

Retail Business Model in Assisting MSME Business Continuity in Medan City after the Covid-19 pandemic.

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Abstract

Before the Covid-19 pandemic hit countries in the world including Indonesia starting in early 2020, Medan City, as the third largest city in Indonesia, as well as the largest city outside Java, had a fairly rapid development of the retail business. In 2020 and 2021 researchers have conducted research on MSMEs in the city of Medan. The formulation of the problem in this research is how to determine the model of cooperation for the modern retail market business with MSMEs in the city of Medan after the Covid-19 pandemic. . The purpose of this research is to find a partnership model between modern retail market businesses and MSMEs in Medan City after the Covid-19 pandemic. The research was conducted by conducting in-depth interviews, SWOT analysis, and Forum Group Discussions. The research was conducted using qualitative methods. In-depth interviews were conducted with respondents. Interview results were analyzed using SWOT analysis (Strength Weakness Opportunity Threats). Furthermore, the results of the SWOT analysis were discussed in 2 stages of FGD. From the results of the FGD which was attended by stakeholders, it was obtained results on how modern market retail businesses can play a role in the sustainability of MSMEs in Medan City after the Covid-19 pandemic. Ease of requirements, payment systems, compliance with standards, and the application of strict regulations are recommendations for the modern retail market, MSMEs and the Medan City government in forming a mutually supportive partnership model between Medan City MSME businesses and the modern retail market.

Keywords: Retail, UMKM, Partnership, Sustainability

Introduction

Indonesia's retail business in 2015 was ranked 12th in the world in the Global Retail Development Index (GRDI) released by AT Kearney, which is a global retail business rating agency. This is the highest retail growth rate that Indonesia has ever achieved in the index since 2001. Meanwhile, in the release of AT Kearney in 2016, Indonesia's rating jumped from 12 to 5, further confirming the booming retail sector in the country. In the report submitted by the global retail consulting firm AT Kearney, Indonesia rose seven places from last year's ranking. However, the value of retail sales edged down 0.61% year-on-year to US\$324 billion from US\$326 billion previously.

This ranking can be maintained by Indonesia in 2019. In fact, for 2021, Indonesia has risen to rank 4. This indicates that Indonesia's retail business is one that is relatively capable of surviving amid the ongoing Covid-19 pandemic. The city of Medan, as the third largest city in Indonesia, as well as the largest city outside Java, has a fairly rapid retail business development. The North Sumatra Indonesian Shopping Center Management Association (APPPI) said in 2018 that the development of the retail business in the city of Medan continues to grow marked by the continued establishment of new malls and plazas in the city of Medan. This shows that the city of Medan continues to be the destination for the retail business. Retail visitors in the city of Medan do not only come from the city of Medan, but also come from other cities around Medan, other areas in North Sumatra, and even come from the neighboring province of North Sumatra, namely Aceh.

Based on data on Market Distribution and Trade Centers based on classification for 2019 released by BPS in 2020, North Sumatra has the largest number of retail businesses outside Java Island. Sources from BPS 2020 that in 2015 data from the Central Statistics Agency (BPS) showed a growth in the number of Micro, Small and Medium Enterprises (MSMEs) in Medan city of 3,255 MSME business units, while in 2016 the level of MSME actors increased by 18 units or by 0.55% to 3,273 business units, and in 2017 Medan city MSME players experienced a growth of 68 business units or 2.08% to 3,341 business units, in 2018 the increase in Medan city MSMEs continued to increase to 3,598 which experienced an increase of 7, 69%, and in 2019 again increased to 3,861 MSME business units or an increase of 7.31%

In developing MSMEs in the city of Medan, the efforts made by the government focus on two things, namely: a. Improving facilities and support in terms of strengthening MSME actors b. Increasing competence and strengthening entrepreneurship as well as developing partnerships among economic actors.

Because it can be seen, especially after the Covid-19 pandemic, the role of MSMEs in the city of Medan is needed to be able to have a positive impact on the economy of the city of Medan. One of the efforts to achieve this goal is the need for partnerships between MSMEs and other economic actors, one of which is retail business. Researchers themselves in 2020 and 2021 have conducted research on MSMEs in Medan City.

Until now, the alignment of the modern retail market business towards products produced by MSMEs is still not visible. After the Covid-19 pandemic, the form of cooperation between modern retail market businesses and MSMEs was still limited to consignment, namely MSMEs leaving goods to be sold at modern retail market outlets. The government has actually issued Regulation of the Minister of Trade (Permendag) Number 70/M-DAG/PER/12/2013 concerning Guidelines for Arrangement and Development of Traditional Markets, Shopping Centers and Modern Stores. This Permendag stipulates that the existence of modern shops can establish partnerships in developing MSMEs with a general trade/franchise pattern prioritizing the supply of goods produced by MSMEs.

Therefore, it is necessary to know how retail businesses can play a role in helping the continuity of MSME businesses in Medan City, especially after the Covid-19 pandemic. Partnerships between modern retail market businesses and MSMEs in Medan that are mutually beneficial are urgently needed, especially to support economic growth in Medan City

Research purposes

The purpose of this research is to find a partnership model between modern retail market businesses and MSMEs in Medan City after the Covid-19 pandemic. If so far what has emerged is the nuance of competition between the modern retail market and MSMEs, then this study aims to see the opposite, namely the potential for the existence of modern retail market businesses to help the sustainability of MSME businesses in Medan City.

Methodology

Research Model

The research was conducted by conducting in-depth interviews, SWOT analysis, and Forum Group Discussions.

Research design

The research was conducted using qualitative methods. In-depth interviews were conducted with respondents. The respondents who will be interviewed are:

- 1 MSMEs
- 2 Indomaret Retail Market
- 3 Alfamart Retail Market
- 4 Berastagi Retail Market
- 5 Retail Markets Moving Forward Together

The results of the interviews will be analyzed using SWOT (Strength Weakness Opportunity Threats) analysis. The results of the SWOT analysis resulting from data collection from representatives of MSMEs will be discussed in Phase 1 of the Forum Group Discussion (FGD), which will be attended by representatives from the government and MSMEs of Medan City. Furthermore, the results of the SWOT analysis from interviews with representatives of the modern retail market will be brought to the second phase of the FGD which will be attended by Government Representatives, Modern Retail Market Businesses, Academics, and MSME Representatives in Medan City. MSMEs in Medan City with modern retail market players

Data Collection and Analysis Techniques

This study uses a qualitative method with a narrative descriptive approach. Data collection was carried out using in-depth interviews with 8 MSME representatives from various types of businesses and representatives from modern retail market businesses, namely Indomart, Alfamart, Berastagi and Maju Bersama in Medan City. According to Dr Pande Januraga, in-depth interviews were conducted with approximately 30 informants. Two main things that must be considered in determining the sample are: 1. The sample size needed to achieve saturation or repetition and 2. The sample size to represent the variation in the target population (Bonnie Nastasi, 2005). In this study, as many as 12 informants were involved. The interview material is about their experiences and opinions on MSMEs and modern retail market businesses. The results of the interviews will be tabulated and analyzed using SWOT analysis. Furthermore, the results of the SWOT analysis will be discussed in 2 stages of FGD so that results are obtained on how modern market retail businesses can play a role in the sustainability of MSMEs in Medan City after the Covid-19 pandemic.

Research Roadmap

The following is a picture of the Research Roadmap for the period 2020 to 2022 which focuses on MSME strategies



Results, Discussion and Conclusion

RESEARCH RESULT

Based on the results of observations and interviews with representatives of Medan City SMEs regarding partnership opportunities with the modern retail market, a SWOT Analysis was compiled as follows:

Strength:

1. MSME Product Specifications that are characteristic that other regions do not have
2. MSME products in Medan City have prices that are competitive with factory product prices and also differ in type from manufactured products
3. Providing satisfaction value to buyers of MSME products in Medan City
4. The characteristics of souvenirs from the city of Medan are all MSME products

Weakness

1. There is still a lack of promotional activities for MSME products in Medan City
2. The bargaining power of MSMEs in Medan City to the modern retail market is still lacking
3. Lack of Human Resources in MSMEs in Medan City in marketing products
4. Product packaging is still not attractive
5. MSMEs in Medan City have a shortage of venture capital

Opportunity

1. Processed products from MSME products in Medan City have the potential to develop
2. Adequate production facilities, especially processed products, to meet buyer requests
3. Provide motivation for other MSME sectors to explore the potential of MSME products in Medan City
4. There is support from the Medan Municipal government in the form of policies
5. Good production processing

Threat

1. MSMEs in other areas, especially around Medan City, are starting to produce products that are almost similar to those produced by MSMEs in Medan City
2. The MSME production management system in Medan City is still manual.
3. Lack of cooperation between Medan City MSME partnerships with other parties, especially

the modern retail market

Furthermore, based on interviews with the Medan City Modern Retail Market, a SWOT analysis was prepared in partnership as follows:

Strength

1. The atmosphere of the modern retail market is comfortable, clean, neatly arranged according to product items, air-conditioned so that it triggers consumers to shop.
2. Have more certain and longer hours of operation
3. MSME products in Medan City have lower prices compared to factory product prices and are of a different type from factory products
4. There is a legal umbrella available to encourage partnerships, namely Medan Mayor Regulation number 23 of 2012 and RI Minister of Trade Regulation (Permendag) Number 70/M-DAG/PER/12/2013 concerning Guidelines for Arrangement and Development of Traditional Markets, Shopping Centers and Modern Stores
5. The commitment of the Medan City Government to encourage high partnerships

Weakness

1. The space provided for SME products is limited, considering the total area of a certain store, while the product items owned by modern stores are very large to meet modern shop standards.
2. The continuity of MSME products in Medan City cannot be guaranteed. Product standards (quality, permits, expiration date, packaging, etc.) for MSME products are still weak
3. The Medan City modern retail market does not yet have much space for display placement of MSME products in each of its outlets, either separately or combined with modern retail market product items
4. Most MSME products in Medan City do not yet have a brand, the modern retail market management needs to help compare MSME products with these modern retail market brands and include production by MSME
5. No Perwal or Regional Regulation of Medan City has yet been issued which specifically regulates MSME partnerships with the modern retail market
6. The partnership clause with MSMEs has not been formulated in detail in the modern retail market licensing process in Medan City
7. Monitoring & evaluation of the Partnership has not yet been implemented

Opportunity

1. Partnership has become a requirement that must be met to obtain a permit to establish a modern retail market, so that MSME products can be marketed together through outlets in the modern retail market
2. The opportunity to sell MSME products in a networked modern retail market will motivate the MSME actors to increase productivity in Medan City
3. The entry of MSME products from the city of Medan into the modern retail market will facilitate the marketing network for MSME products and increase sales turnover
4. The tendency of the Medan City Government to encourage partnerships to protect local MSMEs

Weakness

1. Product quality standards set by the modern retail market are high
2. The limited space provided by the modern retail market for MSME products in Medan City
3. The consignment system in the modern retail market is burdensome for MSMEs in Medan City in carrying out partnerships with the modern retail market

Discussion

Based on the results of FGD 1 discussing the results of the SWOT analysis of Medan City MSME entrepreneurs who were attended by government representatives and MSME representatives, the following results were obtained:

1. MSME products in Medan City have distinctive characteristics and competitive prices, even lower than factory products
2. The Medan City Government is committed to supporting the partnership of MSME entrepreneurs with the modern retail market
3. The bargaining power of MSME entrepreneurs in Medan City to the modern retail market is still lacking
4. Capital constraints are one of the causes of the difficulty for MSME entrepreneurs to partner with the modern retail market due to limited funding which makes it difficult to meet the requirements of the modern retail market

Furthermore, from the results of FGD 2 which was attended by the government, modern retail markets, MSME entrepreneurs, and Medan city academics, the following results were obtained:

- a. In terms of packaging, BPOM labels, health labels, aspects of product packaging, there is a P-IRT, expiration date and must have an NPWP which cannot be fulfilled by MSME actors.
- b. MSME actors to enter their products into the modern retail market have not been able to carry out production continuity.
- c. There is still a lack of knowledge of MSME players about product displays and financial management.
- d. In addition to product quality aspects, a number of requirements still need to be met, including product standardization nationally which makes the process of becoming a supplier lengthy, fulfilling the number of products, listing fee requirements, and a long and monthly payment system that complicates MSME cash flow conditions.
- e. Competitive product prices, timely delivery of goods as well as payment terms are obstacles for MSME actors.
- f. In addition to the obstacles mentioned above, MSME products actually have quite good quality and are suitable for marketing through the modern retail market. It's just that, there are still many MSMEs who lack confidence. This is one of the obstacles, even though the quality is very good.
- g. There is no firmness in the implementation of government regulations regarding the form of partnership

From the discussion conducted on the results of FGD 1 and 2, recommendations were obtained regarding the modern retail market business model in the context of partnerships with Medan City MSME actors who can help the sustainability of MSME businesses in Medan City, namely:

1. The consignment model is intended only for products that have a long shelf life, while for products that have a limited shelf life, it is done through a trading system
2. Product specification requirements are also made in a more logical manner, with the principle of equality, where for a product with good quality, of course, the price is higher
3. The unilateral pricing policy of the modern retail market is eliminated, replaced by a fair price agreement
4. Payment for products from MSME entrepreneurs is shortened, a maximum of 1 week after goods are received by the modern retail market, so that it is not burdensome for MSME players in Medan City

5. MSMEs in Medan City must have packaging, BPOM labels, health labels, product packaging aspects, P-IRT, expiration date and NPWP that allows their products to be accepted by the modern retail market
6. The Medan City Government as the regulator should act more assertively, and monitor modern retail market partnerships and MSME business actors in Medan City and evaluate retail market permits

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