

ANALYSIS OF PROMOTION STRATEGIES OF TRADITIONAL RETAIL/MSMEs IN THE ERA OF MODERN RETAIL DISRUPTION (CASE STUDY IN WANGON SUB-DISTRICT, BANYUMAS DISTRICT)

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ABSTRACT

This study was conducted to investigate the impact of the development of the modern retail industry on traditional shops in Indonesia. The retail industry has become an integral part of Indonesian society, with traditional stores playing an important role in fulfilling daily needs. However, with the emergence of modern retailers such as minimarkets and supermarkets, traditional stores are facing serious challenges in maintaining their existence. Therefore, the purpose of the research is to find out the strategies carried out by traditional stores/retailers in facing disruption from Modern Retail. This research uses a qualitative method with a qualitative descriptive approach. The data sources used are primary data sources and secondary data sources. Data collection techniques in the form of interviews, observation and documentation. As for the technique of taking informants used is purposive sampling with informants of grocery store owners. This study concludes that the presence of minimarkets around Wangon Sub district has a negative impact on grocery store traders, resulting in a decrease in the number of customers and income. Despite this, grocery store traders remain eager to compete with minimarkets. They adopt strategies such as providing basic goods that are not available in minimarkets. To compete in an increasingly modern market, they need to change their marketing strategies by increasing sales and eCommerce.

Keywords: Strategic, Promotion, Traditional retailers, Modern retailers

1. Introduction

The presence of modern retail businesses is an integral part of global economic progress and growth. Along with the times, there are more and more retail companies in Indonesia every year. This will certainly have a positive influence and a negative influence on traditional retail / SMEs

in the vicinity. The emergence of modern retail such as Indomart and Alfamart will certainly also affect people's perceptions about the decline in turnover and the decreasing number of customers (Arianty Nel, 2013). The rapid development of modern retail is feared that over time it can have a negative impact on traditional retail (Mardi, R. W. 2017).

Competition in the retail sector can be analyzed from various perspectives, including competition between modern and traditional retailers, competition among modern retailers, competition among traditional retailers, and competition among suppliers, (Tulus TH Tambunan et al, 2004). Among these four types of competition, competition between traditional and modern retailers attracts the most attention, as it puts one party (traditional retailers) in a more vulnerable position. This encourages all relevant parties (retailers, associations, government, retail business experts) to be actively involved in addressing the negative impacts of this competition.

In the context of the era of rapid development of modern retail, traditional stores are faced with the demands of adapting and facing challenges in order to maintain business continuity in the small to medium scope (Nurhadiyanti, 2012). In addition, currently consumer preferences for traditional stores and modern retail can be seen from several factors including the quality of goods, completeness of goods, price, service, facilities and convenience (Iffah, M., Sutikno, F. R., & Sari, N. 2011). The rapid development of the modern retail business in the form of minimarkets is believed to have had a detrimental impact on outlets or small traders operating around the modern retail location (Kusnadi, 2013).

At the beginning of the emergence of modern retail may be more aimed at middle-income residents, but currently modern retail has entered the lower middle class segment of society by opening its outlets up to the sub-district area (Bakhri, 2017). For example, in the Wangon Sub-district area of Banyumas Regency in 2023, there are 13 modern retailers that have spread out outlets such as Alfamart and Indomart, which are not uncommon for modern retailers to face each other or in a fairly close distance between these outlets.

In an effort to deal with these dynamics, grocery stores certainly need to design a measurable and far-sighted strategy to remain relevant and competitive in the midst of rapid modern retail. This research aims to find out the promotional strategies carried out by traditional shops/retailers in the face of disruption from the many emerging Modern Retailers.

2. Literature Review

2.1 Definition of Strategy

Strategy comes from the Greek word "stategia" (consisting of "Stratos" meaning military and "ago" meaning to lead), which originally referred to the art or science of leading in a military context (Edy, 2015). In ancient times, strategy was used by a general to lead his military forces in the hope of winning the war. Today, in a business world filled with challenges and competition, the term strategy and its concepts are applied to win business competition (Husein, 201).

In organizational discussions, strategy is almost always associated with the goals, direction and positioning of an organization by considering the surrounding environment (Abdurrahman, N. H.

2015). According to David, F.R. (2004) in his book "Strategic Management Concepts," strategy is a comprehensive and integrated plan that links the company's strategic advantages with environmental challenges. This plan is designed to ensure that the company's main objectives can be achieved through proper implementation by the organization.

Meanwhile, Hitt Michael and his colleagues (1997) in his book "Strategic Management" define strategy as a series of integrated and coordinated actions taken to capitalize on the company's core competencies and achieve an advantage in competition. Thus, it can be concluded that strategy is an integrated plan of action, aimed at achieving predetermined goals, taking into account relevant internal and external factors. In addition, a good understanding of the concept of strategy and other related concepts will certainly determine the success of a strategy that is prepared.

2.2 Promotion

Promotion is a communication that is persuasive, convincing, inviting, persuading and convincing (Musrid, M. 2014). Meanwhile, according to Tjiptono (2001: 219), promotion is basically a form of marketing communication. This includes marketing activities aimed at disseminating information, influencing, or convincing target markets so that they are willing to accept, buy, and remain loyal to the products offered by certain companies.

Sistaningrum (2002: 98) explains that promotion is an effort or activity carried out by a company to influence both "consumers who are already customers" and "potential consumers" so that they are willing to purchase the products offered, both now and in the future. Consumers who have already become customers are those who immediately buy the product at the time or immediately after the company starts promoting its products. While potential consumers are those who are interested in buying products offered by the company in the future. In short, promotion is related to an effort to direct someone to recognize a product, then understand it, change their attitude to like it, then buy the product.

Meanwhile, according to Kotler and Armstrong (2008), the definition of marketing strategy is marketing logic where business units hope to create value and benefit from their relationship with consumers. According to Philip Kotler, the definition of a marketing strategy is a marketing mindset that will be used to achieve marketing objectives, in which there is a detailed strategy regarding target markets, positioning, marketing mix, and budget for marketing. Promotion strategy according to Moekijat (2000: 443) is: "Company activities to encourage sales by directing convincing communications to buyers". Another opinion expressed by Lamb, Hair, McDaniel (2001: 146), promotional strategy is: "A plan for the optimal use of the elements of promotion: advertising, public relations, personal selling and sales promotion".

2.3 Traditional shops/retails

Based on Undang Undang nomor 20 tahun 2008, Micro enterprises are productive businesses owned by individuals and/or individual business entities. Small enterprises are stand-alone productive economic businesses, which are carried out by individuals or business entities that are not subsidiaries or branches of owned companies. Medium enterprises are stand-alone productive

economic businesses conducted by individuals or business entities that are not subsidiaries or branches of companies. Or by criteria according to Undang Undang The small and medium enterprises have a net worth of IDR 50,000,000. Many small and medium-sized businesses are run by the community, including retail businesses. One of the retail businesses here is a grocery store or a business selling the daily needs of the community.

Grocery stores or traditional retail are micro businesses that are privately owned and sell goods, serve customers directly and generally the shop owner doubles as a cashier. Traditional retail is a simple retail with the characteristics of a place that is not so wide, the goods sold are not so many types, the management system is still simple, shopping convenience for consumers in addition to having the characteristics of a price bargaining process with traders

2.4 Modern Retail

Modern retail can be defined as a market that is managed with a more contemporary management approach. Typically, this type of market is located in urban areas and aims to provide high quality products and services to consumers, especially those from the middle to upper class (Sinaga, 2006). Some examples of modern markets include malls, supermarkets, department stores, shopping centers, franchises, minimarkets, convenience stores, one-stop shops, and so on. These markets offer a wide variety of products, including both local and imported goods.

What distinguishes modern markets is the strict supervision of the quality of the products sold. The goods go through a strict selection process so that only those that meet certain standards are accepted. In addition, modern markets usually have a measured and reliable inventory of goods in their warehouses. Product prices in modern markets are also usually clearly listed, including prices before and after taxes.

3. Research Methodology

This research uses a qualitative descriptive approach method. Qualitative descriptive research is data collected in the form of analysis not numbers (Masyhuri, M., & Utomo, S. W. 2017). This means that the data is presented in written form. In accordance with the definition (Moleong 2005: 6), qualitative research is a research effort that aims to understand holistically the phenomena experienced by the research subject.

In this study, the determination of informants used purposive sampling technique, which means that the selection of informants is based on certain criteria and considerations. Informants who become research subjects consist of grocery store owners or employees who operate around minimarkets, as well as consumers who are active or who have recently shopped at minimarkets and act as supporting informants. The data collection technique in this study refers to Field Work Research, which includes direct investigation in the field.

This approach involves various methods, such as interviews, observations, literature review, and document collection, which are used to dig up information relevant to this research. The main data sources came from observations, interviews, and documentation. Primary data was collected through direct observations and interviews in the field, especially related to the strategies used by

grocery stores in facing modern stores (Prabowo, Aan, & Heriyanto. 2013). These interviews were conducted with traditional shop owners in Wangon Kematan who are close to modern retail outlets. This research focused on several grocery stores located around Wangon District, Banyumas Regency, Central Java.

4. Result

4.1 Impact of Modern Retail on Traditional Shops in Wangon Sub-district, Banyumas Regency

Modern retail (such as minimarkets) and traditional retail (such as grocery stores) basically have different market segmentations. This difference is due to the distinctive characteristics of each type of market. Traditional retail often retains the price bargaining process, which allows for personal and emotional interaction between sellers and buyers. This closer relationship tends to be lacking in modern markets. In contrast, modern markets have the advantage of strong cooperation with various suppliers.

This results in efficiency through economies of scale and the ability to implement strategies that are often not available in traditional markets. The rapid development of the times also presents serious challenges to traditional shops, including the long-established grocery stores in Wangon Sub-district, Banyumas Regency. These shop owners are struggling to keep their businesses afloat amidst the proliferation of modern retail in this era of modernization. Threats come not only from physical modern retailers that have sprung up around their area, but also from online stores that are increasingly popular among the public. Therefore, this study will discuss what strategies grocery store owners can take to strengthen their business and compete with these modern retailers.

The stores that are the subject of this study have generally been around since long before modern stores such as minimarkets and supermarkets emerged. Some of these stores underwent significant changes from small-scale businesses to large traditional retail businesses, including changes in the physical aspects of the store, the types of goods sold, and the presence of employees who assist in serving customers. In addition, over time, many investors began to flock to establish similar businesses using more modern concepts and management (Andi Ainda Lestari. 2018). This is because investors see quite interesting opportunities to establish modern retail around Wangon Sub-district, Banyumas Regency.

After modern retail began to emerge, competition to attract consumers' attention intensified. Both types of stores often offer promos and discounts to attract customers. In addition, they also invest in the physical comfort of the store, for example by using air conditioning (AC) to keep the store atmosphere cool, so that consumers feel comfortable when shopping. This approach is clearly different from that applied by grocery store traders, who develop special strategies to compete with these modern stores.

The growing number of minimarkets in the community has both positive and negative impacts. The benefits include the fulfillment of consumer needs and the potential to reduce the unemployment rate through the opening of jobs for local residents. On the other hand, there are disadvantages in the form of a decrease in the number of consumers who choose where to shop, although some people still prefer to shop at grocery stores rather than minimarkets. Although

purchasing decisions are currently the right of consumers, what needs to be realized is the development of the lifestyle of our society today, where some people today prefer things that are easier and more practical.

From the results of interviews with informants, it was concluded that although the products offered in modern retail and in traditional stores are almost the same, the owners of these grocery stores admit that the variety and layout of products in modern retail are neater. This certainly requires traditional stores to start improving to keep up with developments starting from adhering to the layout of goods, services and cleanliness. In addition, currently consumers prefer to shop in modern retail because of several factors such as convenience, cleanliness, lifestyle. This is in line with the results of previous research where consumers tend to be more interested in modern markets because the marketing system, including price, product, location, and promotion, has a stronger impact than traditional markets such as traditional shops (Kasman, 2017).

Some shop owners said that the presence of modern retail certainly has an impact on their daily sales because it is not uncommon for these modern retailers to carry out promotions such as large discounts on certain days which cause consumers to move. One shop owner named Mrs. Dewi said that sometimes these retailers discount prices below the capital price, so they are unable to follow a similar promotional strategy. She also said that sometimes even though the prices offered at her grocery store are the same as those in modern retail, consumers currently tend to prefer shopping at these modern retail stores.

If shopkeepers do not improve with the presence of modern retailers, of course this situation will also affect the decline in grocery store revenues which are decreasing. The decline results in the helplessness of the traders, so that the shops lose their attractiveness. The reason behind this inability is the traders' lack of ability to expand their product assortments and develop their businesses due to increasingly limited capital. The majority of merchants in grocery stores are individuals who started their own businesses, which often experience challenges in management, including issues related to the marketing mix such as product, price, distribution, and promotion. Thus, it can be concluded that the impact of the existence of modern markets on traditional retail is that people prefer modern markets due to the perception of higher convenience in the use of products and services there compared to traditional retail.

4.2 Promotion Strategy for Traditional Stores in the Face of Modern Retailers

The impact that occurs due to the development of minimarkets, making grocery store traders must carry out strategies in order to compete, both in terms of the products offered, promotion, service and marketing. This is in accordance with what was revealed by Mr. Idris, the owner of the grocery store: "To keep competing in the midst of the rapid development of minimarkets, I have taken several strategies. One of my main strategies is to provide basic necessities that are not always available in minimarkets. For example, I sell retail gasoline, retail cooking oil, retail rice, spices, gas cylinder refills, and the like. I am of the view that not all consumers buy their needs in bulk, so I focus on retail sales to fulfill their needs accordingly. In addition, I also sell these products at more affordable prices compared to the prices offered at convenience stores. In this way, I was able to attract more customers and increase my income level. I realize that if grocery store

merchants like me do not follow this approach, my business may find it difficult to compete, as customers tend to switch to minimarkets".

From these interviews, it can be concluded that grocery stores still have some strengths to maintain some existing market segments. For consumers aged 40 years and over, they still choose to shop at grocery stores rather than modern minmarkets. According to some consumers, they are more comfortable shopping at grocery stores due to several factors including the fanaticism of the consumers themselves. The emotional connection created between grocery store owners and consumers is one of the added values that exists in traditional stores but not in modern retail. Because, if we shop at modern retail, we only choose goods, make transactions and then leave. But in the traditional shop itself, they can still greet with consumers. In addition, there are some items that are actually available in grocery stores but not in modern minmarkets. However, for customers aged 20 years and above, they tend to prefer to shop at modern convenience stores.

Although purchasing decisions are strongly influenced by the personal preferences of each consumer according to their level of need, there is one thing that should be noted, namely the change in modern lifestyles in the neighborhoods around Wangon Sub-district. With the emergence of this modern lifestyle, people around Wangon Sub-district tend to be interested in shopping at minimarkets. Some of them even revealed that shopping at minimarkets is more exciting than shopping at grocery stores because at minimarkets, they can shop without having to face long queues and have more flexibility in choosing goods according to their needs.

Therefore, a strategy is needed by grocery store owners so that they can survive in the era of disruption of modern retail development that is growing rapidly. Grocery stores, which are mostly owned by individuals, must prioritize customer loyalty. This is very important because it can help increase store revenue. Some steps that can be taken to increase customer loyalty include paying attention to customer satisfaction and providing superior service because increasing product sales is not an easy task. There are several ways to increase product sales in a grocery store. First, it is important to have a wide variety of items on offer, although not necessarily as many as modern minimarkets. Focus on basic items that are sought after by shoppers. Second, run a simple administration with accurate recording of purchase costs. Third, prioritize product quality, which is an important requirement for business owners to increase product sales. In addition, promotional strategies such as buy 2 get 1 free or other promotional bundles must be increased frequently in order to attract consumers back.

5. Discussion

In the context of the battle between modern retailers, such as minimarkets, and traditional grocery stores in Wangon Sub-district, Banyumas Regency, there are significant shifts in consumer behavior and market dynamics. Traditional grocery store owners face serious challenges in trying to maintain their businesses in this era of modernization. This is due to the impact of the rapid development of modern retail, both in physical form and online. One of the main factors that influence consumer preferences is convenience, cleanliness, and changes in people's lifestyles. Consumers tend to prefer modern retail due to the perception of higher comfort and a neater atmosphere.

In the face of increasingly fierce competition, traditional grocery store owners need to take smart strategic steps. They can retain customers by focusing on customer satisfaction and providing superior services. In addition, paying attention to product quality, diversifying the assortments of goods offered, and increasing promotions regularly are important steps to increase product sales and maintain market share. In a situation where modern retail continues to expand, traditional grocery stores need to adapt to changing market dynamics and remain relevant to consumer preferences. The ability to find a balance between tradition and adaptation will be the key to the business survival of traditional grocery stores in the rapidly growing era of modern retail.

6. Conclusion

This study concludes that the presence of minimarkets around Wangon Sub-district has a negative impact on grocery store traders, resulting in a decrease in the number of customers and revenue. Despite this, grocery store merchants remain eager to compete with minimarkets. They adopt strategies such as providing basic goods that are not available in minimarkets, such as retail gasoline sales, as an additional source of income. Grocery store merchants, especially those owned by individuals, need to prioritize customer loyalty to increase their revenue. To compete in an increasingly modern market, they need to change their marketing strategies by increasing their sales and operational efficiency.

This research also provides advice to the government to reduce the construction of minimarkets that can hurt the income of grocery store traders and small stalls in the vicinity. In addition, grocery store merchants are advised to improve customer service, keep their stores clean, and provide a variety of products needed by customers.

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