

## BUSINESS TRANSFORMATION OF PALASARI TRADISIONAL MARKET

Musa Mujaddid Imaduddin and Wawan Dhewanto  
School of Business and Management  
Institut Teknologi Bandung, Indonesia  
musa.mujaddid@sbm-itb.ac.id

**Abstract-**The growth of traditional market as trading center indicates that there is a growth and economic development in Indonesia. However, traditional markets have various weaknesses that have become the basic character which is very difficult to change, like design factors and market appearance. As the experience, traditional market under managed by government will be faster to develop if get cooperation to private sectors. Such cooperation is manifested in the form of the agreement such as build operate and transfer (BOT) as an alternative solution which is mutually beneficial cooperation. Palasari market in Bandung is one of market where the private sectors could cooperate with government through BOT system. Private sectors could add real estate business on the available area. After doing the research, Palasari area is suitable for apartment business. So, this BOT system is made with construction scheme of market constructing on the ground floor and apartment construction on the floor above. This model business need to be transformed in physical, system, and cultural aspect. After doing the calculation in financial aspect, this business transformation project is feasible to implement. Implementation of this business transformation also change the culture and system in management of market. Government can restructure its management system related the management of market. Goal of this business transformation is aiming to increase the welfare of traders.

**Keywords:** Bandung, Market, Development, Build-Operate-Transfer, Apartment, Business Transformation

### Introduction

The development of the city is closely related to changes in land using patterns. One example of productive activities is trade activity. Basically, trading activities originated from the interaction between the seller and the buyer. Such interactions require space to accommodate these activities. The growth of these markets as trading center indicates that there is a growth and economic development in Indonesia.

However, traditional markets also have various weaknesses that have become the basic character that is very difficult to change. The main problem faced by most of the traditional markets in big cities such as Bandung is market conditions those are cramped, dirty, muddy, and musty, as well as access roads which are jammed (Budiyati, 2007). Traditional market condition that is less suitable encourages local governments to renovate the building market with better structure both physically and financially.

Related to this issue, the existing land can be utilized in building a better market. Given the limited funds that are owned by local government so that the necessary financing from the

private sector. When there is a financing or other forms of investment from the private sector, the lack of funding that has been an obstacle for the region in managing the land can be resolved.

Such cooperation is manifested in the form of the agreement. As one of the alternatives that can be selected, cooperative agreements Build Operate and Transfer (BOT) is still relatively new. This agreement system is also widely used in terms of the agreement between the Government and the private sector to build public facilities such as telecommunications facilities, toll roads, electric power, mining, tourism and others.

The private sector as a traditional market project developers can also build additional business on the available land. Additional business can be in form of the construction of hotels, apartments, or offices that can provide income to the private sector. It is able to provide more attractive value so that the private sector is interested to come to work together in the development of this traditional market. Later additional income is also able to be diverted into subsidies for stall rental fee that have to be paid by the market trader.

**Traditional Market**

The condition of the traditional market infrastructure in some places in Indonesia is still far behind when compared to today's modern market that began to appear. According to Nielsen Indonesia, in 2009 the growth of the modern market to 12.7%, while the traditional market only grew by 5.5% (Daryanto, 2009).

**Data of Traditional Market in Bandung**



Markets which are owned by the City of Bandung managed by PD Pasar Bermartabat Bandung. PD Pasar is a company that serves as mayor's tools in doing civil works. PD Pasar provide facilities and functions to manage the market including the supervision, control, guidance, empowerment traders as well as the management of revenues from the market sector as an achievement counter given by the society.

As a Service Unit and Contributor of Regional Government Revenue, PD Pasar is supported by Human Resources in amount of 96 civil servants and 286 Employment Contract Labour, to manage 37 Traditional Markets which are owned by government of Bandung, and 3 empty land that will be functioned as market. From the 37 traditional markets, there are 9 markets that have been cooperated with the private sector. From the data obtained from the PD Pasar, some markets managed by PD Pasar and management status are shown in the following table:

Table 4.1 Data of Market Managed by PD Pasar Bermartabat Bandung

No	Name	No	Name	No	Name	No	Name
1	Baru	11	Balubur	21	Sadang Serang	31	Sarijadi
2	Kosambi	12	Wastukencana	22	Banceuy	32	Cikaso
3	Andir	13	Cikapundung	23	Palasari	33	Kebon Sirih
4	Kiaracandong	14	Moch. Toha	24	Karapitan	34	Puyuh
5	Ujungberung	15	Leuwipanjang	25	Cicadas	35	Gempol
6	Anyar	16	Cijerah	26	Cihapit	36	Kota Kembang
7	Sederhana	17	Ciwastra	27	Gegerkalong	37	Gedebage

8	Cicaheum	18	Sukahaji	28	Pagarsih
9	Simpang	19	Pamoyanan	29	Ciroyom
10	Cihaurgeulis	20	Jatayu	30	Gg. Saleh

 : managed by PD Pasar Bermartabat  
 : has been cooperated to third party

From that table it can be seen that many traditional market still managed independently by PD Pasar. However, many markets are also underdeveloped because the effort of PD Pasar is still too low to develop managed market. In addition, there are markets that can be developed with the collaborative efforts with third parties or private sectors. Examples of markets that have been cooperated and successfully developing are Baru market, Balubur market, ITC, Banceuy market, and Gedebage market. With the successful experience of cooperation with third parties, meaning that there is an opportunity for the private sector to work together to build traditional markets become more developed. One of the market opportunity for cooperation is Palasari market.

#### Condition of Existing Building

Palasari market is located on Palasari street, Village Turangga, Lengkong District of Bandung, was established in 1977. With a land area of 20.450 m<sup>2</sup>, this market has attracted many buyers to visit. This market has a brand image as the book market even though there is a wet market section on the west side of building market.

Palasari market is located in a strategic position; Palasari lane road is passed by several public transport across various points in the city of Bandung. In addition, its proximity to the residential center such as Buah Batu housing, and a row of apartments in the Soekarno-Hatta street, makes this Palasari market deserves to get more attention in order to makes more attractive and convenient for buyers who come.

#### Profile of Traders

Based on the data, there are 351 active traders; and 433 traders who are no longer to sell. This 351 active traders includes 28 traders tenant / owner of the permanent kiosk, 299 traders tenants / owners of the semi permanent kiosk, and 24 traders who are tenant of the table. However, the number of traders still need to be calculated again given the number of traders may be different depending on the time and day trading.

Income traders are relatively diverse, there is a smallest group of traders (5%) are earning Rp 1,000,000 to Rp 2,500,000 per month. Other traders (20%) eam Rp 2,500,000 to Rp 5,000,000 per month. There is a portion (10%) get revenue Rp 5,000,000 - Rp10,000,000. There are traders (20%) eam Rp 10,000,000 - Rp 20,000,000 per month. While the majority of traders (45%) eaming over Rp 20,000,000 per month. For net income, the average traders earn Rp. 5,662,500 per month. We could say that traders who sell on the market has a chance to get income with quite high.

The findings of the authors indicate the number of buyers per traders are varied, of which 20 buyers per day to more than 100 buyers per day. The average buyer is 53 buyers per traders per day. Interestingly, the number of the kiosks every traders are varied. Although traders are in a permanent kiosk, but it turns out that the divider partition between kiosk are different.

Expenditure incurred by the traders is relatively different, depending on the size of the kiosk, ownership status of the kiosk, and also goods they sold. Traders said that they were subject to a retribution by the market unit with different amounts every day; coupled with some illegal fees which they did not mention the source. On average, each traders spend Rp 161,250 each month for the purpose of retribution.

Related to the ownership status of kiosk, 90% of traders claimed to have the kiosk. Interestingly, they bought the kiosk from previous traders or intermediaries; not through the formal mechanisms of the market unit. This phenomenon would become interesting if the market revitalization plan will be carried out. Furthermore, 5% of traders rent their kiosk and the remaining 5% claimed not to rent or have the kiosk. They keep selling with still charged daily fees from the market unit.

#### Profile of Buyers

The majority of buyers in the market Palasari comes from the area around the market, but also there are some buyers who come from outside Bandung, such as Garut. Economic profile of the buyer is evenly distributed, there are buyers with expenditure per month under Rp 500,000 (5%), between Rp 500,000 to Rp 1,000,000 (11%), between Rp 1,000,000 to Rp 2,500,000 (27%), and most are between Rp 2,500,000 and Rp 5,000,000 (41%), and the rest (16%) have expenditure above Rp 5,000,000. Those who shop is direct consumer or represented by the housemaid; Housewife profiles (26%) and Entrepreneur (20%) is dominated of buyers in Palasari market.

Findings of the authors also showed that the majority of buyers visit the Palasari market using Motorcycles (53%), followed by private car (18%), on foot (13%), and using public transportation (11%). This data is relevant to consider that the market is on track of public transport and have easy access for the citizens of Bandung.

As 72% buyers said they used to purchase items needed for private consumption; 13% will sell back its purchased goods, and 15% intended to make it for restaurant meal. The buyers said that they take less than 30 minutes to shop. And the majority of them, that is 57% already have specified traders where they usually to buy. As 32% buyer expend Rp 50,000 to Rp 100,000 for every purchase to the market; and visit the market average of 1-3 times in a week. The majority (44%) of buyers visit Palasari market for reasons of proximity to where they live. As 23% buyers said that there is enough quality for Palasari Market and 15% say less satisfied with their experience in the Palasari market. Meanwhile, factor of cleanliness, comfort, additional parking spaces and wide hallway between kiosks are the issues that should be noted to repairment in the future.

#### Marketing Aspect in Business Transformation

Bandung as a service and tourism city became a magnet for real estate investors. Based on the Area Analytic Data of Urbanindo.com, from April 2012 to February 2013 marketing of real estate in Bandung is always going up every month. In the end of February 2013, total real estate which were marketed reached 6,676 properties, with details of 4,847 housing units, 893 land, 375 house shop units, 175 apartment units, and 35 units of villas.

Entering the year 2014, the number of apartments sold rose more than 1,000% to 1,920 units. This number arises because during the time in 2013 to 2014 started many established towers,

apartments, and condominiums in Bandung. Many observers worried about an oversupply of apartments in the city of Bandung. However, seeing rapid growth last year, it is estimated that the apartment business is a promising business to the next few years.

Buyers average vertical housing is dominated by people in Jakarta (50%) followed from Bandung amounted to 39.5%. Given the selling price which is set by apartment still ranged between 500 million to 1 billion rupiahs, consumers of apartment is intended for upper-middle income people with high purchasing power. Based on a survey conducted by Cahyani & Indra (2012), 71% of consumers buy apartments for to be rent room for investment or resale. Furthermore, 22% of consumers buy to make it as second home, and only 4% that make the apartment as a permanent home.

#### Technical Aspect in Business Transformation

In building construction, there are several rules that must be met. The rules are usually stated in the Spatial Plan approved by the mayor of the city. In these rules there are the rules of the Building Coverage Ratio (BCR), Floor Area Ratio (FAR), and the maximum height of the building. Definition of BCR and FAR has already been described in chapter theoretical foundation. The following are restrictions on the land of Palasari market:

- Name of street: Palasari street
- Class of stret : a secondary arterial street
- FAR: 5.6
- BCR: 70%
- Land area: 20.450 m<sup>2</sup>
- The maximum total floor area: 114,520 m<sup>2</sup>
- Ground floor area: 14 315 m<sup>2</sup>

Palasari market has a total land area of 20.450 m<sup>2</sup>. Using the Building Coverage Ratio (BCR) by 70%, the maximum ground floor area that allowed to construct is 14,315 m<sup>2</sup>. And by using the Floor Area Ratio (FAR) of 5.6, the maximum total area of the building that can be built is 114,520 m<sup>2</sup>. The concept of this business transformation project is build market building in 1st until 2nd floor, and build apartment building in 3rd until 17th floor. From that concept, area that will be built is 71,165 m<sup>2</sup> added to the basement parking area of 22,090 m<sup>2</sup>. That area is still appropriate to the maximum limit of building area that will be constructed.

#### Financial Aspect in Business Transformation

To analyze whether a project is feasible need to analyze financial performance with several parameters, namely NPV, IRR, BCR, and payback period. In analyzing the financial performance, it is required basic value of MARR (minimum attractive rate of return) to show the rate of change in term of time value of money. MARR of this Palasari market revitalization project is 12%. The using of MARR of 12% based on the rate of inflation in the property which is quite high.

After calculating the financial performance from cash flow, financial performance results have been obtained as follows:

##### 1. Net Present Value (NPV)

NPV of this project amounted to Rp 230,018,574,853. Since the NPV is more than 0 then this project is feasible to execute.

##### 2. Interest Rate of Return (IRR)

IRR of this project is 29.75%. Because the IRR is more than MARR (12%) then this project viable is feasible to execute.

### 3. Payback Period

Payback period of this project is 4 years and 9 months; calculated from the start of construction work. With a payback period like this, it can be said that this project has a short time to return the initial investment.

### 4. Benefit Cost Ratio (BCR)

BCR value of this project is 3.88. Because BCR value of more than 1 then the project is feasible to execute.

## Conclusion

Business transformation of Palasari market is implemented due to develop economic activity in Bandung. This implementation is regarding 4 main aspects, which are marketing, technical, financial, and cultural. Existing building condition of Palasari market is still less feasible to create a growing traders. Traders also complained about unclear administrative system from unit of market, in addition, the informal actor in the market is too powerful in controlling the retribution fee. Therefore, the market Palasari needs to be revitalized both fiscally and systemically. Palasari market which is owned by PD Pasar can be cooperated with third parties with the Build Own Transfer (BOT) system. By using this cooperation scheme, private firms could play a role to develop society economic with still get profit; PD Pasar can actualize its vision that is make the traders become more prosperous.

## Recommendations

In implementing this business transformation of Palasari market, it is needed to do follow-up activities and some recommendations, as follows:

- Need data re-collection on the number of traders because the data is need to be updated.
- Status of land certification must be clear as behalf of PD Pasar's asset in order to prepare if someday there is citizen who claim this land as his own asset.
- Need traffic impact study deeply after establishing residential area in the land of Palasari market
- This business project can be used as an example of market revitalization and developed for other traditional market in accordance with the characteristic of each market.
- PD Pasar should open more widely cooperation with private sectors so that the vision of PD Pasar to make traders become more prosperous can be occurred faster.

## References

- Aliyah, I. Daryanto, T.& Rahayu, M., 2007, Peran Pasar Tradisional Dalam Mendukung Pengembangan Pariwisata Kota Surakarta.
- Brigham E.F., & Ehrhardt, M.C., 2005, Financial Management: Theory and Practice 11<sup>th</sup> Edition, United State: Thomson South Western
- Budyati, S., 2007, Multi-Story Traditional Markets: Who Benefits?. Jakarta: The SMERU Research Institute.
- Cahyani, D. Ilhamdiniah, & Indra, N., 2012, Preferensi Konsumen Apartemen di Kota Bandung.
- Daryanto, A., 2009, Revitalisasi Pasar Tradisional, Bogor: Trobos.
- Ekomadyo, A.& Hidayatsyah, S., 2012, Pengembangan Rancangan Revitalisasi Pasar Tradisional Sebagai Aset Sosio-Kultural Kota.

- Highyieldjapan.com, 2012, Japan Real Estate Class - Building Coverage Ratio and Floor Area Ratio, retrieved on August 20, 2014 from <http://highyieldjapan.com/property-news/japanese-real-estate-seminar-building-to-land-ratio-floor-area-ratio/>
- Jakarta Consulting Group, retrieved on September 9, 2014 from <http://www.jakartaconsulting.com/publications/articles/organization-development/mengelola-transformasi-bisnis>
- Jakartapost.com, 2014, Jakarta has the highest office rental growth in Asia Pacific, May 30, retrieved on July 20 from <http://www.thejakartapost.com/news/2014/05/30/jakarta-has-highest-office-rental-growth-asia-pacific.html>
- Kotler, P. & Armstrong, G., 1999, Principles of Marketing, New Jersey: Prentice Hall Inc.
- Morrison, M., 2007, Business Transformation – a change strategy, March 28, retrieved on August 20, 2014 from <http://rapidbi.com/businesstransformation/>
- Nugraha, D.W., 2014, Okupansi Hotel Jabar Di Bawah 40 Persen, June 5, retrieved on July 20 from <http://bandung.bisnis.com/read/20140605/34487/510241/okupansi-hotel-jabar-di-bawah-40>
- Paskarina, C. Mariana, D.&Atmoko, T., 2007, Evaluasi Kebijakan Pengelolaan Pasar di Kota Bandung.
- Poesoro, A., 2007, Traditional Markets in the Era of Global Competition, Jakarta: The SMERU Research Institute.
- Ross, S.A., Westerfield, R.W., Jaffe, J., 2010, Corporate Finance 9<sup>th</sup> Edition, New York: McGraw Hill
- Urbanindo.com, 2013, Analisa Properti di Bandung, Jawa Barat, March 13, retrieved on July 20, 2014 from <http://blog.urbanindo.com/2013/03/analisa-properti-di-bandung-jawa-barat/>
- Urbanindo.com, 2014, Analisis Properti Kota Bandung, Kota Wisata dan Investasi, March 14, retrieved on July 20 from <http://blog.urbanindo.com/2014/03/analisis-properti-kota-bandung-kota-wisata-dan-investasi/>