



## FACTORS AFFECTING TRADITIONAL MARKETS COMPETITIVENESS

Hotnier Sipahutar<sup>1,\*</sup>

<sup>1</sup>Research and Development Agency, Ministry of Home Affairs (BPP Kemendagri)  
Jl. Kramat Raya No. 132, Senen, Jakarta Pusat

Received: 3 February 2016; Accepted: 5 May 2016; Published online: 31 May 2016

### Abstract

Nowadays, traditional market is increasingly squeezed by the emergence of modern market that develops rapidly. The dominance shift in national retail is apparent when globalization can no longer be contained, let alone be banned. Middle class and small class (traditional market) business retail seem to be in increasingly difficult condition to compete with upscale retail business (modern market). The purpose of this study is to analyze the factors influencing the competitiveness of traditional market and to develop policies to improve the competitiveness of traditional market. This study utilizes research strategy of case study in Bandung City, Serang City, and Surabaya City with qualitative descriptive approach. The study shows that the factors inhibiting the competitiveness of traditional market with modern stores are (1) Traditional market's bad image, and (2) Traditional market's sellers and managers are unprofessional. To improve the competitiveness of traditional market, this study recommends: (1) routine and regular maintenance of buildings and infrastructure of traditional market, (2) professionalism improvement of traditional market's sellers and managers, and (3) the partiality of local government in traditional markets.

**Keywords:** competitiveness, traditional markets, modern markets, public policy.

### I. INTRODUCTION

Traditional market is one of the sectors with strategic position on economic development in Indonesia, with the approximation to give life to around 50 million people (Sulistyo, 2011: 23) and the potential for workers absorption of 12.652.000 traders that spread in 13.650 traditional markets until 2013 (Firman, 2013: 67). The other strategic position is because traditional market is still the main place for the retail products of people economy scale like farmer, fisherman, handicraft retailer, and household industry products.

But with the existence of trade sector liberalization, the entity of modern market flourishes and emerges in many sides of town with attractive price offer and facility. This phenomena brings out the compulsion of competition spirit among economy and market actors related to the development of their business. One of the entities that directly compete on the spirit of competition in the era of free market is traditional market (Sulaiman, 2011: 17).

The existence of traditional market that

appears dirty, non-hygienic commodity, low awareness of the trader to develop its business, and non-optimal operation time of traditional market are some of the factors that cause traditional market to be marginalized lately. Additionally, the management of traditional market in Indonesia is still disorganized and less satisfying, and as a result traditional market lost its competitiveness (APPSI, 2012: 4-5). The fact in the field shows that around 50-60% of traditional market physical condition is bad, and only around 10% is good (Sinaga, 2013: 14). This condition raises challenges for market management to create traditional market that is attractive and capable to compete with modern market.

The studies on traditional market is the influence of modern market to traditional market vendors (Izza, 2010), analysis of the influence of traditional market image to consumers loyalty (Mayasari, 2009), analysis of policy and strategy for the development of traditional market in Bogor City (Istiningtyas, 2008), analysis of the level of effectivity and competitiveness of traditional market revitalization program (Adiyadnya, 2011),

\* Corresponding Author  
Phone : +62 813 1993 6144  
Email : hotniersipahutar@gmail.com

and government policy to manage the existence of traditional market in Klaten District (Sumaria, 2012). These studies basically view traditional market from the aspect of improving traditional market's competitiveness with modern stores.

The previous study about traditional market's competitiveness has been conducted by Nurmalasari (2007: 77). The study aimed to analyze the potential and condition of the factors that affect people's preference in shopping in traditional market, and to formulate strategy recommendation that can be applied in traditional market to improve its competitiveness in Bogor District. Based on the analysis result with porter's diamond model, it is found that traditional market in Bogor is the main place for the retail of basic necessity products and the image of traditional market is bad in the eyes of the consumers, both from the building and its infrastructure. The study merely focused on factors that affect the competitiveness of traditional market, while this study analyzes the influencing factors as well as analyzes the policy that can be recommended for the development of traditional market's competitiveness.

The condition of the lack of competitiveness of traditional market as illustrated above is also experienced by traditional markets in Serang City of Banten Province, Bandung City of West Java Province, and Surabaya City of West Java Province. In Serang City, traditional market revitalization program was conducted in 2013 to develop the competitiveness of traditional market existence from the effect of the rampant of retail market or modern market. Additionally, through this program was also conducted the structuring of stalls in traditional markets so that traditional market could look orderly, clean, and not appeared dirty (NRM News.Com., 2013).

In Bandung City, there are at least 40 traditional markets, from Simpang Dago, Cihaurgeulis, Cikutra, Cicadas, Ujung Berung, and many more. So far some traditional markets are lacking of proper attention from Bandung City government. Some traditional markets in Bandung City are identified as unclean, muddy, stinky, dirty, and slouchy. This condition causes the lack of traditional market's competitiveness. The policy of Bandung City government seemed to not be on the side of the improvement of fate of sellers on that traditional market, but more on the side of big capital owners to make supermarket or mall that instead will destroy the potential of some traditional markets of Bandung citizens. Bandung City was very left behind on the management of some traditional market (Taufikurahman, 2012: 49).

In Surabaya City, modern market and traditional market are not worth to be called competition, but more on the practice of modern market domination

over traditional market. Even if those two types of market are considered competing, that competition must be called a very unhealthy competition (Arif, 2011: 7-8). The existence of traditional market is still far from the attention of Surabaya City government. From the 81 operating traditional markets, only 67 exist, while the rest are disappeared because crushed by globalization.

Actually, the central government has issued policies in the form of regulation with the Presidential Decree No. 112 of 2007 about the Arrangement and Development of Traditional Market, Shopping Center, and Modern Shop, as well as the Ministry of Home Affairs Regulation No. 20 of 2012 about the Management and Empowerment of Traditional Market. The main objectives of the regulations are to: (1) make traditional market move forward and with competitiveness, (2) maintain so that there will be balance between traditional market and modern market. However, the implementation of the policies does not run properly, or even not yet constructed cohesively and comprehensively. As a result, up until now traditional market still owns some drawbacks making it less competitive than modern market or big scale company with quite big investment (Syahribulan, 2012: 14).

The rationality of "the wherefore" on the importance of the study on the development of traditional market based on competitiveness is constructed on the above argument. What it means is, there must be more specific policy and strategy so that traditional market can compete with modern market or at least to maintain the balance between traditional market and modern. About it is stated by Wirjawan (Ministry of Trade, 2009) that the traditional market's competitiveness must be improved. The policy, strategy and program must be directed to the improvement of traditional market's competitiveness in facing the growth of modern these days (Mari Elka Pangestu in Harian Umum Pelita, 2014).

Furthermore, there are at least 2 (two) main points that need to be highlighted related to the above description, that is the condition of the factors that influence traditional market's competitiveness, and policy that needs to be applied to improve the competitiveness of traditional market. "New Idea" offered to analyze the condition of the influencing factors is by using competitiveness analysis tool that is Porter's Diamond Model (Porter, 2005: 78).

The subject matter of this study is the still low competitiveness of traditional market. This is showed by the occurrence of shifting trend of people from shopping in traditional market to modern market. The problem formulation of this study is related to that subject matter; i.e.: (1) How is the condition of the factors that influence the competitiveness of traditional market?; and (2) What is the policy that

can be applied for the improvement of traditional market's competitiveness? The purpose of this study is to develop traditional market that is based on competitiveness. The objectives of this study are: (1) Analyzing the condition of the factors that influence the competitiveness of traditional market; and (2) Composing the policy of traditional market's competitiveness improvement. To answer the problem formulation above, will be used theoretic reference that is competitiveness concept of Porter's Diamond Model (Porter, 2008: 78).

The term competitiveness, although at least has been "initiated" by the concept of comparative advantage from Ricardo since 18 century, now gains biggest attention, especially in the last three decades. Competitiveness is one of few very popular jargons, but still not easy to be understood. As stated by Garelli in Zuhail (2010), this multidimensional concept makes possible various definitions and measurements. Then, it is not surprising that if the development of view and discussion about competitiveness is not free from critics and debates that keep on going until now.

In economy, the competitiveness on micro level (firm level) is often defined as: (1) The capability of a company to dominate, develop, and maintain a market position; (2) The capability of a company to resolve market changes and competition in enlarging and maintains its profits (profitability), market share, and/or the size of its business (its business scale); and (3) The capacity to sell products profitably (Sinaga, 2013: 45).

According to Porter (2008: 90), the competitiveness of business can be defined as business capability of a company business in one industry to face various environments. In economics, competitiveness is a relative concept. In that understanding, the concept of competitiveness is very identical to efficiency concept. Competitiveness is related to public preference. Tweeten in Saragih (2008: 18) further defined the advantages of competition as the capability of a company to maintain and develop its market share profitably and continuously through the utilization of its comparative advantage.

The concept of competition advantages with that description explicitly includes preference or taste of consumer as necessary condition in the effort to improve competitiveness. Cheap and competitive price as the implication of minimum production cost orientation (efficiency) in the market is not a single determinant on competition advantages (Firman, 2013: 9). Consumer's preference is a blueprints that needs to be worked on seriously, especially in the market structure that directs to the mechanism of trade liberalization without distortion (Sitepu, 2010: 11).

By using criteria or looking at certain indicator

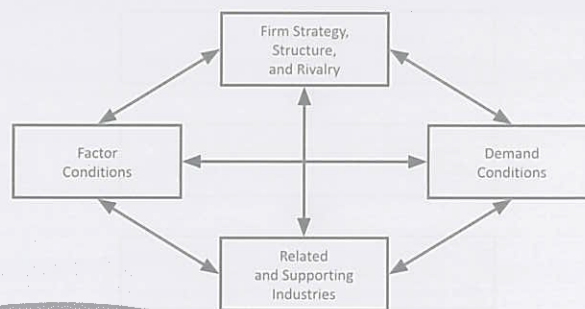


Figure 1. Porter's Diamond Model  
Source: Porter (2008)

as reference, then can be measured the strength and weakness level of industry or business competitiveness. Porter (2008: 92-93) analyzed that the competitiveness of an industry with the porter's diamond approach. The main elements of porter's diamond can be seen on the image below:

**Factor condition.** In Porter's analysis (2008: 93) is the existing and owned variables (input) of an industry such as human resource, capital resource, physical infrastructure, information infrastructure), administrative infrastructure, and natural resource.

**Demand condition.** According to diamond model it is related to sophisticated and demanding local customer. Demand condition is the nature of the origin demand of goods and service. The more advanced the society and the more demanding the domestic consumer, the industry will keep on attempting to improve the quality of product or innovating to fulfill the high demand of local consumer (Mursitama, 2011: 21).

**Suppliers or related industries.** The existence of suppliers or related industries will increase the efficiency and synergy of an industry. Synergy and efficiency can be created especially on transaction cost, technology sharing, information, and certain skill that can be utilized by other industries or companies. The other advantage of suppliers or related industries is there will be created the increased competitiveness and productivity.

**Company Strategy, Structure, and Competition.** The strategy of a company and competitor in diamond model is also crucial because this condition will motivate company or industry to improve the quality of the manufactured products and to keep on finding new innovation. With the existence of health competition, the company will always look for new strategy that fits and attempt to increase efficiency.

In the context of traditional market, the said competitiveness is at least the ability of traditional market to maintain and increase its market share profitably and continuously through the utilization of its competitiveness advantages (Sulistyo, 2011: 61). In other words, the ability of traditional market to maintain its consumer, or to maintain so that public preference in shopping is not "overtly"



Figure 2. Thinking Flow of the Study

shifting to modern market.

In the 70s, traditional market still held a big role for people in providing various needs (Nurmalasari, 2007: 54). The existence of traditional market in this country actually has a very strategic potential in strengthening the nation's economy. In the duration of the last 10 years, traditional market has showed not so pleasant development, especially its contribution to the selling of daily goods that become even lower. This is at the same time with the more rampant MM that grows in Indonesian territory. The implication is there is an indication of decline in traditional market's competitiveness (Ministry of Trade, 2009: 24).

The approach of porter's diamond as mentioned above is used to analyze the condition of factors that influence the competitiveness of traditional market in this study. The said factors condition is looking at the position of a business in production factors such as skilled manpower, infrastructure, capital, technology, as well as natural factors. Natural Factors such as an area's strategic location, the number of population, natural resources potential, and human resources. In the context of traditional market's competitiveness: (a) market building, (b) market infrastructure, (c) market environment (market image), (d) human resources quality (market management and sellers), (e) sellers capital, (f) information and knowledge access, (g) the availability of basic necessity products, (h) sellers quantity potential, (i) market location, and (j) price stability. Demand condition in the context of traditional market is seen from (a) population quantity potential, (b) per capita income of the population, (c) quality of the product,

and (d) the volume of goods on major holidays. Suppliers and related industries in the context of traditional market viewed from: (a) distribution chain of goods, and (b) the availability of goods with daily cycle. (APPSI, 2012: 39). As for the business strategy, structure and competition in the context of traditional market viewed from: (a) price competition, (b) service system, (c) retail business structure, (d) regulation clarity and firmness, (e) policy synergy and coordination, (f) business lending, and (g) market competitiveness (Business Competition Supervisory Commission, 2004: 11).

Furthermore, the thinking flow of this study is based on the description above and schematically in Figure 2.

## II. METHOD

This study is a qualitative research (Creswell, 2014). The research utilized is qualitative descriptive research, in the form of research in case study method or approach (Yin, 2014) in three cities in Indonesia, namely: (1) Bandung City (West Java Province), (2) Serang City (Banten Province), and (3) Surabaya City (East Java Province). The selection of those locations was with a consideration that those three regions are cities with quite massive growth of shopping center and modern market. This certainly affects the existence of traditional market, especially related to the market's competitiveness. Collecting data technique is conducted in two ways. First, in-depth interview, by using interview guideline, with competent parties on the implementation of traditional market development, namely Bureau of Economics and Agency of Industry, Trade, and Cooperatives. Second, literature review from documents. Third, observation on traditional market and modern market in three cities, i.e. (1) Bandung City (West Java Province), (2) Serang City (Banten Province), and (3) Surabaya City (East Java Province) in May 2014.

## III. RESULT AND DISCUSSION

### A. Traditional Market Description

First, the condition of market building. In Bandung City, traditional market buildings (37 markets) in this city are mostly relatively old and many parts of the buildings are already damaged. The existence of several traditional markets which physical building condition is alarming, including in some of those that changed their functions. In Surabaya City, up until now the condition of traditional market's physical buildings are mostly worrying. Based on the calculation on paper, the number of traditional market included on the authority of Regional Company of Pasar Surya is 81 markets. In reality, only 67 markets that have physical

form. From those 67 markets, 50% are in damaged condition, that is 38 are moderately damaged, 8 are lightly damaged, and 12 are severely damaged. The rest are only 9 markets which condition are still normal. The normal markets are Wonokromo, Kapasan, Genteng, Kupang Gunung, and Bratang markets. The condition of the markets are severely, moderately, and lightly damaged, and the normal ones are just 13 percent, and the rest are damaged. The damaged are mostly caused by the old age of the buildings. Almost all markets that are part of Pasar Surya Regional Company, 90 percent of the buildings are above 30 years. While for the markets that are still normal, the age of the buildings are relatively new because they are just revitalized. In Serang City, the condition of traditional market is similar. For example the building of Bojonegara Market, where the result of old market revitalization program of the Ministry of Trade in 2012 is prone to collapse again. The sellers are uneasy to sell their products and they always think about the building that may break down all the time. The iron wire supporting the roof is pitching. A number of zinc that functions as the market cover are detached from the holders. If it rains, and accompanied by strong winds, the sellers fear that they may get hit by the roof of the building. And also with the noise made by the detached zincs. The sellers are disappointed with the quality of the market's building. It's not yet 2 years but the condition is worrying.

Second, the market infrastructure condition. In Bandung City, 80% of the condition of traditional market's infrastructure are old and must be revitalized. The condition of traditional market in this city is admitted to be left behind (not really good) if compared with modern market. Almost all traditional market infrastructures in need of renovation and major refurbishment. In addition, the infrastructure of traditional market in Bandung City is generally inadequate. In Surabaya City, from around 53 locations of traditional market in this city, the 25 markets or almost 50% are not decent and inadequate from the sides of infrastructure and building. Starting from the lighting system, sanitation, and to the floors. The same condition is also experienced by traditional market in Serang City.

Third, the condition of sellers' capital. The sellers of traditional markets in Bandung City, Surabaya City, and Serang City are generally possessed relatively small capital and only a small number of them that have a quite big capital. This is a classic issue faced by sellers. The limitation of capital can be one of the causes why a seller cannot develop his business. For small seller, for instance, the initial capital that he must spend is Rp. 3.500.000,00 which included on the furniture for selling like table, chair, and so on. For the capital

spent every day is amounted to Rp. 50.000 – Rp. 150.000 to supply fresh groceries, depending on the profit of the previous day.

Fourth, the condition of demand in Bandung City, Serang City, and Surabaya City. The potential of population quantity, number of people with middle to lower income in Bandung City, Serang City, and Surabaya City is quite big. In such condition, in addition to a good opportunity for the development of retail business, especially traditional market, certainly traditional market becomes the destination of buyers with lower income. Furthermore, the per capita income of people in Bandung City, Surabaya City, and Serang City is getting better. In Bandung City now is around Rp. 67,55 million/year, in Surabaya City is around Rp. 77,78 million/year, and in Serang City is around Rp. 60,7 million/year. Because of better people's income per capita, people's purchasing power is increased too, and one of the people's destination in buying their daily needs is traditional market.

## **B. The condition of Factors that Influence Traditional Market's Competitiveness**

Decent, nice, and strong condition of market building will give the impression of secure, comfortable, and pleasing to the eye so that buyers can feel welcome and comfortable. Instead, unfavorable condition of market building will certainly give effect of lack of comfort for visitors or consumers. As for the condition of traditional market buildings, either in Bandung City, Surabaya City, and Serang City is showing that most of traditional markets are old and there are also many damaged parts in the market buildings.

If traditional market has a good infrastructure, the consumers will feel happy and interested to go back shopping in this market. In contrast, if the condition of infrastructure is far from adequate, it implies to the perception of consumers who will feel discomfort while shopping in traditional market. The inadequate infrastructures in traditional market are generally parking lot that is still narrow, lighting, air circulation and, poor drainage systems, improper clean and dirty waterway, and dirty poorly maintained and inadequate, and inadequate public facilities and social amenities such as ATMs, restrooms, and place of worship.

A good image in the eyes of consumers on a traditional market is one of the consumers' consideration in deciding where they want to shop. However, consumers already have unfavorable perception on the image of traditional market. When talking about traditional markets, what come to consumers' mind are muddy, dirty, smelly, chaotic, too crowded, unsafe, humid, and so on. The mindset that has been formed is causing traditional market to be difficult in attracting the upper middle-

class consumers and difficult to compete or face to face with modern market that provides comfort way above traditional market. Concretely, if this condition is allowed to happen, then traditional market will not be capable to compete with modern market.

Strong and qualified human resources is a good capital to develop a traditional market. It is not only seen on the management of market managers, but also from sellers as the actors who directly in touch with the final consumers. If the sellers are qualified, it will affect the increase in retail trade through traditional market. Traditional market will also have a more strategic role in community development and economic development of a region. However, in reality the sellers are not yet smart enough in seeing the change in consumers' demand that happened and the lack of knowledge regarding the regulation of consumers' protection. The market management is also yet to have adequate knowledge in developing its market and be creative on seeing the change of retail trade trend that happens these days. Therefore, the management of traditional market is not firm enough to enforce the prevailing regulation and to accommodate the need of informal sellers around the market and market infrastructure, as well as the irregular arrangement of kiosks/stalls.

Capital is a big factor that influence a seller to develop his business. However, the sellers in traditional Market of Bandung City, Serang City, and Surabaya City generally have relatively small capital. This condition makes sellers in traditional market to be in trouble to compete with modern market that possess fairly big capital. Therefore, Capital Government and bank need to allocate capitalization budget for sellers in traditional market, especially to anticipate the increase of cost. Local Government can help in capital injection with small interest so as not to burden small sellers.

The high competition among others is related to the access of information and knowledge. In reality, access of information and knowledge is still inadequate for traditional market management and sellers in Bandung City, Surabaya City, and Serang City, so that it makes it difficult for the market to grow and develop in the era of tight competition in this retail trade. The lack of understanding about consumer protection law makes the sellers not really thorough in seeing the quality of the goods sold, whether the goods is safe from various harmful chemical elements or whether the goods are feasible to sell.

Traditional market in Bandung City, Surabaya City, and Serang City are still the main place for the selling of basic necessity products produced by small and micro scale economic actors. The economic actors generally are farmers, fishermen, crafter, and home industry. Their number is tens of millions and

they strongly lean their lives on traditional market. This indicated that traditional market still plays a key role for small manufacturers to distribute their goods to people. In other words, traditional market is a place for living for small manufacturers to support themselves and their families.

Either in Bandung City or Surabaya City and Serang City, the number of sellers is quite many. In this context, traditional market can be referred as a set of entrepreneurs and entrepreneur candidates who in general use their own capital in starting their business. This statement indicated that there are seeds of entrepreneur that grow in traditional market so that it will encourage the effort to create strong and independent economy. These entrepreneurs basically already have souls of entrepreneur and it can be seen from their courage to start their business and bear the business risk.

Traditional market deployment to various sub-districts in Bandung City, Surabaya City, and Serang City is very beneficial for people to visit and shop to find their household needs in traditional market. The reason is in traditional market there are a variety of goods sold and give its own benefits for consumers since all household and daily needs can be found in the market without having to find it in other place/market.

Until now, traditional markets in Bandung City, Surabaya City, and Serang City become an indicator in viewing the movement of price stability or domestic inflation in those cities. The information of domestic inflation is very useful for government and other economic actors in determining the actions and economic policies to be taken. For example, in controlling the price level as a result of the increase in the price of staple goods such as rice, eggs, flour, cooking oil, and others, the local government as a facilitator utilizing traditional market in conducting market operation.

Demand condition is the nature of market demand for industrial goods and services. Large population, especially the middle-lower income population, is a good opportunity for the development of retail business, especially traditional market. For traditional market, large population can become a potential target in order to increase the volume of sales in traditional market. The greater the number of population, the greater the need to meet everyday life necessity that can be found by shopping at traditional market, which prices are relatively affordable for the selling products in the market.

People's per capita income that is getting better indicates the growing of people's purchasing power in meeting their daily needs, so with this condition will have a positive impact on traditional market as a distribution channel that provides daily necessity goods. This happens if the community prefers

traditional market to meet their needs.

The more global the life is and the greater the life dynamic is cause changes in consumers behavior to shop, which now is more demanding for quality products, safe from harmful chemicals, and so on. Traditional market is required to be able to sell the products as they wish. But in Bandung City, Surabaya City, and Serang City, still found products that contain harmful chemicals such as wet noodles and tofu containing formaldehyde. Actually, traditional market is still able to meet the demands of the people by providing quality products, especially fresh produce such as vegetables, meat, fish, and chicken. If traditional market to meet consumers demand (especially harmless products), then this certainly is very good in promoting the competitiveness of traditional market.

Holidays also contribute to the increasing demand for a product that increases the role of traditional market as a provider of products that the public wants. A phenomenon that occurs when holidays arrive as Idul Fitri, Idul Adha, and others will increase the volume of goods needed in Bandung City, Surabaya City, and Serang City, especially items of food and clothing. In meeting these needs, people usually shop at traditional market.

Supplier is one of the important supporting entities for retail business in providing a supply of goods to be sold in traditional markets. Distribution chain of traditional markets in Bandung City, Surabaya City, and Serang City is still lengthy for some types of goods, causing inefficiency. While in modern market, the distribution chain is only through two stages, from the manufacturer directly to the distribution center of each modern market, so the cost of transport, energy, and time can be more efficient and the selling price is relatively cheaper.

Although in Bandung City, Surabaya City, and Serang City traditional market distribution chain is lengthy (more than two stages from the manufacturer) for several types of goods, but the traditional markets in the cities supply goods with daily cycle so that the goods are fresher.

The strategy still owned by traditional market today is brand image (tasted impression), which means that traditional market sells goods at low prices. Such brand image in the eyes of the people among others is formed from the purchase of goods in flexible amount and can be bargained. This is traditional market's advantage in terms of price. This pricing strategy should be maintained in order for traditional market to continue existing and not be left behind by customers. Furthermore, the traditional concept such as bargaining is one strategy also owned by traditional market. The interaction and dialogical relationship between buyers and sellers will create intimacy and satisfaction for consumers who like the concept of bargaining, so

that the term "loyal consumer" could be formed.

The strategy of good service provided to consumers will give a good impression and image. Good impression will encourage consumers to shop back to traditional markets. Therefore, traditional market sellers in Bandung City, Surabaya City, and Serang City should provide good service to their buyers.

The structure of retail business is closer to perfect market competition. This can be demonstrated with the convenience for companies/sellers to enter the market of retail business, where goods traded are homogeneous in Bandung City, Surabaya City, and Serang City, both in traditional market and in modern market, including the number of sellers and buyers. There is no limit on how many sellers should be in this business and the buyer is the actor who is in need of goods sold in traditional and modern markets.

The strategy of the government in dealing with the competition between traditional and modern markets seems not enough to help the development of traditional market. Because, until now the application of the regulations is not firm. On the other hand, it could be because the City Government considers that the regulatory powers of the central government that is on a par with city regulations that are often overlooked in the interest of the city development. For example, in permitting the construction of modern market, the city government sometimes allows modern market to be in the city without special permission from the Ministry of Trade, as stipulated in the regulation.

It seems that there is less synergistic and coordinative policy between the central government and the city government in terms of modern shopping licensing (overlap), and this contributed in pushing the traditional market's to be more squeezed in Bandung City, Surabaya City, and Serang City. The establishment of minimarket or modern store is not prohibited as long as it is regulated properly by taking into account the applicable regulations. The most important thing is to consider harmony with the business belongs to the people and the existence of traditional market. Do not let minimarket or modern stores to flourish, and on the other hand the business of small grocery stores owned by the people keep getting displaced.

Traditional markets' sellers in Bandung City, Surabaya City, and Serang City are in need of assistance or capital injection through business loans. The ease in requirements must be provided. Sellers simply need to provide copy of ID card, Family Card, proof of business place ownership letter from PD Pasar Jaya (Regional Company, marriage license, and Tax Identification Number (TIN). The limit of the credit loan is Rp. 20 million to Rp. 500 million, in accordance to each necessity. The time limit of

the credit loan is 1-5 years. Additionally, the interest charge is at most 7,3 percent when applying for a loan in a bank.

The modern market, such as hypermarket, really provides different feel and concept from traditional market, which is applying the concept of one-stop shopping, which in these past periods attracts consumers from various circles. This is an expansive strategy in developing its business and a creation in attracting consumers to shop at the market, especially in terms of prices and commodities traded. While the majority of sellers in traditional markets in Bandung City, Surabaya City, and Serang City do not do such things.

Based on the above description, it can be inferred that in general, the real condition of traditional market in Bandung City, Surabaya City, and Serang City is relatively similar if the focus being examined is from the sides of: the factors that already exist and owned by traditional market; demand conditions in the context of traditional market; suppliers and related industries in the context of traditional market; as well as business strategy, structure, and competition in the context of the traditional markets (referring on the concept/ approach/ analysis tool of porter's diamond model).

Furthermore, by using the approach or analysis tool of porter's diamond models, then the real condition of the factors influencing the competitiveness of traditional market in Bandung City, Surabaya City, and Serang City can be identified, i.e.:

1. Potential factors and opportunities to support the competitiveness of traditional market (+) are: (a) Traditional markets remain the place to sell staple products; (b) The number of traditional market sellers is quite a lot; (c) The location of traditional markets is generally adjacent to residential areas; (d) Traditional market is still used as an indicator to see the movement of the price stability level or domestic inflation, not modern market; (e) The total population with middle to lower income is large enough so that consumers' destination is generally traditional market which prices are relatively affordable for products sold in the market; (f) The better the community per capita income, then purchasing power increases, and gives a positive impact on traditional market; (g) The volume of goods increased in traditional market during holidays, especially items of food and clothing; (h) Traditional market provides goods with the daily cycle so that the goods are fresher; (i) Prices are relatively cheap and can be bargained in traditional market; and (j) The structure of retail business is approaching perfect competition between traditional and

modern markets for the homogeneous goods sold.

2. Factors inhibiting the competitiveness of traditional market (-) are: (a) Traditional market is old and many parts of the market buildings are damaged; (b) Traditional market poor and inadequate infrastructure; (c) Traditional market has a bad image of brand image; (d) Traditional market's sellers and managers are unprofessional; (e) Sellers' capital in traditional markets is relatively small; (f) Access to information and knowledge is still inadequate for traditional market's managers and sellers; (g) Products that contain harmful chemicals are still distributed in traditional markets; (h) The chain of distribution of goods in traditional markets is still lengthy for some types of goods; (i) There are many traditional sellers who ignore good service system; (j) The Regulation is quite clear, but only to the extent that the regulation has not been effective enough to be obeyed by all stakeholders, especially the city government (the enforcement of the regulation is not firm); (k) The position of traditional market is getting squeezed due to lack of synergy and coordination between the central government policy and the City Government policy to issue modern market licenses; (l) Business credit requirements for sellers in traditional markets still not felt easy/light; and (m) Traditional market is less able to compete with modern market.

### C. Traditional Market's Competitiveness Improvement Policy

The formulation of alternative policy or strategy to increase traditional market competitiveness refers to the condition of real factors mentioned above. Competition in this case means the competition between traditional market and modern market in terms of physical condition of the market, condition of market infrastructure, market management, sellers' quality, price, products being traded, etc.

There are several strategy or policy alternatives that need to be implemented by Bandung City Government, Surabaya City Government, and Serang City Government in order to improve the competitiveness of traditional market in the region.

First, revamping of traditional market building. Bandung City Government, Surabaya City Government and Serang City Government need to revamp old and damaged traditional market buildings, including the zoning of the commodity. Revamping is not in the sense of requiring the new market conditions entirely or in accordance with the wishes of consumers instantly, but can be done



slowly so that the budget needed can be customized with the ability of City Government. Financing pattern can use the system of partnership between the City Government and the private sector, or City Government could provide sufficient funding allocation for traditional market, especially the funds for the maintenance of market building of traditional market, including the maintenance of facilities and infrastructure of traditional market, and the allocation of funds may come from the collected market taxes and levies.

Second, provision and improvement of traditional market infrastructure. Bandung City Government, Surabaya City Government and Serang City Government need to provide more adequate infrastructure for traditional market and also improve poor infrastructure of traditional market, such as adequate parking, children playground, good lighting, good air circulation, good drainage system, proper clean and dirty waterway, provision of adequate public facilities and social amenities such as ATMs, restrooms, and places of worship. If traditional market has good infrastructure, then consumers will be happy and interested to go back shopping at traditional market.

Third, routine and regular maintenance of buildings and infrastructure of traditional market. Bandung City Government, Surabaya City Government, and Serang City Government need to continue conducting routine and regular maintenance of buildings and infrastructure of traditional market. This is essential so that consumers are always interested to shop at traditional markets with good buildings and infrastructure.

Fourth, the reward system for clean traditional markets. Bandung City Government, Surabaya City Government and Serang City Government need to provide rewards for clean traditional markets in the region, namely the provision of adequate incentives to traditional market managers. This is important in order to motivate market managers and sellers in traditional markets to keep the market not muddy, dirty, smelly, chaotic, and so on. For sellers who do not maintain the cleanliness of the market, for example, littering, are given punishment, such as being fined. While shopping at traditional market, hygiene of the market is very affecting, which means that the cleaner the traditional market is, the greater the chance of public's preference to shop in traditional market. The reason consumers prefer not to shop in traditional markets is mainly because market condition is muddy, smelly, dirty, chaotic, etc.

Fifth, professionalism improvement of traditional market sellers and managers. Bandung City Government, Surabaya City Government and Serang City Government need to put through efforts to increase the professionalism of traditional market

sellers and managers. Efforts being made need to be more focused on improving the knowledge of sellers in terms of consumer protection laws, compliance with quality standards of products they sell, transparent conditions of quality of the products and the accuracy of the scales, as well as a high awareness on market discipline, cleanliness, and order. For traditional market managers, they must be more focused on improving the expertise and professionalism capability in managing the market, in particular to provide adequate insight in developing market under their management and be creative in seeing the change in retail trade trend that happens right now. The professionalism of traditional market managers is also indicated by their firmness in enforcing regulations and accommodating the needs of informal sellers around the market and market infrastructure, as well as the irregular arrangement of kiosks/stalls.

Sixth, the addition of business capital of traditional market sellers. Bandung City Government, Surabaya City Government and Serang City Government need to continue seeking additional capital through the provision of business loans to traders, which can be obtained from the budget of the City Government or City Government in cooperation with financial institutions such as People Development Bank (BPR) and Integrated Center for Independent Business (BMT) for the provision of loan funds for traditional market sellers. The City Government also need to continue instructing banks to open themselves to help with the capital of traditional market sellers.

Seventh, information and knowledge access improvement for traditional market managers and sellers. Bandung City Government, Surabaya City Government and Serang City Government need to keep on attempting to increase access to information and knowledge for traditional market managers and sellers in the region through training. High access will allow traditional market to grow and thrive in an era of intense competition in this retail trade. If the sellers understand the regulations of consumer protection, then they will be meticulous in seeing the quality of the goods they sell, which is whether the goods they sell are safe from various harmful chemical substances or whether their goods are feasible to sell.

Eighth, tight control over the products sold in traditional markets. Bandung City Government, Surabaya City Government and Serang City Government need to continue supervising the distribution of products that contain harmful chemicals in traditional markets, such as formalin. If traditional market is capable to meet consumer demand (especially for harmless products), then this is of course very good in promoting the competitiveness of traditional market. The efforts

to make sellers aware on the importance of good products can drive the interest of consumers to shop at traditional market. Guidance for sellers can be conducted by City Government (e.g. Agency of Market Management, Agency of Cooperatives and Small and Medium Enterprises, and Agency of Trade and Industry) with market cooperatives and market sellers associations in order to improve BPSP (Behavior, Performance, Service and Professionalism) of traditional market.

Ninth, efficiency of the distribution of goods in traditional markets. Bandung City Government, Surabaya City Government and Serang City Government need to create new breakthrough so that chain of distribution of goods in traditional markets is not lengthy (more than two stages from the manufacturer) for several types of goods. It is because the length distribution chain of goods will lead to inefficiency and also have an impact on the high selling price of some goods in traditional markets, and sometimes the quality of goods is not properly maintained. While in modern market, the stages are at most two stages.

Tenth, service quality improvement of traditional market sellers. Bandung City Government, Surabaya City Government and Serang City Government need to continue advising the sellers in traditional markets to provide good service to consumers, such as being friendly, not hotheaded, courteous, and others. Good service strategy provided to consumers will give a good impression and image. The good impression that will encourage consumers to shop back to traditional markets.

Eleventh, firm enforcement of license regulation on the establishment of modern market. Bandung City Government, Surabaya City Government and Serang City Government should firmly implement the administration of license policy for the establishment of modern market, including providing strict sanctions against those who do not obey the rules or break them. Currently, there are many modern market that does not have business license from the central government. Firmness also needs be done in connection with distance arrangement, commodity, time, zoning, and so forth. In terms of zoning and establishment of modern market requirements, for example, the City Government shall establish a detailed plan of neighborhood/community organizations (RT/RW) to fit the number of consumers and the number of markets needed by the people in the region, stipulation of time for modern market's operation at 10:00 to 22:00, and to conduct partnership with SMEs as suppliers of traditional market's goods.

Twelfth, the synergy and coordination of central government policy with the policy of the City Government to issue modern markets license. Bandung City Government, Surabaya

City Government and Serang City Government should be in synergy with the policy that they create and the policy of the central government in terms of issuing modern markets license in their regions. Coordination, harmonization and consistency of the policy is more geared to foster the high competitiveness of traditional markets. The establishment of minimarket or modern store is not prohibited as long as it is regulated properly by taking into account the applicable regulations. The most important thing is to consider harmony with the business belongs to the people and the existence of traditional markets. Do not let minimarket or modern store flourish, and on the other hand the business of small grocery store owned by the people keeps getting displaced. Therefore, the establishment of modern stores should continue to be governed in a way that does not trigger conflicts in society, especially related to the distance for the establishment of modern stores.

Thirteenth, The provision of dispensation and convenience of business credit requirements for traditional market sellers. This is important to be done by Bandung City Government, Surabaya City Government, and Serang City Government in terms of the policy on affordable and easy business credit requirements. It is better if the sellers just need to provide the copy of ID card, Family Card, proof of business place ownership letter from PD Pasar Jaya (Regional Company, marriage license, and Tax Identification Number (TIN). The limit of the credit loan is Rp. 20 million to Rp. 500 million, in accordance with each necessity. The time limit of the credit loan is 1-5 years. Additionally, the interest charge is at most 7,3 percent when applying for a loan in a bank. City Government must instruct the banks to open up themselves and help with the capital of sellers in traditional market.

Fourteenth, partiality to traditional market. Bandung City Government, Surabaya City Government, and Serang City Government need to be partial to traditional market so that it keeps on growing and developed as well as possessing high competitiveness.

#### IV. CONCLUSION

In general, the real condition of traditional markets in Bandung City, Surabaya City, and Serang City is relatively similar if the focus being studied is only from the side of factors that exist and possessed by traditional market, demand condition in the context of traditional market, suppliers and related industries in the context of traditional market, business strategy, structure, and competition in the context of traditional market. The factor that most often inhibits the competitiveness of traditional market with modern store in the three cities is traditional markets have bad image and its sellers

and management are not professional. Therefore, the recommended alternative strategies or main policies related to the improvement of traditional market's competitiveness in Bandung City, Surabaya City, and Serang City are routine and regular maintenance of traditional market's building and infrastructure, professionalism improvement of traditional market's sellers and management, as well as the partiality of local governments to traditional market.

## V. REFERENCES

- Adiyadnya, M. (2015). *Analisis Tingkat Efektivitas dan Daya Saing Program Revitalisasi Pasar Tradisional di Pasar Agung Peninjoan Desa Peguyangan Kangin* (Master Thesis). Universitas Udayana.
- APPSI,. (2012). *Konsepsi Pasar Ideal Transformasi Nilai-nilai Modern ke Pasar Tradisional*. Jakarta: APPSI.
- Arif, S. (2009). *Nasib Pasar Tradisional di Surabaya*. *Gagasan hukum.wordpress.com*. Retrieved 18 May 2016, from <https://gagasan hukum.wordpress.com/?s=Nasib+Pasar+Tradisional+Di+Surabaya>
- Business Competition Supervisory Commission (KPPU),. (2004). *Kajian Bidang Industri dan Perdagangan Sektor Ritel*. Jakarta: KPPU.
- Creswell, J. (2014). *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches* (4th ed.). Thousand Oaks, California: SAGE Publications.
- Istiningtyas, D. (2008). *Analisis Kebijakan dan Strategi Pengembangan Pasar Tradisional di Kota Bogor* (Undergraduate Thesis). Institut Pertanian Bogor.
- Izza, N. (2010). *Pengaruh Pasar Modern terhadap Pedagang Pasar Tradisional (Studi Pengaruh Ambarukmo Plaza terhadap Perekonomian Pedagang Pasar Desa Caturtunggal Nologaten Depok Sleman Yogyakarta)* (Undergraduate Thesis). Universitas Islam Negeri Sunan Kalijaga.
- Mayasari, R. (2009). *Analisis Pengaruh Citra Pasar Tradisional terhadap Loyalitas Konsumen (Studi pada Pasar Projo di Ambarawa)* (Undergraduate Thesis). Universitas Sebelas Maret.
- Ministry of Home Affairs,. (2012). *The Regulation of the Ministry of Home Affairs No. 20 of 2012 about the Management and Empowerment of Traditional Market*. Jakarta: Ministry of Home Affairs.
- Mursitama, T. (2011). *Pengembangan Pasar Tradisional*. Jakarta: Bina Nusantara (BINUS) University Centre for Business and Diplomatic Studies (CBDS).
- Nurmalasari, D. (2007). *Analisis Faktor-faktor yang Mempengaruhi Daya Saing dan Preferensi Masyarakat dalam Berbelanja di Pasar Tradisional* (Undergraduate Thesis). Institut Pertanian Bogor.
- Pasar Tradisional Harus Punya Daya Saing [Ekonomi dan Keuangan]*. *Pelita.or.id*. Retrieved 31 May 2014, from <http://www.pelita.or.id/baca.php?id=34216>
- Pasar Tradisional yang Modern (Dalam Rangka Peningkatan Daya Saing Pasar Tradisional)* (1st ed.). Retrieved from <http://www.karokab.go.id/koperindag/images/stories/PasarTradisionalYangModern.pdf>
- Porter, M. (2008). *Strategi Bersaing*. Jakarta: Erlangga.
- Republic of Indonesia,. (2007). *Presidential Regulation No. 112 of 2007 about the Arrangement and Development of Traditional Market, Shopping Center, and Modern Store*. Jakarta: Cabinet Secretariat.
- Santhika, E. (2013). *"...Tingkatkan DAYA SAING dengan PASAR MODERN, Pemerintah REVITALISASI Pasar Tradisional. NASIONALIS RAKYAT MERDEKA*. Retrieved 9 April 2013, from <https://nrmnews.com/2013/04/09/tingkatkan-daya-saing-dengan-pasar-modern-pemerintah-revitalisasi-pasar-tradisional/>
- Sinaga, P. *Pasar Modern Vs Pasar Tradisional*. Jakarta: Kementerian Koperasi dan UKM.
- Sitepu, R. (2012). *Dampak Keberadaan Pasar Modern terhadap Kinerja Ekonomi Regional*. *Qe Journal*, 1(1).
- Sulaiman, A. (2011). *Meningkatkan Daya Saing Pasar Tradisional*. *KOMPASIANA*. Retrieved 15 December 2011, from [http://www.kompasiana.com/agus\\_sulaiman/meningkatkan-daya-saing-pasar-tradisional\\_5509843d-813311f305b1e200](http://www.kompasiana.com/agus_sulaiman/meningkatkan-daya-saing-pasar-tradisional_5509843d-813311f305b1e200).
- Sulistyo, H. (2011). *Implementasi QFD dalam Meningkatkan Daya Saing Pasar Tradisional*. *Jurnal Siasat Bisnis*, 15(2).
- Sumaria, A. (2014). *Kebijakan Pemerintah dalam Penataan Keberadaan Pasar Tradisional di Kabupaten Klaten* (Master Thesis). Universitas Muhammadiyah Surakarta.
- Syahribulan,. (2012). *Studi Kelembagaan dalam Implementasi Kebijakan Pengelolaan Pasar Tradisional di Kota Makassar* (Dissertation). Universitas Hasanuddin.
- Tambunan, M. & Supriyanto, H. (1998). *Dampak krisis ekonomi dan liberalisasi perdagangan terhadap strategi dan arah pengembangan pedagang eceran skala kecil-menengah di Indonesia*. Jakarta: Center for Economic and Social Studies (CESS).
- Taufikurahman,. (2008). *Menata pasar tradisional di kota Bandung. Taufikurahman's Park*. Retrieved 15 May 2012, from <https://taufikurahman>.

wordpress.com/2008/05/15/menata-pasar-tradisional-di-kota-bandung/

Whitney, F. (2000). *A Four-Year Continuation Study of a Teachers College Class*. New York: The Macmillan Co.

Yin, R. (2014). *Case Study Research: Design and Methods* (5th ed.). SAGE Publications.

Zuhaili, (2010). *Knowledge and Innovation: Platform Kekuatan Daya Saing*. Jakarta: PT Gramedia Pustaka Utama

