

RETAIL SERVICE QUALITY IN INDONESIA: TRADITIONAL MARKET VS. MODERN MARKET

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ABSTRACT

The growth of share of sales value indicates that the share value of sale between traditional markets, supermarkets/hypermarkets and minimarkets tend to decrease, the modern market is higher than the traditional market. Moreover, unlike traditional markets, modern markets have a better quality of service.

This research aims to determine consumer perception of retail service quality scale (RSQS) in traditional market and modern market in Bandung, Indonesia. A questionnaire was developed survey has been conducted toward 400 customers of 16 traditional markets around Bandung, Indonesia. Afterward, the independent sample t-test was used to test the compare mean of RSQS between traditional and modern market. The research finding showed that modern market outperformed over the traditional market for overall RSQS. Similarly, the result showed that the individual dimensions and sub-dimensions in the modern market outperformed over than traditional market, excluding the dimension of personal interaction and sub-dimension of interaction and problem solving.

INTRODUCTION

The Indonesian Retail Report (2013) shows the growth of share of the sale value in supermarkets/hypermarkets and minimarkets, when compared to the traditional markets. The report indicates that share of traditional market sales value has tended to decrease since 2002, the distribution of traditional market sales value amounted to 74.8%, then in 2005 dropped to 67.6% and in 2011 fell to 55.8%. Several studies have been carried out on the impact of modern market (hypermarkets, supermarkets, and department stores) on the traditional market in developing countries, such as, Reardon & Berdeque (2002), Readon, Timmer, Barrett & Berdegue (2003), Traill (2006) and Readon & Hopkins (2006) found that the rapid increase of modern market has a negative effect on the traditional market. Similarly, in Indonesia, the impact of the modern market on traditional retail markets in urban areas affecting business performance traders of traditional markets. Suryadarma, Poesora, Budiyati, Akhmadi & Rosfadhila (2007) argue that there are eleven causes of lethargy business in traditional markets, namely; the decrease of buyers, the increase of competition within merchants, vendors, minimarket as well as competition with the supermarket, the less competitive price, higher prices from suppliers, market conditions worsened, difficulty in inventory, the increase of stall rental prices, access to credit is getting difficult.

This study discusses the literature gap concerning the retail service quality. The previous literatures of service quality scales, such as SERVQUAL and SERVPERF, essentially measure the quality of service for non-retail service industry. A consideration mismatches for retail services, since the retail service is composite with the quality of goods. The retail service activities such as negotiations, looking for merchandise, and interact with the personnel in the retail industry

considered very different. In retail services, it is necessary to look at the quality of goods and services as well as the perspective from a set of items that accurately measure this construct (Mehta, Lalwani & Soom, 2000).

Meanwhile, Kumar & Sikdar (2014) states that the retail service quality is different from the other products/services environments, thus because of its unique retail services, repair and retail quality measurement cannot be approached in the same way as from a service perspective. Dabholkar, Thorpe and Rentz (1996) developed a new performance-based measurement scale, called retail service quality scale-RSQS. This scale has been tested extensively in many developed and developing countries, and has been found mixed results in its application. Boshoff & Terblanche (1997) found that scale is very useful in the context of department stores, specialty stores, and hypermarkets in South Africa. Mehta, Lalwani & Han (2000) found only among consumers RSQS supermarket in Singapore. However, this scale has not been tested in traditional market, especially in Indonesia, and the impact of this dimension has not been identified to increase its customer base in the traditional markets.

This study aimed to evaluate the perceptions of shopper who has shopping experience at both traditional and modern markets. The comparative study of service quality between traditional and modern markets conducted by adopting a RSQS of Debholkar et al (1996) and adjusted by Abu (2004). The results of this research will provide meaningful insight into customer expectations toward traditional and modern markets and this will also an input for public policy. Thus, this article discusses the comparison of traditional and modern markets in the context of Indonesia. The article also concludes with limitations and directions for future research in the field of quality of service in the retail industry in Indonesia.

LITERATURE REVIEW AND HYPOTHESIS

Service Quality

Quality of service is the customer's expectations. Customers have needs and wants and accuracy in delivering products. Quality of service is a desirable level and control over the level of excellence to meet customer desires. To evaluate the quality of services, SERVQUAL is one of the most widely used (Pawitra & Tan, 2003) models were developed in the mid-1980s by Parasuraman & Zeitham & Berry, (1985) to determine the quality of service by way of a gap between perception and customer expectations about service quality organizational performance. Consequently, the quality of services consisting of the perceived quality and expected quality. While the perceived quality can be defined as the customer's general assessment of the position and the excellence of the services they receive, the quality is expected to explain the expectations about the services they receive. At this scale, also known as gap analysis, quality of service is defined as a measurement of the extent to which the quality of services provided by allowing it to meet customer expectations (Altan et al., 2003).

Five dimensions of service quality to be displayed (Lim, PC, Tang, NKN & Jackson, PM, 1999):

- Tangibles: physical facilities, equipment, appearance outside the shop and appearance of personnel.

- Reliability: the potential of the company performing the services promised and accurate.
- Responsiveness: willingness of companies to help customers and provide services.
- Assurance: knowledge and courtesy of employees' level and their ability to inspire trust and confidence. This dimension also includes competency, courtesy, credibility and security.
- Empathy: care and concern that companies provide to its customers. This dimension also includes access, communication and customer understanding. Shen Tan & Xie, (2000) states, a deep understanding of the needs and customer expectations is a prerequisite for achieving customer satisfaction.

Retail Service Quality and Hypothesis.

Dabholkar et al., (1996) suggest that the quality of retail service has a hierarchical structure factor consists of five basic dimensions, namely; the physical aspects, reliability, personal interaction, problem solving, and policy, with three basic dimensions of the first two sub-dimensions of each dimension and overall service quality as second order factor. Sub-dimensions of the basic dimensions of physical aspects: is the appearance and convenience; sub-dimensions of the basic dimension of reliability are: promise and doing it right; and sub-dimensions of the basic dimensions of personal interaction are inspiring confidence and courteousness/helpfulness. Based on these five dimensions RSQS, then compared between the retail service quality in the traditional markets and modern markets, which raises the hypothesis for each dimension and its sub-dimensions are as follows:

Physical Aspects

The physical aspect of the retail industry, including equipment and supplies, cleanliness, layout of the store/kiosk, parking area. This dimension has a wider meaning than the dimensions of the SERVQUAL (tangible). In the retail service quality, physical aspects consist of appearance and convenience (Dabholkar et al., 1996; Metha et al., 2000; Kumar & Sikdar, 2014). This statement is supported by Geuens, Brengman & S'Jegers (2003) which refers to stores that provide facilities such as car parking, trolleys and baskets, close to other shops, extended trading hours, low levels of clutter in the store, aisle width. So the appearance of the physical facilities for the aspect of comfort offered to customers related to the physical layout of the facility. Which means that customers will be higher appreciated the physical aspects that impact on the higher quality of the retail services. Therefore, the hypothesis is

- H1. Shopper will perceive higher levels of the physical aspects in modern market than in traditional markets in Bandung, Indonesia, with sub-hypothesis are;*
- H1.1 Shopper will perceive high levels of the appearance in modern market than in traditional markets in Bandung, Indonesia;*
- H1.2 Shopper will perceive high levels of the convenience in modern market than in traditional markets in Bandung, Indonesia*

Reliability

This reliability is the same as the dimensions of reliability on SERVQUAL. Where retailers' reliability, including the promise to do something and doing right (such as providing appropriate services, merchandise is always available, and error-free sales transactions and records). This statement is supported by Dabholkar et al (1996) that the dimensions of reliability consists of sub-dimensions of "promise" and "doing very well". Dimensions of reliability are a very important dimension for retail to improve the service, because in addition to fulfilling the promise and undertake appropriate services as part of its reliability, the researchers added the availability of goods as part of "doing it right" as a sub-dimension. A survey conducted by Price Waterhouse Coopers, Asian consumers demand quality was outstanding, especially the availability of merchandise in the store, more than Western customers (Maisara, 2002).

In terms of reliability, the argument here suggests that consumers consider the modern market is more reliable than the traditional market for a reason. Unlike traditional market, modern market able to provide more appropriate services, the availability of goods, and error-free transactions. Therefore, customers' higher reliability appreciates this dimension, the higher the overall evaluation of the quality of retail services. Therefore, the hypothesis is

- H2. Shopper will perceive higher levels of reliability in modern market than in traditional markets in Bandung, Indonesia, with sub-hypothesis are;*
- H2.1 Shopper will perceive high levels of promise in modern market than in traditional markets in Bandung, Indonesia;*
- H2.2 Shopper will perceive high levels of doing it right in modern market than in traditional markets in Bandung, Indonesia*

Personal Interaction

Personal interactions of retailers including employees have the knowledge to answer questions, inspire confidence, provide prompt service, is willing to respond to customer demand, providing customers the individual attention, show consistently courteous with customers and even treat customers properly on the phone. The higher customer appreciates personal interaction, the higher the overall evaluation of the quality of retail services. As Dabholkar et al. (1996), suggests that personal interaction has two sub-dimensions that inspire customer confidence towards the personnel and courteousness/helpfulness inspire the confidence of customers, including sales transactions free of errors and notes, ability to answer customer inquiries, employee behavior in this store instill confidence in customers, and customers feel safe in their transactions with these stores. Thus, customers will look at retail services should have a good knowledge, sellers were helpful and courteous. Thus, little things like smile greet and establish eye contact can also give customers a positive feeling about the shop (Winsted, 1997).

In terms of personal interaction, the argument here suggests that consumers consider the traditional market is more reliable than the modern market. Unlike the modern market, the traditional markets build a closer interaction with customers. Therefore, the higher on customer appreciate this dimension of personal interactions, the higher the overall evaluation of the quality of retail services. Therefore, the hypothesis is

- H3. Shopper will perceive higher level of personal interaction in traditional market than in modern market in Bandung, Indonesia, with sub-hypothesis are;*
- H3.1 Shopper will perceive high level of inspiring confidence in traditional market than in modern market in Bandung, Indonesia;*
- H3.2 Shopper will perceive high level of courteousness/helpfulness in traditional market than in modern market in Bandung, Indonesia;*
- H3.3 Shopper will perceive high level of interaction in traditional market than in modern market in Bandung, Indonesia.*

Problem Solving

Problem solving is the dimension associated with returns, exchanges and complaints. Dabholkar et al. (1996) proposed dimensions "problem solving" that are not discussed in SERVQUAL. Dimensions include problem solving; the willingness of retailers to handle returns and exchanges, a genuine interest in solving problems and handling of customer complaints directly and immediately. In terms of problem solving, the argument here suggests that consumers consider the modern market is more reliable than the traditional market for a number of reasons. Unlike traditional market, modern market is able to provide services in any troubleshooting issues related to exchange and product returns. Therefore, the higher customer reward problem solving, will be higher also the overall evaluation of the quality of retail services. Therefore, the hypothesis is.

- H4. Shopper will perceive a higher level of problem solving in modern market than in traditional markets in Bandung, Indonesia.*

Policy

This dimension captures aspects of service quality that are directly affected by the policies of retailers. This dimension includes items of high quality, ease of parking and hours of operation as well as accepting credit/debit cards. Policy dimension in stores affect various aspects of quality of service (Dabholkar et al., 1996).

In terms of policy, the argument here suggests that consumers consider the modern market is more reliable than the traditional market for a number of reasons. Unlike traditional market, modern market is able to provide products with high quality, ease of parking and card payment kredit.debit. Therefore, the higher on customer appreciate the dimensions of this policy, the higher the overall evaluation of the quality of retail services. Therefore, the hypothesis is.

- H5. Shopper will perceive higher level of policy in modern market than in traditional market in Bandung, Indonesia*

METHODOLOGY

The hypotheses of this study, a questionnaire was designed and administered through a non-probability sampling, namely a convenience sampling method, this is following similar studies (e.g. Mehta et al., 2000; Van, Pampallis and Bond., 2002; Lau, Roots and Fie, 2005; Bougoure and Lee, 2009). The number of sample in this study was 400 shoppers from traditional

market and modern market around Bandung, Indonesia, who has experience in shopping at both of traditional and modern market. The data was surveyed to examine the validity and reliability of the five dimensions (physical aspect, reliability, personal interaction, problem solving and policy) and seven sub-dimensions (appearance, convenience, promise, doing-it-right, inspiring confidence, courteousness / helpfulness and interaction) of RSQS. The scale for overall evaluation of service quality was adjusted from Abu (2004). The data were analyzed by running the Reliability Test and Compare mean using SPSS.

RESULT

Respondent's Profile

The data result from 400 shoppers both of traditional and modern market around Bandung, Indonesia, who had experience in both of traditional and modern market. Table 1 show that the frequency of shopping both in traditional markets and modern markets showed a high-level routine. That are 52% (207) of respondents regularly shop at traditional markets and 48% (193) of respondent's incident shopping at traditional markets, while in the modern market 65% (259) of respondents regularly shop and 35% (141) of respondent's incident shopping at traditional markets.

Descriptions	Frequency	Percent
Gender		
1. Male	162	40%
2. Female	238	60%
	400	100%
Shopping Frequency at Traditional Market		
1. Routine	207	52%
2. Incidentals	193	48%
	400	100%
Shopping Frequency at Modern Market		
1. Routine	259	65%
2. Incidentals	141	35%
	400	100%
Occupation		
1. Government employees (civil servant, army and police)	34	9%
2. Private employee	57	14%
3. Trader	106	27%
4. Housewife	62	16%
5. Student	65	16%
6. Entrepreneur	52	13%
7. Others	24	6%
	400	100%
Education Level		

1. Primary school	27	7%
2. Secondary school	66	17%
3. High school	157	38%
5. Magister	4	1%
	400	100%

Reliability Analysis

The reliability analysis aims to determine the level of stability, accuracy, consistency, and the degree of homogeneity of the measuring instrument used in this study. A good question is a question that is clear, easily understood by respondents, detailed, has a high consistency, unambiguous, not causal, it is not apparent and the language used by the respondent concerned shall. A good questionnaire though proposed repeatedly, but it will get fixed and consistent answers from the respondents or the same. The reliability analysis measured by using Cronbach's Alpha coefficients. This instrument has coefficients between 0 and 1. Malhotra, Baalbaki & Bechwati (2003) and Nunally, (1978), the reliability is satisfactory if the Cronbach's Alpha coefficients is more than 0.7, thus the reliability is said to be very reliable.

Table 2 summarizes the Cronbach's Alpha for both the individual dimensions and the sub-dimensions RSQS construct. The result indicates that the overall RSQS instrument is a reliable with Cronbach's Alpha 0.888. These results, if compared with the findings of Das and Kumar (2010) for overall 0.88, Kaul (2007) for an overall 0.785, which mean that for overall Cronbach's Alpha is reliable. However, for individual reliability, most of the dimensions and sub-dimensions are reliable, except the sub-dimension interaction (Cronbach's Alpha=0.644) and dimension policy (Cronbach's Alpha=0.525).

DIMENSIONS	SUB-DIMENSIONS	NUMBER OF ITEM	RELIABILITY STATISTICS (CRONBACH'S' ALPHA)	
			TRADITIONAL MARKET	MODERN MARKET
Overall Scale		30	0.888	0.923
Physical aspects		6	0.883	0.908
	1. Appearances	4	0.864	0.857
	2. Convenience	2	0.871	0.893
Reliability		5	0.774	0.735
	1. Promise	2	0.841	0.875
	2. Doing it right	3	0.671	0.562
Personal interaction		12	0.800	0.887
	1. Inspiring confidence	2	0.712	0.739

	2. Courteousness/helpfulness	7	0.713	0.826
	3. Interaction	3	0.644	0.916
Problem Solving		2	0.745	0.745
Policy		5	0.525	0.580

Table 2 summarizes the Cronbach's Alpha for both the individual dimensions and the sub-dimensions RSQS construct comparing between traditional market and modern market. The result indicates that the overall RSQS instrument is a reliable with Cronbach's Alpha 0.888 for traditional market and 0.923 for modern market. These results, if compared with the findings of Das & Kumar (2010) for overall 0.88, Kaul (2007) for an overall 0.785, which mean that for overall Cronbach's Alpha is reliable. However, for individual reliability, most of the dimensions and sub-dimensions are reliable, except; the sub-dimension interaction (Cronbach's Alpha=0.644) and dimension policy (Cronbach's Alpha=0.525) for traditional market. And for modern market the sub-dimension Doing-it-right (Cronbach's Alpha=0.562) and policy (Cronbach's Alpha=0.580). Based on the reliability results, it indicated that the overall RSQS measurement is reliable (Table 2), thus the RSQS is reliable in measuring a single construct. However, the high constructs reliabilities suggest that the service quality analysis could be appropriately conducted at the dimension or sub-dimension level.

From table 2 we can also be summarized that for the overall reliability of RSQS dimensions, modern market was more reliable than traditional market. However, for individual reliability, most of dimensions of modern market were more reliable than traditional market, except reliability dimension and doing-it-right for sub-dimension.

Compare Mean of Retail Service Quality

The compare mean of retail service quality has been tested by using independent sample t-test. Independent sample t-test is a test used to determine whether two samples were not related have different average, as shown in Table 3. The purpose of this statistical method is to compare the average of two groups that are not related to each other. Questions are trying to answer is whether the two groups, namely the quality of retail services in the traditional markets and modern markets have an average value that is equal or unequal significantly.

As expected, that the modern market in the physical aspect dimension is higher than traditional markets ($t = -15.231$, $p = 0.000$), modern market more reliable than traditional market ($t = -6846$, $p = 0.000$), traditional market more personal interaction that modern market ($t = 2,853$, $p = 0.004$), more high in the modern market policy of service than traditional market ($t = -15956$, $p = 0.002$). However, the dimension of problem solving is not a significant comparison service between traditional market and modern market ($t = -0.0775$, $p = 0439$) more than 0:05.

Meanwhile, for each sub-dimension, that the modern market is more appearance than traditional markets ($t = -15.231$, $p = 0.000$), more convenience ($t = -8621$, $p = 0.000$), more promise ($t = -7947$, $p = 0000$), more do-it-right ($t = -3095$, $p = 0.002$). While, for the sub-dimension inspiring confidence, traditional market more confidence inspiring than modern market ($t = 4,098$, $p = 0.000$), and more courteousness / helpfulness ($t = 3,518$, $p = 0.000$). However, for the sub-dimension of interaction is not significant ($t = -0002$, $p = 0.999$) more than 0.5. Furthermore, the result of the overall scale of RSQS show that modern markets are more high than traditional market

($t = -8368$, $p = 0.000$).

DIMENSIONS	SUB-DIMENSIONS	MEAN		T-VALUE	DF.	SIG.
		Traditional Market	Modern Market			
Overall Scale		3.36	3.66	-8.368	797.519	0.000
Physical aspects		3.00	3.87	-15.231	795.813	0.000
	1. Appearance	2.75	3.93	-19.74	783.976	0.000
	2. Convenience	3.26	3.81	-8.621	794.33	0.000
Reliability		3.31	3.63	-6.846	794.511	0.000
	1. Promise	3.02	3.52	-7.947	794.359	0.000
	2. Doing it right	3.31	3.74	-3.095	796.824	0.002
Personal interaction		3.67	3.55	2.853	797.982	0.004
	1. Inspiring confidence	3.78	3.57	4.098	792.737	0.000
	2. Courteousness/helpfulness	3.76	3.61	3.518	797.962	0.000
	3. Interaction	3.48	3.48	-0.002	779.283	0.999
Problem Solving		3.14	3.48	0.775	797.752	0.439
Policy		3.36	3.79	-15.956	781.784	0.000

DISCUSSION

The result of this research found that the RSQS models appropriate for measuring retail service quality both for traditional and modern market. As shown in the average yield of retail service quality scale both in traditional markets and modern markets showed the values are above 3 levels, as shown on table 3. However, the results of independent t-test showed that the modern market has a higher quality of service than the traditional market. Which means that traditional market conditions require to be revitalized, as planned by the Government of the Republic of Indonesia in the National Medium Term Development Plan for the years 2015-2019 (Presidential Regulation of Republic of Indonesia No. 2 of 2014) that the development/revitalization of traditional market each year is 1,000 units' market to be developed/revitalized. Moreover, without the development/revitalization, the traditional markets cannot survive, it is predicted the existence of traditional markets in the city will soon become extinct (Cahyono, 2006). Nevertheless, Pusoro (2007) said that, the argumentation of modern market presence is the main cause elimination of the traditional markets is not entirely true. Almost, all traditional markets in Indonesia are still

struggling with internal problems of the market such as poor market management, facilities and infrastructure markets are minimal, traditional markets as cash cows for retribution, the proliferation of street vendors, which reduces customer, and lack of capital support to traditional traders. This situation indirectly benefits for the modern market.

The traditional market has been directly affected by the existence of a supermarket or hypermarket. The possible reason is due to the merchant sells the same products as those sold in both places. Nonetheless, merchants who sell fresh food in traditional market able to compete with the supermarkets and hypermarkets, it might because of many buyers still prefer to go to traditional market to buy these products. A modern market advantage over traditional markets is that they can sell products that are relatively the same as cheaper prices, coupled with the convenience of shopping and a variety of payment options. Supermarket and Hypermarket also cooperate with major suppliers and usually for a considerable period of time. This is why they can be made efficient by leveraging economies of scale that large (Pusoro, 2007).

Nevertheless, the traditional retail market has its own reasons why consumers choose to shop or less interested in shopping. AC-Nielsen in the Ministry of Commerce of Republic of Indonesia (2008), stating the same reasons from consumers who still visit traditional markets, namely; cheaper price, negotiable price, the location is close to home, a lot of fresh food options, provide more fresh products, providing everything necessary, offer a variety of fresh produce, the atmosphere lively and crowded, the buyer in the amount of flexible and open of the day. While the reasons consumers are less interested in the traditional market is muddy, dirty, smelly, too crowded, hot, safe shellfish (pickpocket), difficult to find a kiosk, the price is uncertain, the hygiene of product is not guaranteed, must bring your own shopping bags.

LIMITATIONS AND DIRECTION FOR FUTURE RESEARCH

The use of non-probability sampling by convenience sampling, to provide a full picture of consumer perceptions of quality retail services in traditional markets and modern, it should be classified respectively. So it can be known for certain consumers' expectations for service quality specialty retail market for traditional or modern markets only. So it will be interesting to compare the quality of service to the traditional markets in the city and in the suburbs, the modern market in a different classification (e.g. hypermarkets or supermarkets even for classification mini market). Further study of retail service quality comparison between the traditional and modern markets in another city/suburbs also needs to be done. Finally, the relationship between the various dimensions of quality retail services, satisfaction, loyalty and customer loyalty can be done to determine whether the customers in the retail industry in Bandung, premises displays loyal buying behavior.

CONSLUSION

Modern market does not automatically become an obstacle to the growth of the traditional markets, due to the existence of traditional markets is still needed as a driver of economic growth of a city or region. However, the quality of retail services rated by consumers. It is clear from the findings of this study, that consumers in the modern market provide retail service quality is better than the traditional market. Thus, the traditional market will experience growth pressure, if not changed its perception through improved quality of service. Accordingly, the government should make the policy of the petrified growth. However, changes in market perceptions of the

traditional image of the seedy, chaotic, muddy, dirty and lack of facilities such as limited parking space, bins are smelly and dirty, the hallways are narrow and so on need to be eliminated.

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