THE ANALYSIS ON CONSUMER BEHAVIOR TOWARDS MODERN RETAIL SHOP AND TRADITIONAL SHOP

(CASE STUDY OF YOUNG CONSUMERS' SHOPPING PREFERENCE IN LOWOKWARU DISTRICT, MALANG)

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The emerging of modern retail shop nowadays slowly gives impact to the consumers' behavior especially in consumers' shopping preference. The aims are to deeply understand how the consumers' behavior towards modern retail shop and traditional shop and what are the factors that causing the change in consumers' preference towards modern retail shop compare to traditional shop. By using qualitative approach the result shows that the factors that attract them to shop at traditional shop are the close shop's location and low price compare with modern retail shop. Different with that, the respondents stated them like service, product's quality, facility, and convenience in shopping at modern retail shop.

Keywords: *Modern Retail Shop, Traditional Shop, Product, Shopping*

A. INTRODUCTION

Generally, retail market in Indonesia has shown a big potential in market share for several years ahead. The presence of modern retail in Indonesia started with the emergence of supermarket in 1970 (Sunanto, 2012). Domestic economic condition, high number of population, consumers' trust, and the increasing number of middle class income population in Indonesia are expected to increase the demand and needs for retail industry. Introduction of unimpeded aggressive market penetration of foreign modern retailers in Indonesia after 1998 was

supported by government policies on trade globalization, particularly in the retail sector as it allowed foreign modern retailers to enter and compete with local retailers (Sunanto 2012). Moreover, retail industries in Indonesia are available in the form of minimarket, supermarket, and hypermart. Not only supermarket which grows in many cities but also minimarket in which recently reached the highest growth for modern retail industry in Indonesia. Several minimarkets' company open their branches in many cities such as Circle K, Indomaret, Alfamart, Alfamidi, and so on.

On the other hand, the increasing demand for retail industry also affected by the shifting lifestyle from traditional to modern of the middle class income society. The globalization era contributes to the shifting in society's preferences and lifestyle. According to Sutanto (2012) modern retailer strategies take advantage of consumer ambiguity to shift consumers' preference in its favor. In another words, modern retailers may influence or even change consumer preferences (Seiders and Tigert, 2000).

There are several districts in Malang with many modern retail shops, one of them is in Lowokwaru District. Lowokwaru District is regarded as elite location because in this district located many universities, it also has Giant supermarkets, Hypermart, and shopping malls such as Malang Town Square Mall. Furthermore, Lowokwaru District itself has 33 minimarkets spreading all over the district (Besari, 2012). Beside modern retail shop Lowokwaru District also has traditional shop and traditional market located in this district. The aims of this study are to identify how the young age consumers' behavior towards modern retail shop compares with traditional shop, and to identify the causes of change in

young consumers shopping's preference towards the appearance of modern retail shop compare with the traditonal shop. By focusing on female young consumers within the age of 20-25 years old, this study is beliefs will bring insight about how the consumers preference towards shopping at modern retail shop and traditional shop.

B. LITERATURE REVIEW

Consumers' Behavior Theory

Contemporary research on consumer behavior considers a wide range of factors influencing the consumer, and acknowledges a broad range of consumption activities beyond purchasing. These activities commonly include information search, evaluation of alternatives, the building of purchase intention, and the act of purchasing, consumption, and finally disposal (Jeff Bray, 2008). The contemporary definition of consumers' behavior says:

"Consumer behavior… is the study of the processes involved when individuals or groups select, purchase, use or dispose of products, services, ideas or experiences to satisfy needs and desire." (Solomon, Bambossy *et al.* 2006, p6).

Consumers' Decision Model

The consumers' decision model (also known as the Engel-Blackwell-Miniard Model) was originally developed in 1969 by Engel, Kollat, and Blackwell. The model is structured around a seven point decision process first is need recognition followed by a search of information both internally and externally, secondly the evaluation of alternatives, purchase, thirdly post purchase reflection and finally divestment.

Based on Engel-Blackwell Miniard model, these decisions are influenced by two main factors. First is the internal stimulus received by the consumers based on memories and past experienced, secondly is the external stimulus which usually appear from the environment surrounding the consumers and difference in individual characters. In short, environmental influence comprises culture, social class, personal influence, family, and situation. On the other hand, individual influences includes consumers' resource, motivation, and involvement, knowledge, attitudes, personality, values and lifestyle (Blackwel, Miniard *et al.* 2001).

Consumers' Decision Making

Beginning about 300 years ago, Bernoulli developed the first formal explanation of consumer decision-making. It was being observed further by Von Neuman and Morgenstern which is called as *Utility Theory*. In this model consumers are viewed as rational actors who are able to estimate the probabilistic outcomes of uncertain decision and select the outcome which maximized their well-being (Richarme, 2005). In addition, utility is also viewed as desire satisfying power for consumers, the utility here is the satisfaction or pleasure that they get from consuming goods or service.

Furthermore, Utility also can be maximized, in order to maximize it the consumer should allocate their money income until the last dollar spent on each goods that yields the same amount of extra utility (marginal). The utility maximization model elucidates between income and substitution effect towards the change of a price. A change in price of a product can give impact on consumers' real income and consequently also on the quantity demanded from

that good. This situation is called as the income effect, otherwise the decreasing in price of a product will increase consumers' real income and enables the consumers to buy more of that product with a fixed money income (McConnel, *et al*. 2012). In contrast, besides income effect there is another one called substitution effect. Substitution effect is that every product has its own expensiveness and a change in price of a product will affect consumers to choose product with lower price. By the changes in a price of one product, therefore increase the consumers' willingness to substitute the expensive product with low price product.

Budget Constraint and Indifference Curve

Indifference curve and budget constraint are anlaysis tool to deeply understand about demand. Indifference curve is a curve that shows all combinations of oods that provides the same level of utility (http://www.subjectmoney.com Accessed on 5th July 2014). An indifference curve shows the different combination of the two goods that yield the same level of utility independent of the price of the goods. The consumers would like to end up on the highest possible indifference curve, but they must also stay within his budget. The highest indifference curve the consumers can reach is the one that is tangent to the budget constraint. Moreover, this will be the point where it called optimum (http://www.econ.uiuc.edu/ Accessed on 5th July 2014).

McConnel *et al.*(2012) explains that every consumer will face budget constraint even consumers who earns million dollar a year. This budget limitation wil more severe for consumers with an average income than consumers with high income. Thus the budget reflects consumer's objectives ability of purchasing

commodities and the scarcity of resources, it significantly restricts the consumer's choice. Guoqiang Tian (2013) explains that in order to determine the optimal consumption bundles, one need to combine consumer objectives ability of purchasing various commodities with subjective taste on various consumption bundles which are characterized by the notion of preference or utility.

Modern Retail Shop and Traditional Shop

Based on the Presidential Decree (PERPRES) No.112 year 2007, modern shop is defined as shop with self-service which sells various products in retail in the form of minimarket, supermarket, department store, hypermarket, or wholesale grocery. In addition the understanding of minimarket network manager is a chain management business activity in the form of minimarket, through the management entity and goods distribution system to their outlet which is included in their network. On the other hand in the President Decree (PERPRES), traditional shop is a building which has function to sell the goods and consists of one seller.

C. RESEARCH METHODOLOGY

Qualitative Method

Qualitative method is employed to answer the research problems of this study. Qualitative researchers are interested in understanding the meaning of people have constructed, that is how people make sense of their world and the experience they have in the world (Merriam, 2009:13). Frequencies are rarely important in qualitative as one occurence of the data is potentially as useful as many in understanding the process behind the topic. This is because qualitative

research is concerned with meaning and not making generalized hypothesis statement (see also Crouch and Mckenzie, 2006). In this study, the aim of employing qualitative method is to identify what factors causing the shifting or change on consumers' behavior towards traditional shop to modern retail shop. The writer choose qualitative method based on the assumption and beliefs that the problem of this study are holistic, complex, and dynamic so that it is needed to be solved by conducting in-depth observation by using questionnaire and interview.

Data Collection Method

Data collection methods employed in this study include observation, questionnaire, and interview in order to analyze the stituation and the phenomenon that happen in the society. Primary data were gathered from the direct observation, questionnaire and in-depth interview which were conducted in two different times. The questionnaire and interview questions for this study were developed based on the concepts, theories, and previous research information. Besides, secondary data were collected from text books, past research, journal, encyclopedias, and world-wide-web pages.

Population and Sample

During the process of answering the research problems, the technique to choose the informants and respondents in this study was conducted purposively. Purposive sampling means that deciding the sample is based on the certain characteristics that beliefs has relation with the population's characteristic which already known before (Umar, 2005). The determination of the informants based on the informants' awareness of the topic of study and communication ability.

The population of this study is the female consumers who usually shop in both modern retail shop and traditional shop in Lowokwaru District, Malang. In the other hand the writer focus to take sample from the female consumers within the age of 20-25 years old. In order to gather information from people age 20 to 25 years old the questionnaire was distributed and 25 people are qualified as the respondents in this study, but only 10 people from the total respondents who wil becomes the informants for the interview.

D. FINDINGS AND RESULTS

Questionnaire Findings

1. Part 1 – Demographic Information

Most of the respondents in this study are in the age of 22 years old about 32% of the total respondents. The next highest percentage is at the age of 21 years old and 25 years old for about 20% of the total respondents, and 12% is at the age of 20 and 24 years old and the lowest percentage is at the age of 23 years old about 4% of the total respondents. It is also shown that 48% of the respondents are have high school degree, and 28% are holds post graduate degree, and 24% are have undergraduate degree. However, there is no respondents having doctoral degree and under high school degree.

There are six ranges of income that the writer used to categorized the respondents. Based on the result, 40% of the respondents have income IDR 1,000,000 – IDR 2,000,000. Whereas, 24% have income less than IDR 500,000 , 16% have income IDR 500,000 – IDR 1,000,000 , 8% have income IDR 3,000,000 – IDR 5,000,000 and more than IDR 5,000,000 and the smallest is respondents with income IDR 2,000,000 – IDR 3,000,000 about 4% of the total

respondents. The income chategory here means the money that the respondents hold everymonth include the money that they earns from working and the money that they get from their parents for respondents who occupied as student. From the findings also it shown that 60% of the respondents are student, 16% is unemployed, 12% are employees, 8% are actually work as government official, and 4% as professionals.

2. Part 2 – Consumers' Behavioral Information

The strongest motivation revealed from the questionaire findings is that respondents go for shopping is when they need to buy something. Besides that, the writer also find out the shopping's frequency from the respondents go shopping at both place traditional shop and modern retail shop. For traditional shop, the findings shown that 44% of the respondents visit and shop at traditional shop at least for 1-3 imes in a month, 32% of the respondents shopping at traditional shop for 4-6 times every month, and 16% of the respondents go shopping at traditional shop for more than 6 times in a month . In contrast 8% of the respondents said that they never go to traditional shop for shopping.

Surprisingly, the findings for modern retail shop show that all of the respondents experienced in shopping at modern retail shop. About 48% of the respondents mentioned that they went shopping at modern retail shop 1-3 times in a month, 24% of the respondents shopping for about 4-6 times in a month and the rest 28% of the respondents went shopping for more then six times within a month. From these findings, it is shown that the respondents are ikely to go shopping at modern retail shop.

The regular time they spend when shopping at both placesare cathegoied into four options namely none, less than 30 minutes, 30 minutes – 1 hour, and more than one hour. The result show that 68% of the respondents spent less than 30 minutes shopping at traditional shop, 24% shopping for 30 minutes – 1 hour, and 4% spend more than one hour. Based on the previous results, the following results also show that 4% of the respondents do spend any time at traditional shop because they do not go shopping at traditional shop.

In contrast, 52% of the respondents shop for less than 30 minutes when shopping at modern retail shop, and 36% of the respondents spent more than one hour. These results are in line with the explanation from Sutanto (2012) that some consumers feel that shopping in big stores is convenient, however they compensate their extra time in a big store space by its one stop shopping concept. Next, the rest 12% of the respondents shopping for less than 30 minutes at modern retail shop. Furthermore, the entire respondents answer that they spend less than IDR 500,000 in traditional shop in a month for shopping. On the other hand, 18 respondents spend less than IDR 500,000 and the rest 7 respondents answer they spend IDR 500,000 – IDR 1,000,000 in a month for shopping at modern retail shop.

3. **Interview Results**

a) Most of the informants have similar opinion which interested them in shopping at modern retail market. They mentioned that the things that make them want to shop at modern retail shop are because they have many varieties of products with maintained quality, clean and cozy, and also the

good service from the employee. Besides, for traditional shop they like the low price and ease of access.

b) Both traditional shop and modern retail shop sometimes provide similar products from daily needs products until monthly needed products. The informant mentioned in the interview that mostly they purchase the primary goods such as food at the traditional shop. Different from traditional shop, the modern retail shop becomes the destination place for the consumers to buy monthly needed goods besides food products.

c) Most of the informant said that they like to shop at modern retail shop because it is very cozy. Modern retail shop always provide air conditioner in the shop so the consumers feel comfortable when shopping at modern retail shop. Another informant said that she likes to shop at modern retail shop because the goods in modern retail shop are more organized. Moreover, modern retail shop also hold promotion that is more intense than in traditional shop. Different from modern retail shop, what consumers like from traditional shop is the cheap price if compare with similar product sold in modern retail shop.

d) As mentioned by the informants in the interview, they said the point that they dislikes from shopping at modern retail shop is the higher price than in traditional shop. Sometimes, the price shown on the display window is different with the products' price at the cashier. In contrast, traditional shop also has weakness that cause the consumers dislike shopping in there. From the summary of the interview result with the informants, the writer

gets information that they do not like shopping at traditional shop because they smell bad, and dirty.

E. CONCLUSION AND RECOMMENDATION

Conclusion

1. Generally, based on the finding of the study, it can be concluded that nowadays people tend to shop in modern retail shop rather than in traditional shop.

2. Whereas, the modern retail shop has many positive side that cannot be denied by the consumers. For example modern retail shop provides convenience in shopping by putting air conditioners, the CCTV installation also adds the convenience for the consumers because they feel safe while shopping.

Recomendation

1. In order to keep the existence of traditional market from the emerging of modern retail shop, the traditional shop could increase their capital so they can provide many variants of goods.

2. Since modern retail shop provides good service, traditional shop should follow this good point so that they do not loose their consumers.

3. Traditional shop is chosen by the young consumers as shopping destination because the price is cheaper than in modern retail shop. This good point should be maintained by traditional shop in order to keep their consumers.

4. Further research can be conducted for analyzing the consumers' behavior deeply by observing factors that significantly affecting consumers' decision making.

5. This study is open-ended study and only observed about the reasons which cause the shifting in consumers' preference regarding shopping destinations between traditional shop and modern retail shop. Further study can be conducted by using another analysis that is related to consumers' behavior.

6. The next researchers can develop further studies for observing the increase of consumers for one business, by using the findings in this study as the reference.

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