

RETAIL STRATEGY FOR TRADITIONAL MARKET IN SURABAYA CASE STUDY: PASAR KAPAS KRAMPUNG

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The purpose of this study is to present suggestion for the traditional market board by determining the customer perception and expectation of six retail mix and 17 variables. A questionnaire was developed and distributed by a convenience sample to customers in Pasar Kapas Krampung Surabaya, as a representative of traditional market in Surabaya that is controlled by PD. Pasar Surya. By the descriptive analysis, expectation analysis, perception analysis, gap analysis, and quadrant analysis, the study found that the majority of the problem is facilities, so the retail strategy must be focused on some renovation and maintenance of the facilities, layout and disposal management. Traditional market vendors in conjunction with government need to enhance retail standards for traditional markets in Surabaya. The purpose is to support the traditional market to compete with modern retail. This study adds to a small but growing research stream examining retail strategy for traditional market in Surabaya.

Keywords : traditional market, services quality, retail strategy

1. Research Background

Nowadays traditional market was left by its customer because they cannot endure the competition. The position was seized by modern retail that offers more convenience place; even though it is costly. Customers require a better place to shop, and they want the vendor understands about what the essential things in shopping is. All the requirements were answered by numerous modern retail formats. Based on AC Nielsen Survey in 2004, the increasing percentage of modern retail was high, about 31.4 %, while traditional market had a reduction about 8.1%. The explanation could be from the bad visualization like wet condition and dirty, lowest conveniences like parking area and toilet, no disposal management, the physical structure is less to maintain, and the lack of management to settle in changing of the customers and the competitors.

Surabaya government has tried to renew several traditional markets in Surabaya. One of them is Pasar Krampung Surabaya, which is located in East Surabaya, and consists of two levels. It used to be Pasar Tambah Rejo, while there was a fire that made this traditional market did revitalization. PD. Pasar Surya had cooperation with PT. Gitanusa Sarana Niaga and built the market in a modern building. There are six levels, the first two levels are for the traditional market, and the rest is for mall, trade center and parking area. They also changed its name to become Kapas Krampung Trade Center. There are 1,700 stalls in traditional market, 2,500 stalls in mall and 1,700 stalls in the trade center. They also completed it with toilets, lightning, water and fan of fish and meat stalls.

The preliminary survey asked the customers what was their opinion about facilities and services that were given by PD. Pasar Surya as the board, and the vendors. The vendors said that the market nearly unfilled because numerous vendors closed their stalls and moved to a different traditional market. This condition gave impact to the customer traffic, there were only a small number of customers visit the market. It was shown that the revitalization has not given the good consequences, and it needs further study to recognize what factors that must be improved.

This study will argue about the nature of traditional markets, in this case was Pasar Krampung. This is followed by a literature review that explores the dimensions of retail mix to develop the retail strategies. The methodology was offered and there was data collected works for the study, which involved a questionnaire consists of perception and expectation variables. The results of the data analysis are presented in terms of the hypotheses, which then lead into a study's conclusion in theoretical and practical terms. This article concludes with limitations and directions for future research in the area of retail strategy for traditional market in Surabaya.

2. Literature Review

A traditional market in Indonesia (Aye and Widjaya, 2008) is a place where many small retailers and wholesalers conduct their daily activities. Most of the traditional markets in Indonesia sell food products, although there are some exceptions to traditional markets in Jakarta, known as a centre of electronic goods, centre of textile and centre of medicine. The management of markets is usually performed by a local government owned company (namely perusahaan daerah or PD, in Surabaya is PD. Pasar Surya) or local government department (namely Dinas Pasar).

The traditional market maintain to supply the most important place for the purchase of fresh food (Hsu and Chang, 2002; Maruyama and Trung, 2007; Chamhuri and Batt, 2009; 2009b; Suryadarma et al., 2010). In the traditional markets, a lot of small independent vendors are capable to accomplish the consumers' particular necessities for variety, assortment, size, quantity and quality (Goldman et al., 1999). In terms of fish and meat items, consumers want the product to be 'live' and 'warm'. Moreover, traditional market offers a high level of customized service, which makes it hard for consumers to leave from their traditional habits of shopping (Chamhuri and Batt, 2013).

In determining the preferred place to shop, the consumer's choice to purchase is seldom made on just one attribute, but rather, it involves a set of attributes (Alhemoud, 2008). Previous researchers have identified a number of factors influencing consumers' choice behaviors. Euromonitor (1986) found that the following factors were important in influencing the consumers' choice of store for grocery shopping: clean and hygienic, an extensive range of products, store layout, good parking, low prices, within walking distance, efficient check out service and quality of food. Engel et al. (1995) considered the location, price, quality of assortment, advertising and promotion, sales personnel, services offered, store atmosphere and post-purchase satisfaction to be the key determinants influencing store choice. Solgaard and Hansen (2003) mentioned several store attributes such as merchandise quality, personnel, store layout, cleanliness and accessibility as being among the most important factors, which consumers utilized when evaluating the store they intended to visit.

Utami (2004) said that a traditional retail is a retail management, which uses conventional and traditional approach. Usually this approach will be focused on preparation from the retail owner, but ignoring customer needs. This statement will lead us to suggest the traditional retail, to give more attention to the customer, so they can compete with the modern retail.

According to Levy and Weitz's book (2008) about retail management, some retail strategies could be used to support the traditional or modern retail. The retail mix is the combination of factors retailers use to satisfy customer needs and influence their purchase decisions. Elements in the retail mix include the types of merchandise

and services offered, merchandise pricing, advertising and promotional programs, store design and merchandise display, assistance to customers provided by salespeople, and convenience of the store's location. Merchandise decision as the first element will be based on what products should be bought, how many products should be purchased, when retailer order to the supplier, and which supplier get the order. The second element is price, while it is growing because today's customers are looking for good value when they buy merchandise and services. The third element, advertising and promotion, are about how to communicate with the customers, to give them information, persuade and remind customer to get something positive from the store. The promotion could be like publication and will involve some parties like community, employee, supplier and government. The publication can publish by some media like newspaper, radio and television. The fourth element is the store design that combines physical characteristic like architecture, layout, display, color, music, and scent, which create images in customer's mind. Some layout can be used like grid layouts with all the long gondolas and aisle. This layout can help customer to find the product easily. Racetrack layout will make customer visit each department. The last layout, namely free-form layout is used by most boutiques because they give customer comfortable and relax situation while exploring the store. The fifth element, call customer service, is the set of activities and programs undertaken by retailers to make the shopping experience more rewarding for their customers. The last element is location that becomes the important strategic because it can be used to develop a sustainable competitive advantage.

Wijaya (2011) stated that a company must try to understand what customer need as a base to develop the right strategy and to grow a good image in customer. The right strategy will lead to customer satisfaction. To measure customer satisfaction, Kotler (2006) has created four satisfaction measurement namely critics and suggestions survey, ghost shopping, lost customer analysis, and customer satisfaction survey. The last method will be used in this article and the data will be collected from Pasar Kapas Krampung customers.

Parasuraman, Zeithaml, dan Berry (1985) develop a customer satisfaction formula as shown below:

$$Q = P - E$$

Q is for customer service quality, E is for customer expectation, and P is for the customer perception for the service. Because retail is consisted by two aspect namely product quality and service quality, we tried to combine those aspects by using service quality dimensions.

Mehta (2000) develop some criteria to measure service quality in retail. It consists of employee service, physical, merchandise, confidential, and park area. Those variables will be used as a basic variables that will be asked to the respondents, and could be modified if some of them are not suggested, based on the discussion with the experts, PD. Pasar Surya and the respondents.

3. Research Design

There were some steps implemented for this study. The first step was a preliminary survey by using an open questionnaire to twenty customers to come to a decision which variables will be used in the closed questionnaire in the next step. After the questionnaire was built, we did the pre-sampling survey for thirty customers to verify the reliability and validity test, and to modify or not to modify the

questionnaire. Then we distributed a questionnaire for seventy customers, and became our sampling for reliability and validity test. Table 1 shows the questioner variables.

Table 1. Questioner Variables

Dimension	No	Variables
Store Design and Merchandise Display	1	Well maintain facilities
	2	Good stall layout
	3	Good ingress and egress
	4	Good lighting
	5	Cleanliness
	6	Good disposal management
	7	Separation between sections
	8	Good ventilation
Merchandise price	9	Competitive price
Promotion	10	Publication for market activity
Merchandise	11	Assortment
	12	Interesting display
Customer service	13	Fast and good response
	14	Complain channel
Convenience	15	Easy parking
	16	Safe parking
	17	Safe market

The 17-variables were measured using a five-point Likert scales. After pre-sampling of 30 respondents, the variables will be accomplished valid if the value of correcting item-total correlation is ≥ 0.361 . For expectation and perception the value were 0.6 and 0.6. Then for sampling for 100 respondents, the item will be concluded valid if the value of correcting item-total correlation is ≥ 0.1966 . The values were 0.6 for both expectation and perception. The results will be analyzed for descriptive analysis, expectation analysis, perception analysis, gap analysis, quadrant, and design some suggestions.

4. Results and Discussion

In descriptive analysis, we found that most of the customers were female, and the ages were between 36 until 47 years old. Typically, they were housewives and purchase for an entire family. Most of them bought meat, chicken, fish and vegetables for daily purchasing. Like any other traditional market customers, they visited traditional market because the market location was close to their house. They didn't need vehicle to this market; it can be reached by walking. That's why location became the strength point for customers to choose this market. They also favored the assortment and freshness from the merchandise. However, they criticized about the facilities. The layout is not comfortable for customers to walk around. Another complaint was about the air circulation that is not very good, it makes the customers feeling crowded and of course, it will decrease the comfort. Table 2 shows the summary of customer identification.

Most of the customers preferred 4 and 5 score for the 17 variables expectation. It means that they needed the attention from the board to be careful with all the variables. The top five of high expectation are safe market, fast and good response, well maintain facilities, good stall layout and safe parking. It is very important for the customer to feel secure when they are in the market. They can complete the shopping

activity without worry about pickpockets, cheaters, and any other criminals. They will feel safe if there is some monitoring equipment like safety guards, CCTV cameras, or a clear regulation that will follow by all market stakeholders. It will influence to the parking area, not only about the parking space, but also the security because the customers will leave their vehicle, most of them are bicycles and motorcycles, for a 15 to 30 minutes. The next is about the service from the vendors, especially their way to respond. Customers need a fast and nice response, so they can move to another stall and complete their shopping. The other expectation is about facilities, which are about maintenance and layout. The traditional market consisted of so many stalls and there are many ingress and egress. It means all of the stalls, aisle, the garbage area, cleaning area and many other things must be maintained well to make sure everything will run well. They also need a good layout so they can find the stall easily, move among the stalls, and finish their activities quickly.

Table 2. Customers Identification

No	Identification	Answer	Sample (%)
1	Gender	Male	9
		Female	91
2	Age	Between 30 and 35 years old	5
		Between 36 and 41 years old	35
		Between 42 and 47 years old	50
		47 years old and above	10
3	Expend per day	Less than 20,000 rupiah	15
		Between 20,000 and 40,000 rupiah	65
		Between 40,000 and 60,000 rupiah	15
		More than 60,000 rupiah	5
3	Commodities	Meat, chicken, fish	35
		Vegetables	40
		Fruits	15
		Food	10
5	Distance from home to market	Less than 1 km	85
		1 km and above	15
6	Strengthness	Assortment	30
		Freshness	25
		Location	45
7	Weakness	Road condition	5
		Disposal management	20
		Air circulation	35
		Public facility	5
		Layout	35

While we compared to the perception, it showed that for some variables, especially for the facilities, the score only 1 and 2. It means what the customer received was very bad, and of course, the board needs to improve it. The lowest score is for well maintaining facilities, good stall layout, good ingress and egress, separation between sections and cleanliness. The result is suitable and could be the same with

other traditional market condition. Based on what customers expect from traditional market, it is obvious that there are differentiations between perception and expectation. We see that the market doesn't have good facility quality, clear layout, ingress and egress, and the separation between the sections. It means that the customers cannot complete their shopping as efficient as they want. The other complaint is about cleanliness that will influence their comfort to enjoy the shopping. It will be influenced by the disposal management that has a low score too.

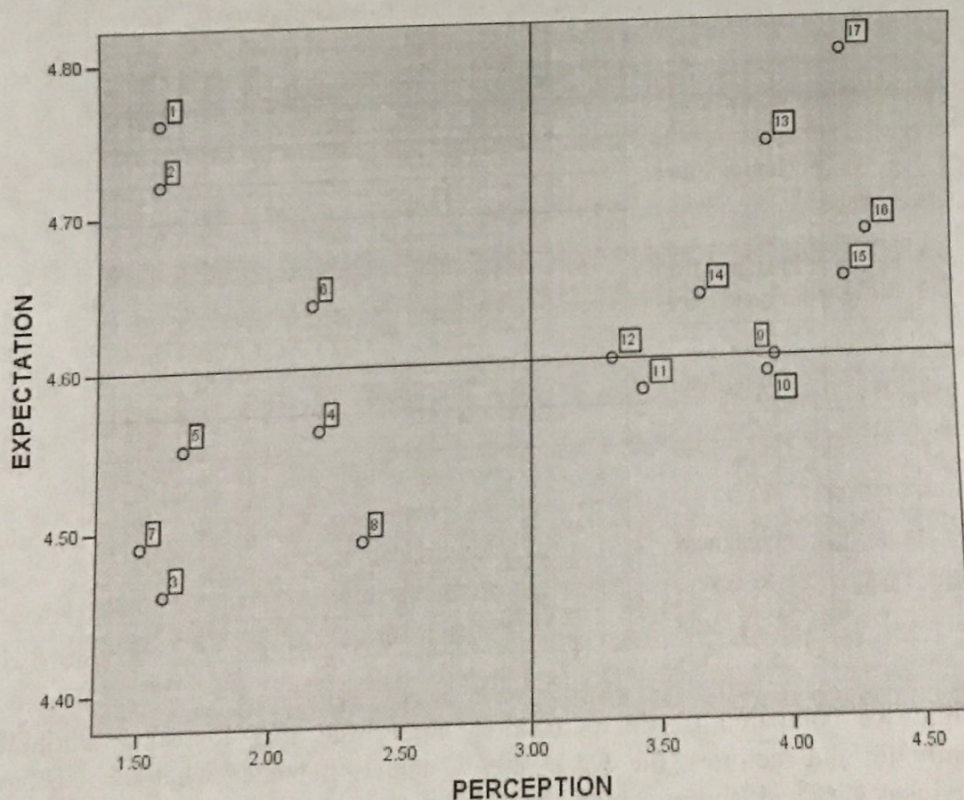
P-test was used to prove which one would be accepted.

H_0 : There is no significant difference between the mean scores of expectation and perception

H_1 : There is significant difference between the mean scores of expectation and perception

The result in Table 3 showed the null hypothesis was rejected for some variables because the significance level was below 5%, so it means there are some significant differences between perception and expectation. All factors in the store design and merchandise display got this score, it means there are serious problem that must be solved. It will include the maintenance of the facility, cleanliness and the disposal management, the design of the layout, ingress-egress, and separation between sections, ventilation, and lighting.

Certainly to improve it, we need the priority, and by mapping it to the quadrant analysis, we got what variables need the next treatment and what factor already good. The quadrant analysis showed as at picture 1.



Picture 1. Quadrant Analysis

The 17 variables were grouped into four quadrants and it will be based before we propose how to improve the traditional market by retail strategy. The first quadrant has the low perception and low expectation, so it becomes the lowest priority. The second quadrant is possibly overkill because the perception is higher than expected. The variables like publication and the assortment can be implemented as before because the customers feel it is sufficient for them. There are seven variables in the third quadrant, the strength quadrant, and it becomes the key factor to win the competition. There were competitive price, interesting display, fast and good response, complain channel, easy parking, safe parking, and safe market. There are good coordination between the vendor and management to develop a comfortable situation like that. The fourth quadrant is the important one because the perception is less than the expectation, so we knew there were some disappointments inside the customers' mind. There are three variables in this quadrant, namely well maintain facilities, good stall layout and good disposal management.

The suggestion for Kapas Krampung market will focus on those three variables. The board must improve how they maintain the facilities. First, they must observe what happened exactly in their market, and then analyze which facilities need corrective and preventive maintenance. Some of the suggestions are the walkways ingress and egress of the building free of obstruction or not, and is there enough adequate space in high traffic area? It needs the tight schedule, including the time and the personnel who have the responsibility for those facilities. Then, the next step is to hire subcontract company, or pointed other staff who do the repair, and also the preventive maintenance. Every report and every finding must be followed by action. Another suggestion is to renovate the facilities, not only repair it because some sections need more action. For example, the roof must be replaced with the other material that's stronger and protect the stalls better.

Second advice is for the stall layout. There are some complaints regarding the awful layout that makes customers feel difficult to find the stall they want to buy, to come out from the market, and to move quickly from one stall to another. Therefore, it became the obstacle for the visitor comfort. For this layout, the board needs to reorganize the layout based on the stall assortment. For example, the vegetable stalls must be grouped with the same merchandise, so it will be easier for the customers to find the place, and it is easier for the management to take care of it. For example, at the fish section, they need a special treatment to handle the waste and they need the tap water, so the board can provide it centralized and supporting the vendor to keep their cleanliness.

The third suggestion is about the disposal. The waste is everywhere; even though the board tries to accumulate it in one place, the customers even find splatter rubbish. It's not good for the sight and for the smell, and of course, it leads to the customer uncomfortably. It can be influenced by the first factor, so it needs the good arrangement of maintenance planning, but of course, the market also needs a suitable waste bin, a good disposal system, and support from entire vendors.

5. Conclusions

We used descriptive analysis and discovered that most of the customers are housewives, and they purchase for a whole family. They prefer to obtain merchandise at traditional market because of the location is close to their house. They expect for the safe market, fast and good response, well maintain facilities, good stall layout and safe parking. Then for the perception, we find that some variables have a low score based on the customers' perception. The variables are well maintaining facilities,

good stall layout, good ingress and egress, separation between sections and cleanliness. We continue with the gap analysis, and it shows all the variables in store design and merchandise display have a gap between perception and expectation. Deeper analysis by using quadrant analysis, we discover three variables that must be the board priority, those are well maintain facilities, good stall layout and good disposal management. Some suggestions are offered to increase the customers' perception in the future.

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