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ARTICLE

**Relevance and Key Factors of “Demand-Side Oriented Market”
Analysis to Define Indonesia’s Retail Industry¹**

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The remarkable development of the Indonesia’s retail industry draws attention due to its complexities with regard to the business characteristics and the relation between retailers as well as between retailers and suppliers. This brings competition law into relevance, which one of the fundamental elements for the analysis is the definition of relevant market, in terms of both product and geographical market.

The study focuses on the relevance of “demand-side oriented market” analysis with the application of cross shopping approach to define Indonesia’s retail industry taking both the development and formats of retail into consideration. The focal point of this study is assigned in two subjects: the first aims at finding a suitable approach in order to enable the identification of the market definition in the perspective of competition law. The study is restricted to food retailing. The second issue emphasizes on the key factors of “demand-side oriented market” analysis using cross shopping approach to define Indonesia’s retail industry.

This paper constitutes a recommendation to take the particular natures of food retailing in the respective country into account for the assessment of the market definition within the competition law framework. This includes the rapid shift from a certain pattern of consumer behaviour to another that affects how consumer defines a product and geographical market of food retail.

Keywords: retail, food retail, demand-side oriented market, market definition

1. Introduction

Retail industry in Indonesia has been developing very rapidly as shown partly by the emergence of modern retail formats like hypermarkets, supermarkets, minimarkets, and recently midi and convenient stores. The emergence of modern retail formats on one side benefits customers. However, on the other side it is deemed detrimental to traditional retailers, such as grocery shops and wet markets² due to the increasingly heavy competition in this industry and the imbalance of ability to compete among retailers.³

¹ The paper is based on a research “*Pendekatan Cross Shopping untuk menentukan Pasar Hilir yang Relevan dalam Industri Ritel di Indonesia*” conducted by the Authors with financial support from the Education Ministry of the Republic of Indonesia (*HIBAH DIKTI BERSAING*) in 2011-2012.

² The term is used to refer to traditional markets (“*Pasar*” in Indonesian) that mainly sell fresh products, including but not limited to vegetables, fruits, fish, and meats. Wet markets usually

The emergence of modern retail cannot be separated from the entry of big and foreign capital which has consequences in the formation of the structure of competition among the existing retailers. Competition takes place both among retailers in the same format and between traditional and modern retail. Some of the cases dealt with by the Indonesia's Committee of Business Competition (KPPU) show how complex the situation of competition. As an example is the case of listing fee imposed by Carrefour in 2005, in which Carrefour applied trading terms containing fee imposed to its suppliers for the listing of their products in Carrefour stores.⁴ Although the Carrefour case of 2009 has been concluded by the Supreme Court's effective ruling, the thinking and methods of analysis to assess the situation of competition in the retail sector does not cease to develop and in that context, this study intends to contribute. The essential element in such cases is determining the relevant market. In the case of Carrefour in 2009, the different measurements used by the competition authority and the courts to determine the relevant market of the food retail industry have a significant impact on the decision being taken. An important element to determine the position of a business actor in the market is firstly the definition of the relevant market. In the next step, within the relevant market, several points shall be assessed, namely: the competition level (e.g. whether the market is competitive or concentrated and how the level of competition or concentration is) and the position of the respective business actor in the market taking the quantity (e.g. market share) and quality (e.g. the ability to influence prices and the production of goods or services) into consideration. From here, it will be further investigated how the behavior of the business actors.

As shown in the previous paragraph, the definition of the relevant market is crucial and fundamental. Its essence is to know if there is significant competition in those markets and who are the competitors of the business is investigated, which is used as the basis to analyze the relationship between the competing business actors. For example if the definition of market is too broad, it may result in the actual position of big business to look small, because the market is divided into too many business actors.

The definition of the relevant market is generally based on the concept of market analysis from the point of view of end buyers on one side and suppliers or producers on the other side.

belong to and are managed by local governments with traditional methods of management. This will be more detailed explained in the part of the comparison of characteristics between retail types.

³ This development has brought the issue to apply a zoning policy in order to allocate the existing market for traditional retailers in certain area like Greater Jakarta. A contra argument against this policy is that it would be a violation of the principles of the freedom and fair competition provided for in Law No. 5 of 1999 concerning the Prohibition of Monopoly Practices and Unfair Competition (hereinafter Indonesia's Competition Law). In other words, it clearly establishes a protective market by means of creating market barriers, in which consumer does not have freedom not only to get the product their need from, but also at the end will have to pay uncompetitive price for less quality of products. On the other hand, small-sized enterprises are exempted from the application of the Law according to Article 50 letter h of the Law and one of the Purposes provided for in the Law (Article 3) to protect small-sized enterprises. This, at the same time, is an example of how different aims in the multipurpose competition law can contradict each other.

⁴ Carrefour Case 2005

Each side creates a different market in the relation with retailers. The first side creates downstream market, while the other upstream market. In the upstream market, the definition of relevant market is based on the supplier's point of view (*Angebotsumstellungsflexibilität*), whilst in the downstream market the perspective of consumers becomes the basis for the definition. The latter is also referred to as demand-side oriented market (*Bedarfsmarktkonzept*) analysis.⁵ This study focuses only on the approach based on the consumer's perspective, where an understanding of consumer behavior plays a dominant role.

The approach from the demand side perspective is also used due to the significant impact of the market power in the downstream market to the upstream market, where the buyer power of the retailers in conjunction to suppliers upstream market - which in fact dominate the retail issue in Indonesia today - is significantly influenced by its market domination on the downstream side, or in other words its ability to significantly attract consumers. On that basis, an approach based on consumer point of view was chosen to be used as the basis for this study.

Among several methods, cross shopping is used for the definition of the relevant market according to the demand-side oriented market analysis. This method is also used by the Commission in the case of Carrefour decided by the end of 2009. How does actual demand-side oriented market analysis, i.e. by the application of cross shopping approach, can be implemented to define the relevant market?

Furthermore, from the consumer side, one interesting phenomenon is the growing consumer understanding of the importance of maximizing the benefits of a purchase, for example, the advantages in terms of price, practicality, comfort, quality products, or services. The next thing that takes place is the phenomenon of "one stop shopping" that is commonly known. In the shopping pattern, consumer combines shopping purchases from one store (so called the patron store) with spending at other stores. This phenomenon is also known as cross shopping. Are these two stores are competing or merely complementing each other, when the pattern of incorporation of purchases by consumers are cross shopping, what are its main elements, how it impacts the categorization of competitors in the retail sector?

The research will focus on answering the question about the relevance and the key factors of "demand-side oriented market" analysis to define Indonesia's retail industry.

2. The Relevance and Key Factors of "Demand-Side Oriented Market" Analysis to Define Indonesia's Retail Industry

The Decision of the Indonesia's Competition Authority, KPPU, on the case of a merger between Carrefour and Alfaretailindo in November of 2009⁶ showed the importance of digging deeper into the supplier-retailer relationships to understand the uniqueness of the problem of competition in the retail industry. The development in the retail industry in Indonesia has been rapid enough to give impact and change the trend of the supplier-retailer relationship in at least a decade.

⁵ *Bechtold*, GWB, 5. Auflage, 2008, § 19 Margin No. 7.

⁶ KPPU Decision No. 09/KPPU-L/2009 - "Akuisisi Alfa oleh Carrefour"

If in the previous decade the supplier showed dominance in the supplier-retailer relationship, retailers today tend to have a stronger bargaining position in relation to supplier,⁷ although this statement is only valid for large modern retailers. The bargaining position of small-scale retailers such as "Mom and Pap's shop" or the traditional retailer in dealing with suppliers remains unchanged from a decade ago. Along with the strengthening of major retailers in their relationships with suppliers, the issue shifts to the imbalance of small retailers competing with large retailers, especially in terms of price, product, retail services and management, which problems stem from the scale of capital.⁸ Meanwhile, suppliers have difficulty in determining the content of supply contracts with large retailers because of the weak bargaining power.⁹

The issue of competition in the retail food sector in Indonesia is rooted in the "buyer power" in the downstream market. Meanwhile, despite complaints by the imbalance of competition because of the low price of products from major retailers in Indonesia that cannot be matched by small retailers, so far there are no cases related to the pricing behavior¹⁰ for example in the form of "predatory pricing".¹¹

However, the imbalance to compete emanating from the scale of capital shall not be confused with anti-competitive conducts in the context of competition law, like an abuse of market power because of the scale of capital held to restrict competition.¹² The issue of competition in Indonesia's retail sector that stands out from the Carrefour case decided by the Commission in 2009 is more about the retailer-supplier relationship than the relationship between retailers.

Nevertheless, the behavior of retailers in the upstream market is influenced also by its market power downstream level. If a retailer in the downstream market dominates the market, then he will have a better bargaining position in the upstream market when he deals with suppliers, because of the importance of the retailer to suppliers to access the consumer (end buyer).¹³ The ability reflected in the market power is not only measured by the size of the percentage of market share,¹⁴ but also by other parameters such as financial strength and ability to influence supply and demand of a particular product.¹⁵

⁷ *Sujana, Asep S.T.*, Retail Negotiator Guidance: Menyingkap Rahasia Sukses Global Retailer, 2004, p. 4.

⁸ KPPU Decision No. 02/KPPU-L/2005, Tentang Hukum, 9.1. ff, pp. 87 ff.

⁹ See *Visidata Riset Indonesia*, Market Research and Feasibility Studies, "Studi tentang: Perkembangan Bisnis Ritel Modern di Indonesia (Hypermarket, Department Store, Supermarket dan Minimarket), January 2003, p. 317.

¹⁰ About pricing behaviour as a means to compete, see *Levy/Weitz*, Retailing Management, 2007, pp. 404-406.

¹¹ *Heermann*, in: Undang-undang Larangan Praktek Monopoli dan Persaingan Usaha Tidak Sehat (Law Concerning Prohibition of Monopolistic Practices and Unfair Business Competition), 2002, Art. 20-21, Margin No. 9.

¹² *Poesoro, Adi*, SMERU Newsletter No. 22, April-June 2007, p. 7. See also the practice in Europe in *Clarke/Davies/Dobson/Waterson*, Buyer power and Competition in European Food Retailing, 2002, pp. 27-28.

¹³ Putusan Nomor 09/KPPU-L/2009, 20.1.I.1.1.(69) ff, pp. 58 ff.

¹⁴ About the relation between buyer power and market volume, see *Clarke/Davies/Dobson/Waterson*, Buyer power and Competition in European Food

In Law no. 5 of 1999, relevant market is used as a basic element to determine the action and the anti-competitive agreements in most of its provisions.¹⁶ The elements of the relevant market has a fundamental significance for competition analysis and should be done in a particular market both in terms of certain specific products or geography,¹⁷ and in some cases, it is temporally specific.¹⁸ Relevant market is therefore determined based on individual cases and cannot be generalized.

Limitation of the relevant market is further used to determine who the competitors of the businesses examined in the case concerned are. This is important, because competition analysis does not include non-competing businesses or in other words, those who do not have business relevance within the same relevant market. In this study, the relevant market under assessment is the market in the food retail industry in Indonesia.

Article 1 No. 10 of Law No. 5/1999 defines the objective-relevant market in two phases: *First*, they are of the same or similar characteristics or, *second*, they are substitutes to each other.¹⁹

This paper focuses on the analysis to answer both criteria from the point of view of the demand-market side.

In order to determine if certain products are the same or similar on the first phase, the simplest test is whether they have the same or similar material characteristics that can result in the inter changeability. Two exceptions apply for this assumption. *First*, difference of brands might not be interchangeable, even when the characteristics of the materials are the same or similar. Nevertheless, not every brand is able to create a particular market. *Second*, products with different

Retailing, 2002, pp. 27-28. Buyer power plays a significant role in the competition between retailers. See *Kumpmann*, Systemwettbewerb und Umverteilung, 2005, p. 140.

¹⁵ Art. 1 No. 4 Law No. 5 Tahun 1999.

¹⁶ *Lubis/Sirait*, Hukum Persaingan Usaha antara Teks dan Konteks, 2009, p. 50; *Säcker/Füller*, in: Undang-undang Larangan Praktek Monopoli dan Persaingan Usaha Tidak Sehat (Law Concerning Prohibition of Monopolistic Practices and Unfair Business Competition), 2002, Art. 1 No.9 Margin No. 1; Article 2 I c UNCTAD Model Law; For practice in Europe, see Commission Notice on the definition of relevant market for the purposes of Community competition law (97/C 372/03), Introduction No. 2, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31997Y1209%2801%29:EN:NOT>, Stand: May 5, 2010; *Säcker*, The Concept of the Relevant Product Market, Between Demand-side Substitutability and Supply-side Substitutability in Competition Law, 2008, p. 14; *Möschel*, dalam *Immenga/Mestmäcker*, Wettbewerbsrecht, Band 2. GWB, Kommentar zum Deutschen Kartellrecht, 4. Auflage, 2007, § 19 No. Margin 18; *Bechtold*, GWB, 5. Auflage, 2008, § 19 Margin No. 3; *Götting*, in *Loewenheim/Meessen/Riesenkampff*, *Kartellrecht, 2. Auflage 2009*, § 19 Margin No. 9.

¹⁷ Law No. 5 of 1999 Art. 1 No.10; *Lubis/Sirait*, Hukum Persaingan Usaha antara Teks dan Konteks, 2009, p. 51.

¹⁸ *Säcker/Füller*, in Undang-undang Larangan Praktek Monopoli dan Persaingan Usaha Tidak Sehat (Law Concerning Prohibition of Monopolistic Practices and Unfair Business Competition), 2002, Art. 1 No. 10, Margin No. 22.

¹⁹ *Wahyuningtyas*, Unilateral restraints in the retail business: a comparative study on competition law in Germany and Indonesia, Vol. 27 of Munich Series on European and International Antitrust law, 2011, p. 86.

material characteristics can belong to the same market if they serve the same function to meet the consumers' need.²⁰

A more sophisticated way in defining a relevant market is shown in the second phase. The purpose of use from the point of view of consumers can create substitutability as long as it concerns the main and not merely the marginal purpose of use.²¹

Retail food industry is distinguished from other retail industries based on the products being offered. Regardless of the uniqueness of its products, as any other retail industry, food retail market can be examined both in the upstream²² and downstream markets.²³ Both markets are distinguished, because retailers in the upstream market are dealing with different parties from those in the downstream market. Also, in both markets, retailers have a different legal relationship with other parties, different interest and accordingly, close different types of agreements.

If in the upstream market, retailers act as buyers of products dealing with suppliers as a seller, the retailer's role in the downstream market act as the seller of the same products dealing with consumers (end buyer) as the buyer. This study focuses on food retailers in the downstream market.

As explained above, the downstream market involves a relationship between the retailers and the consumer. Thus, an understanding of consumer behavior has significant importance in the analysis of downstream markets in the food retail industry.²⁴ The behavior of consumers is analyzed based on the preference of consumer spending, why do consumers choose a particular retailer. This will determine which types of retailer are in competition to a particular retailer and the basis for the categorization of a retailer from a consumer perspective.

One approach that can be used to define the relevant downstream market from a consumer perspective is cross-shopping approach. This approach is also used by KPPU in its

²⁰ *Säcker/Füller*, in: Undang-undang Larangan Praktek Monopoli dan Persaingan Usaha Tidak Sehat (Law Concerning Prohibition of Monopolistic Practices and Unfair Business Competition), 2002, Article 1 No.10, Margin No. 9. See also the arguments in *Wahyuningtyas*, Unilateral restraints in the retail business: a comparative study on competition law in Germany and Indonesia, Vol. 27 of Munich Series on European and International Antitrust law, 2011, pp. 86 ff.

²¹ *Säcker/Füller*, in: Undang-undang Larangan Praktek Monopoli dan Persaingan Usaha Tidak Sehat (Law Concerning Prohibition of Monopolistic Practices and Unfair Business Competition), 2002, Article 1 No.10, Margin No. 10. See also the arguments in *Wahyuningtyas*, Unilateral restraints in the retail business: a comparative study on competition law in Germany and Indonesia, Vol. 27 of Munich Series on European and International Antitrust law, 2011, pp. 86 ff.

²² KPPU Decision No. 09/KPPU-L/2009, 20.1.I.1.1.(80), p. 61. See the role of retailers in the pasar upstream market in *Levy/Weitz*, Retailing Management, 2007, p. 7.

²³ KPPU Decision No, 09/KPPU-L/2009 tentang Akuisisi Alfa oleh Carrefour, 20.1.I.1.1.(49) ff, pp. 55 ff.

²⁴ See the definition of relevant market from the point of view of consumers in *Säcker/Füller*, in: Undang-undang Larangan Praktek Monopoli dan Persaingan Usaha Tidak Sehat (Law Concerning Prohibition of Monopolistic Practices and Unfair Business Competition), 2002, Art. 1 No.10, Margin No. 24. See the practice in Germany (*Bedarfsmarktkonzept*) in *Säcker/Füller*, in: Undang-undang Larangan Praktek Monopoli dan Persaingan Usaha Tidak Sehat (Law Concerning Prohibition of Monopolistic Practices and Unfair Business Competition), 2002, Art. 1 No.10, Margin No. 24.

decision on the case of Alfa's acquisition by Carrefour in 2009. The objection to the verdict later on submitted by Carrefour to the District Court was granted and finally supported by the Supreme Court that ruled out the decision of the KPPU. The dominant position was not proven, so was the abuse of it, accordingly, and the shares acquisition was affirmed. The difference of the decisions made was a result from the different definition of the relevant market of food retail in the case.²⁵ While KPPU considered hypermarket shared the relevant market only with supermarket, the District and the Supreme Court took a different consideration that resulted in broader relevant market both in terms of product and geographical area. As a result the market share fell far below the market share defined by KPPU and the benchmark of dominant position.

The term “cross shopping” refers to the cross-shopping patterns of consumer spending, in which individual consumers make purchases at more than one retailer that has a different retail formats in order not only to meet their needs but also to obtain the best value or to maximize the benefits of spending.²⁶ The most important consideration in cross-shopping is that this behavior does not necessarily lead to the emergence of competitors for the patron retailers (siphoning), otherwise it may cause the expansion of cross-shopping business for retailers patron, when cross-shopping is directed on the product supplement and not a substitution of products in the retailer's patron.²⁷

Although the cross-flow movement of consumers is a shopping from a store patron to at least one other store, the movement is not by itself mean that the customer leaves the store patron and replace it with a new patron. The flow is more an indication of additional channels and this means that there is no reduction process of consumers (“consumer drain”) from a patron store. On this basis, the store patrons can actually grow its business by operating outlets with different formats to capture new markets or in other words to capture the different target markets. The products offered may be of the same variety,²⁸ but with different emphasis, for example by

²⁵ The Jakarta Post, Carrefour Defies KPPU Demand, Files Appeal, January 21, 2010 <http://www.thejakartapost.com/news/2010/01/04/carrefour-defies-kppu-demand-files-appeal.html>, Stand: January 21, 2010.

²⁶ Yu, Lizhu, Cross-Shopping and Shopping Orientation: Consumer Perceived Value in Today's Dynamic Retail Environment, North Carolina, 2006, p. 21, <http://libres.uncg.edu/edocs/etd/1194/umi-uncg-1194.pdf>, Stand: January 18, 2009. A more complex definition of *cross-shopping* from Cort and Dominguez involves three characteristics, products in the same line or variety, the shops are operated by the same retailer, and the shops target the same market. See Cort/Dominguez, Cross-Shopping and Retail Growth, Journal of Marketing Research, Vol. XIV, May 1977, 187, 187.

²⁷ Cort/Dominguez, Cross-Shopping and Retail Growth, Journal of Marketing Research, Vol. XIV, May 1977, 187, 187. The term “patron” refers to a shop chosen by an individual consumer as her preference. The question about “where to shop” is referred to as “patronage. See Fox/Montgomery/Lodish, Consumer Shopping and Spending Across Retail Formats, October 2002, p. 2, <http://www.andrew.cmu.edu/user/alm3/papers/cross%20format%20shopping.pdf>, Stand: January 19th, 2009.

²⁸ The difference of varieties as an indication of competition in practice in Europe is explained also in Howe, Retailing in the European Union: structures, competition and performance, 2005, p. 117.

offering different assortment.²⁹ Thus, different retail formats would not automatically become substitutes for one another.³⁰

The noticable factor for the market analysis based on the demand side perspective is price. Pricing system has been recognized as one of the most prominent retail strategies.³¹ There are some considerations in setting retail prices in this regard.³² Basic consideration regarding price is that in general, the increase of price of a product will result in the decrease of the sale of the product. The greater the price sensitivity of customers, the more significant will be the decrease of sales as a result of an increase in price. Price sensitivity is commonly measured by price elasticity. The formula is as follows:³³

$$\text{Elasticity} = \frac{\text{Percentage change in quantity sold}}{\text{Percentage change in price}}$$

However, price alone cannot create sufficient criterion for substitutability. It has a certain level of impact to the decision of to consumers towards the shopping preference.³⁴ The other significant factors that become key factors to analyse market definition from the point of view of consumers are the purpose of purchases of individual consumer, the location of the store, retail services, and the type of varieties and assortments available in the stores.³⁵

The consideration of the key factors result in the following study using cross shopping approach as shown below.

²⁹ Zentes/Morschett/Schramm-Klein, *Strategic Retail Management: Text and International Cases*, 2007, p. 163; Levy/Weitz, *Retailing Management*, 2007, p. 35.

³⁰ Cort/Dominguez, *Cross-Shopping and Retail Growth*, *Journal of Marketing Research*, Vol. XIV, May 1977, p. 187.

³¹ Price is also a tool for market positioning for retailers and it can at the same time also create an image for the consumer. An example is Lidl, which uses price to position itself as a discounter in food retailing in Germany. A combination of a good offer of quality and price nevertheless involves a choice of merchandise; especially in the high pressure of cost in the German retailing market, retailers have to choose which merchandise they can offer at a good price. Lidl provides an example with basic food products, which have fluent circulation, so that it can avoid the cost for fresh foods inventory. See Denzinger, *Der deutsche Lebensmitteleinzelhandel, Analyse des Status quo und mögliche Alternativen zur Preispositionierung*, 2007, p. 10.

³² The following explanation is extracted from Levy/Weitz, *Retailing Management*, 2007, p. 403 ff.

³³ Levy/Weitz, *Retailing Management*, 2007, p. 403 ff.

³⁴ Bechtold, *GWB*, 5. Auflage, 2008, § 19 Margin No. 10.

³⁵ Nugroho/Wahyuningtyas, *Pendekatan Cross-Shopping untuk menentukan Pasar Hilir yang Relevan dalam Industri Ritel di Indonesia*, Research Report, 2011.

Cross Shopping Approach: the Survey Result

In general, the survey conducted in 2011 in Jakarta by the authors showed that most respondents chose hypermarket as a shopping preference. This means that the majority of respondents (48%) chose to make purchases in hypermarkets. The shopping place preference is also called a patron. The second rank was occupied by a supermarket as a patron with quite big disparity from hypermarket (only 23.6% respondents choose supermarket as their shopping patron). Among multiformat shoppers, only one-fifth who choose traditional markets as a patron (20.7%). (Figure 1)

Figure 1³⁶:

Table 1³⁶:

Shopping Preference	
Retail Types	%
Hypermarket	48.47%
Supermarket	23.58%
Minimarket	5.97%
TraditionalMarket	20.67%
Others	1.31%

Furthermore, assuming an increase in price of goods in the patron store, respondents were asked to respond, to the retail format where they would switch. Survey shows that in general almost one third of respondents switched to traditional markets (31.7%). Generally it can be assumed that although the traditional market is not a patron for the majority of respondents, but in cases of prices increase of goods in general, traditional market remain reliable as a retail format that provides goods at competitive prices. It can be said also that a low price is still the stronghold of traditional retail in view of the consumer. (Figure 2)

³⁶ Nugroho/Wahyuningtyas, Pendekatan *Cross-Shopping* untuk menentukan Pasar Hilir yang Relevan dalam Industri Ritel di Indonesia, Research Report, 2011.

Figure 2³⁷:

Table 2³⁷:

Switch Of Retail In Case Of Price Increase In The Patron Store	
Retail Types	%
Hypermarket	21.69%
Supermarket	25.18%
Minimarket	15.87%
Traditional Market	31.73%
Others	2.81%
Do not Switch	2.72%

To see whether a particular retail format substitutes other formats, respondents were asked, where they will shop in lieu of the main shopping areas (patron). Replacement is not based purely on price considerations, but it is rather left open to any factor that may become the reason of the substitution, including if for any reason consumers do not get access to the store patrons. This is based on the consideration that price is not the only factor that determines the existence of substitution. Purposes of the expenditures and other spending considerations also have an important role. Other important factors found out from the study are: the location of the store, the types and availability of the products (varieties and assortments), retail services, payment methods, how frequent the shopping is done, and transportation consideration.

In general, respondents chose the supermarket as the replacement of the retail format patron (30.4%). This position was followed by a minimarket with subtle disparity from supermarket (29.8% of respondents chose a minimarket in lieu of store patron). (Figure 3) This means that the supermarkets and hypermarkets are the main competitors and in a lower competition level, hypermarket also competes with minimarket. This is different from the findings of two previous years in the case of Carrefour in 2009 that the minimarket is not a competitor of hypermarket. The competitor of hypermarket in the research results in 2009 was supermarket.

³⁷ Nugroho, Agung/Wahyuningtyas, Sih Yuliana, Pendekatan *Cross-Shopping* untuk menentukan Pasar Hilir yang Relevan dalam Industri Ritel di Indonesia, Research Report, 2011.

Figure 3³⁸:

Table 3³⁸:

Other Type of Retail Format as Replacement of the Patron Store	
Retail Types	%
Hypermarket	14.99%
Supermarket	30.42%
Minimarket	29.84%
Traditional Market	20.82%
Others	3.93%

By looking at the data in general, when compared with an explanation of shopping preferences in the previous paragraphs, it can be said that supermarket, followed by minimarket, is a substitute of hypermarket. Meanwhile, traditional retail substitutes hypermarket in general in terms of replacement in case of a specific event, namely in case of an increase in price. This means that although in general only a fifth of respondents (20.8%) chose traditional retail as a substitute, but because of the price competition, traditional market should also be taken into account in the same relevant market with both hypermarkets and supermarkets.

The next issue is to find out from the cross shopping behavior, which stores are considered as a supplement (complement) of the store patrons for their additional shopping. Whilst in terms of substitution consumers leave the store patron and replace it with a replacement or substitute store where a siphoning or consumer drain from the patron store is possible, in the case of complementary shopping, consumers remain shop at their patron store but in addition spend at other stores only for complementary reasons. Thus, in this case, there is no siphoning or absorption of consumers from the patron store to a second store. Therefore, the second store is referred to as complement, not substitute.

Of the total respondents in general, more than a third chose minimarket as the complement of the store patron (31.9%). (Figure 4) We are dealing with an interesting phenomenon here. When compared with the previous explanation regarding to substitution, minimarket is actually occupying the second place as the substitute of the patron store, but at the same time here, minimarket is chosen as a complement of the most respondents. It can be assumed that the complementary characteristic of the minimarket is therefore, not pure, because in fact, minimarket is a potential substitute to hypermarket in general. This means that although minimarket occupies the highest position as a complement to hypermarkets, on the basis of consumer preferences it should be taken into account in the relevant markets to hypermarkets.

³⁸ Nugroho, Agung/Wahyuningtyas, Sih Yuliana, Pendekatan *Cross-Shopping* untuk menentukan Pasar Hilir yang Relevan dalam Industri Ritel di Indonesia, Research Report, 2011.

Figure 4³⁹:

Table 4³⁹:

Complimentary Retail Formats to the Patron Store	
Retail Types	%
Hypermarket	21.98%
Supermarket	23.44%
Minimarket	31.88%
Traditional Market	18.34%
Others	4.37%

It can be concluded that the cross shopping approach to analysis consumer behavior in general, based on the shopping preferences, the relevant market of food retail in the region where all of comparable type of formats are available, includes both modern and traditional retails or in other words, it includes hypermarket, supermarket, mini market, and traditional retails.

This indicates a shift from the research findings in 2004/2005 which shows that the traditional markets and modern markets are in two different relevant markets, which means that they did not compete in the calculation of market share of hyper markets. The existence of traditional retail was not taken into account for the assessment of the market share of modern retail, and vice versa. The findings were used in the examination of the case of Carrefour in 2005.

The findings in 2004/2005 were also used as a basis for arguing that the modern market is not in competition with traditional markets. As a consequence, there was no causal relation between the decline in traditional retail's turnover and the existence or the emergence of modern retails. Similar findings were also demonstrated in a study in 2009 that was used in the examination of the case of Carrefour in the same year with a refinement that even within the category of modern retail, hypermarkets only compete with supermarkets. Thus, the presence of a minimarket was not taken into account in the analysis of the market share of hypermarkets.

The findings in this study show different results. However, there is a logical reason for the difference, namely that consumer behavior is subject to change as time goes and as the retail industry itself evolves. Retailers are aware of the potential market in taking all types of retail format, since from the consumers' point of view, as long as a store meets their need of products and prices, formats are not anymore significantly important. This is mainly because of the similarities of retail products and services, similarities in prices and most importantly, the closed vicinity between all types of retail format. Geographical scope of this study is also narrower than other former studies; it focuses only in Greater Jakarta, in an area where the four retail formats are found.


³⁹ Nugroho, Agung/Wahyuningtyas, Sih Yuliana, Pendekatan *Cross-Shopping* untuk menentukan Pasar Hilir yang Relevan dalam Industri Ritel di Indonesia, Research Report, 2011.

3. Conclusion

The analysis can be summaries as follows:

1. The downstream market involves a relationship between the retailers and the consumer. Thus, an understanding of consumer behavior has significant importance in the analysis of downstream markets in the food retail industry. The importance of the approach from the demand side perspective lies on the significant impact of the market power in the downstream market to the upstream market, where the buyer power of the retailers in conjunction with suppliers in the upstream market is significantly influenced by its market domination on the downstream side, or in other words its ability to significantly attract consumers. The cross shopping approach to analysis consumer behavior in general, based on the shopping preferences, the relevant market of food retail in the region where all of comparable type of formats are available, includes both modern and traditional retails or in other words, it includes hypermarket, supermarket, mini market, and traditional retails.

2. The following shall be taken into account for the market analysis based on the demand side perspective, namely product price, the purpose of purchaes of individual consumer, the location of the store, retail services, and the type of varieties and assortments available in the stores.

To conclude, this paper advocates the particular natures of food retailing in the respective country into consideration for the assessment of the market definition within the competition law framework. 

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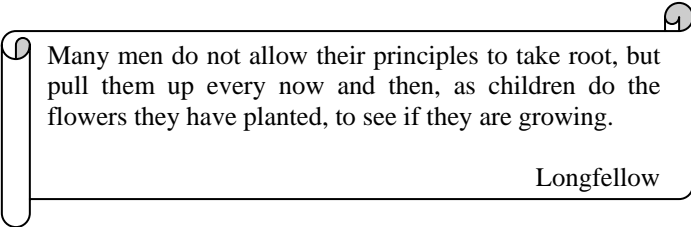
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Many men do not allow their principles to take root, but pull them up every now and then, as children do the flowers they have planted, to see if they are growing.

Longfellow