. How those interaction can make imbalance retail market competition. The author uses descriptive-analytic method with a qualitative approach in this work. As a result, the interaction tend to produce imbalance retail market competition. Interaction between legislative, executive, bureaucracy and mass media tend to support modern retail growth than traditional one.

1. Introduction
Based on data from United Nations Conference on Trade and Development [1], in 2010, for the first time in, developing countries absorbed more than half of world Foreign Direct Investment (FDI) flows. It means that Transnational Corporations (TNCs) are increasingly investing in those countries to maintain a cost-effectiveness because they will get the cheaper resources and get the broad market. So, they remain competitive in the global production networks. FDI give many benefit for developing countries but it raises concerns as well. There were unequal competition between TNCs and domestic players.

Figure1. FDI Inflows, Global and by Group of Economies, 1980–2010 (Billions of dollars) (UNCTAD, 2011:3)
TNCs have many types, one of them is a modern retail corporation. Modern retail include supermarket and minimarket. It is a kind of self-service store offering much variety of food and household stuff. It has many eminence if compared to traditional retail. Supermarkets tend to charge consumers with lower prices, offer more varieties of products and provide higher quality than traditional retail. Those competitive advantages allowed them to expand quickly and to grab consumer market share from traditional one. Traditional retail can be divided into two groups, namely, groups of retailers who sold in traditional markets and those who sold in certain places, not in groups (example, in their own home). In this case, we focus on the first one.

In Indonesia, after signed Letter of Intent (LOI) to get a loan from International Monetary Fund (IMF), President Soeharto launched Presidential Decree Number 99 Year 1998. Main point of the rule is president should give opportunity for foreign supermarket to invest in Indonesia. From 1998 to 2003, supermarket grew 27% per year, from 8 to 49 outlets. At the time, the growth of supermarkets were concentrated in Jakarta, Bogor, Depok, Tangerang, and Bekasi (Jabodetabek) with 58% proportion of total supermarkets [2]. Nowadays, number of supermarkets increase rapidly. It brings negative consequence for traditional market. Supermarket grabbed continuously its market share. Many traditional market became bankrupt. Below is table of Percentage of Earnings Contribution from 51 Basic Daily Needs. Based on the table, it can be predicted in 2039 that supermarket will completely take over market share from traditional market. Whereas, many people work in traditional market from low-educated people or even people who do not have formal education to highly educated people.

| Year | Traditional Market | Supermarket |
|------|--------------------|-------------|
| 2001 | 75.2               | 24.8        |
| 2002 | 74.8               | 25.1        |
| 2003 | 73.7               | 26.3        |
| 2004 | 69.6               | 30.4        |
| 2005 | 67.6               | 32.4        |
| 2006 | 65.6               | 34.4        |

Malang City has reached economic growth higher than economic growth at national or provincial level. In 2008, it reached 6.7% while national economic growth reached 6.4% and provincial economic growth reached 6.3%. Such condition was recognized by the head of local government, Peni Suparto, caused by the rapid growth of supermarket and mall [4]. However, growth of traditional market has stopped since early 2000s. Up to 2012 there are no new traditional markets which is established. It changed by modern retail growth.

Ironically, when economic growth of Malang City reached higher than national or provincial level, traditional retail experience terrible condition. From 27 existing traditional markets, approximately 17 markets considered inadequate facilities and infrastructures [5]. Then, there were many brands of supermarket either from domestic or foreign countries, namely Sardo, Grosir Utama, Avan, Surya Mart, Lai lai, Carrefour Express, Giant, Hypermart and Superindo [6]. All of them sell fresh products, processed foods, electronic goods, bicycles, house hold appliances and so on as products sold in traditional markets. Besides, there are minimarket that rapidly increased at last several years namely Indomaret and Alfamart. Both of them provide manufactured food products and household appliances.

Besides, the existence of modern retail in Malang City often generated pro and cons. In last decade, rapid growth of mini market and local market have tendency to raise a big protest of Malang Society. Executive Director of The Development Center of Regional Autonomy (May, 4, 2012) and Manager of RCB FM (August, 4, 2012) said that in 2000s, the large number of minimarket triggered Kemirahan Citizens protests. Then, local supermarket location is too close to traditional market is also likely to
trigger anger of traditional traders. In 2010s, plan of traditional market renovation was raised protest as well. The protest came from not only traders, but NGO, academician and student as well. Traditional traders in Dinoyo Traditional market claimed that initially, renovation plan did not involve investor. It used government budget. But finally, local government cooperate with investor to do it. The renovation would move traditional market location. The location would be moved at behind of department store.

Based on the issue description above, it can be known that the growth of traditional market and modern retail generated high tension. It was not only between traders, modern and traditional one. But also includes local government, NGO, academician and student. Thus, this paper has interest to examine interaction among actors in retail market competition in Malang City.

2. Research Method

This research can be classified as qualitative research. The data can be obtained by doing interview, observation and collecting secondary data. Researcher decided several key informant namely Officer of Secretariat of Local Investment, Officer of The Local Department of Market, Officer of the Integrated Licensing Service Agency, Officer of the Local Department of Industry and Trade, Members of Regional People’s Representatives Council, Giant supermarket Personnel Manager, The member of Klojen and Dinoyo Traditional Market Association, Member of Malang Corruption Watch (MCW), Member of Legal Aid Organization, Executive Director of Center for Regional Autonomy. The researcher collected and analyzed data around six months, started April until September 2012. He arranged interview guide but also developed the question during the research. The researcher collected materials from various sources, such as book reports, research results, reference books, and other written documents related to the research focus as well.

3. Result

3.1. History of traditional market in Dutch colonial era

Prior to 1924, Chinatown Market was only traditional market in Malang City. Then Dutch colonist took over it and its name was changed to the Besar Market. Not only Chinese who had opportunity to trade in the market, but Pribumi also participated. The market was became increasingly crowded. The market became also storehouse of agricultural and plantation products from Turen, Dampit, Southern Malang Municipality and Tumpang (area in Malang Regency) were hired by Private Dutch Enterprise before being sent to another area. Then, in 1930, the market was no longer able to accommodate many traders. Thus, the Dutch decided to create new traditional markets as a way out. Those markets were built in several villages. In 1932 and 1934, Bunulrejo, Kebalen, Oro-or Dowo, Embong Brantas and Lowokwaru Market were built, while Dinoyo and Blimbing Market were built in January 1940 [7].

To support the development of traditional markets, Dutch Colonist was also build Taxistandplaats en busstation (bus station and oplet) in around market area. It was built for make it easier for people to reach out. One station was built in 1935 at behind Besar Market. In the station, there were a variety of transportation vehicles which stop and wait for passengers, such as Ford Beauty 1928, Essex Super

![Figure 2. First Traditional Market in Malang City [7]](image-url)
Six 6 Cylinder, oplet, and Tempo. Furthermore, the station was moved to Sawahan in 1951. At the time, there were 15 stations at Trunojoyo, Mergosono, Halmahera, Sawahan, Pegadaian, Nusakambangan Street, and area behind and around Kebalen Market (Cahyono, 2007:109). In period 1940 to 1970 there was no new traditional market construction. But in following year, it started to be built. In period 1971-1980, independence era, there were 12 new ones. Then, up to 2012, there were 27 traditional markets in Malang City.

3.2. Unequal ability between traditional market and modern retail

Several years after the enactment of Presidential Decree No. 99 of 1998, foreign supermarkets were also infiltrated to Malang city. Traditional market growth stopped in early 2000s. Whereas, number of resident increased rapidly. The numbers of existing traditional markets (27 traditional markets) should not be able to meet an increasing number and variety of citizen needs. When traditional market stopped, modern retail such as supermarket and minimarket began to grow. In fact, not only foreign-owned modern retail but also domestic-owned one were also growing rapidly.

Capital Aspect-The main difference between traditional market and supermarket or minimarket is owned capital. In traditional market, the capital owned by each trader. So allocation of profit was done based on each trader interest. Not all of traders were willing to pay a levy which is withdrawn by association of market trader (several traditional markets have an association). This levy was used to maintain traditional market itself. The association of market traders should collect these levy because of government function did not work optimally especially in security and cleanliness aspect. Thus, the traders should take an initiative to maintain their market. This problem as experienced by Dinoyo Traditional Market.

By contrast if compared to supermarket or minimarket. Both have a great number of capital, and it is owned only by a small group of people. They used profit to develop their business. They allocate capital easily for their business, not only for security and cleanliness even to open new business branches can easily they did.

Managerial Skill Aspect-Managerial skill of market trader association officials is lower than modern retail has. It is related to numerous and diverse types of activities carried out so far. Association official was busy with their business itself so could not be focus to manage traditional market. Besides, they did not get salary as an association official. Unlike managerial skill of modern retail official. They were chosen people who have experience to work in a particular company. They were used to work pressure. Additionally, those who have a good work will be given a reward. The managers were given a special facilities that regular employees will not get.

3.3. Intimate affair between executive and legislative

Dinoyo and Blimbing market case showed that legislative has tend to accommodate political elite interest more than traditional traders interest. Initially, Mayor of Malang City has intention to renovate the market. The market assumed has bad condition whereas it contains many traders and consumer and has strategic location. The mayor has intention to involve private sector to renovate the market. Then, private sector has intention to renovate traditional market and mall also in similar location. However, result from hearing with Commission A is to reject the mayor plan because it is deemed detrimental traditional traders and small amount of compensation. The result is submitted to the legislative. Then, legislative made Special Committee to review it. The steps and the result was also the same as the report of Commission A. But it was not final decision. The report from Commission A and Special Committee to be one consideration in plenary session. Its agenda was a renovation two traditional market. According to one member of faction, before voting conducted, the mayor lobby one of political party. Finally, the voting result was to involve private sector in traditional market renovation.
3.4. Procedure violation for investor

Based on Regulation of Mayor of Malang City Number 28 Year 2009 about Trade Business License that public participation has important role to determine appropriateness of an investment. Prior to establish modern retail, investors need to get a business license from Integrated Licensing Service Agency (ILSA). To get the license, initially, investor should obtain License of Disorder and License of Building Establishment. Both are also issued by ILSA. But to get it, investors should obtain prior approval from local inhabitants where modern retail locations will be established. Village Government should provide socialization and accommodate aspiration of society. But unfortunately, they did not do it. They give approval without involving public participation. Other violation practice was done by ILSA. According to the regulation, before ILSA issues the license, the institution should ask recommendation from Local Department of Industry and Trade (LDIT). But the institution did not do it.

3.5. Mass media: inviting a sympathy or an opportunist?

Information which is disseminated by mass media was not always inviting public sympathy. A sympathy can associate actors to fight traditional trader aspiration. But also it can invite opportunists. Not all Non-Governmental Organizations (NGOs) and journalists were willing to help traditional traders. According to one political journalist in Malang City, several NGOs and journalists got money from Malang Town Square case. Many media kept silence on this case and several NGOs did not against it.

3.6. An advocacy scheme based on the victim

Several NGOs which involved to advocate Dinoyo market such as Malang Corruption Watch and Legal Aid Organization. They mediate traditional traders and local government. Traditional traders did not refuse development mall in the location. But they did not agree if traditional market relocated at behind of mall. They would traditional market location is next to mall. Then, in 2015, renovation was finished. Dinoyo Market location is next to mall. According to, one member of the Legal Aid Organization that advocacy should be supported by strong commitment. Without a strong commitment, the advocacy will be weak and easily defeated. Strong commitments will make victims and NGO networks more solid.

4. Conclusion

Rapid growth of modern retail in Malang City is influenced by many actors. Traditional market growth stopped in early 2000s. It was changed by modern retail growth. It indicates an imbalance competition between traditional and modern retail market. It is not only caused by traditional market weakness. But also local government and political elite who prefer to support those have big capital. This condition tend to make imbalance competition continuously. Thus, the challenge now is to build a network of committed broader movement and more powerful.
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