

CHAPTER 1

INTRODUCTION

1.1 Background

In the current era of globalization, the tourism sector is the largest and strongest industry in financing the global economy, the tourism sector will be a key driver of the world economy in the 21st century, and become one of the globalizing industries (Soebagyo, 2012). Tourism has provided considerable foreign exchange for many countries. Indonesia as the world's largest archipelago country consisting of 17,508 islands or also known as the archipelago or maritime country, has realized the importance of the tourism sector to the Indonesian economy (Soebagyo, 2012). During the year 2017, the number of foreign tourists visiting Indonesia reached 14.04 million visits or an increase of 21.88 percent compared with the number of foreign tourists visiting in 2016 which amounted to 11.52 million visits (BPS, 2018).

Tourism is a leading sector that is expected to drive the wheels of the Indonesian economy because of the impact that can be generated from Tourism activities which is so big on Economy, Social, and Environment (Soebagyo, 2012). Today, tourism is not only enjoyed by relatively wealthy people, but has become an integral part of human life, especially concerning social and economic activities (Soebagyo, 2012). Furthermore, tourism has even grown become one of the largest industries in the world, which is characterized, among others, by the growing number of tourist visits and revenues earned from international tourists (Soebagyo, 2012).

Tourism definition according to Tourism Statute of Indonesia Number 9 year 1990 in article 1 section 5, is everything related to tourism as well as related efforts at the field. According to Mardiyana et al. (2012), tourism can also be interpreted as a journey from one place to another, temporary, individual or group, as an attempt to find balance or harmony and happiness with the environment in the social, cultural, natural and scientific dimensions.

Mardiyana et al. (2012) argued about the types of Tourism that has been known, among others: 1) Heritage tourism, 2) Healthy tourism, 3) Sport tourism, 4) Shopping tourism, 5) Industry tourism, 6) Sea tourism, 7) Natural tourism, 8) Honeymoon tourism.

One of the types of tourism is shopping tourism (shopping tour). Role of shopping tourism beside as the main destination for traveling, it is also for popularity and growth. Shopping as the first form in tourism within the framework purchased products, selected destinations, and price / value advantages. According to Mardiyana et al. (2012), tourism shopping has become one of the recreational activities that affect the social, cultural, economic, psychological, environmental factors. It also explain about shopping forms as follows: 1) Shopping as a form of tourism, 2) Shopping as a holiday activity

Despite the growth in tourism industry which supports shopping tourism, we have received a lot of information from the news which stated that retail shop as the platform of shopping tourism faces declining performance in the market, decreasing in sales or didn't have a promising future investment.

Sugianto (2017) stated some statements such as: the retails closing, the reasons behind that and mentioned some of the retails that close their shops are as following:

- Some of Matahari stores closed their store which located in Manggarai and Blok M
- Lotus closed their store which located in Thamrin, Jakarta Pusat, Bekasi, and Cibubur
- Debenhams already closed their stores in Kemang Village and Supermall Karawaci
- GAP closed their stores in Pondok Indah Mall

PT. Mitra Adi Perkasa (MAP) head of corporate communication, Fetty kwartati stated that the reasons of why they close Lotus and Debenhams is because they are aware of the retail trends shifting globally (Muliana, 2017). They assume that one of the trend is online shopping and they will focus on their other brands such as SOGO, SEIBU, and Galeries Lafayette currently (Muliana, 2017). Warta (2018) also mentioned retails such as Clarks shoes stores which in the process of closing down their stores because currently they are having a big sales.

This topic becomes so interesting because we see that many retailers close their shops recently but the tourism data showing that it faces an increasing from 2016-2017. As the shopping is part of tourism, it is supposed to be increased as well but the facts from the news showing that it has a declining and some of them close their shops.

Data from DBS Group Research regarding the report of “Indonesia Consumer” describe the declining of retailers’ revenue and inventory growth in Indonesia:



Figure 1-1 Retailers' Revenue and Inventory Growth Trend

Source: DBS Vickers (2017)

On the other hand, major traditional retailers which have already operated for a long period predicted facing problem in their sales. Kusuma (2017) listed 10 Traditional Retailers from BCA survey that have decrease in Sales growth as follow:

Table 1-1 Decreasing Sales Growth in 10 Traditional Retailers

No	Retailer	Decreasing Sales Growth from 2016-2017
1	Metro Pasar Baru	-59%
2	Taman Palem Mall	-49%
3	Glodok Plaza	-34%
4	Mangga Dua Mall	-23%
5	Mangga Dua Center	-20%
6	ITC Cempaka Mass	-19%
7	Mangga Dua Pasar Pagi	-18%
8	ITC Roxy Mass	-17%
9	Pasar Atom	-16%
10	Harco Mangga Dua	-16%

Source: BCA Survey, Detik.com, October (2017)

Tutum Rahanta, Vice chairman APRINDO (Asosiasi Pengusaha Ritel Indonesia) stated that some of the retailers in Jakarta such as WTC Mangga Dua and Glodok Electronic Market started to lose their business and the reason behind that problems are: decreasing in purchasing power around 5-15% and another factor is shifting of society preferences in doing shopping which from retail to online store (Henricus & Hans, 2017).

As what have mentioned by Tutum Rahanta, purchasing power is one of the reason why some retailers facing sales decreasing. It means that as one of the component activities in tourism industry, shopping is related to purchasing power. Purchasing power takes a part as the reason that makes the decreasing growth in retailers. Purchasing power has a meaning which the capacity of purchasers to purchase the measure of products requested in a specific market, at a specific level of salary (Sedyaningrum, Nila, & Nuzula, 2016). A study that conducted by Nur E. M (2012), mentioned that higher purchasing power will have an impact on increased consumption. Conversely, a decrease in disposable income will lead to a decrease in consumption because purchasing power will decrease.

As another study by Zarkasi (2014), also stated that the purchasing power can be an indicator that indicates the country's economy situation. If the purchasing power of society is low, it indicates that the condition of the economy at that time is deteriorating which means the ability of the public to buy a good or service is low.

Related to the purchasing power, graph below showing the index tendency of consumers' in Jakarta from 2011-2016 which surveyed by BPS Jakarta. Consumers' index tendency itself has a meaning as an index that can provide an overview of the business and economic situation in general according to consumer income based on consumers' perceptions of the state of business and the economy. From this graph, we can conclude that there is declining in consumer's index tendency.

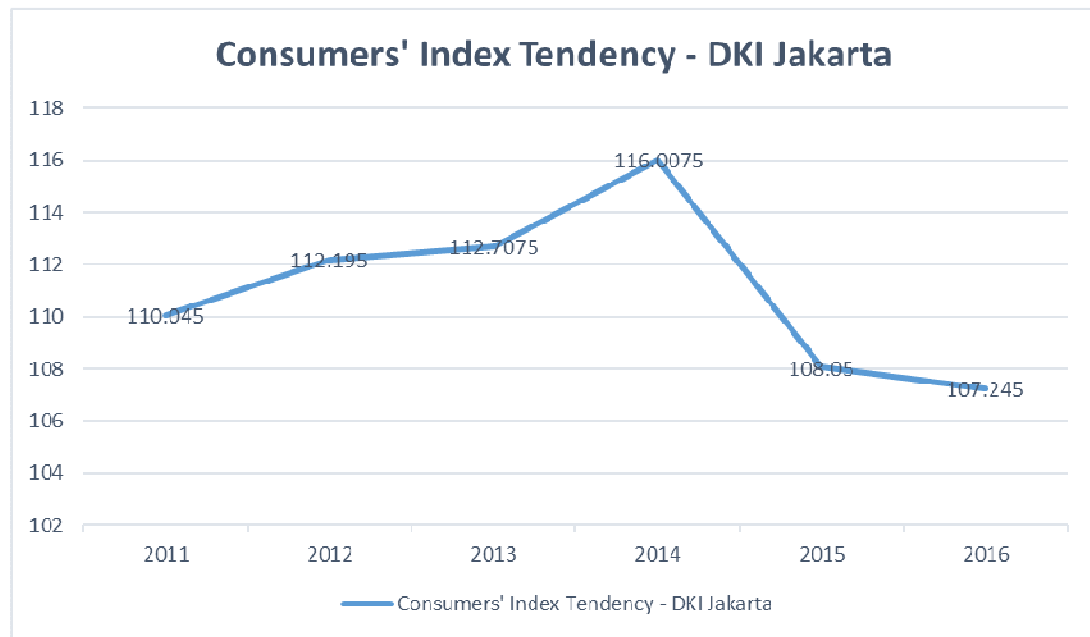


Figure 1-2 Consumers Index Tendency - DKI Jakarta

Source: BPS Jakarta (2017)

Due to this purchasing power issue, people are looking for other alternatives that can achieve the same satisfaction with lower prices. In relation to technological advances such as digital etc, online shopping allows consumers to do that (reaching that satisfaction). Online shopping become the choices for the consumers nowadays. Online shopping in Indonesia are basically impact of digital economic growth in Indonesia. From the growth of mobile phone user in Indonesia which already reach 92 Million people, the internet user still increasing and reach 132,7 Million user and the Social Media user already reach 106 Million user (Untung, 2017).

According to Uzun and Poturak (2014), activity in using Online Store is commonly called as E-Commerce activity which defined as business transaction & maintaining, also business related information exchange that conduct via internet network. E-Commerce allow the consumer to check and buy the product or services through internet. Online Shopping provide a new way for consumer in fulfilling their needs including their daily needs which affecting the retail stores in brick and mortar form, as online shopping provide satisfaction and a wider service availability (Amitsaha, 2015).

By technology growth that significantly change this past few years, make the E-Commerce industry can enhance their business and offer a better products and customer service with a lower price. Consumer find Online store are interesting as they can compare the price of the products easier anytime and anywhere.



Figure 1-3 Digital Economy Foundation in Indonesia

Source: IDEA (2017)

With the development of technology that is the emergence of online shopping that allows people to get the same satisfaction but with a low price is expected to cause retail sales shopping decreased. Rusanti (2017) describe the reason of the decreasing in retail growth which mostly affected by the shifting of society preferences from retail to online store for efficiency reason.

Saha (2015) explain regarding the impact of Online Shopping upon Retail trade explain that Online Store are incredible expanding and taking a big proportion of consumer time and spending that impacting to shifting preferences from retail to online stores. Consumer finds online stores have a better price offering, convenient and have a wide range of product variety, and that's attract people to shop online and engage with it.

Shanthi and Kanniah (2015) explain the preferences to shop online affected by Ease of Use, Usefulness and Enjoyment and also by external factors such as consumer traits, situational factors, product characteristics, online shopping experiences and trust towards online shopping.

Graph below are a survey conducted by Nielsen (2017) regarding to decreasing retail industry to show that there is increasing of Online Purchase that significantly increase.

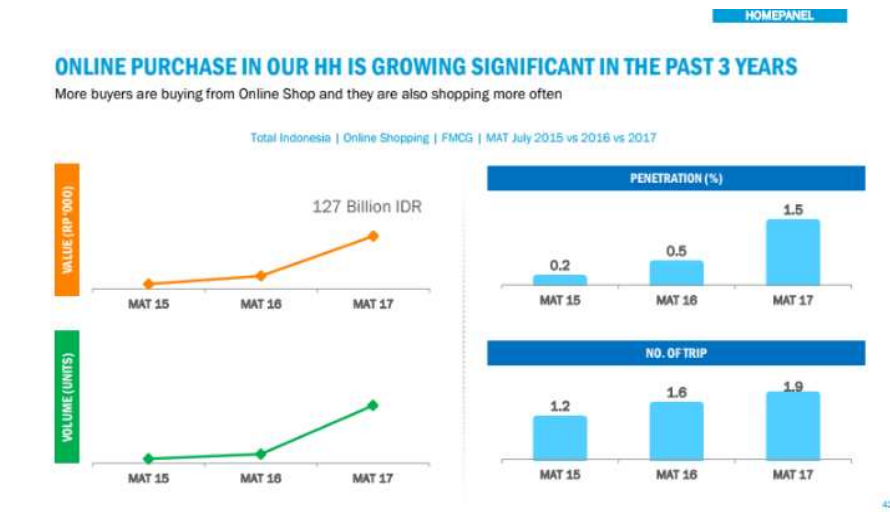


Figure 1-4 Online Purchasing Growth

Source: Nielsen Survey (2017)

By seeing the decreasing in retailer business performance, the researchers wants to know that online shopping and purchasing power are really considered as the factor that affecting retail business performance or not, so that retailer can have an insight and strategy regarding this issue. So, our research titled as **“Analyze the Effect of Purchasing Power and Online Shopping towards Business Performance of Retail Stores in Jakarta”**.

1.2 Problem Identification

Based on the background of this research, we identify the problem as follow:

Despite the growth in tourism industry which support shopping tourism, retail shop as the platform of shopping tourism facing declining performance in the market, decreasing in sales or didn't have a promising future investment.

1.3 Problem Formulation

Based on the problem identification above, the problem formulation is as below:

1.3.1 Is Purchasing Power considered as the factor impacting the Retail Business Performance in Jakarta?

1.3.2 Is Online Shopping considered as the factor impacting the Retail Business Performance in Jakarta?

1.4 Research Objectives

Based on the Problem Formulation, here are the research objectives of the research:

1.4.1 To examine whether Purchasing Power impacting the Retail Business Performance in Jakarta or not.

1.4.2 To examine whether the Online Shopping impacting the Retail Business Performance in Jakarta or not

1.5 Research Benefits

1.5.1 For the Researcher

- Expand the knowledge about retail shopping business and the factor impacting it's performance

1.5.2 For the Retailer

- Know the impact of Purchasing Power towards the Retail shopping
- Know the impact of Online Store as moderating variable towards Retail Shopping
- To give information regarding the factor impacting retail shopping as the knowledge for the retailers.

1.5.3 For the Reader

- Learn more about Purchasing Power, Online Store and Retail Shopping
- Learn the relation between each variable and the impact between the variables.

1.6 Research Scope

Below are the research scope that stated by the researchers:

- This research is conducting in Jakarta due to some considerations such as: lack of time, cost, and energy from the researchers. The researchers also based in Jakarta
- The retail stores in Jakarta that we surveyed are variative, which the scope of the stores itself is covered from small until big. But mostly, the retail stores that we surveyed are the small one due to the permission issue which make the big retail stores a bit harder to approach.
- To determine the respondents in this research which is retail stores, we use non probability sampling – incidental sampling technic because we don't have a number of the population.

1.7 State of The Art

Table 1-2 State of the Art

No	Title	Writers	Variables	Result
1	Pengaruh Daya Beli Masyarakat terhadap Nilai Penjualan Ikan Lele di Desa Ganjaran Kecamatan Pagelaran Kabupaten Pringsewu	Antonius Suhardi, Herlina	Purchasing power, income, price, taste, and sale value.	Society purchasing power that cover income, price and taste factors affecting the sale value of Lele
2	Pengaruh Pengangguran terhadap Daya Beli Masyarakat KALBAR	Zarkasi	Unemployment, People's Purchasing Power	The unemployment rate effect is negative and partially significant (individual) on people's purchasing power. This suggests that when someone is not working or unemployed, it will affect their revenues, and reduced people's income will affect people's purchasing power in West Kalimantan, Indonesia
3	Impact of Online Shopping On Conventional Retail Stores in South Goa (India): An Empirical Study	Juao C. Cost	E-Commerce, Retail Stores	Before trend of Online shopping, retailer had profit margin 10%-15%, after the emergence of online stores, they facing decreasing in turnover eventho for old business. With this fact, still majority of retailer will not switch into online stores.

No	Title	Writers	Variables	Result
4	“Factors affecting the performance of small and medium enterprises in KwaZulu-Natal, South Africa”	Sharmilee Sitharam Muhammad Hoque	business performance, competition, technological advancement, crime and corruption, challenges	There are internal & external factor affecting the business performance. Internal factors: technological capabilities, managerial competence & skills and access to finance .External factors: regulatory factors, macroeconomic factors, competition, globalization, and crime and corruption were found to be a major challenge for SMEs
5	Defining methods and criteria for measuring business performance: a comparative research between the literature in Turkey and foreign	Sebahattin Yildiz, Adem Karakas	Business performance, Objective method, Subjective method, Performance criterions	Based on study to evaluate business performance can use subjective and objective measurement, generally objective financial performance and subjective financial-nonfinancial performance. Majority data used for Subjective method are profitability, sales, market share and new product launch, while in objective method are return-on-assets, return-on-equity, Tobin Q ratio and sales.
6	A Study on “The impact of online shopping upon retail trade business”	AmitSaha	E-stores, fixed retailers, turnover, profit-margin, window-shopping	Overall turnover decreasing over past few years, Profit margin also decrease, and increase in window shopping trend as an impact of online shopping towards retails.

Source: Researchers (2017)

This research is different from other research or the previous study that has been conducted by other researchers. What distinct this research from other research is: the variables that taken by researchers are purchasing power, online shopping, and business performance. Until nowadays, there is no research that use the exact variables as we used in this research in Jakarta since our research is based in Jakarta. As this research will find whether purchasing power and online shopping are considered as the factors that affecting business performance of retail stores in Jakarta or not, because many news stated that both of them are the factors that decrease the business performance of retail stores.