

The Sustained Business Growth of Traditional Retail in Sumedang Regency

Herwan Abdul Muhyi*
Universitas Padjadjaran

Ria Arifianti
Universitas Padjadjaran

Zaenal Muttaqin
Universitas Padjadjaran

— *Review of* —
**Integrative
Business &
Economics**
— *Research* —

ABSTRACT

The research objective is describing sustained business growth of traditional retail in Sumedang Regency, West Java, Indonesia. The sustained business growth means the continuous growth of traditional retail in every period. The population of this research includes traditional retailers in 10 traditional markets in Sumedang Regency and traditional retailers in Jatinangor District. The unit of analysis is traditional retailers which have been established for at least 3 years. This research used the quantitative research method. The research result shows that the growth of traditional retail located in traditional markets is better than that of traditional retail in Jatinangor District. In Jatinangor, traditional retail has significantly lost the sales. This research also proposed a model of sustained growth of traditional retail in Sumedang Regency, West Java, Indonesia. The ability of traditional retail located in Jatinangor District in raising the necessary finance externally is lower than that of traditional retail located at traditional markets.

Keywords: Sustained Business Growth, Traditional Retail.

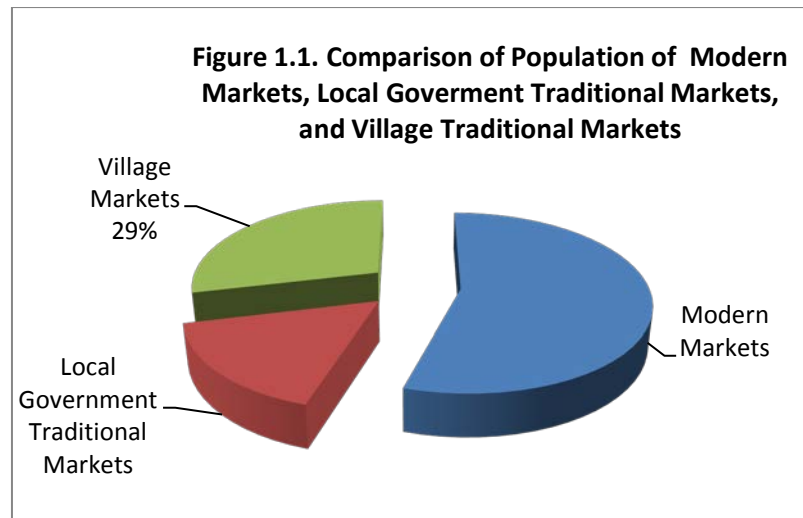
1. INTRODUCTION

Liberalization of retail policy since 1998 in Indonesia has attracted foreign investors to invest in Indonesia. It has made local modern retail thrive in residential areas. Other reasons are the emergence of regional autonomy and the unimplemented regulations on traditional markets and modern markets. Therefore, the government gives permission in order to increase revenues of local budgets.

These facts worry traditional retail, whether it is in the form of traditional retail kiosks, stalls and shops. Limited capital, lack of human resources and weakness in business management skills make their competitiveness get worsened and suppressed by minimarket industry.

The phenomenon also appears in the area of Sumedang Regency. Springing up like mushrooms after a rainstorm, minimarkets are now present in almost every corner of the town and districts. Not infrequently, the minimarkets are very close to each other, like those at Jalan Prabu Geusan Ulun, the surroundings of the Local Public Hospital of Sumedang, Cimalaka, Tanjungsari, and Jatinangor. (*Koran Sumedang*, April 6, 2010)

The following is a comparison data of modern and traditional markets in Sumedang Regency:



Source: Result of Processed Data of 2013

Regarding the growth of traditional retail business, since some modern markets have been built not far from the Inpres Market at the area of Sumedang Kota, many owners of kiosks in the market have gone out of business. In fact, based on the available data, 60% of 640 owners of kiosks and stalls in the market have stopped their activities because they cannot compete with the services provided by the modern market (*Galamedia*, June 26, 2011).

Another case, for example, occurred in Jatinangor District where traditional retailers complained about the decline in their turnover. Some traditional retailers stated that since Jatos, Griya, Alfamart, Indomart and Yomart have been in existence, their turnover has decreased by 70% compared to that of pre-2005, before the establishment of modern markets in Jatinangor.

The problem is the fate of the traditional retailers that have been present for a long time in Sumedang. Are they able to grow in a sustainable manner?

Based on the research background, the identification of the problem is that “sustainable business growth of traditional retail in Jatinangor District, Sumedang Regency, has slowed down in the face of competition from modern retail.”

2. LITERATURE REVIEW

Business growth is expected by every entrepreneur to demonstrate their success in running a business. Katz and Green II (2011:639) stated: “Success phase of a company will show consistent growth of financial performance, usually accompanied by a not-so-fast increase in sales.”

Business growth is indicated by the tendency of significant increase in business operations. Peter Wilson and Sue Bates (2003:12) stated: “By ‘growth’ we mean a business that demonstrates (or shows visible signs of) a propensity to expand operations significantly.”

Continuous business growth within a certain period of time or sustainable one is a parameter of entrepreneurs’ success in starting and managing a business. Barringer, et al. (2010:450) stated: “...sustained business growth, which is growth in both revenues and profits over a sustained period of time.”

Another dimension in determining the growth limit has been proposed by Premaratne (2001:365), who said: “Small business growth is measured by business performance either in terms of sale or profitability.”

Various criteria can be used as a basis for assessing sustainable business growth. Wilson and Bates (2003:12) suggested criteria for sustainable business growth as follows:

First, there is continuing excellent service to customers which is demonstrated by the repeated purchase (generating repeat orders), customer retention, referrals from satisfied customers and sustainable gross profit margins. Second, founders demonstrate their ability to manage internal operations effectively and efficiently as indicated by control of unit costs and satisfactory net margins. Third, the business has a track record of sustained profitability. Fourth, the founders have sufficient credibility to raise the necessary finance externally.

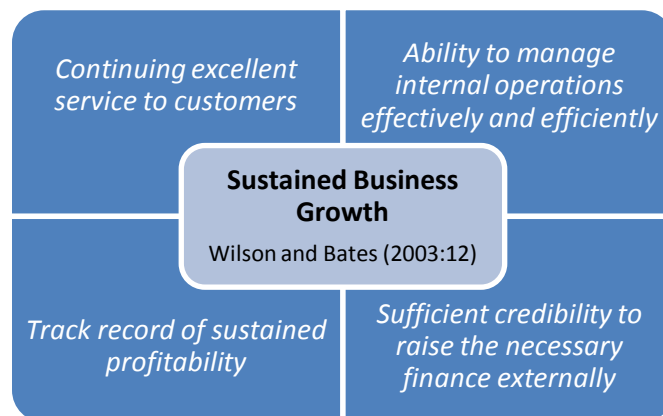


Figure 2.1. Sustained Business Growth

Meanwhile, retail itself can be classified into several types. Characteristics of retail can be grouped as follows:

The retail business must pay attention to the diversity of products offered. This relates to the product mix. A product mix or a product assortment is the set of all product lines and items that a particular seller offers for the sale to buyers (Kotler, 2003:301). Within the scope of the traditional market as the government market, there are three main actors involved in the daily activities, the seller, the buyer and employees/officials of market services (Noor Kholis, Alifah Ratmawati, and Sitty Yuwalliatin, 2012). Further, characteristics of traditional markets are as follows: 1. In traditional markets the functions of Planning, Organizing, Actuating and Controlling do not apply; 2. There is no concept of marketing that the customer is king; pricing is based on the calculation of the cost price plus a certain profit; the product has good quality and; the point of sale is convenient for the buyer.

3. RESEARCH METHOD

The object of this research is sustained business growth, while the locus is traditional retailers spread over 10 traditional markets in Sumedang and traditional retailers operating in Jatinangor District, which has the densest modern retail in Sumedang. Based on the obtained data and information, the district with the most modern retailers is Jatinangor District. The unit of analysis is traditional retailers which have been established since 3 years ago (have operated for at least 3 years). It was conducted considering that sustained growth requires a sustained period of time.

The research would be conducted by using a quantitative approach. It has been expected that by using this approach, the author would find a sustained business growth

model according to the real condition occurring in the growth of traditional retail in Sumedang.

The populations in this study are as follows:

1. Traditional retailers concentrated in 10 traditional markets in Sumedang. In this case, they are traditional markets managed by the Local Government of Sumedang. Actually, there are 12 markets managed by the Local Government of Sumedang but 2 (two) of them are only open once a week so that these two markets do not meet the criteria of population. Thus, the population is traditional retailers located in 10 modern markets with the criteria they have been established at least since 3 years ago. Those 10 markets are Tanjungsari, Parakanmuncang, INPRES, PPKS, Darmaraja, Buah Dua, Ujungjaya, Wado, Conggeang and Jatinunggal Markets. Based on the observation of the field team, there are 550 traditional retailers which have been established for at least 3 years, scattered throughout the 10 local government markets. Thus, the population size is 550 traditional retailers. By using the Slovin formula, with a confidence level of 90 percent or a degree of error of 10 percent, the sample size is obtained by the following calculation:

$$n = \frac{550}{1 + 550 (0,1)^2}$$

$$= 84,61 \sim 85$$

Thus, the sample size for examining the growth of traditional retail concentrated in traditional markets managed by the local government is 85. Researchers have managed to spread and withdraw questionnaires sent out to the 85 respondents.

2. Traditional retailers operating in the district with the most modern retailers. In this case it is Jatinangor District. Because all retailers in Jatinangor are located at Jalan Raya Jatinangor (Jalan Raya Bandung-Sumedang) and at Jalan Sayang, the population of traditional retailers in this research is traditional retailers located at both streets which have been established for at least 3 years. Based on the observation, the field team has obtained a population of 81 traditional retailers. By using the Slovin formula with a degree of error of 10 percent, the sample size is obtained by the following calculation:

$$n = \frac{81}{1 + 81 (0,1)^2}$$

$$= 44,75 \sim 45$$

4. RESULT AND DISCUSSION

This research has obtained the description of characteristics of traditional retailers in Sumedang. Based on the data presented by the Department of Industry and Trade of Sumedang it is noticeable that there is a growth of modern markets, in which in 2010 there were 32 markets, and then in 2012 the number of markets increased to 51, and in 2013 the number of modern markets has reached 60. Surely this is in contrast to the

number of traditional markets which keeps decreasing both in terms of quantity and business turnover.

This study will discuss the traditional retail growth in Sumedang with sub-topics as follows:

- a. **The growth of traditional retailers concentrated in traditional markets in Sumedang.** Among 12 traditional markets managed by the Regency Government of Sumedang, 10 (ten) traditional markets are open daily. The 2 (two) other traditional markets are not open every day but only once a week or known as the weekly market. They are Cikaramas and Tolengas Markets. Thus, we examined traditional retailers spread over 10 (ten) traditional markets that operate every day, namely: Tanjungsari, Parakanmuncang, Inpres, PPKS, Darmaraja, Buah Dua, Ujungjaya, Wado, Conggeang and Jatinunggal Markets.
- b. **Traditional retailers operating in the district that has the most modern retailers.** In this case, it is Jatinangor District. Because all modern retailers in Jatinangor are located at Jalan Raya Jatinangor (Jalan Raya Bandung-Sumedang) and Jalan Sayang, the population of traditional retailers in this research is those located at both streets which have been established for at least 3 years. Based on the observation, the field team has obtained a population of 81 traditional retailers. By using the Slovin formula, we obtained a sample size of 45.

Respondents in this study are 85 traditional retailers which have been established for at least 3 (three) years, out of 550 traditional retailers which formed the population in this study. The selection has been done because researchers are motivated to see the continued growth of traditional retailers. At the beginning of the study, the authors observed and identified traditional retailers in Sumedang. As a result, many traditional retailers lasted for a very short period of time, only two years or just one year or even several months. Considering this reason, it is expected that the study will result in a finding that raises the information which provides a background why small enterprises surveyed are able to maintain the continuity of their business.

Table 4.1

Sustained Business Growth Condition of Traditional Retailers Concentrated in Traditional Markets and the District with the Most Population of Modern Retailers in Sumedang Regency, West Java

No	Dimension	Traditional Retailers Concentrated in Traditional Markets (%)	Traditional Retailers Operating in Jatinangor District (%)
1	Continuing excellent service	75.81	61.24
2	Ability to manage internal operations effectively and efficiently	64.47	57.92
3	Sustained profitability	72	59.33
4	Credible to raise the necessary finance externally	71.06	70
Total		71.55	61.55

The table above shows that the sustained business growth of traditional retailers concentrated in traditional markets in Sumedang belongs to a category of “good” or “high” (71.55%). However, this is only slightly above the lowest limit of the category of “good/high” (68.1%-84%). However, this figure is still far better when compared to the

sustained business growth of traditional retailers operating in Jatinangor District that just belongs to a category of “fair/moderate” (61.55%)

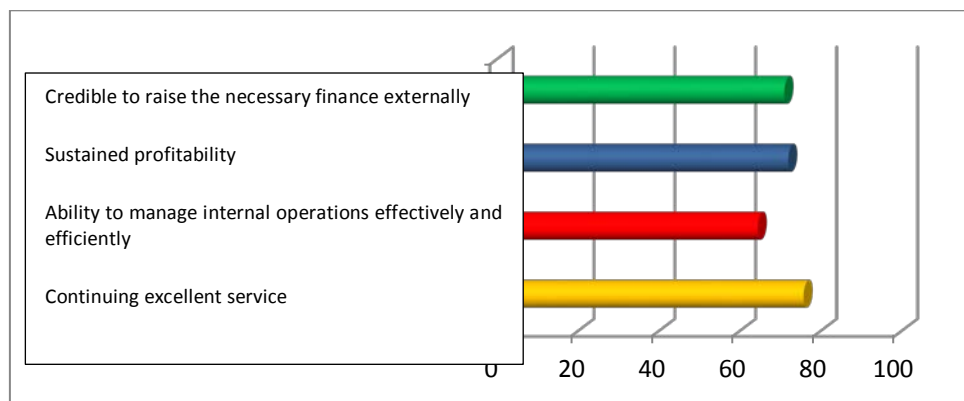


Figure 4.1
Sustained Business Growth
of Traditional Retailers Concentrated in Traditional Markets
in Sumedang Regency (2013)

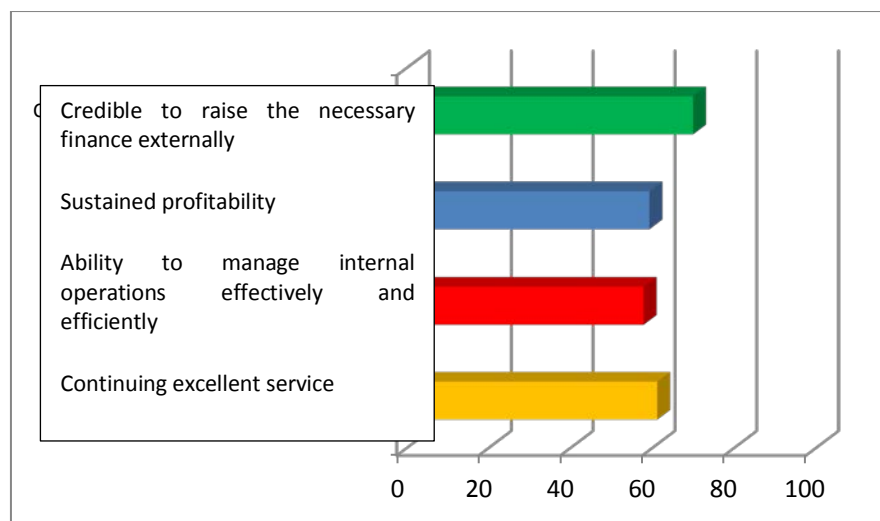


Figure 4.2
Sustained Business Growth of
Traditional Retailers Operating in Jatinangor District (2013)

Although these data demonstrate sustainable business growth, there are still three important notes that need to be underlined. They are traditional retailers in Sumedang Regency which have not been optimum in achieving business effectiveness and efficiency, continuous profitability which has not been optimum, and the confidence level of investors and banks in providing business finance facilities.

Referring to the finding of Neill C. Churchill and Virginia L. Lewis in 1983 in their study “The Five Stages of Small Business Growth”, published in *The Harvard Business Review*, five stages are suggested to solve problems in small business growth.

Stage 1: Existence: In this stage the main problem of the business is obtaining customers. Based on interviews with traditional retailers, both those concentrated in traditional markets and in Jatinangor District, indeed the most difficult stage is when they begin and start up the business. According to some respondents who founded the business

after the emergence of several modern retailers in Jatinangor, the starting-up stage is harder because they have to compete directly or deal with modern retailers which have implemented modern management. So, at this stage retailers in Jatinangor face a tougher challenge, compared to traditional retailers operating in traditional markets.

Stage II: Survival: In reaching this stage, the business has demonstrated that it is a workable business entity. The business has enough consumers who are satisfied with the products and services offered that they become regular consumers of the company. The problem at this stage is about revenues and expenses. In the survival stage, the enterprise may grow in size and profitability and move on to the next stage, but there are several companies that remain in the survival stage for some time, resulting in a turning point of the capital and eventually go bankrupt when the head of the company has given up or retired.

Surviving in the midst of intense competition is experienced by traditional retailers in Jatinangor. However, despite the steadily decreasing turnover, they still survive because the profit is still obtained although the growth is slow. Traditional retailers concentrated in traditional markets in Sumedang perform a survival strategy by maintaining proximity or closeness of the relationship with the customer. Therefore, the stability of the acquisition of the turnover can still be maintained.

Stage III: Success: The decision facing owners at this stage is whether to exploit the company's accomplishments and expand or keep the company stable and profitable, providing a base for alternative owner activities.

In terms of success marked by sustained business growth, most of the traditional retailers both in traditional markets and in Jatinangor experience a slow growth. Even for net profit growth, traditional retailers only scored 50% or less at a category of less growing (slow).

Stage IV: Take-off: In this stage the key problems are how to grow rapidly and how to finance that growth. The most important questions, then, are about delegates and cash. Can the owner delegate responsibility to others to improve the managerial effectiveness of a fast growing and increasingly complex enterprise?

Referring to the result of the studies that still indicates a relatively poor level, that is, the category of "good" for traditional retailers in traditional markets and the category of "moderate/fair" for traditional retailers in Jatinangor District, the researchers analyzed that in general the traditional retail in Sumedang at this time has not been able to grow fast (take-off). In other words, its growth still belongs to a category of maintaining business continuity.

Stage V: Resource Maturity: The greatest concerns of a company entering this stage are, first, to consolidate and control the financial gains brought on by rapid growth and, second, to retain the advantages of small size, including flexibility of response and the entrepreneurial spirit. A company in Stage V has the staff and financial resources to engage in detailed operational and strategic planning.

Related to the maturity of the employees (human resources) of traditional retailers, they have a very limited competence whether in terms of marketing management, human resources and finance operations. It is highly inversely proportional to the increase in the competence of personnel working in modern retail managed with modern management and receiving regular training.

The research result shows that traditional retailers concentrated in traditional markets have a good sustained growth. As for the growth of traditional retailers in Jatinangor District, it belongs to a category of "fair" or "moderate".

When viewed from the stages of business growth (existence, survival, success, take off/fast growing and resource maturity), both traditional retailers concentrated in traditional markets in Sumedang and those in Jatinangor District show that they are still at the stages of existence, survival, and success. Here success is also in the sense of surviving for many years which indeed can be said to be quite successful for small-scale businesses. As for moving on to the stages of take-off and resource maturity, they are still at the stage of hopes and hard efforts to put themselves on the same level as modern retailers who have been at the stages.

Delivering ventures to take-off needs supply chain management. It can provide competitive advantage for company. Pavico (2016) stated that the significant correlation was noted between price and promotion of marketing and supply chain management practices. This definitely made sense as micro enterprises strive to integrate their functions that are moving towards the attainment of competitive advantage in terms of cost; however, warehousing and physical distribution of logistics and price in marketing were registered to be significantly correlated with competitive advantage in terms of differentiation.

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