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Analysis of Proportion Calculation for Domestic Product in Modern Retail in Indonesia

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Abstract. The increasing market for retail industry in Indonesia faces a challenge poses by sellers' preference towards the selling of domestic goods. In order to overcome this problem, the government issues a mandate for retailer to sell domestic products as high as 80% of their traded goods. This may raise ineffectiveness in terms of the implementation since the capabilities in stock management varies among retailers, added with the absence of clear technical guidance that determines the fulfilment of 80% domestic product to be traded by a retailer. As such, there is a need to provide case-based recommendations addressing the governance and technical specification of the mandate to be applied. This study is aimed at formulating guideline to fulfil calculation requirements and providing policy recommendation for policy adoption by retailers. The study is done in 2016, whereby data collection is performed through interviews and focus group discussions with relevant parties representing 15 modern retailers. Analysis is done by carrying out stock keeping unit analysis in modern retailer and triangulate preliminary results through focus group discussion with key persons. The analysis shows that stock keeping unit management in modern retail must be integrated with a unique code that identifies the manufacturer origin which is issued by global standardization and distribution institution. In addition, the proposed system needs to be supported with policy of International unique code registration process, both by manufacturer and modern retail. In keeping with the refinement of relevant policy, there is also a need to have coordination amongst responsible authorities.

Keywords: modern retail, stock management, domestic product

Abstrak. Pasar sektor ritel di Indonesia mengalami peningkatan yang pesat. Namun demikian, industri ini menghadapi tantangan yang berasal dari preferensi toko-toko modern dalam hal menjual produk dalam negeri. Dalam rangka mengatasi permasalahan ini, pemerintah mengeluarkan kebijakan yang mewajibkan toko modern untuk memperdagangkan minimal 80% produk dalam negeri dari keseluruhan jumlah barang yang diperdagangkan. Implementasi kebijakan ini berpotensi tidak efektif karena terdapatnya perbedaan kemampuan pelaku usaha dalam stock management produk serta belum adanya mekanisme yang jelas yang menyatakan suatu toko modern telah memenuhi kriteria 80 persen. Oleh karenanya, dibutuhkan rekomendasi kebijakan yang disusun berdasarkan kasus nyata sehingga dapat mengatasi permasalahan tata kelola dan spesifikasi teknis dari mandat tersebut. Penelitian ini dilakukan untuk merumuskan pedoman perhitungan prosentase produk dalam negeri yang dijual di toko modern serta merekomendasikan kebijakan optimalisasi pemanfaatan pedoman tersebut. Penelitian ini dilaksanakan pada tahun 2016 dimana pengumpulan data dilakukan melalui interview dan focus group discussion dengan narasumber yang berasal dari 15 toko modern. Analisis dilakukan terhadap stock keeping unit pada toko modern dan triangulasi dengan para pemangku kepentingan. Hasil penelitian menunjukkan bahwa manajemen stock keeping unit pada toko modern perlu diintegrasikan dengan sistem kode unik standar internasional yang dikeluarkan oleh lembaga standarisasi distribusi global, Kode unik ini dapat menunjukkan informasi negara asal produk. Namun demikian, penggunaan sistem tersebut perlu didukung oleh kebijakan tata cara pendaftaran kode unik standar internasional untuk produk yang diproduksi di Indonesia, baik oleh pihak manufaktur maupun toko modern. Dalam rangka menjaga konsistensi penyempurnaan kebijakan terkait, dibutuhkan pula koordinasi antar institusi yang bertanggungjawab terhadap produksi dalam negeri.

Kata kunci: toko modern, manajemen persediaan, produk dalam negeri

INTRODUCTION

Penetration of modern retail in Indonesia has experienced a great chance with an average penetration rate of 14%. In 2014, modern retail turnover was estimated to grow around 10% with value reaching Rp 162.8 Trillion and is estimated to grow about 7.3% per year until 2017 (Rangkuti and Wright, 2013). In general, the minimarket format grew an average of 17.4%, hypermarket grew 17.9%, and the supermarket format grew 3% per year for the past 10 years. In addition, A. T Kearney's 2014 Global

Retail Development Index (GRDI) places Indonesia 15th-ranked developing countries for retail investment purposes, up from 19th in 2013 (Bank Mandiri, 2014).

The vast growth in retail industry is expected to help domestic product marketing in the domestic market. But in fact, as one of the players in global business, modern retailers generally have relatively low preference in selling Indonesian products (the so called "made-in-Indonesia" product). In 2010, imported products sold in modern retail outlets in the country were estimated to reach 15% which generally consists of footwear, garment, toys,

and accessories (Aprindo, 2010). As for food products, Rangkuti and Wright (2013) stated that the percentage of imported products sold in hypermarket and supermarket format reaches between 5% - 30%, while the specialty retailers reach up to 60% which is reserved for premium consumers. This figure practically occurs up to present.

Referring to the theory of Retail Evolution for the category of the development cycle of modern retail industry, the growth of the retail industry consists of 3 (three) stages of entry period, trade, and its implications for competition (Anistal & Anistal, 2011). Furthermore, the competition in the modern retail industry can consist of 2 (two) aspects, namely the competition between modern retailers with relatively large and small scale, as well as the competition of suppliers (suppliers) of goods in modern retailers (Humprey, 2007; Ahmad et al., 2008). In fact, Emongor & Kirsten (2009) and Tshirley et al (2010) describe domestic suppliers, especially farmers and small-scale producers, having constraints in selling goods to modern retailers due to the quality, standard, and sustainability of supply set by the management. In addition, the growth of modern retail can also affect consumer behavior in purchasing goods with a relatively cheaper price preference (Hingley, 2009).

To anticipate the soaring proportion of imported products that is sold in modern retailers, the Government has enacted the Regulation of the Minister of Trade 70 / M-DAG / PER / 12/2013 on Guidelines for the Arrangement and Development of Traditional Markets, Shopping Centers and Modern Retailer in which one of the provisions of Article 22 Paragraph 1 requires modern retailers to provide domestic merchandise at least 80% (eighty per cent) of the quantity and type of traded goods. Provisions on minimum requirements of 80% of domestic products in modern retailers are basically the needs of business actors in Indonesia to develop domestic product markets. In addition, similar provisions have also been a discourse in Thailand with slightly different formats, such as store arrangement, a modern store business, one of which includes the store brand aspect, store size, or sale in Thailand. In this case, modern retailer managers must obtain special permits to local government if one aspect has exceeded the threshold set by the government (Frost, 2010).

Nevertheless, the assessment of the proportion of domestic products in modern retail outlets in Indonesia has not been done comprehensively, given the differences in resources and the ability of business actors in the stock management of products sold. This has an impact on assessment results that may vary between modern retailers. In addition, the technical mechanism for determining the proportion of 80% of local products has not been established that leads to biased judgments. Based on these considerations, an analysis that can explain the technical assessment of 80% criteria of domestic products in modern retail is needed to effectively implement the regulation. In detail, this study aims to: (a) Make a proposal guidance calculation of the percentage of domestic products in modern retail; and (b) Formulate policies to optimize the utilization of guidelines for calculating the percentage of domestic products in modern retail.

RESEARCH METHOD

Modern retail in Indonesia are divided into minimarkets, supermarkets, department stores, hypermarkets and modern counterfeits. In its activities, modern retailer can sell goods of domestic products and imported products with the definition of domestic products as described in the Trade Act No. 07 of 2014. While imported products refers to product that is produced outside the territory of Indonesia and entered into Indonesia through customs.

Minister of Trade Regulation No. 70 / M-DAG / PER / 12/2013 concerning Guidelines for the Arrangement and Development of Traditional Markets, Shopping Centers and Modern Retail is expected to be able to provide domestic merchandise at least 80% of the quantity and type of traded goods. However, information relating to the percentage of domestic products sold in modern retail to the total products sold is still not available. This is because the Government does not have a standard mechanism in analyzing the percentage of domestic products sold in modern retail that can be used as the basis of the policy.

Therefore, the review through regulatory and theoretical literature review, stock keeping unit, product classification in modern shop, and depth interview with stakeholders are expected to set guidance calculation of percentage of domestic product in modern retail. The research finding can eventually be expected as policy recommendation to regulation optimization. The conceptual framework is described in Figure 1 below:

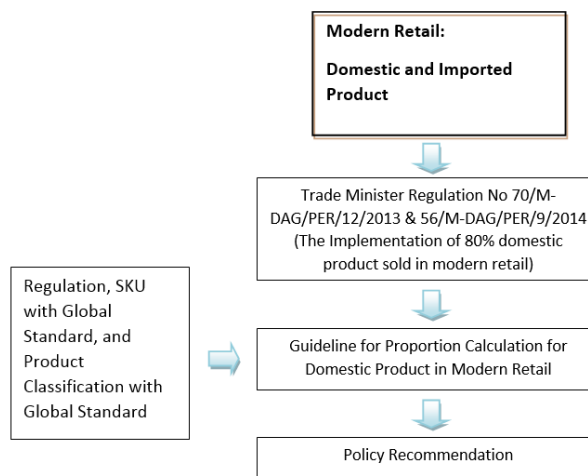


Figure 1. Conceptual Framework

In answering the first objective of the proposed guidance calculation of the percentage of domestic products in modern retailer, this research used descriptive analysis through two stages as described below:

The first stage to provide comparison of stock management system (stock keeping unit – SKU). SKU is part of the database management in modern retail. Some studies explain the importance of SKU management, such as Levy and Weitz (2009) about customer-driven

retail mix strategies through diversity and product depth (assortment management) need to manage SKUs efficiently. Singh and Khan (2013) described at least some of the benefits of good SKU management that facilitates consumers in shopping, obtaining product information, and security guarantees. While the benefits for retailers include inventory management, audit purposes (stock opname), demand forecasting, and supervision of the quality of products sold. Kampen, Akkerman and Donk (2012) also concluded that SKUs can be classified to facilitate the implementation of stock management, sales forecasting, and even production or purchase decisions.

Setiawan and Kunto (2013) illustrated that in its implementation, merchandise assortment management is a variable that predominantly affects customer satisfaction so that management of SKU is needed. This is because with the increasing variety of products offered, SKUs that must be managed will also be larger and various. Thus, the need for rapid product registration systems, the ability to track product identities, and be accessible to various users has become a priority.

In this research, a comparison of stock keeping unit (SKU) between modern system (equipped with information technology device) and manual system will be conducted. A modern system-based SKU is an SKU that uses Automatic Identification Technologies (AID) with barcode technology (Al-Kassab, Thiesse, and Buckel, 2013). Barcode technology in modern retail can also help in efficient supply chain management to support the clustering of goods, breaking the bulk, inventory management, and service delivery (Babu, Babu, and Narayana, 2012).

The second stage is to conduct depth interviews with business actors to explore the goods database management system (SKU with global standard and internal SKU). Meanwhile, to address the second

objective of the policy formulation in order to optimize of the utilization of guidelines for calculating the percentage of domestic products in modern retail, this research used the method of triangulation. According to Denzin (2000), the triangulation method that is used in this analysis is a type of triangulation method of data source, that is exploring the truth of survey results and literature review, through focus group discussions (FGD) with stakeholders covering business actors and government.

The data collected in this analysis is obtained through field survey and observation as well as in-depth interview with modern retail manager. In addition, information obtained from field surveys will be synthesized through discussions with stakeholders to policy formulation.

This analysis uses primary data and secondary data. Primary data used are modern product database and stock management description (procurement and stock) while secondary data used include modern retail growth, modern retail market share, market share per modern retail since 2009, and regulations related to modern retail. In addition, literature studies related to modern retail policy are also used as supporting data and information.

RESULT AND DISCUSSION

The retail industry in Indonesia has been growing rapidly since the issuance of Presidential Decree Number 96 of 2000 and Presidential Decree Number 118 of 2000 which granted permission to foreign retailers to open business in Jakarta. The entry of foreign retail is followed by a number of domestic and foreign businessmen to develop modern retail with hypermarket format, supermarkets and department stores, mini market, and various modern.

Table 1. Percentage of Modern Retail's Market Share di Indonesia

Brand	Company	2009	2010	2011	2012
Wholesale/Hypermarket					
Carrefour	Trans Retail Indonesia, PT	1,5	1,4	1,5	1,4
Hypermart	Matahari Putra Prima Tbk, PT	0,9	1,0	1,0	1,1
Giant	Hero Supemarket Tbk, PT	0,9	0,9	1,0	1,1
Lotte Mart	Lotte Shopping Indonesia, PT	-	0,0	0,0	0,1
Supermarket					
Superindo	Lion Superindo – Gelael, PT	0,3	0,3	0,4	0,4
Alfa Midi	Midi Utama Indonesia Tbk, PT	0,1	0,2	0,3	0,4
Foodmart	Matahari Putra Tbk, PT	0,1	0,1	0,1	0,1
Hero	Hero Supemarket Tbk, PT	0,1	0,1	0,1	0,1
Minimarket/Convenience Store					
Alfamart (minimarket)	Sumber Alfaria Trijaya, PT	1,6	2,0	2,3	2,5
Indomart (minimarket)	Indomarco Prismatama, PT	1,2	1,5	1,8	2,0
Circle K	Indonesia Utama, PT	0,1	0,1	0,1	0,1
Lainnya		93,4	95,2	91,5	90,8

Source: rangkuti dan wright (2013)

The stability of modern retail market is still dominated by large scale retail with wholesale / hypermarket concept with stable share of 1%. However, the minimarket type with convenience store concept has more opportunity to master the modern retail market in the future (Rangkuti and Wright, 2013). The increasing market share of modern stores can not be separated from the concept offered to attract the public interest (Dyck, Woolverton, and Rangkuti, 2012). Some of them are: (1) Food safety assurance. The existence of cooling technology in the modern store supply chain makes products (especially perishable food) protected from damage. In addition, an integrated modern supply chain can meet the traceability criteria; (2) Convenience (convenience). Large and modern business scale enables store to offer longer operational hour than traditional markets. In addition, the modern retail offers secure, customer-free parking for cars and motorcycles, and the option to use a credit card. Facilitately, modern retail are generally located in a closed and air-conditioned environment that offers convenience; (3) Information. All transaction activities in modern retail are labeled at a transparent price backed by a modern advertising network so as to provide information on the selling price and product type; (4) Variety. Modern retail can offer diverse products along with convenience where buyers do not have to deal with different sellers. Modern chain stores have a special power in maximizing the needs of buyers because of national and / or international networks that can provide information of an item with adequate and proper technology.

To foreign investor, modern retail has been an attractive sector since in the 2016 Global Retail Development Index (GRDI) published by global consultancy firm, A.T. Kearney, placed Indonesia in fifth position, below China, India, Malaysia, and Kazakhstan, with a score of 55.6 and sales of \$324 billion USD. This demonstrated a significant increase from Indonesia's ranking of 12th in the GRDI survey in 2015. In term of numbers, Indonesian Retailers Association (Aprindo) predicted that the number of modern retail outlets has soared from 11,927 in 2007 to 36,000 in 2015, with convenience store or mini-markets being the sector's fastest growing segment by increasing 400% in the last 10 years. While, this sector is still imperatively driven by people's purchasing power and household consumption. According to Aprindo, the country's retail sector in 2015 only grew by 8% — 9% compared to double digit figures recorded in previous years. The global and national economic slowdown has caused people's purchasing power and household consumption that accounts for 54% of the country's total GDP, to decline and impact retail revenue.

In recent period, modern retailers are not only expanding their business in big cities but also moving out to secondary cities, even hinterland and eastern part of Indonesia. This region is much less developed compared to the western part, which also implies the existence of several infrastructure challenges that cause high logistics costs. However, the relatively low competition in those areas offers higher profit margins and growth to retailers compared to big cities where

profit is greatly reduced by stiff competition, growing labour wages and high operating expenses.

Indonesia's modern retail sector holds huge potential for future growth, particularly in the hypermarket sector as well as department stores and speciality outlets that eventually will heat up the competition in the sector. This condition will be endorsed by a promising growth due to robust economic growth which will record the largest growth in sales among Asian countries in 2020.

Amid modern retail's vast and rapid growth, Indonesian Government (GoI) remains seeing the urgency to regulate this sector. The main reason is not only about prominent issue of modern and traditional retail competition, but also imperative concern on the involvement of Indonesia Small and Medium Enterprises (SMEs) within the modern retail's chain. It has been a common knowledge that due to high standard compliance, SMEs often bare difficulties to sell their product into retail's chain. Indeed, small scale producers, as part of SMEs, positively gain more revenue and income due to their involvement in modern retail system (Slamet, Nakayashu, and Ichikawa, 2017).

Regarding above issues, GoI is studying the possibility of issuing a presidential regulation that sets new rules regarding convenience stores and minimarkets in all Indonesian provinces. The aim of this regulation would be to protect the traditional retail shops and markets of Indonesia. Indonesia's middle and upper income level consumers are increasingly purchasing their food and beverage products at these modern retailers and therefore form the main competitor of the traditional, independent small grocers. The modern retailers are also popular because they are clean, air-conditioned, and have a high degree of food safety in terms of quality (Najib and Sosianika, 2017). The new presidential regulation would also cover the products that are sold in the minimarkets and convenience stores so that SMEs would have opportunities to sell their products in the chain.

However, there may have been a potential problem to arise. Indonesia SME usually do not own a product license from Indonesia's National Drug and Food Control Agency (BPOM) that allows these entrepreneurs to produce and distribute their food and beverage products on a large scale. Even if, the most probably owned-license is usually the household industry license (PIRT) that allows some small-scale activities. This will remain a challenge for SMEs unless modern retail and BPOM have not mutually recognized.

In regard to modern retail with franchise system, there is Ministry of Trade Regulation No. 7/2013 that already set limitations for the modern retailers. It regulated the expansion of franchise retailers, limiting the number of outlets owned by a single company to 250. If a company already owns 250 outlets and wants to add new one, it needs to use the franchise model by involving or joining a third party, preferably a party from Indonesia SMEs. This regulation was later amended by Ministry of Trade Regulation No. 58/2014 that states that those companies that had more than 250 stores prior to the regulation are allowed to continue operations if their number of outlets exceeds a total of 250 establishments across Indonesia.

On 12 December 2013 the Ministry of Trade issued Regulation No. 70/M-DAG/PER/12/2013 regarding Guidelines for the Structuring and Development of Traditional Markets, Shopping Centres and Modern Stores, which came into effect on 12 June 2014. It obliges modern retailers to ensure that at least 80% of its goods are domestically produced, as mentioned in the research background. Modern retailers under this regulation are defined as a single building, or group of buildings sold or rented by entrepreneurs or self-owned for trading activities. It also provides for modern retailers as stores with a self-service system that sells a variety of goods and retail in the form of minimarkets, supermarkets, department stores, hypermarkets or wholesale outlets .

On 12 June 2014, the Ministry of Trade issued Decree of the Director General of Domestic Trade No. 65/PDN/KEP/6/2014 regarding Implementation Guidelines on Local Content Requirement for Shopping Centres and Modern Store. Under this Decree, domestically produced goods' are defined as goods that are produced or made in Indonesia. However, this Decree excluded Shopping Centres and Modern Stores from the obligation to comply with the requirements in certain circumstances, namely: (1) the products cannot be produce in Indonesia, (2) the products are premium and not in competition with similar local product, and (3) the products are designated by certain contries for their citizen who stays in Indonesia. To comply with these criterias, the owner or management board of the store need to submit an application to the Minister of Trade, copied to the Director General of Domestic Trade containing the following data and information, namely: (1) development plan for Indonesian products, and (2) segmentation and expansion market plan.

Once the application is submitted, it will be subject to further discussion by the Communication Forum of Structuring and Development of Traditional Markets, Shopping Centres and Modern Stores, the so-called Communication Forum. So, the result of the discussion by the Communication Forum is then used as a basis for a recommendation to the Minister of Trade for consideration in deciding whether the exemption to the applicant is agreed or granted.

Based on observations and in-depth interviews with store manager of 15 modern retailer business actors, namely Carrefour, Giant, Superindo, Indomart, Hardy, Three M, and Kharisma brands, almost all modern retailers have implemented product inventory through stock keeping unit (SKU) so that it can categorize every product sold. Generally, SKU refers to a unique code of goods with or without a standard. Thus, the modern retailer has applied inventory management so that every item sold can be distinguished. In general there are two models of SKU inventory, namely: (1) Modern Model, ie model inventory SKU in modern retail for products derived from suppliers (supplier / manufacturer) with large quantities. Generally, products sold (import / local) have used barcodes with identification of the European Article Numbering which consists of 13 digits (EAN-13). Thus, the production location (or production country) can be known directly; (2) The Manual Model, which is the inventory model of SKUs in modern retailer for small-scale supplier / manufacturer (UMKM) products. In general, the products sold uses internal code instead of barcodes. Thus, the item code has not been able to identify the origin of the product (or production country).

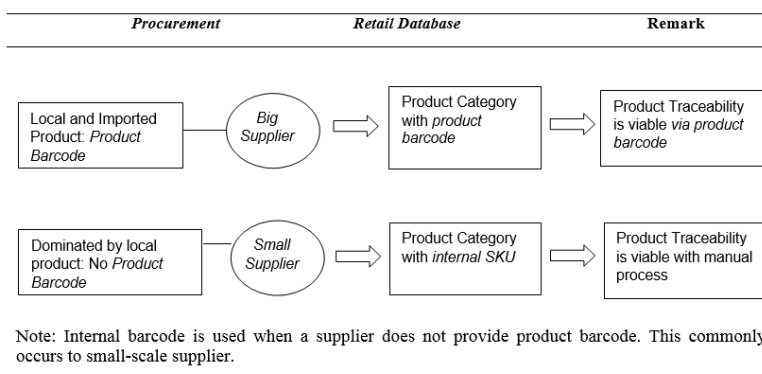


Figure 2 Stock Keeping Unit Database Model

Source: Primary data

The application of inventory management through stock keeping unit (SKU) has been applied by modern retail in Indonesia, either by using internal barcode or barcode from producer / supplier. However, in relation to the application of Regulation of the Minister of Trade No. 70 / M-DAG / PER / 12/2013, the application of standardized and globally integrated SKUs has been main consideration due to several issues based on the Focus Group Discussion (FGD). Barcode type that is widely used in Indonesia is EAN-13 which is a barcode with international standards. The type is a 13-digit

barcode, of which three codes are originally country codes (code for Indonesia is 899), the next four digits represent the company code and the next five digits are the product code and the last digit is a validation or check digit. This type is also commonly used in European, Australian and Asian markets; (2) The EAN-13 barcode type can identify the origin of the country and its manufacturing company. However, there are attributes to be considered where some manufacturers use country codes that are not representative of the manufacturing location due to the legality aspect of

business registration. For example, there are Indonesian products that are manufactured in Indonesia but use the three digit code 888 which actually referred to Singapore. Vice versa, some products use the 3-digit code 899, which is the country code of Indonesia, but the manufacturing location is located in other countries. However, the condition is relatively small happened that is less than 5%; (3) In global trade, the use of EAN-13 barcodes needs to be harmonized with markets that have been using other types of barcodes such as UPC in the United States and Canada. Thus, the internalization of the GS1 system which is an international logistics standardization institution with EAN-13 barcodes is a matter to be considered. It is easy to implement considering the GS1 system is also developed from EAN-13 barcodes; (4) The use of EAN-13 barcode type can be one way to calculate the proportion of domestic products in modern retailer with respect to three initial codes which are the origin of the country. In addition, the EAN-13 barcode has been harmonized by the international GS1 logistics standardization institute so that it is globally integrated, including in the US market that generally uses UPC systems; (5) In addition to having an EAN-13 barcode system, GS1 also has a Global Product Classification (GPC) system that classifies goods based on global standard classification, so it can be a reference in calculating the proportion of domestic products in modern retail. Thus, the GS1 system is the internationalization of barcodes in global trade; (6) The calculation of the proportion of domestic products with GS1 system can be done if all products sold in Indonesia have been 100% using the EAN-13 barcode. Currently the use of barcodes is only about 60% - 70% of goods traded in modern retail in Indonesia.

In calculating Percentage of Domestic Products in modern retailer, business actors need to pay attention to the following four steps. In the first step, retailers need to understand the definition of domestic products, goods sold, percentage levels of domestic products and goods groups. The definition of domestic products, goods and domestic percentage level in accordance with Permendag no 70 / M-DAG / PER / 12/2013, while the definition of goods group in accordance with

global product classification published by international standardization of logistics., The second step relates to determination of group of goods. Before calculating the overall level of PPDN, business actors need to calculate in advance the percentage of domestic products from each group of goods. The calculation is based on the ratio of the number of units of domestic goods sold in the goods group to the total amount of goods sold in the goods group. The group of goods in question is a group of goods in accordance with the global product classification (global product classification) issued by the international logistics standardization institution. The calculation of the percentage of domestic products is made based on data that can be accounted for. If there three are not met, then the value of PPDN in the modern retail is considered nil. The third step relates to calculation of the percentage rate of domestic products in modern retail. In this case, several points to consider include: (a) The calculation is based on the ratio of the number of units of domestic goods sold to the total amount of goods sold; (b) Determination of domestic goods based on product databases containing items of goods, international standard SKU codes and SKU codes outside international standards which have been added with information on country of origin of goods; (c) The calculation of the percentage of domestic products is made based on data that can be accounted for. If not, then the value of the PPDN in the relevant modern retailer is considered as nil; (d) The calculation of the percentage of domestic products in a modern retail is a composite of the calculation of each percentage rate of domestic products in the goods group.

Formula of PPDN Calculation

$$%PPDN = \frac{PDN}{(PDN + PLN)} \times 100\%$$

Wherein :

- Rate of PPDN = Percentage of Domestic Product
- PDN = Total Domestic Products sold in modern retailer
- PLN = Total Overseas Products sold in modern retailer.

Table 2. The Form of PPDN Calculation in Modern Retail with Product Group Base

Group of Product	Global Product Classification	Domestic Product	Imported Product	TOTAL	Percentage of Domestic Product (%)
1	Arts/Crafts/Needlework				
2	Audio/Visual/Photography				
3	Automotive				
4	Baby Care				
5	Beauty/Personal Care/Hygiene				
6	Building Products				
.				
.				
N				
	Total				

Source: Processed by Authors (2016)

The calculation result of PPDN Level of a modern retail is the average of PPDN rate of classification of goods in modern retailer. Example of calculation format of PPDN in modern retail is provided in Table 2:

In supervision, field staff need to pay attention to the following steps: (1) Definition. Field officers need to understand the definition of domestic products, goods sold, percentage rates of domestic products and goods groups. The definition of domestic products, goods and domestic percentage level in accordance with permendag No. 70 / M-DAG / PER / 12/2013 while the definition of goods group in accordance with global product classification (global product classification) issued by the international standardization of logistics ; (2) Verify the PPDN calculation report from the modern retailer. The documents that must be verified are the PPDN calculation reports from the modern retailer with the attachment of the product database. The product database has the item name element, the international standard SKU code and the SKU Code outside the international standard and the information of the goods origin; (3) Verify the calculation of the PPDN of each group of goods and the computation of the combined PPDN from the calculation of each percentage rate of the domestic product in the group of goods.

The policy of minimum local product requirement for modern retail sector has been a challenging issue for Indonesia as the member of WTO. The issue was circulated on Committee on Trade-Related Investment Measures in February 2016 publication which was noted as the agenda at the request of the European Union, Japan, and the United States (US).

According to the minutes of meeting that was held in February 2015, The European Union (EU) was concerned about the 80% local content requirement in terms of its implementation on the ground. The EU saw the regulation will be overlapping and uneasy, especially in regard to the exemption. Japan also repeated its concerns about the trend in Indonesia towards local content requirements which could be implemented inconsistently with WTO rules. While the US concerned that Indonesia's responses did not address the underlying questions and concerns about this package of regulations. Although Indonesia had pointed to certain narrow exceptions, but US saw the regulation seemed temporary since an endorsement needed to apply to modern retailer to gradually increase the sale of similar goods produced in Indonesia as well as submit the implementation report.

However, Indonesia was firm that the regulation would not breach the WTO rules. Indeed, this policy was to improve participation and competitiveness of small and medium enterprises in the modern retail sector. Further, its provisions applied to both foreign and local investors without discrimination. In fact, parts of the retail sector were exempted, such as standalone brand and/or specialty stores whose products were derived from a single unit of global supply chains, were premium products that had no production base in Indonesia or originated from

certain countries that exclusively met the needs of its citizens living in Indonesia. Lastly, the regulation would be notified in a transparent way to the WTO (WTO, 2016).

CONCLUSION

Business actors basically support the implementation of the Regulation of the Minister of Trade 70 / M-DAG / PER / 12/2013 on Guidelines for the Arrangement and Development of Traditional Markets, Shopping Centers and Modern Stores that require modern shops to trade domestic products at least 80%. However, it needs to be supported by several things, they are: (1) Technical mechanisms and standardized calculation guidelines are required that can be applied in each modern retailer. The calculation can be focused on GPC system and SKU EAN 13 issued by GSI Indonesia; (2) The use of the EAN SKU 13 should be supported by a policy that requires domestic product manufacturers to register the EU 13 SKUs in Indonesia as they are still found in manufactured goods in Indonesia but using GSI outside Indonesia; (3) Considering that many industrial products traded in modern stores do not use EAN 13 SKUs, coordination between the Ministry of Trade as coordinator and the relevant ministries is required to increase the use of EAN 13 SKUs in Indonesia in coding products; (4) In the implementation of 80% sales of domestic products in modern stores, it is necessary to understand the stakeholders in the regions in terms of: 1) Understanding the definition of domestic products, 2) Understanding the grouping of products sold in modern stores, 3) Understanding the coding of GS 1 EAN 13, 4). Knowing how to calculate the percentage of goods traded in a modern retailer; (5) The obligation of a modern retailer to submit a report in the form of number of outlets owned, sales turnover, and others in accordance with article 32 of Permendag. 70 / M-DAG / PER / 12/2013 to be completed with a report on the percentage of the number and types of goods of domestic products traded.

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