SUMMARY

DEDIE S. MARTADISASTRA. The Influence of Regulations, Competition and Buyer Power over Relationships between Suppliers and Modern Retailers and the Performance of Suppliers in Jakarta. Supervised by ARIEF DARYANTO, BUSTANUL ARIFIN, E. GUMBIRA-S’ID (late) and IDQAN FAHMI.

Competition among modern retailers and their suppliers in Indonesia is very tight with the fast growing number of outlets of modern retailers and their suppliers, following the liberalization in the regulation on retail industry. Tight competition has led to concentration and strengthening of bargaining position, growing buyer power of modern retailers that result in the emergence of anti-competition move and caused an unbalanced condition in the suppliers-modern retailers relationships that hurts the suppliers. Although the government has sought to prevent such malpractice by issuing a series of regulations and policies including Presidential Regulation (Perpres) Number 112/2007, Trade Minister Regulation (Permendag) Number 53/2008, Law Number 5/1999, Law Number 8/1999, unfair competition continues. In 2005, modern retailer Carrefour introduced business relations which was not fair to its suppliers and in 2009, Carrefour increased market concentration and exploited the surplus in its suppliers, resulting in condition of being unbalanced and negative impact on competition. Competition authorities in Indonesia (KPPU), based on the competition policy of the Law Number 5/1999 have punished and fined modern retailer Carrefour on the two competition offences.

The condition of being unbalanced in the suppliers-modern retailers relationships concerned complex factors, but what is worth research is how far the regulation, competition, bargaining power and buyer power could determine partnership or relationship between suppliers and modern retailers and how much the impact on the performance of the suppliers. Therefore, this research is aimed: (1) Examining empirically the impact of regulations on competition and suppliers-modern retailers relationships, competition on suppliers-modern retailers relationships, buyer power on suppliers-modern retailers relationships, suppliers-modern retailers relationships on the performance of suppliers; (2) Developing suppliers-modern retailers relationships models based on the theory of relationship marketing within the scope of the content and implementation of regulation; (3) Improved regulation Perpres 112/2007, Permendag 53/2008 and competition policy UU/5/1999 amendments.

This research used a grand theory that most closely models of combination of influence of regulations, competition and buyer power over relationships between suppliers and modern retailers and their influence on the performance of suppliers which is theory of relationship marketing, in particular the concept of buyer-seller relationships. This research is a quantitative research which is descriptive and verifying in nature. Population or units of analysis are 3555 supplier companies of foodstuff, mostly based and operating in the Greater Jakarta area. Supplier companies are large scale, medium, small and micro enterprises. 217 supplier companies are selected through sampling non-proportional strata. As part of quantitative research, 217 questionnaires were sent more or less 50 questionnaires to each group of companies by scale and 101 of the questionnaires were returned but four of them were not complete. Therefore, there were 97 questionnaires which were fully and validly answered by suppliers of packaged food and personal care including 48 large scale companies, 18 medium scale companies, 10 small scale companies and 23 micro scale companies. Questionnaires used five-point Likert
scale and hybrid ordinarily-interval scale. This research used time coverage of one shot with the type of cross-sectional, with surveys held in May – July, 2013. This research is verifying in nature, to see the relationships between variables through hypothesis and modeling as well as solution techniques using the method of Partial Least Square-PLS.

Results of evaluation of measurement model of the influence of regulation, competition and buyer power over relationships between suppliers and modern retailers and their influence on the performance of suppliers concerning selected statements of suppliers in answer to questionnaires by 97 respondents are evaluated with PLS. The discriminant test of the validity of first phase through cross loading value produced indicators which have good discriminant validity. Second phase test to evaluate the discriminant validity of construct by seeing the value of Average Variance Extracted (AVE). Based on the root value of AVE all constructs have good discriminant validity. Output latent variable correlation is used to compared the maximum value of construct correlation with the root value of AVE. The result is dominated by construct which has higher root value of AVE than the correlation maximum value. Therefore, all constructs of dimension have good discriminant validity. Evaluation concerning reliability of internal consistence could be examined in the value of composite reliability and Cronbach’s alpha. The output of composite reliability and Cronbach’s alpha shows that the value of composite reliability for all constructs is more than 0.7, indicating that all constructs in the model is estimated to meet the criteria of discriminant validity. In the Cronbach’s alpha, the value recommended is more than 0.6. The result showed that the value of Cronbach’s alpha for all constructs is more than 0.6. Therefore, it could be concluded that all constructs being tested have good reliability. Based on evaluation of structural model coefficient values of path coefficient values and t-statistics of all constructs could be determined that relationships between variables and impact of variables on other variables, strength of relationships between variables, effect of independent variables on dependent variables to test the hypothesis of the research, could be seen.

The results obtained empirically test: (1) Regulations have strong effect on competition, regulations have weak effect on the relationships between suppliers and modern retailers, competition has fairly strong impact on the relationships between suppliers and modern retailers, buyer power has weak effect on the relationships between suppliers and modern retailers, relationships between suppliers and modern retailers has strong impact on the performance of suppliers; (2) Model of suppliers-modern retailers relationships confirm that there are significant regulatory influence on competition and The influence of regulation, competition and buyer power over relationships between modern retailers and suppliers and their influence on the performance of suppliers; (3) Improvement is necessary in Perpres 112/2007 and Permendag 53/2008, for example, detailed and clear guidelines should be provided in maintaining good relationships between suppliers and modern retailers, socialization needs to be intensified, no administrative charge (listing fee) against micro and small scale and the amendments of competition policy UU/5/1999, for example, an increase for the authority of the Commission (KPPU) in obtaining direct evidence, foreclosure, leniency program and violations should be strictly dealt with sanction.

Key words: Regulation, Competition, Buyer Power, Supplier-Modern Retailer Relationships, Supplier Performance