



## **Study On:**

# **COMPETITION MAP OF MODERN RETAIL BUSINESS IN INDONESIA (Accommodated with Presidential Regulation No 112 Year 2007) February 2009**

Even though the recent national economy is facing the impact of global economic crisis, but the modern retail business in Indonesia is not obstructed and even shows a significant growth. This was caused by the large market potency in Indonesia and the strengthening of medium and small class business, has increased the amount of society group with middle-up income, which has life style to shop in modern retail.

The development of modern retail business is shown in the sales turnover, which still growing from Rp 42 trillion in 2005, increased to about Rp 58 trillion in 2007, and in 2008 has reached about Rp 67 trillion. The recent turnover increase was pushed by the new outlet opening of hypermarket and minimarket. For example, hypermarket foreign retailer, Carrefour, in short time has succeeded in dominating retail market in Jakarta, and other big cities, with outlet ownership until the end of 2008 has reached 70 units.

Likewise, the consolidation of Hero Supermarket, which was directed to hypermarket after the decreasing tendency of its supermarket, has shown a positive result. From the first outlet of its hypermarket, which cooperates with foreign retailer from Malaysia in 2002, Giant Hypermarket is growing to 17 outlets in 2007 and increased to about 23 outlets in 2008. Then, local retailer Matahari, within one year in 2004, it has opened 4 hypermart outlets, even by the end of 2008, it has reached 39 outlets.

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The high interest of local retailer to follow the success of Carrefour, because the turnover of hypermarket could reach Rp 500 million per day, even in some Carrefour outlets in its peak season, could gain a turnover up to Rp 1 billion per day. Certainly, this would potentially crush the supermarket, which has the same pattern in attracting the monthly shopping consumer. The rapid development of hypermarket, because it suited with the consumer character in Indonesia, which made shopping as a part of recreation. Besides, it is able to offer the lowest price, fresh product, vast shopping area, and complete products.

But, the rapid development of modern market often created protest from the party that was inflicted, such as traditional market or even modern retail itself. Even, the President Regulation No. 112 year 2007 about Arrangement and development of traditional market, shopping center, and modern market, which was just validated in December 2008, created a controversial. Especially, concerning the violation of modern retail that is selling nine basic goods below the price of traditional market.

Even the violation of zone and distance that has been going on for a long time, has taken many casualties from the traditional market. But, the Association of Retail Businessmen Indonesia (Asosiasi Pengusaha Ritel Indonesia - APRINDO) has filed a complaint from modern retailer about the content of Permendag No. 53 year 2008, among other concerning trading term cost limitation from the juridical and commercial aspect.

Besides discussing the government policy that still need socializing, various other aspects of retail sector would also be discussed. Mainly, by providing competition map of retail business in Indonesia, this would be beneficial for the business circle, especially directly or indirectly involved with modern business retail, such as financial institution, banking, supplier, and so on. This study is also useful for the investors that would cooperate with company, which is actively involved in modern retail business in Indonesia.

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