

## **Analysis on The Factors Influencing The Existence of Traditional Retails in Medan**

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**Abstract:** *The objective of the research was to find out the influence of earnings, discount, frequency of shopping, and the number of family members on the existence. The research used primary data, analyzed by using multiple linear regression analysis. Dependent variable was the existence while independent variables were earnings, discount, frequency of shopping, and the number of family members. They were estimated by using Ordinary Least Square (OLS) equation model with SPSS 17 software program. The result of the research showed that earnings, discount, frequency of shopping, and the number of family members had positive and significant influence on the existence of traditional retail in Medan at  $R^2=0.843$  and significance level of 5% ( $\alpha=0.05$ ) which indicated that the variables which influenced the existence was 84.3%, while the remaining 15.7% were influenced by the other factors.*

**Keywords:** *earnings, discount, frequency of shopping, number of family members, existence*

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### **I. Introduction**

Retail business is a business that supports a lot of people and gives many profits for another. At the moment of monetary crisis in Indonesia by the end of 1997, which further becomes the economic crisis, the economy of Indonesia is helped a lot by the retail sector. In many industrial countries, such as France, England, and United States of America, the retail business is one of the main economic sectors that give them a big amount of money (Ma'ruf, 2005). In Indonesia, some things like strategy development, programs, and marketing tactics which are applied by big retailer over the last years have been entering a practical era which is a similar situation with those in developed countries.

In current developments, the business sector in modern retail expands among the people in the form of supermarket, minimarket, hypermarket, and department store. Nowadays, the modern market is not only economical, but also gives many facilities in service and recreation. By shopping in modern retail, the consumer expects satisfaction and convenience. Many retail businesses in Indonesia over the last decade are basically due to the permission for the foreign retailer to operate. In the context of globalization, this permission has been agreed regionally and internationally. It is certain that those foreign retail are more modern in every aspect, which becomes the main rival for the traditional retail. By the time those foreign retail came in Indonesia, the retailer can be divided into four, which are: grocery store and hypermarket, supermarket and department store, modern minimarket, and small traditional retail. The presence of those modern retail gives consumer more choices and information to shop.

That condition gives more problems, since it lowers the loyalty of consumer for the traditional retail. Buchari (2005) finds that the loyalty of consumer is easy to change, since they want to try different retail. Nowadays, consumer would rather choose the modern retail, because the product quality is better, and so as the reputation. Since there are more retail businesses in Indonesia, there will be an intense competition between retailers. In order to win the game, the retailer has to be able to compete. One of the ways is to understand and fulfill the needs and desires of consumers by following the trend in the market.

Mostly, the new consumer will evaluate when they find bad experience, even though it is a small problem. For example, when the consumer cannot find a product, and there is no employee can help them even though they asked, the consumer will feel ignored. That is the example of an untold story which is mostly happened. Other facilities for the consumer are easy to park their vehicle (in and out safe and sound), easy to find the needed product, and easy transaction in the cashier. These changes are definitely affecting the consumer

behavior. Such as the changing in lifestyle, from traditional to modern that impact the changing in consumer shopping pattern.

The changing in consumer shopping pattern tends to intimidate the existence of traditional retail. In line with the research of Rusno which stated that there are 67% of respondents agreed that the increasing number of franchise minimarket intimidates the continuity of their business. Meanwhile, 33% of the respondents stated that the existence of franchise minimarket affects their marketing strategy. If the continuity and the prospect of a business give impact in a big amount, it is possible for small business to experience a drastic decline. The government role is highly needed in this problem, so it will not affect the performance of traditional retail. The government can control the number of franchise minimarket, especially Indomaret and Alfamart.

Based on Presidential Decree Number 112/2007 on structuring and constructing traditional market, shopping center, and modern store, and also mentioned in Article 7 Section 12 on zone regulation. Both laws are hopefully can act as the protector tool for the traditional retailers. Another similar regulation also mentioned in Constitution of the Republic of Indonesia Number 9 Year 1995 concerning Small Medium Enterprises, Article 8, which stated that the government has to protect the business "climate" in relation to competition, and all regulations needed. In order to preserve the Small Medium Enterprises, the government has to overcome the harmful situations, such as market control and business termination of one individual or party which inflict a financial loss for Small Medium Enterprises.

In Medan City, the licensing for modern retail has been regulated in Major of Medan's Decree Number 20 Year 2011 about structuring and constructing traditional market, shopping center, and modern store, which is stated in Article 7 Section 3: as for the distance between one minimarket and another is 500 meter, and 250 meter from the nearest traditional market. The similar law also stated that the minimarket must be 100 meter away from school, prayer place, and traditional market. But, as the matter of fact, in Medan City, there is a lot of modern retail which stands closely with traditional store in about 100 meter. This condition is not definitely following the rules, which stated that there is supposed to be 250 meter distance.

So, if the modern retailer does not obey the regulation, it will directly affect the traditional retailer. Since the modern and the traditional retail are alternative places for many people, the number of shopping retail is highly influenced by the consumer behavior in decision-making on which places to shop. This decision-making process is done right before the consumer demands on goods and services they need and desire. According to Kotler and Armstrong, the moment when a consumer decides to buy things is a process where the consumer is actually buying. In fact, a buying decision has a correlation with marketing. Since the marketing function is essential for the success and continuity of a business. In order to reach the marketing success, each retailer has to arrange an effective marketing strategy by combining many elements in marketing process which affect the consumer in choosing places to shop.

The consumer behavior in choosing places to shop is actually encouraging the retailer to make innovations, which not only aims to meet the consumer need, but also their convenience by the time they shop. All retail business activities can be the basic way for competitive advantage, as long as it is maintained for a long time. Besides the worries about the existence of modern retail, the traditional retail survives since it has its own strengths which consumer cannot find in other places. The presence of bargaining process, the kinship vibes between buyer and seller, the easiness to set the business up, the presence of "buy now, pay later" situation, the acceptance on special order, and even a bonus reward on special day are examples of many specialties that the traditional market gives for their consumer.

## **II. Research Hypothesis**

Based on the formulation of problem, literature review, and other empirical researches, hence the hypotheses of research are:

1. There is positive influence of income towards the existence of traditional retail.
2. There is positive influence of discount towards the existence of traditional retail.
3. There is positive influence of shopping frequency towards the existence of traditional retail.
4. There is positive influence of number of family member towards the existence of traditional retail.

## **III. Research Methods**

This research is about the Existence of Traditional Retail in Medan City and factors that affecting it. This research is conducted in Medan city, around 21 Sub-Districts. This research is generally used the non-probability sampling method, especially purposive sampling. The Purposive Sampling method is chose because this method is highly believed as the best sampling method to answer the purpose of this research. By taking 100 respondents where the population number is unknown and the population is homogenous. But, the respondent has to own a specific character, which is the respondent has to routinely shop in both retail, traditional and modern.

The distribution of 100 respondents are scattered in each Sub-District by following the proportion of population in each Sub-District.

#### IV. Research Findings

##### Normality

Normality Test aims to analyze the normality of data distribution. Normality Test compares the data between normally distributed mean and standard deviation with similar researched data. Normality Test used in this research is Kolmogorov-Smirnov Normality Test. If the significance value is more than 0,05, it can be concluded that the data is distributed normally. The results of Normality Test are shown as follows:

**Table 1. Kolmogorov-Smirnov Z Test Result**

Out	Unstandardized Predicted Value
N	100
Normal Mean	66.7700000
Parameter Std. Deviation	4.30439944
Most Absolute	.063
Extreme Positive	.063
Difference Negative	-.059
Kolmogorov-Smirnov Z	.631
Asymp. Sig. (2-tailed)	.820

Source: Processed Result of SPSS

Based on the output, it shows that the significant value is  $0,820 > 0,05$ . It can be concluded that the tested data is normally distribute.

##### Heteroscedasticity

Heteroscedasticity Test aims to analyze the presence of classic assumption deviation, or to check if there is a variance inequality of residual for all variables in regression model. The pre-requirement for the regression model is there is supposed to be no heteroscedasticity problem.

The Heteroscedasticity Test used in this research is Park Test, the results are:

**Table 2. Park Test Result**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-22.756	19.317		1.178	.242
LNPD	1.605	1.467	.227	1.094	.277
LNDS	-2.602	1.063	-.454	2.447	.316
LNFB	1.549	1.854	.151	.836	.406
LNJAK	-.299	.879	-.055	-.341	.734

Source: Processed Data with SPSS

Based on the output above, in column of Sig, it shows that all value of Sig of all variables  $> 0,05$ . Therefore, it can be concluded that there is no heteroscedasticity problem in the data.

##### Multicollinearity

Multicollinearity Test aims to analyze the presence of classic assumption deviation. Multicollinearity means that there is a linear correlation between independent variables in the regression model. The pre-requirement that must be fulfilled in the regression model is that there is supposed to be no multicollinearity. A regression model is free from multicollinearity problem if the VIF value  $< 5$ , and if the Tolerance value is more than 0,0001. By using SPSS, the results are:

**Table 3. Tolerance and VIF Value**

Variable	Tolerance	VIF
Income	0,284	3,523
Discount	0,365	2,737
Shopping Frequency	0,323	3,098
Number of Family Member	0,371	2,696

Source: Processed Result with SPSS

The tolerance and VIF value above shows that all variables in this research have no multicollinearity. It can be seen from VIF value of all variables which are less than 5. On the other hand, all tolerance values are far above 0,0001.

**Statistics Test on the Results of Estimation Model**

The estimation aims to analyze the independent variable influences toward the dependent variable by using the linear number on multiple linear regression model.

**Table 4. Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
Constant	52.180	.977		53.392	.000
PDP	.000001	.000	.321	4.214	.000
DS	.435	.077	.382	5.677	.000
FB	.188	.080	.168	2.342	.021
JAK	.326	.143	.152	2.273	.025

Source: Processed Result with SPSS

According to the results, it can be seen that the multiple linear regression equation is:

$$EKS = 52,18 + 0,000001PDP + 0,435DSK + 0,188 FB + 0,326JAK$$

The analysis on this estimation model can be interpreted as follows:

Based on the processed data with SPSS above, it shows that the value of constant is 52,18. It means that if all independent variables value is 0, then the Existence variable value is 52,18. The coefficient value of Income is 0,000001. It means that, if there is an increase of income with the amount of one Rupiah/month, the Existence will increase with the amount of 0,000001%, by assuming all independent variables in regression model are constant.

The coefficient value of Discount is 0,435. It means that if there is a 1% increase on variable Discount, it will increase the Existence with the amount of 0,435%, by assuming all independent variables in regression model are constant.

The coefficient value of Shopping Frequency is 0,188. It means that if there is one day increase on variable Shopping Frequency, it will increase the Existence with the amount of 0,188%, by assuming all independent variables in regression model are constant. The coefficient value of Number of Family Member is 0,326. It means that if there is an increase in Number of Family Member, it will increase the Existence with the amount of 0,326%, by assuming all independent variables in regression model are constant. From those regression results, it can be seen that the variable which gives most influence on the Existence is Discount, and followed with Number of Family Member, Shopping Frequency, and Income.

**Coefficient of Determination**

The coefficient of determination in a regression is a measurement that shows how big the variation in dependent variable that can be explained by the independent variables.

**Table 5. Summary of Model Value**

<b>R</b>	0,918
<b>R Square</b>	0,843
<b>Adjusted R Square</b>	0,836

Source: Processed Results of SPSS

Based on the estimation result above, it shows that the value of R-Square is 0,843. It means that variables Income, Discount, Shopping Frequency, and Number of Family Member are able to explain the Existence of Traditional Retail with the amount of 84,3%, while the rest 15,7% is explained by other variables which are excluded in the estimation model.

**Simultaneous Significance Test**

**(F-Test)**

F-Test aims to show whether all independent variables in the model have simultaneously influence toward dependent variable.

**Table 6. F-Stat. Value**

<b>F-Stat.</b>	127,583
<b>Prob. (Sig.)</b>	0,000

Source: Processed Result of SPSS

Based on the result which processed with SPSS, it can be seen that the F-Stat. value is 127,583 with Probability (Sig.) of 0,000. The value of F-Stat. is more than the value of F-Table, which is  $127,583 > 2,250$ . Meanwhile, the probability value is  $0,0000 < 0,05$ , it means that  $H_1$  is accepted. Therefore, it can be concluded that all variables, such as Income, Discount, Shopping Frequency, and Number of Family Member are significantly influencing variable Existence simultaneously.

**Parameter Significance Test**

**(T-Test)**

T-Test aims to analyze how big the influences of one independent variable toward the variation of dependent variable individually. Significance level used in the research is 0,05. If the significance value is happened to be less than the significance level, the alternative hypothesis should be accepted. The alternative hypothesis states that independent variables are partially influencing the dependent variables, vice versa. According to the processed results of SPSS, it shows that:

**Table 7. T-Test Results**

<b>Variable</b>	<b>T</b>	<b>Sig.</b>
Income	4,214	0,000
Discount	5,677	0,000
Shopping Frequency	2,342	0,021
Number of Family Member	2,273	0,025

Source: Processed Result of SPSS

Based on the T-Test above, it shows that the Sig. value of Income  $<$  probability value, which is  $0,000 < 0,05$ . Meanwhile, the T-Stat. value is more than T-Table value, which is  $4,214 > 2,021$ . So, it can be concluded that Income has a significance influence on variable Existence.

The Sig. value of Discount  $<$  probability value, which is  $0,000 < 0,05$ . Meanwhile, the T-Stat. value is more than T-Table value, which is  $5,677 > 2,021$ . So, it can be concluded that Discount has a significance influence on variable Existence.

The Sig. value of Shopping Frequency  $<$  probability value, which is  $0,021 < 0,05$ . Meanwhile, the T-Stat. value is more than T-Table value, which is  $2,342 > 2,021$ . So, it can be concluded that Shopping Frequency has a significance influence on variable Existence.

The Sig. value of Number of Family Member  $<$  probability value, which is  $0,025 < 0,05$ . Meanwhile, the T-Stat. value is more than T-Table value, which is  $2,273 > 2,021$ . So, it can be concluded that Number of Family Member has a significance influence on variable Existence.

Based on the result of T-Test above, it can be seen that the citizen of Medan City tends to shop in traditional retails. Hence, all independent variables, such as Income, Discount, Shopping Frequency, and Number of Family Member are significantly influencing the Existence of Traditional Retail. This result is compatible with a research conducted by Ariyanti (2011) which claims that the best alternative of choice for shopping by the

citizen of Depok District (from highest to lowest) are 41,1% chooses traditional market, 22,4% chooses minimarket, and 12,6% chooses small grocery store.

## V. Conclusion And Suggestion

### Conclusion

Based on the analysis results mentioned above, it can be concluded that:

1. Income influences the existence of traditional retail in Medan City, positively significant.
2. Discount influences the existence of traditional retail in Medan City, positively significant.
3. Shopping Frequency influences the existence of traditional retail in Medan City, positively significant.
4. Number of Family Member influences the existence of traditional retail in Medan City, positively significant.

### Suggestion

Based on results and conclusions above, therefore the author gives some suggestions as the implementation of this research. Those are:

1. In order to keep the consumer shops in traditional retail, the traditional retailer should be able to give a competitive price against the modern retailer. The honesty about the condition of the products sold, and the accuracy in measuring are definitely have to be better off, in order to make it more convenience for the consumer.
2. The availability of supporting facilities, such as: parking lot, sanitation, and professional spatial planning which will make it comfortable for the consumer.
3. The retailers should be more friendly and family-oriented, since the consumer cannot find these circumstances in modern retail. This is actually one of the key for the existence of traditional retail.
4. Further research is needed by adding more variables, such as the distance between consumer's location and traditional retail, taste, perception, and other variables that affecting the existence of traditional retail.

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