Nuancing the Revolution:
Learning about Factors that Slow Down the Diffusion of Supermarkets in Indonesia

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List of Acronyms

AAFC	Agriculture and Agrifood Canada
BPPOM	National Agency of Drugs and Foods Controls
BSN	Bureau of National Standards
CSR	Corporate Social Responsibility
DC	Distribution Centre
FFV	Fresh Fruit and Vegetable
GAP	Good Agricultural Practices
HAACP	Hazard Analysis and Critical Control Points
LSO	Organic Certification Institute
MoA	Ministry of Agriculture, Republic of Indonesia
MoT	Ministry of Trade, Republic of Indonesia
MUI	Indonesia Islamic Cleric Council
OKPP	Competence Authority for Food Safety
Rp	Rupiah – Indonesia Currency
SNI	Standard National Indonesia
UNPAD	University of Padjajaran
USDA	United States Department of Agriculture

Abstract

Supermarket revolution has transformed agrifood and retail in developing countries. Literature suggests that supermarkets have rapidly dominated the market, enhanced a solid coordinate value chain, and shifted the consumers shopping preference. However, there are some evidences showing that this revolution is happening in a very different manner in Indonesia. The research paper assesses, using qualitative methodology, the factors that are slowing down the supermarket revolution in Indonesia. It explores the factors from six perspectives: standards development, value chain modernization, role of intermediaries, consumers' behaviour, supermarket standard value and implementation, and supermarket business strategies.

Relevance to Development Studies

This research paper contributes to current theoretical debates on supermarket revolution by exploring the factors that is slowing down the diffusion in Indonesia. It also provides nuanced knowledge on how this phenomenon diffuse in different ways due the factors found. This research can be a reference for further study on supermarket revolution and agrifood transformation in Indonesia and developing countries.

Keywords

Supermarket revolution, supermarket, standards, value chain, intermediaries, and consumers' behaviour.

Chapter 1
Introduction

…Research endeavour is full of uncertainty
The key of a fine researcher is to be curious, reflective, and wise
in the end, one of the roles of academia is to build a bridge between theories and practices…

(Development Dialogue 11, ISS)

1.1 The Goalpost Shift

Shifting the goalpost. This metaphor reflects the transformation of this research paper. It was indeed a beneficial learning process both methodologically and theoretically. The research experience has taught me that being honest and modest are important values for a good researcher. What I have learnt from the shifting of the research goal is beyond the research result; it is about how a good research should be done.

The basic motivation of this research is due to my interest and curiosity about Thomas Reardon's concept of Supermarket Revolution (Reardon et al. 2003, Reardon 2006, Reardon 2007, Reardon et al. 2009, Reardon 2011, Reardon et al. 2012) as experienced in Indonesia. The research began with an initial proposal of the 'interaction of public and private standards on supermarket: a case study of fresh tomatoes in Indonesia '. The proposal aimed to examine the complexity of standards in Indonesia, and was developed based on the literature on standards dynamics of supermarkets (Bain et al. 2013, Berdegué et al. 2005, Henson and Humphrey 2010, Reardon 2006, Smith 2009). However, the preliminary findings show that there is limited public and private standards in Indonesia; therefore the proposal could not be continued.

Thereafter, the research moved into another focus point: with 'standards implementation on two supermarkets with different business strategies: a case study of fresh tomatoes in Indonesia' as the title. This title was presented as the research design and carried into fieldwork in Indonesia. In this research, I attempted to analyse the difference of standards implementation on quality- (Carrefour) and price- (SuperIndo Del Haize) sensitive supermarkets. The plan was well-organized; it had a relatively clear methodological framework and systematic approach in selecting the case study (see Chapter 3). However, the research faced four challenges in the middle of the fieldwork that forced it to shift the goalpost further. The challenges are the following: (1) Early hypothesis was challenged by unexpected findings in the field; (2) Issues on the case study selection (see Chapter 3); (3) discontent about standards existence (see Chapter 4); and (4) peculiar consumer shopping behaviour (see Chapter 5). As a consequence, the data collected from the fieldwork did not lead to a conclusive result.

In the end, in order to develop a research plan with the collected data, the goalpost had to be shifted again. The current research focus is on learning the factors that made the Supermarket Revolution run slower in Indonesia through analyzing several indicators based on the literature following the revolution. It also emphasizes methodological reflections throughout the research journey.

1.2 Research Problems

Scholars (Reardon et al. 2003, Reardon and Hopkins 2006, Reardon 2007) argued that a supermarket revolution is happening in considerable parts of the world, including emerging countries such as Indonesia (Reardon et al. 2003, Reardon et al. 2012). Following the revolution, the use of standards (Boselie et al. 2003, Reardon 2006) was introduced in the system and there was a complex interaction between public and private standards (Henson and Humphrey 2010, Smith 2009) that determined the standard mechanism. As a result of rigorous competition among supermarkets and with traditional markets (Lee et al. 2012: 1), supermarkets developed a coordinate value chain to ensure the quality, safety, and delivery of their products (Berdegué et al. 2005, Reardon 2006: 90-95). Reardon (2007: 10) argued that a supermarket revolution penetrates countries in three phases: beginning from processed food to semi-processed food and then to fresh food. The last was identified as the slowest and longest phase, particularly in emerging countries.

Recent discussions agree that the revolution is still happening in various ways in many parts of the developing countries. The arguments are that the supermarket is dominating the market share, consumers prefer to visit supermarket as their basic shopping destination, and private standards are emerging prominently. However, this research found that in the case of fresh tomatoes in Indonesia, the revolution runs at a slower pace. Which factors are influencing the slow pace of the revolution and why it happens is an interesting issue to be answered.

1.3 Research Objective and Questions

The objective of the research is to identify factors that slow down the revolution of supermarkets in Indonesia through examining indicators that should be transformed following the revolution. The indicators in further discussions stated as 'expected outputs' are based on literature and will be discussed in Chapter 2.

Therefore, the main question of this research is:

'Which factors and why do they slow down the supermarket revolution in Indonesia's fresh tomatoes?'

For further elaboration on the main question, there are three sub-questions:

1. How do standards and value chains develop around Indonesia's fresh tomatoes?
2. What are the roles of intermediaries on standard development and value chain coordination?
3. How does the supermarket revolution influence the consumers' behaviour?

4. How is the relationship between supermarkets' standards value and implementation, and its business strategies?

1.4 Research Methodology and Limitations

A qualitative research methodology was applied in the study. Data collected in seven weeks of fieldwork was mainly collected through purposive in-depth interviews. The questions for the interviews were developed from the early framework of the research with respondents including intermediaries, government, consumer association and agrifood and economist scholars. In addition, the early framework is still used by shifting the analytical perspective.

The data is analyzed by several tools (see details on Chapter 2), including value chain analysis to understand the nature of value chains and its governance, CSR approach to explain on how standards are valued by the supermarkets, standard functions framework to understand the standard characteristic, statistics and data analysis for understanding consumer shopping preference, case study analysis to identify supermarket business strategies, and agency approach to deepening the role of intermediaries.

The drawbacks of the research started in the data collection phase (see Chapter 3). Some hypotheses were challenges, including the fact there is no imports of and less government intervention in the fresh tomato market. Moreover, the selected supermarket has limited differences, which did not fit with the initial research plan. There are also technical challenges in the field, including the difficulties of arranging interviews with corporate officials, limited time, and the peak season of Ramadan in Indonesia.

Knowing that these challenges would lead to an unsatisfactory result, I decided to shift the goalpost in the middle of the fieldwork phase. There, I added several actors on the interview list, including intermediaries, and begin to examine the consumer behaviour. At this point, the unit of analysis of the research shifted from the supermarket *per se*, to the linkage between supermarkets, intermediaries, producers, and consumers. And further elaboration to the research questionnaire being developed (see Appendix C). From these linkages, the research retrieved the factors that slow down the supermarket revolution in Indonesia.

Lastly, I point out four methodological limitations in this research. First, the research did not manage to interview and observe traditional markets in order to obtain data on standards implementation and consumer behaviour. Second, the research was unable to run a preliminary survey to check the feasibility of the early research plan. Third, the systematic steps of case study selection were unable to lead to a methodologically-sound research. Fourth, in the end the research was unable to synthesize a solid hypothesis.

Chapter 2
Literature Review

2.1 Illustrating the Framework

The logical framework of this research begins from Thomas Reardon's (2007) concept of a 'Supermarket Revolution' that is experienced in many parts of emerging countries. There are several indicators following the revolution, which I distinguish into two points of view: macro and micro indicators. The former consist of issues of standards development (Reardon et al. 1999, Reardon and Farina 2001), value chain modernization (Boselie et al. 2003, Reardon et al. 2012), and 'new-generation' intermediaries (Balsevich et al. 2006, Reardon 2006); while the latter encompasses the issues of consumer behaviour (Reardon and Hopkins 2006, Reardon 2007), supermarket business strategies (Reardon et al. 2003, Reardon and Swinnen 2004) and standards implementation by supermarkets (Reardon 2011, Reardon et al. 2012). These indicators are positioned as the factors that transformed as a consequence of supermarket revolution and this research will review as to what extent these indicators are happening in Indonesia.

To analyze the factors, a set of analytical tool is applied to provide an expected result of the research. For macro indicators, standards functions approach (Henson and Humphrey 2010) will be applied for the standards development indicators, value chain analysis (Gereffi et al. 2001, Gereffi et al. 2005) for understanding the structure and nature of value chain modernization, and an agency approach (Vorley et al. 2012) will be used as the foundation to understand the role of the intermediaries. As for micro indicators, statistics and data analysis (O'Leary 2010) will be used to understand consumer behaviour, a CSR approach framework (van Tulder and der Zwart 2006, van Tulder et al. 2009) for identifying the value of standards implementation from the supermarket, and a case study analysis (Yin 2009) to grasp supermarket business strategies.

After this section, the chapter will review the supermarket revolution concept. Following that, six sections will discuss the mentioned indicators, which consist of a literature review, the expected findings of the research, and tools for analysis. The chapter will end with the analytical framework and conclusion.

2.2 The Supermarket Revolution

Since the early 90s, emerging countries experienced a major transition in their agro-food and retail system (Reardon and Hopkins 2006: 523). One of the visible indicators is the diffusion of supermarkets in urban areas which then expanded to sub-urban areas (Reardon 2006: 85-89) and in some cases they gradually replaced the role of traditional markets (Reardon et al. 2003: 1141-1142). The major strategies of the supermarket to attract consumers is by increasing their quality of products through a coordinated modern procurement system that utilize specialize suppliers as their intermediaries to obtain demanded products (Berdegué et al. 2005: 260-262). To ascertain high-quality products, supermarkets introduced private standards to the system (Henson and Reardon 2005: 244) such as quality, safety, and delivery attributes (Reardon 2011: 23).

The diffusion of supermarkets in emerging countries gradually developed over four waves (Reardon et al. 2012: 12332). Starting in Latin America, Central Europe, and South Africa by the early 1990s and the current or fourth wave is still progressing in eastern and southern Africa. Indonesia is classified in the second wave that began in the on late 1990s and early 2000s. Meanwhile, based on research studies (Reardon et al. 2012: 281-284) in India, China, and Bangladesh, it is suggested that governments might play an important role to smooth out the waves. Government intervention is expected to minimize the exclusion of small producers into the modernized system of supermarkets. This research focuses on the third wave (Reardon 2007: 10) of supermarket revolution – the fresh food transformation.

2.3 (Private) Standards Development

Standards became strategic tools for product differentiation and value chain coordination (Reardon 2006: 79), and the supermarket is the major actor of its promotion. Standards are part of the supermarket approach to communicate their product-quality both to consumers and the specialized supplier. Moreover, through implementing standards, supermarkets can reduce their transaction cost by limiting the number of participating suppliers (Reardon and Farina 2001: 415-416). Effective production chains allow supermarkets to gain higher profit rates. Meanwhile, Henson and Reardon (2005: 245) argued that private standards are developing to fill the absence of public standards. Generally, public standards only cover limited aspects such as safety and quality, while private standards demand higher quality levels and cover also social and environmental aspects. Furthermore, while public standards in developing countries exist, the government has a limited capacity to monitor, evaluate, and enforce these standards.

Jones and Hill (1994) in Reardon and Farina (2001: 414) defined standards and grades as ‘rules of measurement established by regulation or authority’ and grades as ‘a system of classification based on quantifiable attributes’. Reardon (2006: 82-83) provides further elaboration: standards can be outcomes or processes; standards may include quality, safety, authenticity and goodness; and standards can be issued by public or private institutes. Research found that the nature of standards shifted in the agrifood value chains (Reardon et al. 1999); from public towards private standards, from technical aspects to reducing transaction costs and differentiation, from communicating particular characteristics to reassuring consumers with safety and quality attributes, and shift from being outcome-oriented to process-oriented.

From the discussed literature, the first expected finding is:

EF_1 Private standards with complex attributes are developed by supermarkets since existing public standards only covers limited aspects.

To analyze the expected finding, I apply Henson and Humphrey (2010: 1630-1633) framework on standards function.[1] They argue that there are five functions that can examine standards mechanisms: standard-setting, adoption, implementation, conformity assessment, and enforcement. The existing standard will be compared along these aspects. Through this framework, this research expects to understand the degree of standards development in Indonesia.

2.4 Value Chain Modernization

Reardon (2007: 18) argues that supermarkets develop their autonomous coordinated chain to ensure the implementation of private standards. This chain is developed to distinguish them from traditional market channels that are established without any strict standards. This modernized chain has several patterns (Reardon et al. 2003: 1144-1145): (1) it gears towards a centralized procurement system, (2) it develops logistic improvements, (3) it grows specialized suppliers, (4) a formal contract is an incentive to specialized suppliers to stay with a particular supermarket chain, and (5) the implementation of private standards in product, process and administrative issues. The typology of the modernized value chain is a buyer-driven one (Gereffi 2001: 34), where the supermarket is the leading firm that manages the value chain. This typical value chain expanded mostly in the fresh food product, where one must deliver a standardized product in short time period from the farm to the supermarket shelf (Reardon et al. 2009: 1719). From the above literature, the second expected finding is:

EF_2 Given that a buyer-driven value chain is established, the supermarket has a leading role in coordinating the chain, and intermediaries are the standards' implementers.

A combination of value chain analysis is applied in the research to give deeper understanding of the character of the 'modernized chains'. The analysis examines the following four specific aspects. First is the nature of the vertical coordination relation from the supermarkets to intermediaries and suppliers (Humphrey and Memedovic 2006: 7). Second, to better understand the buyer-driven chain (Gereffi and Korzeniewicz 1994). Third, as for the upgrading that takes place in the value chain, Gereffi et al. (2001: 6) suggest that there are four types of value chain upgrading: product, process, intra-chain, and inter-chain upgrading. Fourth, the structure of value chain governance (Gereffi et al. 2005).

2.5 New-Generation Intermediaries

As mentioned by Reardon and Hopkins (2006: 530-531), the supermarket determines a special channel to compete with traditional markets. This modernized channel requires specialized suppliers to ensure that the producers supply specific standards as requested by supermarkets (Lee et al. 2012: 3). Hence, only limited suppliers can comply with the highly demanding standards

[1] Details on this framework can be read on Appendix D

of the supermarket. Besides fulfilling the product standard, specialized suppliers face a period of payment by the supermarket, therefore the need to own massive financial capital (Berdegué et al. 2005: 263). Balsevich et al. (2006) argue that the 'new-generation' intermediaries are part of the supermarket's strategy to reduce transaction costs, waste and communication errors, and to increase the power grip of supermarkets to enforce standards in their value chain. Indonesian supermarkets' coordinated chains developed gradually (Chowdury et al. 2005: 48-50, Natawidjaja 2005: 7-8). Early supermarkets still obtained their supply from traditional channels, but then shifted to specialized suppliers as their intermediaries. From the above literature, the third expected finding is:

EF_3 To ensure standards enforcement in the value chain, supermarkets will be dominant in coordinating its intermediaries.

Beside a value chain analysis (Gereffi et al. 2001) this research applies the concept of 'agency' to test this expected finding. Agency is defined as the capacity of producers to 'effectively deal with external stresses and opportunities, and to manage risk and vulnerability' (Vorley et al. 2012). Moreover, agency is strongly related to informality and institutions, as the agents contest their capacity to the formal institutions with an informal approach. In this research, the agency concept will be examined with respect to the intermediaries.

2.6 Consumer Behaviour Transformation

The direct competition of supermarkets and traditional markets is emerging in several important points: price wars, convenience wars, quality wars, and procurement system conflicts (Reardon and Hopkins 2006: 526-530). These show that the supermarket is challenging traditional markets in many ways, and the battle is won by supermarkets in developed countries. A study by Reardon et al. (2012: 12332) classifies consumers' shopping preferences based on the supermarkets' diffusion waves, with data collected in mid-2000. The supermarket share in the first wave countries (Latin America, Central Europe, and South Africa) increased significantly to 50%, while the second wave or Southeast Asian countries (including Indonesia) reached 30-50%. The third wave data is not available yet, since they just started the revolution in mid-2000. Based on research by Natawidjaja et al. (2006), the supermarket trend in Indonesia is rising 15% a year, while traditional markets are declining by 2%. This shows that in the early stage of the supermarket revolution, supermarket show a prospective movement.

However, the trend might develop differently in some parts of the world. According to research by Neven et al. (2006) in Kenya, supermarket share increased rapidly from only a niche market to more than 20% of the total market share. The market share increase is mostly for processed products, while the percentage is lower for fresh products, particularly for poor people without refrigerators and therefore buy fresh products on a daily basis. Furthermore, another study in New Delhi, India (Minten et al. 2010: 1785) suggests that supermarkets are struggling to negotiate between their highly demanding standards and low prices. Traditional markets offer two advantages to the consumers: cheaper price and social interactions. These advantages have made significant difference in the competition. In fact, the data shows that supermarkets face tough competition in the fresh food area, where they only cover 25% in Sao Paolo and 6% in Kenya (Humphrey 2007: 439). From the above literature, the fourth expected finding is:

EF_4 The rise of the supermarket revolution will attract more consumers to visit supermarkets as their preferred shopping destination; while traditional markets will be less favored

To verify this expected finding, a statistics and data analysis (O'Leary 2010: 230-254) will be applied. The data is obtained from international institutes including Ministry of Agriculture Republic of Indonesia, United States Department of Agriculture, Agriculture and Agrifood Canada, AC Nielsen, and McKinsey Global Institute. It will also analyze recent studies of Indonesia's consumer behaviour in supermarkets, particularly with respect to fresh food products. The data selected is published after 2010 or a time-series data from early 2000s to today.

2.7 Standard Value and Implementation by Supermarkets

Van Tulder (2009: 156) suggested that labeling is part of a company way of expressing their commitment to societies and consumers with sufficient knowledge about the content of a product. For supermarkets, standards are the tool to express these concerns. That is why there are standards that cover not only quality and safety but also social and environmental issues (Reardon 2007: 18). Standards are also part of business strategies (Weatherspoon and Reardon 2003: 8-11), and are developed to obtain more consumers through product differentiation from traditional markets. Are standards less strict when there is rigorous competition between supermarkets and traditional markets? A study by Minten et al. (2010: 1785) in India prove that supermarkets hardly compromise between standards and low prices due to competition. The degree of standards negotiation of supermarkets depend on how they look after the standards – whether as tool to gain profit or as an instrument to respond to social expectations. From the above literature, the fifth expected finding is:

EF_5 Standards implementation is based on supermarkets' business strategies and values. Standards are used as a tool to compete with traditional markets

Van Tulder and Der Zwart's (2006: 143-145) four approaches to CSR are applied as the tool to analyze the value and the mindset of the supermarkets in adapting and implementing standards. The framework is characterized by different attributes: inactive, reactive, active and proactive. The inactive approach represents the basic responsibilities that a firm can have, which is to generate profit. Reactive attributes are slightly different from the inactive; firms try to not make any mistakes, but a philanthropic value starts to rise in this stage since firms are starting to look outside the firms. The active approach reflects the 'most ethical entrepreneurial orientation' in which firms realize their social manner and responsibility. Finally, the proactive approach places more concern on societal issues, in term of standards setting.

2.8 Supermarket Business Strategies

Michael Porter (1980: 35-40) argued that there are three generic business strategies: overall cost leadership, differentiation and focus. Cost leadership and differentiation represent the broad market segmentation, while the focus strategy is for niche market segmentation. Cost leadership reflects the challenge of supermarkets to compete with traditional markets. However, it needs a massive investment on technologies to decrease the cost. The focus strategy is to target a niche market – for example, a supermarket that only sells organic products. Even though Porter suggested these strategies for manufacture value chains, they are also suited to fresh food value chains.

In another study, Porter (1990: 78) emphasizes that in identifying competitiveness for developing business strategies, a firm must consider influencing factors, such as internal factors, demand of the product, related/supported firms, and rivalry. As market behaviour evolves and business cycles, firms should be aware of these changes to identify new competitiveness and develop a new business strategy (Porter 1998: 36-37). Quoting Gereffi's (1999: 46) term 'manufacturers without factories', this can reflect the development of supermarkets as a firm with a particular 'value system' and 'complete and interlinked' business functions (Gereffi et al. 2001: 2). Based on this reason, I argue that Porter's theories are valid enough to be a baseline in understanding supermarkets' business strategies. From the above literature, the sixth expected finding is:

EF_6 As part of supermarkets' efforts to gain consumers, specific business strategies will be applied on every supermarket.

To test the expected finding, a case study analysis (Yin 2009) is used to compare how the business strategies of the selected supermarkets (Carrefour and SuperIndo Del Haize) are conducted. The comparison includes the business approach, consumer segmentation, fresh tomato variety and price, value chain effectiveness, and promotional tools. In addition, the analysis will also map the competition structure through Porter's (1990: 78) 'competitive diamond'.

2.8 Analytical Framework

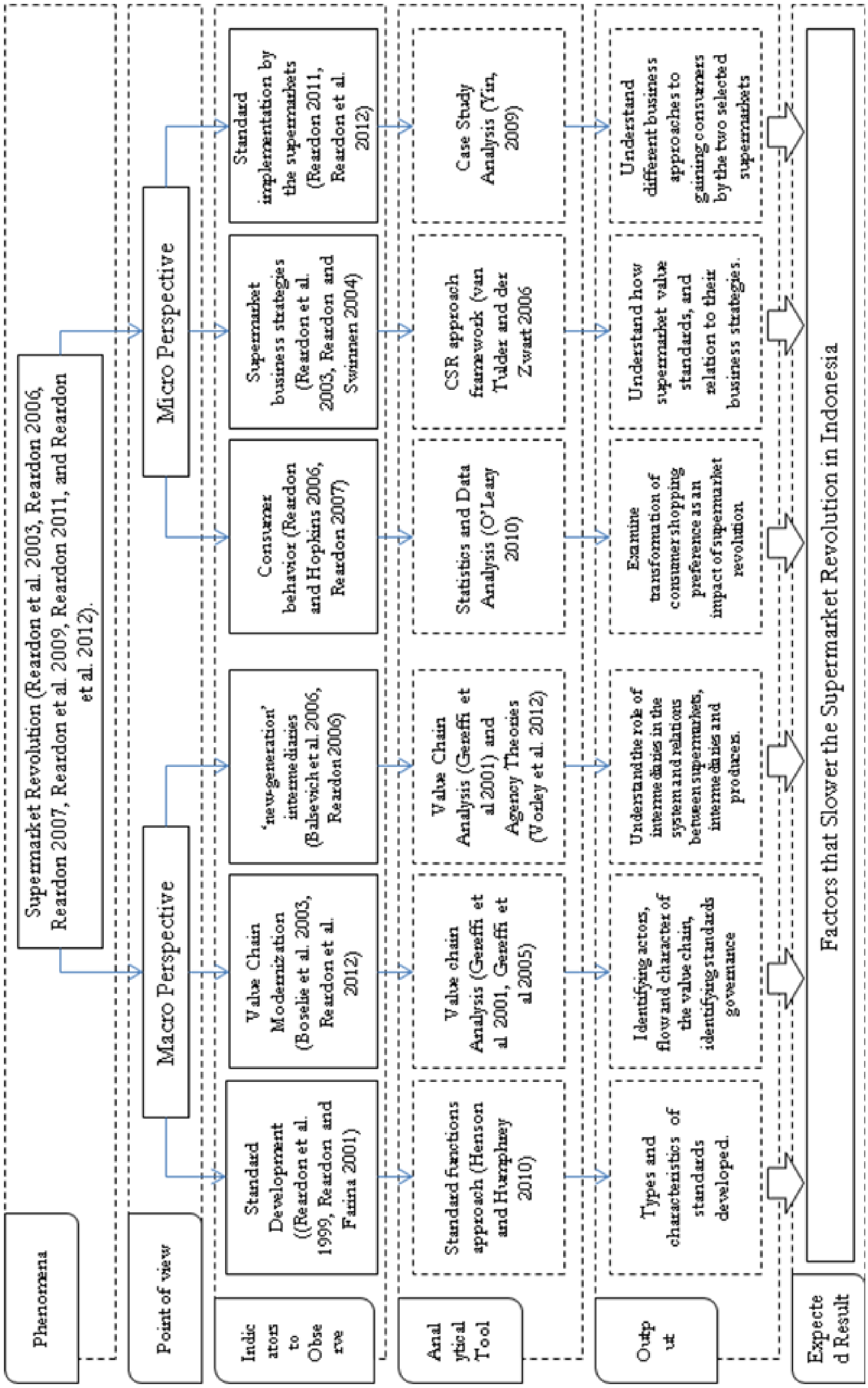

Figure 2.1 Analytical Framework

2.9 Conclusion

The underlying proposition of this research is that the supermarket revolution in Indonesia is getting slower. This premise leads to the research question of which factors are slowing down the supermarket revolution in Indonesia. To determine whether this proposition is true or not, and if yes, what are the factors and why, the research breaks down the discussion into macro and micro views. The former is related to general phenomena such as standard development and value chain modernizing, while the later refers to supermarket business strategies and consumer behaviour.

The expected findings are used as a testing instrument to discover the slowing factor and dynamics behind it. The assumptions based on expected findings are developed from the literature review and will be applied to the operationalization of this research. The expected findings cover the issues of standard development, value chain modernization and 'new-generation' intermediaries, consumer behaviour, supermarket business strategies, and standards implementation by the supermarkets. The expected findings are examined through a series of analytical tools: standards functions approach, value chain analysis, an agency approach through statistics and data analysis, a CSR approach framework, and a case study analysis. This series of analyses will help us understand the factors that influence the supermarket revolution in Indonesia, and how the revolution became slower.

The comparative analysis between the expected findings and research findings is presented in Chapter 4 and 5. Chapter 4 discusses the 1st and 2nd research sub-questions and 1st to 3rd expected findings, while Chapter 5 discusses the 3rd and 4th research sub-questions and 4th to 6th expected findings. The final chapter concludes the discussion by pointing out factors that influence the slow revolution of supermarkets in Indonesia's fresh tomato market, thus responding overall to the main research question.

Chapter 3
Research Methodology

3.1 Introduction: a *Shiftology* Research

This chapter will reflect the changes during the research process. With reference to Chapter 1, the research shifted from a 'standards interaction' to a 'standards implementation' comparison of supermarkets with different business strategies and then to 'identifying factors that slow down the supermarket revolution' with fresh tomato as a case study. The two selected supermarkets shifted from being compared to being generalized as the main picture of Indonesia's supermarkets. This is a qualitative research that mainly uses purposive in-depth interviews as a data collection tool. The questions developed for the interview are based on frameworks and tools from the literature, but additional questions may arise during the interview process. An interview is regarded as part of data collection that is distinct from later data analysis. Epistemologically, I stand as a 'miner researcher' (Kvale 2009: 48-49) who believes that knowledge is out there and what I have to do is to dig and dig deeper to collect it.

Furthermore, this research applies three additional data collection methods. First, a consumer survey which was unmethodically conducted due to informal access to the supermarket and limited time to construct a solid questionnaire. Second, a desk study which collects documents, statistics, regulations and standard codes. Third, observation of supermarkets to collect information on consumer behaviour and supermarkets' marketing strategy.

As an instrument for analysis, there are five tools being applied in the early research: value chain analysis (Gereffi et al. 2001, Sturgeon 2001), standard functions framework (Henson and Humphrey 2010), CSR approach (van Tulder and der Zwart 2006) and Michael Porter (1980) 'Generic Business Strategies'. However, since the research shifts, I add several analytical tools: 'agency' theories approach (Vorley et al. 2012), statistics and data analysis (O'Leary 2010: 230- 255) and case study analysis (Yin 2009). The early tools are still being used with a different lens in order to match with the shifting research goal. Furthermore, there are three major threats faced in developing the methodology. First, there are several theories that are only understandable after fieldwork; this is part of the learning process where someone obtains a deeper understanding after comparing literature and reality. Second, the fieldwork did not expect supermarkets to be strict when it comes to interviews. Hence, the interview with supermarkets officials was approached through informal channels. The fieldwork gets more difficult since it was the peak season of Ramadan, where supermarkets are busy serving consumers. Third, the choice of case study was not suitable, and this will be discussed further in the following section. Details on research operationalisation can be found in Appendices.

3.2 Case Study Selection and Its Limitation

In my pre-fieldwork analysis, I selected Carrefour and SuperIndo Del Haize supermarkets for a case study. It was designed as a comparative study of their different business strategies of price- and quality- sensitivity. Meanwhile, fresh tomato was selected as a fresh food case study, considering its amount in the market and import-export share. However, in the fieldwork phase, I found that this case study selection was not the most suitable. The challenge for the supermarket selection was my theoretical understanding and the clarity of macro data, which made the supermarkets more similar rather than distinct. As for fresh tomato, the selection process was less systematic. The selection might have been better if I had taken a quantitative approach.

3.2.1 Selecting the Supermarkets

The research started by reviewing statistics from international institutes to search for supermarkets that has a high rate of market share. Based on US Department of Agriculture (USDA) (2012: 13) data,[2] Carrefour had the highest market share at the hypermarket level with 54.3% and Hypermart in second place with 25.8% of the market share. While at the supermarket level, SuperIndo Del Haize and Giant owned 8.3% and 6.6% of the market share respectively. The research excluded data from mini-markets and convenience stores because they do not sell fresh tomato.

Table 3.1 Indonesia Market Share across Modern Retail Outlets, 2009

Hypermarket		**Supermarket**	
Brand	**Market Share (%)**	**Brand**	**Market Share (%)**
Carrefour	54.3	SuperIndo	8.3
Hypermart	25.8	Giant	6.6
Giant Hypermarket	19.4	Foodmart	2.7
Grand Lucky	0.5	Hero	1

Source: US Dept of Agriculture report (2012:13)

The second stage of the selection involved conducting deeper examination through comparing several variables such as typologies, consumer segmentation, marketing strategies, supplier origin and ownership. Several sources were used such as AC Nielsen (2010), food Canada market retail report (2011), USDA (2012) and the supermarkets themselves. However, this research is limited as it only uses statistical data. However, there are limitations in depending on statistics, as it excludes niche-market supermarkets with only a few outlets which nevertheless represent a quality-sensitive supermarket.

[2] The classification and definition of supermarkets type can be seen on Appendix B

Table 3.2 Selected Indonesia's Supermarket Profile

No	Supermarket	Outlet No[1]	Ownership[2]	Type[1]	Sales[3](USD Million)	Private Brands[5]	Suppliers[2]	Brand Share[4] (%)	Tagline[5]
1	Giant	59	Local/Dairy Farm Hongkong	Super-	n/a	√	Direct, Agent, Importer	0.8	More Choice, Cheaper Price
2	SuperIndo	65	Local / Del Haize Belgium	Super-	105,7	√	Agent, Importer	0.3	Fresher, Cheaper, Closer
3	Carrefour	42	Local/Carrefour France	Hyper-	664,5	√	Direct, Agent, Importer	1.6	For better life
4	Hypermart	43	Local	Hyper-	471,6	√	Agent, Importer	0.7	Low price and more..

Source: [1] Asia Shopper Trend 2010 (AC Nielsen 2010)
[2] Indonesia Retail Food Sector (USDA 2012)
[3] Modern Groceries Retailing in Major ASEAN Markets (Agriculture and Agri Food Canada 2011)
[4]Euromonitor (2008) in Indonesia Retail Food Sector (USDA 2012)
[5]Respective Supermarket Websites

At the final stage of selection, I kept in mind global brand supermarkets, representation of super- and hyper-markets, and comparing taglines that reflect price- and quality-sensitive supermarkets. As a result, I finally selected SuperIndo Del Haize and Carrefour. SuperIndo Del Haize is a supermarket type of modern retail, and is part of the global chain Del Haize group from Belgium, which promote lower-price products. Hence, SuperIndo Del Haize was chosen to represent price-sensitive supermarkets. While Carrefour was selected as a quality-sensitive supermarket, they are a hyper-market type of modern retail, part of Carrefour global brand, and promotes 'for better life'.

Table 3.3 Supermarkets Selection for Case Studies

No	Market Type[1]	Consumer Segmentation[2]	Strategy[2]	Sensitivity[2]	Private Standard[3]	Private Label Shares[4]
Super Indo	Super- / Urban and Peri Urban	Middle-Low (Fresher, Cheaper, Closer)	Low-cost	Price sensitive	Produk 365; CARE; BIO Organik	n/a
Carrefour	Hyper- / Urban	High-Middle (For Better Life)	Differentiation	Quality sensitive	100% Total Indonesia; Carrefour Discount; Produk Carrefour;	7,5 % (rise 5-10% per year)

Source: [1]Asia Shopper Trend 2010 (AC Nielsen 2010)
[2]Indonesia Retail Food Sector (USDA 2012)
[3] Supermarket's website (www.superindo.co.id and www.carrefour.co.id)
[4] Jakarta Post Newspaper, article entitled 'Carrefour Indonesia to strengthen private label' (12 January 2013)

However, as mentioned before, after conducting the fieldwork, this categorization was not suitable for the research. The two supermarkets are too similar in terms of market segmentation as they target a broad market and combine both product differentiation and price leadership business strategies.

The research found that the standards implementation between the two are relatively alike with differences in terms of value chain development and standard monitoring.

The selection of the supermarkets might be different if in the beginning the research distinguished supermarket by niche- and broad- market category based on work by Michael Porter (1980). These categories are suitable with the nature of the Indonesian consumer. Most Indonesian consumers are less concerned with standards, as only a limited group are willing to spend more money on high-quality (i.e. organic) fresh fruits and vegetables (FFV) in the market. These notions are also supported by the suggestion from the World Bank economist who argues that supermarkets develop their business strategy based on the consumer; therefore, it is more appropriate to categorize the supermarket based on consumer segmentation.

The challenge is that the niche-market supermarket profile was unavailable in such macro data statistics due to their small market share. If we look at the US Dept of Agriculture (2012: 13) data, the niche-market supermarkets include Grand Lucky and Hero. Both of these brands manage a limited number of outlets, are located in expatriate or high-end residential areas, and sell at relatively higher prices on every FFV. They only sell packaged fresh tomatoes, and set aside fresh loose tomatoes from their shelves. If there is a pilot-survey before conducting the real research; this will prevent unexpected findings and cross-check the suitability of the case study selection. However, these two supermarkets have provided sufficient information for understanding Indonesia's supermarket business strategy in general, which is broad market segmentation.

3.2.2 Selecting the Tomato

Fresh tomatoes in Indonesia are used for spices, juices, and garnishes. Tomatoes were chosen for this research as this product is the sixth most important vegetable nationally (Ministry of Agriculture/MoA) and the most produced in West Java province.[3] Table 3.4 compares the local production, import and export rate of six horticultural products in Indonesia. Tomatoes make up 887.556 tons in local production, 9.857 tons in import, and 2.316 in export. The comparison of import to local production is 1.11% higher than cabbages and slightly less than chillies.

In selecting fresh tomato as the case study, I did not crosscheck the statistical data from the MoA with the realities of the field. The selection was made on the premise that fresh tomatoes make up local and import products in the market. I considered that since fresh tomato has a more demanding cosmetic appearance, its standards would be more complicated than other fresh vegetables. Supermarkets are spurred to ensure the high quality of tomatoes in order to compete with traditional markets. In addition, I was also influenced by other research that uses tomato as a case study, such as the World Bank (2007) report on Indonesia's horticulture and other research by Balsevic et al. (2006) in Nicaragua. I expect the result of my research to complement or contest previous research.

[3] West Java Province is the largest province in the country and a neighbor province of Jakarta Capital City

Table 3.4 Fresh Tomatoes Market Rate, 2012

Product	Local Production Volume (Ton)	Import Volume (Ton)	Export Volume (Ton)	Comparison of Import to Local Product (%)	Comparison of Export to Local Product (%)
Red Onion	960.072	119.505	12.647	12,45	1,32
Tomato	887.556	9.857	2.316	1,11	0,26
Garlic	17.645	386.592	974	2190,94	5,52
Potato	1.068.800	100.217	5.569	9,38	0,52
Cabbage	1.487.532	2.184	48.507	0,15	3,26
Chili	953.557	22.737	7.575	2,38	0,79
Carrot	458.392	51.333	72	11,20	0,02

Source: Ministry of Agriculture of Republic of Indonesia, 2012

The challenges started when my fieldwork findings showed that the data presented above were not completely correct. My research found that there are no fresh tomatoes imported or exported in the market; instead they were carried as processed paste or powder. This meant that there was no competition between local and import producers. Whereas in the earlier research design, I planned to analyze the degree of competition. The research might have developed better if the selected fresh food had imported and local products in the market, such as potato, carrot, or red onion. Furthermore, there was limited government intervention in protecting horticulture products, even though I assumed in the beginning that the government had a particular policy to manage fresh tomato supply, standards, and trade mechanisms. The absence of the government's role in horticulture is due to the possibilities of substitution of horticulture products.

3.3 Methods of Data Collection and Its Challenges

One major challenge was to obtain formal access to supermarket officials. An electronic letter was sent to supermarkets before the fieldwork phase, but I received no response. A hardcopy letter was sent on the first and second week of the fieldwork, but until the last week of fieldwork they did not give a positive response. The reason given was the peak Ramadan season, unavailability of employers, officials' rotation, and even missing letters. The number of supermarket officials to be interviewed was below target, but the information given by the ones that I managed to interview is sufficient.

There are both positive and negative aspects of conducting informal interviews. A positive aspect is that the interviewee may provide private information, such as the standards code cards I received from one of the supermarket officials. A negative aspect is being unable to obtain official data on standards, consumer characteristics and market rates. I also did not manage to interview the targeted two persons from head office, two outlet managers, and two field officers per supermarket. Moreover, the consumer survey was also conducted informally, with time and convenience limitations. In the end, I did not use the consumer survey data since it is not representative.

I underestimated the challenges in obtaining data from supermarkets. In the beginning, I was confident since I have several channels of access to the government and prominent dedicated intermediaries. In the end, two of the intermediaries helped me to get a meeting with supermarket officials, but none of the government officials could link me to the supermarkets. There were also ethical issues such as whether the information collected from an informal channel is a violation researcher ethics? Details on the data collection list are found in Appendix A.

3.3.1 In-depth interviews

The main method for this research was in-depth interviews with semi-structured questions. I targeted a list of respondents that included supermarkets, government officials, consumer associations and experts. The most challenging respondents were the supermarket officials. As a result, I found alternative informal channels to interview with the supermarket officials, such as support from the intermediaries, random visits to the supermarket outlets without advance notice, recommendations from interviewed experts and connections from colleagues who work at the respective supermarkets. Even though the method of access was informal, the interview was conducted in a formal and intellectual way. I followed the in-depth interview procedure, including provide brief introduction on the research, asking questions without intervening their statements, and adding follow-up questions. Supermarkets in Indonesia are quite strict, especially when it comes to research on standards. I think they believe the research might be used for non-academic purposes.

3.3.2 Other Data Collection Method

Observation

Observations were conducted to complement and triangulate the received data, especially regarding consumer segmentation, price of fresh tomatoes, location of a particular supermarket's outlet, and the setting of the supermarket's shelves. The observation was conducted independently and randomly in several outlets of every brand. In total, six supermarkets were observed. The observation was conducted informally, as the supermarkets did not give permission. As a result, no pictures were taken and the information was handwritten.

Desk Study

The desk study method was conducted to understand related documents such as standards documents, statistics, regulations and laws. The documents were obtained from several resources including supermarkets, government officials, websites of international institutions and from other scholars in this field of research. The documents were collected, sorted and classified based on the usage. They were analyzed and matched with the respective framework to support me in responding to the research questions. The desk study analysis was very beneficial in building the section on consumer behaviour. Since my consumer survey was not suitable, statistical data from the international institutes and scholars was used as the main resource.

3.4 Scope of Research

The goalpost shifts, but the data collected cannot be shifted. However, the research may shift the focus and scope of research, and the method of data analysis. The previous research plan was to look at the standards implementation between supermarkets with different business strategies. At that stage, the unit of analysis is the supermarket. After the goalpost shifted; the unit analysis changes to the factors that slow down the supermarket revolution, focused on standard development, value chain modernization, and supermarket business strategies.

3.5 Summary of Method

The following table illustrates the summary of methods applied in this research. Details on this matter have been discussed in Chapter 2. The table aims to structure the relation between the aspect of analysis, analytical method, and data source.

Table 3.5 Summary of Method

No	Aspect of Analysis	Analytical Method	Data Source
1	Standard Development	Standard functions approach	Interview with supermarkets, government, suppliers, and experts. Desk study to standards codes and government Law
2	Value Chain Structure	Value Chain Analysis	Interview with supermarkets, government, suppliers, and experts.
3	'new-generation' intermediaries	Value Chain Analysis and Agency Theories	Interview with suppliers
4	Consumer behaviour	Statistics and Data Analysis	Data from AC Nielsen, USDA, AAFC, and literature. Interview with consumer association.
5	Supermarket business strategies	CSR approach framework	Interview with supermarkets
6	Standard implementation by the supermarkets	Case Study Analysis	Interview with supermarkets and suppliers

3.6 Conclusion

The research was conducted with qualitative methods – mainly in-depth interviews. To complement the research, additional data collection methods were used such as observations, consumer survey and desk study. In total, there were 17 people interviewed, 6 supermarkets outlet observed, and 7 documents reviewed. The research selected SuperIndo Del Haize and Carrefour as the supermarkets and fresh tomato as the fresh food.

There are two main challenges. The first is that the supermarkets selected are not fully distinct, as is the requirement for a two-case study research. As a result, the selected supermarkets have similar business strategies and standards mechanism. The challenges also applied to the selection of fresh tomato, since it is not a fresh food product with a local-global market flow. However, fresh tomato has a set of standards details that are still suitable for this research. These challenges could have been prevented if the following were applied at the research design and pre-fieldwork stages. First, rather than starting from statistics, the case study selection could be started by developing a set of criteria. The criteria can be based on priority aspects, and then a semi-quantitative approach may be applied. Secondly, the selected case study should be cross-checked to the reality in the field with an initial survey before fieldwork. Third, a list of substitute supermarket could have been prepared.

The second challenge were fieldwork dynamics. The selected supermarkets did not allow me much opportunities to look deeper into their organization. They were aware of a business strategy drain from their competitors and there was no clear research procedure in the company. In addition, the peak season of Ramadan limited the supermarkets' time for non-business activities. I found that this kind of challenge could have hardly been prevented in such a short period of research. Since the date for this research mainly depended on information from selected interviewees, a longer research period might have resulted in better results. However, the fieldwork challenges might also have been influenced by high expectations without considering field dynamics.

In summary, with respects to methodology, this research suggests the following. (1) Fresh tomato is suitable for understanding the standards development in Indonesia local market, but it is not suitable for understanding the local-global dynamics of standard and fresh food market competition in Indonesia. (2) The selected supermarkets may represent the general character of Indonesia's supermarket profile, but it failed to provide deeper knowledge on the varieties of supermarket business strategies, standard development, and value chain coordination. (3) In understanding the relation of producers-intermediaries-supermarkets-consumers, this type of research should also look at the traditional market since they dominate the current system in the country, and their existence influences the whole market structure. And (4) a combination of qualitative and quantitative approach should be applied in this research; quantitative methods can include the case study selection and a consumer shopping preference survey.

Chapter 4
Standards Development, Value Chains and the 'Agency' Role of Intermediaries

4.1 Introduction

Reardon (2006: 80-81, 2007: 12-14, 2011: 18) argues that the supermarket revolution has impacted the rise of private standards, the modernization of value chains and the growth of specialized suppliers. He states that the supermarket is the driver of all of these transformations, and other actors – to some extent – follow the dynamics of the supermarket. Private standards develop to complement incomplete public standards, and there is still development of supermarket share in fresh products (Henson and Reardon 2005). Moreover, the supermarket revolution also brought forth the new roles of intermediaries (actors who connect producers with supermarkets) in the system (Balsevich et al. 2006). The new role is due to the supermarkets shifting of their procurement strategy from an arms-length relation with traditional wholesalers to a coordination by cooperation with a limited number of specialized suppliers (Berdegué et al. 2005).

This chapter analyzes the macro indicators of the supermarket revolution in Indonesia's fresh tomato market. The chapter begins by presenting the standards function (Henson and Humphrey 2010) map, followed by the value chain analysis (Gereffi et al. 2001) and how the actors relate to each other (Gereffi et al. 2005), and then an illustration of the 'agency' role of intermediaries in value chain and standards development.

4.2 Standards Development and Functions

As the 'supermarket revolution' diffused, private food standards were rapidly developed as part of the supermarket's competitive strategy (Reardon and Farina 2001: 413). The earlier stage of this development focused on cosmetic quality, followed by safety issues (Berdegué et al. 2005: 254). As part of the value chain modernization, private standards were also used to reduce transaction cost (Henson and Reardon 2005: 244-245). However, it may also be a business strategy by the supermarkets in facing fierce competition with traditional markets (Reardon et al. 1999: 421). Afterwards, private standards were expected to cover aspects that were not covered by public standards (Henson and Humphrey 2010: 1633). Private standards may be issued by private firms (supermarket private label) or third-party certification (Hatanaka et al. 2005). Later, Smith (2009: 6) argued that there are indications towards the separation of private and public standards due to different objectives.

In Indonesia, standards for fresh food are still developing, particularly for the producers. To simplify these standards, intermediaries often use the term 'specification and grading' to communicate with the producers[4]. Even for su-

[4] Interview with Specialize suppliers, 2013

permarkets and consumers, standards are defined limitedly as 'cosmetic and flavor characteristic'. Health, safety and social standards are still beyond their concern (Napitupulu et al. 2009: 21-22). Public standards issued by the Bureau of National Standards (BSN) which has existed for years, and cover quality and safety attributes is referred to as Standard National Indonesia (SNI). For fresh food and vegetables, the standard was developed based on the Hazard Analysis and Critical Control Points (HACCP) system, under SNI No.4852-1998 (FFV) and SNI No. 01-3162-1992 (fresh tomato).

To complement the National Standards, the Ministry of Agriculture (MoA) also issues PRIMA, a specific label for horticulture products. The PRIMA label consists of three levels and it is adapted from the Good Agricultural Practices (GAP) attributes. However, these public standards are voluntary, the government has not made it obligatory because they are still not assured with the producers' capacity.[5] Much effort is still needed to normalize the public standards, and therefore a series of upgrading may be conducted (World Bank 2007: xii). Currently, there are no producers that have been awarded with PRIMA label level 1.[6] There are three challenges that determine the slow reaction to public standards by the producers[7]: producers only manage small areas of farmland, standards labels do not significantly impact their growth of sales, and labels do not aid producers to directly gain access to the supermarket.

While public standards are still voluntary, private standards in Indonesia are trying to find their position in the market. This research finds that there is no clear interaction between private and public standards. The standards issued by supermarket are more concerned with the quality of the product; its cosmetic appearance, size, color, ripeness, shape, uniformity, weight and packaging issues.[8] Supermarkets also issue several administrative requirements to specialized suppliers, including the financial ability to adapt with a period payment scheme and business-administrative completeness. However, due to the producers' limited understanding of the standards, supermarkets and intermediaries simplify these specifications into four aspects: size, weight, color, and ripeness.[9] In fact, the supermarkets entitled call their standards detail 'physical specification.'[10]

Private standard issued by supermarkets are only adopted by their own coordinating chain. With regards to standards adoption, this research comes across an interesting finding. In interviews with specialized suppliers, they admit that the procedure of standardization is very much negotiable; it may be adjusted during famine or downpour season. The implementation and enforcement of standards also vary depending on the supermarkets. However, Carrefour is stricter with this matter as their procurement team actively checks the field to obtain updates from specialized suppliers and producers. The research also found that supermarkets had three stages of sanction to their specialized suppliers: oral warning, written note and finally, partnership discontinuation. Conformity assessment is conducted by an independent body

[5] Interview with Directorate Horticulture-MoA, 2013
[6] Interview with Sub-Directorate for Quality Assurance Implementation-MoA, 2013
[7] Interview with Directorate Horticulture-MoA, 2013
[8] Interview with Supermarket procurement official/buyer, 2013
[9] Interview with Specialize supplier, 2013
[10] Interview With SuperIndo Outlet Manager and Carrefour procurement official, 2013

(Carrefour) or their procurement official (SuperIndo Del Haize) comes once or twice a year for an impromptu visit. While government officials (National Agency of Drugs and Foods Controls/BPPOM) rarely make direct checks on suppliers or producers, they do regular check on supermarket outlets, though it seems to be a formality.

> 'There are no fixed standards in this country, only relative standards. Standards may be adjusted by negotiations between suppliers and supermarkets. Standards can change monthly and even distribute differently depending on the outlets' (Interview with UNPAD Agriculture Economist, 2013)

Collective private standards are not well-developed in Indonesia. There are organic standards issued by a third-party institute and government, and 'halal' label issued by the Muslim clerical body (MUI), but both of them are not ratified by supermarkets. Organic standards are met with a skeptical response as there are no 100 percent organic farms in Indonesia, considering that most of Indonesia's farmland has been contaminated by chemical substances. The current trend in the country is self-proclaimed organic labels. The practice is usually conducted by a large farm enterprise that specializes in organic products. Since there are still limited number of this type of specialized suppliers, supermarkets and consumers are not concerned with whether the label is true or not.

This research finds that private standards develop independently from public ones. As public standards are voluntary, supermarkets have to develop a particular standard-setting for their chain. The supermarkets do not refer to the public standards when developing their private standards. The following table on Indonesia's standards function map concludes this section.

Table 4.1 Standards Functions in Indonesia's Fresh Tomato

Standard Label	SNI / PRIMA / Organik Indonesia	Supermarket Private Standard	Organic-Third Party
Function	Public voluntary standards	Legally-mandated private Standards	Voluntary private standards
Standard-setting	BSN and MoA	Supermarket (i.e. Carrefour and SuperIndo Del Haize)	Organic Certification Institution (LSO), Sucofindo Standard Board, and Self-proclaim
Adoption	Supermarket did not adopt it as their standards. Small number of producers adopt the standards.	Issuing supermarket and specialized suppliers and producers under the issuing supermarket value chain.	Large farm enterprises or specialized organic suppliers
Implementation	The government has a technical guideline to implement the standards	Supermarket has a procedure to assure their chains follow the standards given	Technical guidelines and assistance from third-party body
Conformity assessment	– SNI : Bureau for National Standard – PRIMA and	– Procurement Officials (SuperIndo)	Third-party auditor

Standard Label	SNI / PRIMA / Organik Indonesia	Supermarket Private Standard	Organic-Third Party
	Organik Indonesia: Competence Authority for Food Safety (OKPP) in National and Provincial Level. – Independent inspectorate from BPPOM	– Third-party body (Carrefour) – Independent inspectorate from BPPOM	
Enforcement	Administrative sanctions	Oral warning, written note, and partnership discontinuation	Standard adoption revocation from third-party body

Source: Analysis (2013)

4.3 Value Chain and Governance Analysis

This section analyzes the nature of the tomato value chain in Indonesia through a set of analytical tools: value chain analysis (Gereffi et al. 2001) and value chain governance analysis (Gereffi et al. 2005). In general, there are two different channels of value chains: supermarket channels and traditional market channels (Napitupulu et al. 2009: 27). The former develops with standards, while the latter is the contrary. This research only focuses on supermarket channels that involve several actors within the system, including producers, local collector, traditional wholesalers/large traders, specialized suppliers and the supermarket itself (Natawidjaja et al. 2006, Natawidjaja et al. 2007).

4.3.1 The Production Actors

In the tomato value chain, a buyer-driven chain was developed (Gereffi 2001) with supermarkets as the lead firms. Specialized suppliers play an important role in connecting supermarkets with producers. As part of the business strategy to assure the continuity of the supply, specialized suppliers engage with more than one producer and supplier. Each supplier has their own characteristic and nature of business, thus specialized suppliers adjust to these differences.

> 'If I may suggest, we prefer to partner with the producer-trader, because they can manage to understand the expected standard and may be ready for additional product demand. While local collectors and traditional wholesalers are the second and third options. However, in fact, we do have cooperation with all of them' (Interview with Bimandiri, 2013)

Standards were set by the supermarket and the specialized supplier has to comply with this written standard. However, this research finds that standards are negotiable and may change during famine and downpour seasons. During peak seasons like Ramadan and New Year's Eve, supermarkets even lower their standards just to fulfill the increasing demand of fresh foods. This 'relative standard' reflects the weak foundation of supermarkets in implementing their own standards. Supermarkets still struggle to compete with traditional market in terms of volume, so standards seem to be compromised with price.

A period payment scheme is developed in the value chain, where supermarkets transfer the payment up to two weeks after delivery. However, a direct payment scheme between specialized suppliers and producers and sub-suppliers still exist. Even in famine season, specialized suppliers do an advance payment to the producers as part of their strategy to maintain their stocks. Therefore, strong financial capital need to be owned by specialized suppliers in order to sustain their business.

This research also found that there are two schemes of procurement from specialized suppliers to producers and suppliers. The first is the 'all-in' (*abres)* scheme where specialized suppliers buy whole, unsorted and ungraded product at the average-level price. The second is the 'sorted' scheme, where producers and suppliers have already sorted the product based on requested specifications and the specialized supplier buys it at a higher price.

4.3.2 Non-production Actors

There are limited non-production actors in the tomato chain who can influence the system. This research found that the market functions independently from the government or non-governmental bodies. If there is any non-production actor who can indirectly influence the chain, it is the consumer itself. Consumers may influence the standards expectation and demand volume, and the shift in these two variables will influence the whole value chain system. The absence of non-production actors in the system is interesting for further research. Based on my interview with UNPAD Agriculture Economist, he argues that consumer associations in Indonesia is not active compared to other countries such as those in Latin America. Consumer associations can actually be important players in determining standards in supermarkets. This is due to the lower level awareness of standards from consumers, and they still value products based on the price.

Table 4.2 Importance and Influence Relation of Non-Production Actors

Actors	Importance	Influence
Government	Protect food safety for the consumers. Ensure demand and stock availability.	Issue voluntary national standards. May inspect supermarkets and specialized suppliers if there is any failure to fulfill food safety.
Consumer association	Promote food safety for general consumers. Promote healthy life through organic product.	Less intervention may be made by consumer association to the value chain. They may influence consumers' opinions.
Consumers	Demand good products with lower prices.	Their shopping behaviour influences supermarkets' business strategies and leads to value chain coordination.
Modern retail association	Maintain fair business competition among modern retailers.	No direct influence to value chain.

Source: Analysis (2013)

Governments play a limited role in influencing the value chain. This research finds that the government does not place much attention to horticulture farming. Therefore, producers and specialized suppliers have to compete with the relatively open-competition market. There is no upgrading conducted by the government in terms of enhancing the value chain and promoting the inclusion of producers. Specialized suppliers also admit that the government does not significantly support their business. Furthermore, this research finds that Law No.13 Year 2010 on Horticulture has made a valuable transformation in the value chain of Indonesian tomatoes. As a consequence of this pro-local producer's regulation, there is no imported fresh tomatoes in Indonesia's market. This makes the competition exclusively for local producers.

4.3.3 The Value Chain Analysis

The value chain stream begins from supermarkets as the lead firms, who set the standards, basic price and request supply volume. The supermarkets renew this information every week before negotiating with specialized suppliers. Specialized suppliers who obtain the latest update from producers have sufficient knowledge on the dynamics of the quality of harvested products and their price. Following the negotiation, a purchase order agreement is signed and the chain starts to flow.

Afterwards, the specialized supplier receives their product from several channels. The price negotiated might also differ in every channel, but they do have to maintain the standards. To put it simply, after the sorting and packaging process, the standardized products are distributed to supermarkets, either to the distribution centre or directly to the outlets. Meanwhile, under-standardized products go to traditional market. The research also noticed that there are no strict geographical boundaries in the system. Specialized suppliers may engage with any producers in any area as long they can negotiate the price. The following figure explains the flow of the tomato's value chain in Indonesia.

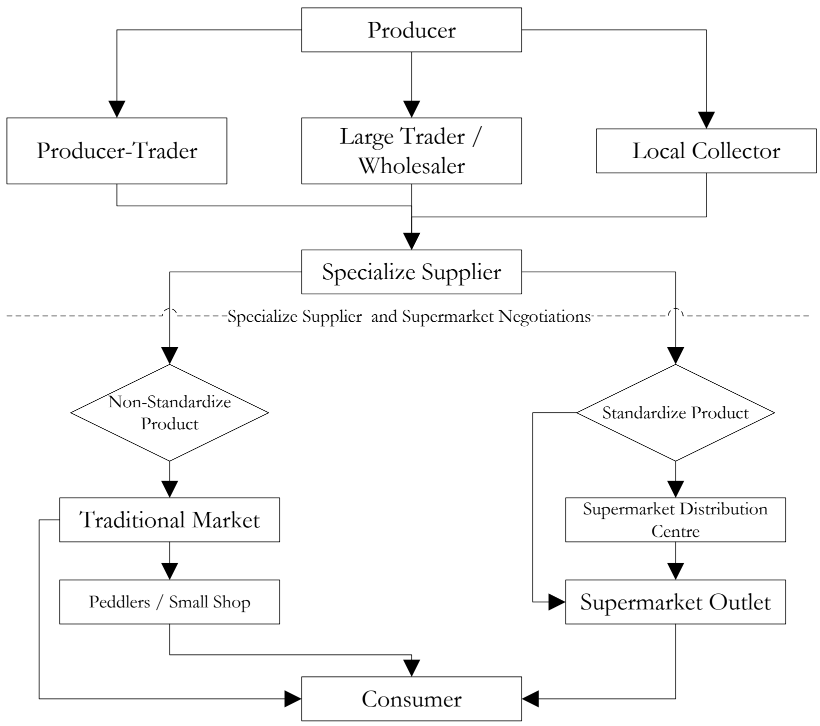

Figure 4.1 Tomato Value Chain in Indonesia

Source: Analysis (2013)

There are three added values happening in the value chain: price, standards, and packaging. Price for loose tomatoes from the producers varies between Rp.800 to Rp.1.800 per kg from producers. The price significantly increases from the sub-suppliers, where they can sell up to Rp. 6.000 to Rp. 7.000 per kg more than the specialized suppliers. The specialized suppliers sell it again to the supermarket at Rp. 8.000 to Rp.10.000. In the end, supermarkets sell loose tomatoes for around Rp. 8.000 to Rp. 13.000 to the consumers.

As for the added value of standards, it is difficult to determine whether there is actually product or process upgrading (Gereffi et al. 2001: 6) in the chain. This research finds that there is only a sorting process in the chain without any significant upgrading process to suppliers. In addition, the packaging process is conducted in the specialized suppliers' point, where they do sorting, cleaning and packaging.

4.3.4 Value Chain Governance

There are three variables to understand the governance of a value chain: complexity of knowledge transfer, degree of codified information, and the capabilities of the chain-actors to fulfill the requirements (Gereffi et al. 2005: 85). This research finds that there are barriers to entry from producers to supermarkets in terms of standards detail. Since supermarkets selectively choose their suppliers, these producers depend on specialized suppliers in order to be included in the value chain. Codification breakdown was also imposed to specialized suppliers who actively carry out a series of upgrading schemes (Gereffi et al. 2001: 6) to the producers and sub-suppliers. The capabilities requirement to be a specialized supplier is challenging; it is not only a business action but also an agency exercise.[11]

Even though this is a modern coordinated chain, this research finds that the supermarket have limited interaction with actors below the level of specialized suppliers. The chain is not captive, but more relational, as there is mutual dependence between supermarkets and specialized suppliers. The role of specialized suppliers is crucial as they reduce the transaction complexity, translate the standards code to the producers, and have the capabilities to take on risks. Therefore, referring to Gereffi et al. (2005: 84-85), the governance of fresh tomato value chain in Indonesia is a 'relational value chain'.

4.4 The 'Agency' Role of Intermediaries

This section was developed mainly from interviews with four specialized suppliers: Bimandari (Carrefour), Ilham Fresh (SuperIndo), Sedartani (SuperIndo), and Mitratani (Carrefour and SuperIndo). These specialized suppliers are experienced players in the supermarket agrifood value chain. All of them began their business in the early stage of the 'supermarket revolution'. There are different economies of scale from these specialized suppliers, but there are many similarities among them. One word that may represent their

[11] Further elaboration on 'the agency' of intermediaries will be discussed on the following section in this Chapter

struggle in this rigorous market is 'agency'. From here on, I will refer to specialized suppliers as intermediaries.

> 'Agency is one of a set of concepts around people-centered development — development that allows people to take actions to help them meet their needs, manage risks and make progress towards achieving their aspirations' (Lynn Bennett 2002 in (Vorley et al. 2012: 4)

> 'Freedom to choose becomes freedom of opportunity when people have the capacity to act on choices. This depends on their assets and capabilities, as described' (Amartya Sen 1985 in (Vorley et al. 2012: 4)

I begin by briefly illustrating the context of the relation of supermarkets-intermediaries-producers. As discussed in the previous section, in order to comply with the supermarkets' private standards, intermediaries have to work autonomously to understand, adopt, implement and translate it to the producers. There is no value upgrading scheme either from supermarkets, government offices, or non-government organizations. Moreover, supermarkets are inter-dependent with intermediaries since their procurement staff avoid transaction with traditional wholesalers and have limited access to producers. Simply put, supermarkets only coordinate with intermediaries and they entrust the rest of the business to them.

> 'What the supermarkets know is that they will receive an amount of product with requested standards in a particular time. Sometimes they order it from us suddenly, and then we have to work hard to obtain it, either from producers, local collectors, or traditional wholesalers' (Interview with Sedartani, 2013)

Hence, I perceive that intermediaries are the actors who actually promote standards. They actively provide updates to supermarkets about the farmland, and negotiate the standards detail on every season's changes. They even persuade supermarkets to compromise between standards and price. As an actor with direct contact with the producer, they have to provide good prices in order to maintain their demand. Interestingly, they are also the one who are willing to take on the risk for this business, either from the possibilities of under-standardized products or the delay of period payments. To some extent, I suggest intermediaries are the (informal) standard setters, implementers, and evaluators.

> 'The toughest challenge in being a specialized supplier is not looking for demand (buyer/supermarket) but to maintain supply by developing good relations with producers' (Interview with Mitratani, 2013)

The relation between supermarkets and intermediaries is very different from the relation between intermediaries and producers. The former is bounded by a formal contract agreement, while the latter are attached through only informal trust. Intermediaries have to invest much time in approaching producers in the beginning and they have to convince them that producing better products will improve their quality of life. After the producers are convinced, intermediaries also have to carry out upgrading, assistantship, and monitoring . Sometimes they have to post their staff to live-in with the producer for a single harvest period. What tightens the relation between them is social and cultural values as their relation goes beyond business. Producers sometimes lament about their life,or proposed a debt or loan to the intermediaries. To ensure the streaming of the value chain, intermediaries have to serve them.

'The actual task of specialized supplier office is to select, sort, and package standardized products to be sent to the supermarkets. In bad seasons, we cannot reject the under-standard products from them. Therefore, we have to sell it to the traditional markets, at least we are not making a loss' (Interview with Ilham Fresh, 2013)

Intermediaries are the ones who really can understand the producers, they know how to treat and include producers in the value chain. An interesting example is on how they try to translate standards to a simpler form. The language that intermediaries use is not standard, but specific and only covers several attributes. Intermediaries are teachers for the producers; beside teaching standards, they also teach financial management and trade.

'Having a long-term relation with producers is one of the key success in this business. Sometimes, I feel that guiding the producers is harder than negotiating with supermarkets. We had, once, one of our producers was motivated by our company, and they struggled hard to upgrade themselves. After about five to six years, with our guidance, they are now a specialized supplier' (Interview with Bimandiri, 2013)

Intermediaries in Indonesia are not merely middle-men or 'new-generation wholesalers' (Balsevich et al. 2006). They are agents who exercise their agency to ensure value chain continuity (Reardon 2011: 15) and diminish the tension inside the chain (Reardon and Hopkins 2006: 531). For supermarkets, intermediaries are strategic actors who will ensure their stocks in any seasons. As for producers, intermediaries are their catalysts to break the barriers to entry in the modern value chain.

4.5 Conclusion

This chapter responds to the first and second sub-questions and the first to third expected findings. The structure of the following paragraphs refer to the respective points. Private standards develop as a consequence of the supermarket revolution and help to complete the missing attributes from public standards (Reardon et al. 1999, Henson and Reardon 2005, Smith 2009). In Indonesia, public standards are not mandatory and private standards develop on their own without any interactions with public standards. Private standards only cover cosmetic quality issues. This suggests that standards developed in Indonesia are still in an early stage, perhaps due to less demand from consumers for highly standardized products.

This research finds that intermediaries play a crucial role in standards development. They not only accept standards but also translate and develop them. These intermediaries connect supermarkets to producers. In response to the second expected finding, this research finds that the supermarket's role as a leading firm in the buyer-driven chain is less dominant compared to the theories of Gereffi et al. (2001). Supermarkets do set the details of standard and price, but these may still be negotiated by intermediaries or change due to seasonal reasons. Moreover, this research finds that no upgrading mechanisms were implemented by the supermarket; instead by intermediaries. Therefore, it can be understood that the value chain is not solidly coordinated. The reason is due to the limited capacity of supermarkets to reach producers directly.

With relation to the role of intermediaries, the third expected finding tries to test the relation of supermarket and intermediaries. Many studies (Balsevich et al. 2003, Balsevich et al. 2006, Reardon 2007) suggest that the new-generation of specialized suppliers are dependent on being coordinated by the supermarkets. This is due to the strong position of supermarkets in that country's system. However, in the case of fresh tomatoes in Indonesia, an inter-dependent relation is developing. It seems that an equal and inter-dependent relation is established between these two actors, as a result of the crucial role of the intermediaries.

Chapter 5
Supermarket Standard Implementation and Business Strategies

5.1 Introduction

This chapter discusses the micro perspectives of supermarket revolution. The foundation of this chapter mainly refers to the initial research plan on comparing the standards implementation of two supermarkets with different business strategies. Since the findings are relatively similar, I positioned it to understand Indonesia's supermarkets in general. This chapter responds to the third and fourth research sub-questions, as well as the fourth to sixth expected findings. In structuring the chapter, I start by illustrating consumer behaviour in Indonesia and how they influence the supermarket revolution, and *vice versa*. Followed by an analysis on standards approach by supermarkets, and then the discussion analyzes the supermarkets' business strategies and their relation to standards implementation.

5.2 Indonesian Shopping Behaviour on Fresh Food

> 'Supermarket business strategies were being shaped by consumer behaviour, and *vice versa'* (Interview World Bank Economist, 2013)

This economist argues that a supermarket business strategy is not a list of things-to-do that stands alone. They are developed though the experience of the outlet manager who interacts directly with consumers. His notion is also supported by the explanation from an outlet manager from both supermarkets:

> 'Every outlet has its own standard practice both in product and service quality. For example, the average demand size for tomato may be different in some outlets due to their consumer's taste and preference' (Interview with Outlet Managers from Carrefour and SuperIndo Del Haize, 2013)

Therefore, I deduce that consumer behaviour and supermarket business strategies are interrelated. Hence, a discussion on consumer behaviour is a fitting starting point to understand why Indonesia's supermarkets have their own set of business strategies, included standards implementation. Research by Reardon et al. (2012) show that on average, supermarkets own 30-50% of the total market share in Southeast Asian countries. Findings in other regions or countries also show the same pattern;[12] supermarkets rapidly increase and take over the share of traditional markets. Indonesia as part of the second wave of supermarket penetration also experienced a prominent growth in the beginning, there was a time (1997-2003) when supermarkets in Indonesia rose up to 15% per year while traditional market only increased by 5% (World Bank 2007). However, it should be noted that the data was obtained in 2004. The

[12] Latin America, Central Europe, and South Africa's supermarket market shares up to 50% (Reardon et al. 2012). In Chile, around 21-25% of small shops that selling fresh product was closed (Reardon and Hopkins 2006). Neven et al (2006) shows that 36% of poor class consumers in Kenya visit supermarket regularly to buy fresh fruit and vegetables. While in New Delhi, India the market share for supermarket is 41% (Minten et al. 2010).

World Bank[13] research was a basis for Thomas Reardon's papers when he was presenting the development of supermarkets in different parts of the world.

Apparently, there was a major shift in supermarket development in Indonesia in 2006. AC Nielsen statistics (2010) showed that for the very first time the number of supermarket outlets in Indonesia was declining, from 1311 outlets to 1149 outlets in 2006 and 2009 respectively. The statistics then showed that traditional markets and minimarkets/convenience stores increased up to 40% and 71% respectively within the same period. From this data, I conclude that the diffusion of supermarkets was diverted to minimarket/convenience stores that reached sub-urban and rural areas. While traditional markets have gained again their position among Indonesia's consumers after years of stagnancy in 2003-2006.[14]

These facts lead to a discussion of Indonesian consumer shopping preferences. If we talk about supermarket revolution in relation to consumer behaviour, it links to the discussion on the 'tension between supermarkets and traditional markets' (Reardon and Hopkins 2006). It concerns several 'wars' that occurred between them, such as price, convenience and quality wars. Clearly, supermarkets may be the winner for the convenience and quality wars, but they might find it hard to challenge prices in traditional markets. In Indonesia, supermarkets use the price in traditional markets as their benchmark before determining the price on their shelves (Interview with supermarkets buyer/procurement officer, 2013).

Initially, Indonesian consumers were attracted to supermarkets at their early stage of revolution. But currently, I suggest that traditional markets are winning the competition, especially in fresh vegetables product. Research by USDA (2012) shows that supermarkets' share only increased from 5% to 10% from 1999 to 2009, while traditional market shares only decreased from 94% to 88% in the same period. If we look deeper at food product shopping preference; supermarket shares for fresh vegetables is below 4%, including tomato which is only 1%. (Minot et al. 2013). Even though the supermarket tries to attract consumers with organic products, research (Deliana 2012) showed that consumers are still unaware of organic products; their main consideration is cleanliness and cheap prices.

There are two main factors that make traditional markets more preferable to Indonesian consumers. First is the social capital within the traditional market, and second is the existence of housemaids in most of Indonesian middle class families. Social capital is something that cannot be found in the supermarket, while in the traditional market they may combine their purchasing objective with social recreation (interview with UNPAD Agriculture Economist, 2013). In the traditional market they can meet their families, friends, and even create a personal relationship with the grocers. They may obtain several advantages from this social capital, including an intimate shopping environment, and possibilities for bonus, credit, and even debt from the grocers (Interview with World Bank Economist, 2013).

[13] The research was conducted by Thomas Reardon, Ronnie Natawidjaja and other colleagues.
[14] The number of traditional market only increase from 1.745.589 to 1.846.752 in 2003 to 2006 (AC Nielsen 2010)

While traditional markets are important players in Indonesian society (AAFC 2011), the existence of housemaids also influence shopping behaviour with respect to fresh food. Indonesia's consumer middle class has been rising in the past years, and has reached 45 million people in 2012 (McKinsey Global Institute 2012). Unlike the middle class in other countries, almost all of the middle class in Indonesia own a fulltime housemaid to assist in their domestic jobs, including buying fresh foods. With the assistance of housemaids, consumers may request them to buy fresh food on a daily basis to ensure freshness (Interview with Consumer Association, 2013). For housemaids, they prefer to visit traditional markets since they are close enough to be reached by foot, or they may wait for peddlers who will drop by their door according to a specific schedule each day.

With this existing consumer behaviour, it is clear that the standards awareness of Indonesian consumers remain low. General consumers expect good products in terms of taste and cosmetic appearances, but are less concerned about health and safety issues such as pesticide content. Lastly, the supermarket revolution did not significantly influence consumers to buy fresh foods in the supermarket.

5.3 Standards Approach by the Supermarket

This section will elaborate the standards approach by supermarkets. Standards, including labelling and coding were classified as part of the CSR approach of a firm (van Tulder and der Zwart 2006: 156). By understanding the approach of standards implementation from the perspective of CSR, we may understand the position and strategic role of standards for a supermarket. Whether it is only a label or there are values embedded in it, or whether it is for profit orientation or as part of their concern about social and environmental issues.

In the beginning, I expected that standards developed in Indonesia would cover broad range of issues such as fair trade, rainforest alliance, or good agricultural practices (GAP). This expectation gave the idea to use this CSR framework to map the range of approaches by the supermarket. However, this expectation was challenged by the facts that existing standards were not that complex. There are only private standards developed by supermarkets and voluntary public standards or Standard National Indonesia (SNI). This finding made me deduce that standards are still progressing in Indonesia, as cosmetic appearances are still the main variable in standards setting in both supermarkets researched.

In developing the framework, I referred mostly to a comprehensive CSR approach research done by van Tulder et al. (2009) that conducted research on several supermarket chains in Europe. There are three variables that this research will analyse using this framework: standards value and implementation, approach to suppliers and producers, and approach to consumer and promotional tools. The following discussion elaborates on how standards are being approach by supermarkets. Both supermarkets are in between the in-active and re-active column, which can be understood as that standards are a liability rather than a responsibility to consumers (van Tulder et al. 2009).

This research finds that there is a close relation between the two variables; perhaps I may suggest that standards themselves are part of the business strategy. They seek to approach consumers by promoting their fine products that are differentiated from the traditional market. They realise that to compete price-wise with traditional market is not a wise strategy, so supermarket should approach consumers with standards attributes. It can be understood that supermarkets are developing standards to obtain more market share and therefore more profit. Therefore, based on the literature (van Tulder and der Zwart 2006: 143-147), supermarkets have a narrow lens on standards and use them as a tool for wealth maximization.

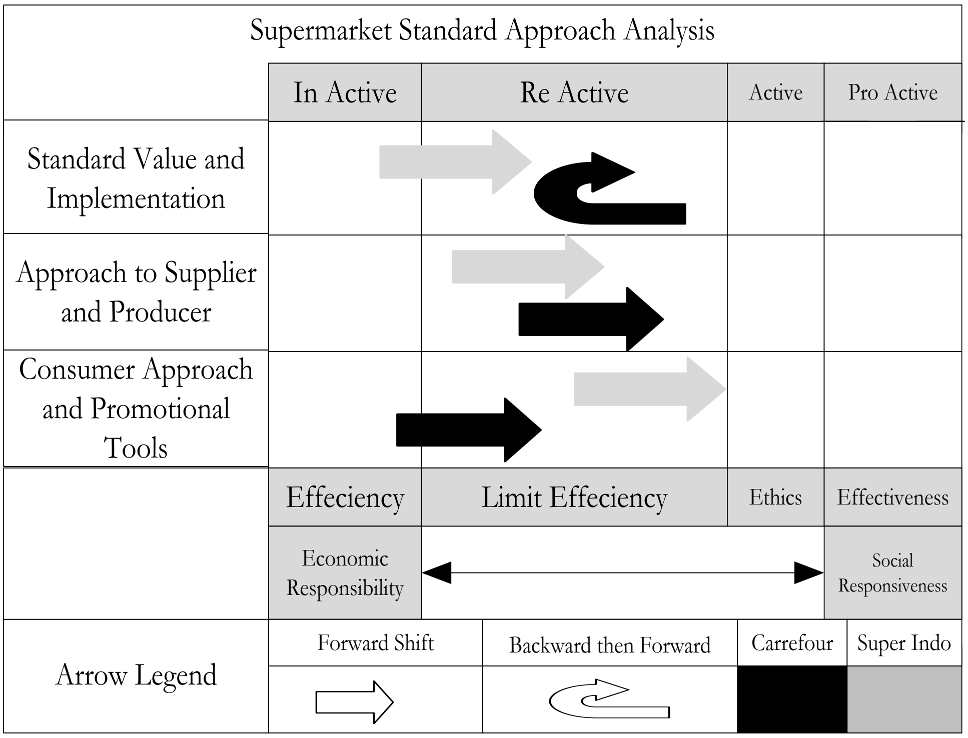

Figure 5.1 Supermarket Standard Approaches
Source: Analysis (2013)

5.3.1 Standard Value and Implementation

Both supermarkets gave similar responses when I asked, 'What do standard mean for your company?' and they answered with 'Profit'. They applied standards that were limited to quality and safety, with an emphasis on cosmetic appearances. Good standards meant more profit and complying with set standards is part of responding to consumer demand. Since both of them are broad-market segmentation supermarkets, they use diversification strategy by providing varieties of fresh tomatoes in their shelves including loose tomatoes, organic tomatoes, and private brand packaged tomatoes.

The difference is in the implementation, based on the interview with the field officer or the receiver who directly contacts the suppliers. Carrefour had stricter mechanisms on every product entering their shelves. They really committed to not do things wrong – it seems that the value of standards has been internalised by their field officers. One interesting statement from Carrefour receiver staff is:

> ‘We have to check thoroughly all the containers before entering them into our system, if there is any single defective product, it may impact our brand reputation’

From other sources (Interview with supplier and UNPAD agriculture economist, 2013), I found that Carrefour is in a process to restructure their standards level, after many years under French ownership that ended with the closure of their distribution centre in 2009. As for SuperIndo Del Haize, they implemented standards fairly. As long there is no major problem, they justify it as an accomplishment. They are not too strict in implementing standards, it can be seen if we cross-check the existing product on their shelves in comparison with their list of standards specifications. In several outlets, it is below standard, yet they still sell those products. In addition, the interview with the SuperIndo Del Haize field officers indicated that they mainly check the conformity between the amount delivered and the order list; they only randomly check the container received.

5.3.2 Approach to Suppliers and Producers

Both supermarkets are in the re-active column on this diagram. They highly focus on short-term indicators such as profit return and they seem to avoid conducting extra work to control their suppliers and producers. Since this was a buyer-driven chain, supermarkets have the privilege to accept or reject any suppliers. They are in a position that needs no effort to look after good products; the suppliers themselves will queue in line and bring their best products. However, from the interview, both supermarkets’ suppliers are those that have been cooperated for more than five years.

Each supermarket has its own style of approaching suppliers and consumers. SuperIndo Del Haize’s procurement office claims that they visit their supplier every six months, usually close to the peak season of Ramadan and New Year’s Eve. The purpose of the visit is to develop strategies to face the high demand in these months. However, they admit that they do not have any contact with the producers; they depend on and entrust the task to the suppliers. As for Carrefour, they have several strategies including routine direct communication, capacity building workshops for suppliers and producers, and field visits to the farmland. The company’s national procurement official acknowledges these strategies, and they argue that they prefer to link with suppliers who are also producers. They express that this type of suppliers is much reliable, particularly in peak season.

5.3.3 Consumer Approach and Promotional Tools

In terms of promotional tools and approach to consumers, SuperIndo Del Haize has a more creative and active approach. They locate the fresh shelves just in front of the entrance door with clear information on the name of product and a brief explanation. For the BIO label products, they provide details of the product, including the advantages of consuming it. ‘Fresh’ jargon is everywhere in the store and they really try to engage consumer in buying fresh foods at their outlets. It can be understood as a super-market type modern retail, they are directly head-to-head with the traditional markets; so they have to think hard to attract consumers. SuperIndo Del Haize use brochures to promote their products, especially during promo weeks.

Carrefour has a different strategy to attract consumers. They emphasize 'cheap' jargon. In some product, they even provide guarantees that their products are the cheapest across other supermarkets. And they are willing to pay the margin if the consumer finds that there is another supermarket that sells a particular product with lower prices. For fresh food promotion, they sometimes create a 'natural booth' that focuses on organic foods. Carrefour does not offer detailed information on the contents of their private label tomatoes though details were only provided for organic tomatoes. Moreover, brochures were also used to inform consumers of their updates on products and prices.

5.4 Supermarket Business Strategies

Indonesia's supermarkets face tough challenges in increasing their market share. They had a prominent time during the early stage of the revolution, but it shifted back by the mid-2000s. Currently, traditional markets dominate the shares for sales of fresh fruit and vegetables. This research begins the discussion by illustrating the competition map that force supermarkets to develop their particular business strategies. The framework is adapted from Porter's (1990: 78) 'competitive diamond'.

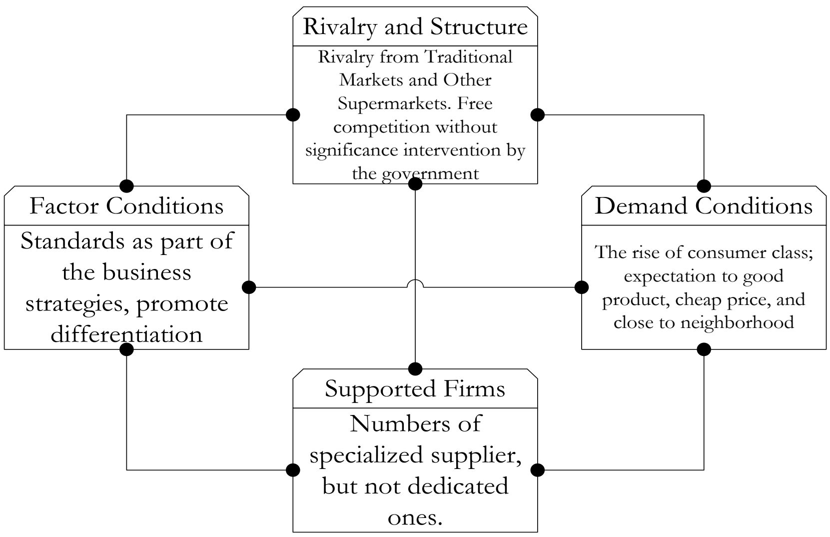

Figure 5.2 Supermarket Competition Diamond Map
Source: Analysis (2013)

From the diamond, it can be said that supermarkets were driven by several factors that determine their business strategies. To explain the relations, I will elaborate from the diamond figure above. The main variable that influences the supermarket business strategies for fresh vegetables is the dominance of traditional markets. The dominance of traditional markets is due to consumer behaviour in Indonesia, which was discussed in the previous section. Therefore, supermarkets have to think creatively to attract consumers to buy fresh vegetables in their outlets, and they come up with standards as part of their business strategies.

However, it seems that Indonesia's consumers in general are still not aware of the urgency of standards. That is why for chain supermarkets such as Carrefour and SuperIndo Del Haize, they prefer to choose broad market segmentation as their consumer target. Broad market means a range of consumers, with a range of purchasing ability. As a consequence, supermarkets would serve a variety of products on their shelves. This is part of their strategy to create a shopping environment as close as possible to the traditional market. In both supermarkets, they had a special space for fresh fruits and vegetables, and they design the shelves appearance as alike as possible to the traditional market. And where do standards play their role in supermarket business strategies?

This brings us to the Porter (1980: 37-40) approach on 'generic business strategies' analysis. As part of broad market strategies, supermarkets combine price and differentiation practices in their business strategies. Based on my observation, the price in the supermarkets for loose tomatoes are only slightly above the traditional markets.[15] Interestingly, Carrefour had a particular shelf in a particular week that sells loose tomatoes below the prices of traditional markets – these are the under-standard tomato that are re-sorted by them.

> 'We sometimes sell tomatoes under traditional market prices to attract consumers to come. Yes, we experience a negative-profit at that time, the competition with traditional market is very hard, so we have to 'gamble' a little bit' (Interview with Carrefour Outlet Manager, 2013)

On the differentiation strategy, since both are targeting broad market, they supply a varying range of fresh tomato products. For loose tomatoes, the difference is that supermarkets have already sorted the tomato to a single-grade, while in traditional markets, consumers have to select them independently. Both supermarkets also sell a variety of packaged tomatoes; with private, organic, or hydroponic labels. For private label packaged tomato, it is actually only normal loose tomatoes selected among the best and packed into nine pieces per package. There is no additional information on the content of the tomatoes on the package. While the organic and hydroponic labels are supplied from specialized suppliers as the brand of this supplier can be found in both supermarkets. The added value for these labels is that the contents of the tomato were listed on the package, so for consumers who aim for a healthy life, they may choose these products.

> 'SuperIndo sells varieties of tomato, and every type of it has different consumer segmentation. Such as loose tomato for regular consumer, private label tomato for 'standards-aware' consumer, and organic tomato for those who are concern with health issues' (Interview with SuperIndo Outlet Manager, 2013)

The following table summarizes the comparison between the two supermarkets. There are several variables to be compared, including consumer segmentation, types of tomato, value chain development and business strategies.

Table 5.1 Comparison of Selected Supermarkets Business Strategies

Variable	SuperIndo	Carrefour
	The Consumers	
Segmentation	Broad market	Broad Market
Modern retail categories	Supermarket	Hypermarket
Shopping Frequency	Once or Twice a week	Weekly or monthly
Transportation Usage	Public and Private Transport	Private Transport (Mostly Cars)
Payment preference	Cash and Debit Card	Debit and Credit card

[15] On the months of fieldwork, loose tomato price in traditional market are fluctuating between Rp.10.000 to Rp.12.000

Variable	SuperIndo	Carrefour
The Tomato		
Variety	Loose Tomato, SuperIndo 365 Label Packed Tomatoes, Juice Tomato, Organic Tomato, (small amount of) Cherry Tomato	Loose Tomato, Carrefour Label, Organic, Hydroponic, non-pesticide, other private package tomato, (small amount of) Cherry Tomato
Price*		
Loose Tomato	Rp. 12.950 per kg	Rp. 7.500 - Rp. 13.750 per kg
Organic Tomato	Rp. 35.960 per kg	Rp. 32.950 per kg
Private Label Tomat	Rp. 12.990 per kg	Rp. 13.900 per kg
Other Tomato	Rp. 39.650 per kg (Juice Tomato)	Rp.22.900 per kg (non-pesticide) Rp.24.000 per kg (package)
Standard (Loose Tomato)		
Size	90-150 gr per pieces	90-100 gr per pieces
Diameter	5-7 cm	6-7 cm
Amount per kg	7-11 pieces	9-10 pieces
Color	85% red	Week-day : 30%-60% red Week-end: 60%-90% red
Package	Loose in Container (30 kg per container)	Loose in Container (20 kg per container)
Shape	n/a	Oval
Smell	n/a	Free of any smell
Uniformity	n/a	100%
Criteria of Good Tomato	Fresh, 85% red, undamaged, clean and smooth	Firm and turgid appearance, uniform and shiny color, not overripe, clean, and fairly smooth
Rejection Criteria	Defect, damage, rotten	Damage, unripe, wrinkled, rotten
The Value Chain		
Specialized Supplier	Yes	Yes
Distribution Centre	Yes	No
Communication	Weekly	Once to Thrice a week
Site Visit	Every 6 months, on preparation to peak season, such as Ramadan and New Year	Thrice to four time a year
Upgrading	No, only discussion	No, only discussion
Penalty	Oral, Written, Disclose contact	Oral, Written, Disclose contact
Receiving Section	Random with few samples	Random with many samples
Procurement Agreement	National level for label and package tomato, regional level for loose tomato	National level for label and package tomato, regional level for loose tomato
The Business Strategy		
Outlet Location	Residential Area	Sub-urban, not to close to business area
Number of Cashier	Maximum 10 lines	Up to 45 lines
Fresh Food Position	At the entrance	Near the exit/cashier
Fresh Food Tagline	Kualitas SuperIndo (SuperIndo Quality), Daily delivery Guaranty, Super Fresh, Good Storage Temperature , BIO Organic	Fresh Everyday BBM (Benar Benar Murah : Truly Cheap) 100% Indonesia Product
Promotional	Discount Week	Kampung Carrefour (Carrefour Village: fresh from the nature)

Source: Analysis (2013)
*Currency conversion: € 1.00 is Rp. 15.500

5.5 Conclusion

This concluding section responds to the third and fourth research sub-questions and fourth to sixth expected findings. This research finds that consumer behaviour was slightly influenced by the supermarket revolution in the context of fresh vegetables. There are three factors determining this behaviour: (1) Indonesian consumers have housemaids to manage their domestic matters, housemaids buy fresh vegetables and they prefer to visit the nearest shop, which are the traditional ones; (2) Indonesian consumers buy fresh tomatoes in small amounts therefore spending time and money to visit further away supermarkets does not make sense; and (3) Indonesian consumers are still unaware and unconcerned with standards as price is still the major reason.

The discussion leads to the fourth expected finding of the research. The rapid rise of supermarket since the late 90s did influence the consumers' shopping preference, however by mid-2000 the pattern changes. Traditional markets still cannot be blown away by supermarkets. Besides consumer shopping preferences discussed previously, there are social and cultural interactions embedded within the traditional market that cannot be matched by supermarkets. Supermarkets may create a nice preview of fresh sections in their outlets, however it still cannot replace the unique nuance of traditional markets.

In terms of the relation between supermarket business strategies and standards implementation, this research finds that standards development is a business strategy itself. Standards are used as an instrument for profit maximization. Since supermarkets can hardly compete with the low price of traditional market, they have to do differentiation through standards. The proposition of expected finding five is true; standards and business strategy is related to each other and used to compete with traditional markets. Referring to the CSR approach by the two supermarkets, the standards developed in the context of an in-active way. This means that standards are valued as something that should be done to keep their supermarkets in business. Standards in Indonesia are still far from being a form of societal responsiveness to the public.

The last expected finding discusses the different business strategies of the supermarkets. Even though the research fails to capture an significant differentiation between the two supermarkets, it still gives an idea of Indonesia's supermarket in general. In general, the two supermarkets are similar in terms of their business strategies and standards implementation. But they have different standards details and enforcement level, and Carrefour is better in this case. They have similar strategies in enhancing the value chain, which is through intermediaries, but different in the way that they develop the criteria in offering formal contracts to intermediaries. Carrefour is more concerned about administrative and financial issues, since they manage hyper-markets. They definitely demand intermediaries who can supply large stocks with less price. This research finds that Carrefour can conduct this strategy due to its economies of scale.

Chapter 6
Reflections

To attain knowledge, add things every day. To attain wisdom, remove things every day.

- Lao Tzu

6.1 Methodological Reflections

The goal of the research shifted gradually, following my latest findings and the knowledge gained. I would state that this research is full of dynamics and learning processes. As a researcher-in-training, there are eight major learning points I obtained during the research progress:

First, research is about methodological depth. I was struggling hard in the pre-fieldwork phase in developing the methodological framework. However, the result was still unsatisfactory when confronted with the unexpected field-work. Moreover, I had several misconceptions about several theories and tools back then, and I realized that understanding theories is actually a challenge to my analytical instinct, to learn deeper before using it in research.

Second, research demands a lot of curiosity. I would state that curiosity has led me to this *shiftology* process. Even though the early research would use the supermarket as the focus of analysis, I was curious to extend the scope by also interviewing intermediaries, government and consumers. As a result, the findings I obtained from them were valuable in strengthening the arguments in this paper. The eagerness to know more is one of keys to success in doing re-search.

Third, research is about bridging theories with practice. I realized that the purpose of research to provide deeper knowledge on what has been written in the textbook, particularly for social sciences which has a dynamic nature. For example, since most of the research about supermarket revolution in Indonesia was conducted before 2007, scholars argued that the revolution was still hap-pening. But the data and empirical facts after 2008 shows that it actually slowed down. Therefore, it is an important for social research to update the knowledge on particular themes.

Fourth, research is about communication. As a non-English speaker, I found it tough to understand and express certain concepts. I was also often confused by terms and definitions of a particular word. Although I previously thought that this confusion will not result a problem, but when it comes to ac-ademic communication, it becomes a problem. One of my experiences is in choosing the right term and being consistent with it, such as terms for suppli-ers or farmers, modern retail or supermarket. In addition, writing a research paper is not like writing a report, as I had to first determine my audience and had to put down my thoughts clearly and systematically.

Fifth, I had to pay close attention to numbers and details. I admit that the challenges I faced on the case study selection was because I did not pay close attention to the statistical data. Moreover, I also did not manage to triangulate data to cross-check, and thus provide me with better understanding on the case selected. Particularly for the tomato, I felt that I simplified the selection process.

Sixth, the research had limited time for data collection, which impacted the research in several ways. First, it was impossible to do a pilot survey to reassure the methods of the research, check the hypotheses or provide a baseline for the research. Second, arranging interviews and meeting with corporations took a lot of uncertain waiting time. Due to limited time, it was difficult to shift the interview plans in the middle of the process.

Seventh, there are several things that I believe that I should have conducted in this research, such as (1) conducting mixed-quantitative and qualitative methods in selecting a case study; (2) interviewing traditional markets to understand the market competition, standards development, and consumer behaviour; (3) interviewing the producers and sub-suppliers to gather deeper information and triangulate the knowledge gained from other actors; and (4) include a niche-market supermarket to understand more on standards dynamics in the system.

Eighth, developing an appropriate hypothesis was indeed a challenging task. This issue haunted me from the beginning of the research, until the last week before the deadline. I decided to finish the research paper without a hypothesis. I found that I need to learn how to write a hypothesis for qualitative social science research.

6.2 Key Findings

This research found six factors to show that supermarket revolution is slowing down in Indonesia. The following table compares my expected finding with my research findings and conclusion.

Table 6.1 Factors of Supermarket's Slow Revolution

Expected Findings	Research Findings	Conclusion
EF_1	Private standards developed to cover the absence of voluntary public standards. The standards attributes in the private standard is mostly focused on cosmetic quality and appearance.	Private standards are developing but in an early stage.
EF_2	Supermarkets have fewer roles in coordinating the value chain. Supermarkets are the standards setter, but intermediaries had power to negotiate standards and price.	Supermarkets fail to optimize its role as the leading firm in the buyer-driven chain due to its lack of capacity to coordinate the chain. Financial capacity is one of the reasons.
EF_3	Intermediaries play a more progressive role in the system. They conduct upgrading of producers and translate expected standards from supermarkets to producers.	Different from 'new-generation wholesaler' in the literature, Indonesia's intermediaries are contesting their agency capacity.
EF_4	The supermarket revolution did affect consumers in its early stage, but in mid-2000, the pattern diversified. Consumers are getting more interaction with tradi-	The supermarket failed to influence consumers' shopping behaviour. Consumers are still attracted to traditional market that offer lower

Expected Findings	Research Findings	Conclusion
	tional markets. Currently, the pattern of supermarket is decreasing and replaced by the mini-markets and convenience store.	price, closer location, and social interaction.
EF_5	Standards are used as part of business strategies, mainly for product differentiation.	Supermarkets view standards as a tool for profit maximization.
EF_6	No specific business strategies between the two selected supermarkets. Standards implemented and structure of value chain is similar.	Supermarkets still struggling with low prices of traditional markets, and being forced by the rigorous market to compromise their standards implementation in order to meet a suitable price level.

Based on the findings and conclusion, the research responds to the sub-questions and main question.

1. The first sub-question: standards developed at an early stage, only covering cosmetic issues such as colour, size, ripeness and packaging. At the producer level, the standards are recognized as grading to simplify the understanding of standards. Third-party standards organization is less credible in the country. They have an organic label, but is most likely self-claimed.
2. The second sub-question: Intermediaries play a strategic role in standards development and value chain coordination. Even though the standard is being set by the supermarket, but intermediaries translate standards to producers. They also do negotiations on standards and prices to the supermarkets. Moreover, intermediaries conduct upgrading to the producers so they can attach to the modernized value chain. To conclude, intermediaries are exercising their capacity for agency in the system.
3. The third sub-question: In general, the supermarket revolution did not influence the consumers' shopping behaviour for fresh tomato. The consumers are still unaware and unconcerned with standards of quality and safety. As a result, consumers prefer to shop for fresh tomatoes at traditional markets due to low prices, close location, and social interaction. These conditions apply to all level of economic classes. The poor visit the market by themselves and the middle to high class have housemaids to do the job.
4. The fourth sub-question: Standards are a tool to obtain more profit, when positioned as a product differentiation strategy. However, this research finds that standards are compromise with prices; the strictness of standards may be reduced in return for a lower price.

The research concludes by responding to the main question on which factors slowed down the supermarket revolution in Indonesia's fresh tomato market, and why? There are six factors that determine the slow revolution:

1. Early stage of private standards development due to low consumers' demand of standards and tight competition with traditional markets
2. Supermarkets' weak capacity to coordinate the value chain due to low capacity of financial and technical issues
3. Weak coordination from supermarkets to its value chain results in more 'agency' from intermediaries.
4. Strong traditional markets due to cheap price, close location, and possibility for social interactions.
5. Standards valued in an inactive way due to rigorous competition with traditional markets that urge supermarkets to focus on profit maximisation.
6. Supermarkets have a limited variety of business strategies due to broad market segmentation, while only a few niche-market supermarket are developing.

6.3 Conceptual Reflections

This research paper contributes to the recent debates on the supermarket revolution in developing countries. Results from this research may either add or nuance the existing literature. In exploring the conceptual reflections, this section refers to the list of slowing down factors from the previous section.

Thomas Reardon (2006: 95-96, 2007: 3-4) argues that private standards evolved rapidly after the supermarket revolution took place. This study found that in Indonesia, private standards set by the supermarkets mainly covers cosmetic quality and in the early stage. They also focus more on safety attributes after more than a decade of the revolution, while Henson and Humphrey (2010: 1628) argue that private standards may cover quality, safety, and wider social and environmental issues. Public standards being voluntary due to the government's limited capacity to enforce it on global and local suppliers, makes the standard regime in Indonesia dominated by the private sector. This study compliments the preceding research that suggest private standards fill in the missing (Reardon and Farina 2001: 413) and not-enforced (Henson and Reardon 2005: 244) public standards. However, the experience of Indonesia enriches the discussion on different government approaches in the agrifood market from a former state-controlled economy (Reardon and Swinnen 2004: 517-518).

The role of private standards has moved to a differentiator and communicator (Reardon et al. 1999: 423-424) in order to compete in the fierce market (Humphrey 2007: 440). In Indonesia, standards may be differentiators for packaged fresh tomato but seemingly not for loose fresh tomato, as the quality of the latter is relatively similar to the traditional market. Moreover, the 'standards' message communicated by the supermarkets is met with apathy, due to consumers' lack of awareness of standards. As for the chain upgrading concept (Gereffi et al. 2001: 6), where lead firms in a typical buyer-driven chain conducts upgrading (Lee et al. 2012: 3), this study finds that supermarket rarely upgrade intermediaries and producers. The supermarket has limited financial and technical capacity to firmly coordinate the value chain. Whereas the literature argues that private standards are part of their strategy in coordinating their value chain (Berdegué et al. 2005: 258-260, Boselie et al. 2003: 1156). There is price-based competition among supermarkets and between supermarkets and traditional markets in Indonesia, rather than quality-based competition (Lee et al. 2012: 1). One of the major challenge of supermarkets is the high-cost logistics and transportation lines as well as the absence of cold storage facilities.

The modernized value chain tends to exclude small producers (Minten and Randrianarison 2009: 1728), which is happening in a different manner in Indonesia. Since the traditional market still dominates, small producers still have this option to sell their production continuously. Rather than shifting from small producers to large producers (Reardon et al. 2009: 1721), it shifted towards intermediaries, who are relatively more active and exercising their 'agency' (Vorley et al. 2012). They actively run upgrading and communicate standards to the producers, as well as negotiate standards details and price to supermarkets. In a nutshell, intermediaries are the leading actors in the chain. This behaviour is disparate with the experience in Nicaragua (Balsevich et al. 2006: 9), where intermediaries are less independent within the coordinate supermarket chain.

In general, this research finds that supermarket diffusion in Indonesia follows a pattern similar to that researched by (Neven et al. 2006 in Kenya, Reardon et al. 2003 in Africa, Asia, and Latin America, Reardon and Hopkins 2006 in US and UK). In other countries, it also diversified to a smaller retail format (minimarkets/convenience store) which can be located closer to consumers. However, this research observed that for fresh tomato that the diffusion in Indonesia varies in three ways: it failed to replace the traditional market, it is hampered from penetrate the rural-poor, and it is constrained from introducing quality as business strategy. Furthermore, international literature (as summarized in Minten et al. 2010: 1775) argues that supermarkets attract upper and middle class consumers to buy fresh food and in an advanced stage, supermarkets may provide better fresh food with lower prices compared to traditional markets. But in Indonesia, the upper and middle class consumers do not buy fresh tomato in supermarket on a regular or daily basis; they still rely mostly on the traditional market. Since the ineffective value chain still exists, the price for fresh food in supermarkets is relatively higher than in traditional markets.

In conclusion, if Reardon et al. (2012: xiii) said that the supermarket revolution is still undergoing 'rapid but differentiated transformation', this research paper argues that for fresh tomato in Indonesia the supermarket revolution is 'diffusing differently and slowing down'.

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Appendices

Appendix A: Data Collection and Log Book

List of In-depth Interviewee

No	Institution	Respondents
1	SuperIndo (Del Haize)	2 Outlet Managers 1 Receiver Staff 1 Buyer/Procurement Officials
2	Carrefour	1 Head Office Buyer / Procurement 1 Outlet Manager 1 Receiver Staff
3	Ministry of Trade	Directorate of Standardization
4	Ministry of Agriculture	Directorate of Horticulture Sub-Directorate for Quality Assurance Implementation
5	Consumer Association	Officer for Food Affairs
6	SuperIndo Suppliers	Sedartani Ilham Fresh Farm
7	Carrefour Suppliers	Bimandiri
8	SuperIndo dan Carrefour	Mitra Tani Parahyangan
9	World Bank Economist	Henry Sandee
10	University of Padjajaran (UNPAD) Agriculture Economist	Ronnie Natawidjaja

Observation Indicators

No	Aspect to observe	Indicators
1	Parking Lot	Number of Car and Motorcycle park
2	Cashier	Number of Cashier
3	Location	Location Density Class
4	Consumer Purchasing	Scale of purchase (daily, weekly, monthly)
5	Tomatoes Variety and Price	List the Variety and Price
6	Location of Fresh Vegetables (Tomatoes) in the Supermarket	Check the location
7	Jargon inside the supermarket	Identify any jargon/marketing tagline inside the supermarket

List of Observed Supermarkets

Carrefour	SuperIndo Del Haize
Lebak Bulus – Jakarta	Dago – Bandung
Kiaracondong – Bandung	Cinere – Jakarta
Cempaka Putih - Jakarta	Cilandak - Jakarta

Documents for Desk Study

No	Name	Document Type
1	SuperIndo Standard Card	Standard document
2	Carrefour Standard Card	Standard document
3	Organik Indonesia Profile	Standard document
4	SNI 6729: 2010 : Organic Food System	Regulation
5	SNI No.4852-1998: Fresh Food and Vegetables	Regulation
6	SNI 01-3162-1992 : Fresh Tomatoes	Regulation
7	Law No.13 Year 2010 on Horticulture	Government Law

General Log Book

Month/Week	Week I	Week II	Week III	Week IV
April		16 (Supervision)		26 (Supervision)
May		13 (Supervision) 14 (Design Seminar)		28 (Supervision)
June	6 (Supervision)		20 (Supervision)	
July	1 (Supervision)	Fieldwork	Fieldwork	Fieldwork
August	Fieldwork	Fieldwork	Fieldwork	Fieldwork
September	5 (Supervision)			23 (Supervision)
October	1 (1st Draft Seminar) 4 (Supervision)	15(Supervision)		28 (Supervision)
November	9 (Supervision)	13 (Final Submission)		

Fieldwork Log Book

Week/Day	Mon	Tue	Wed	Thu	Fri
Jul II	Discussion with Ronnie Natawidjaja			Interview with SuperIndo Outlet Manager and Buyer	Interview with Sedartani
Jul III	Interview with Bimandiri	Discussion with Ronnie Natawidjaja	Interview with Ilham Fresh		
Jul IV	Interview with Directorate of Horticulture, Ministry of Agriculture	Interview with Directorate of Standardization, Ministry of Trade	Interview with Carrefour National Buyer	Interview with Sub-Directorate for Quality Assurance Implementation, Ministry of Agriculture	
Aug I	Ramadan Break			Supermarket Observation in Bandung	
Aug II			Interview with Carrefour Outlet Manager and Receiver Staff		Interview with Henry Sandee
Aug III	Interview with SuperIndo Outlet Manager and Receiver	Discussion with Ronnie Natawidjaja	Supermarket Observation in Jakarta		
Aug IV	Consumer Survey in Jakarta	Interview with Consumer Association	Interview with Mitratani Parahyangan	Consumer Survey in Jakarta	Phone discussion with Ronnie Natawidjaja

Appendix B: Definitions and Classification

Definitions of Modern Retail Formats

- Hypermarkets are defined as very large (larger than 27.000 square feet), modern food stores with ten or more cash registers. Hypermarkets are generally part of multinational chains. They sell both groceries and non-groceries goods.
- Supermarkets are defined as large (between 4.300 and 27.000 square feet), modern food stores with 3-9 cash registers. Many supermarkets in Indonesia are part of chains although independent supermarkets exist as well. Focus on grocery goods, and sell limited of non-groceries goods.
- Minimarts or convenience stores are small (less than 4.300 square feet), modern stores with 1-2 cash registers. They usually not selling fresh vegetables. They sell vary of staple and prepared foods; and limited number of household needs.

Source: (Dyck et al. 2012: 11, Minot et al. 2013: 5)

Types of Traditional Market

- Traditional (wet) market, collection of numerous food vendors under one roof or in one location.
- Neighbourhood Shop (Warung), small shop (permanent or semi-permanent) selling food product, located in a residential area.
- Peddlers, itinerant greengrocers, operating on foot/bicycle/cart/small size open truck that move around during the day.

Source: (Dyck et al. 2012: 11, Minot et al. 2013: 5)

Types of Suppliers

Suppliers	Description	Nature of Business Relation
Producer – Trader	A producer that owns plenty of farmland, also carries out trade activities, they usually engage with other producer or develop a producer group.	This supplier adopts standards more easily since they are ready for sudden additional requests. However, since they are producers with limited financial capacity, they often propose advance payments
Local Collector	Someone who manages several producers in a particular area. They can control harvest time and also provide suggestions on how to produce better products. This type of supplier does not have farmland. A typical broker-supplier.	For some specialized suppliers, they are reliable for long term business. The advantage is that specialized suppliers do not have to check the farmland, but the challenge is to ensure the consistency of the products.
Large Trader / Traditional Wholesaler	Large traders or traditional wholesalers are typical suppliers that buy the products from any place and producers. The products are not standardized, and are only put in a container.	Specialized suppliers have to do extra work, to sort the expected-standard product and re-sell the under-standard product to the traditional markets.

Source: Analysis (2013)

Appendix C: Interview Questions

Respondent: Government

Part A Fresh Tomato

1. How much are the value and amount of production of fresh tomato? From both local and global producers?
2. What are the policies issued by the government to control the stocks, value chain, and competition of fresh tomato?

Part B Standard Mechanism

1. What are the standards applied to fresh tomato? And why are those standards needed?
2. What do the standards cover (safety, quality, social, environment)?
3. Who set and how, the implementation and control of the given standard? (including monitoring and evaluation)
4. Does the government collaborate with other actors in implementing and controlling the standard?

Part C Standard Dissemination

1. How did you disseminate standards to the supermarkets and suppliers?
2. How do the suppliers comply with the standards? What are their challenges?
3. How was the implementation of standards by the supermarkets? What are the issues developed?
4. Is there any upgrading conducted by the government to the supermarkets and suppliers? (in relation to standard implementation and value chain enhancement)

Part D Standard Interaction

1. To what extent does the global and local power influence the standard mechanism?
2. How is the interaction of public and private standards in tomato product?
3. What does standard mean for government?
4. In the standard contestation, how do public-private standards build up the standard governance? Who is involved?

Respondent: Supermarkets

Part A Supermarket Business Strategies

1. How are your consumers or visitors profile?
    a. What transport do they use to visit the supermarket?
        i. Do you provide large scale of parking lot?
    b. How do they usually pay the bills? Cash or Credit Card?
    c. How many visitors visit/ month and spent/ visit?
2. How is the consumer behaviour to the Fresh Vegetables?
    a. What types of tomatoes do you sell?
    b. What is the most preferred tomato by the consumer and how is the quality?
3. How do you identify your supermarket profile?
    a. Do you promote more price or quality to your consumer?
    b. How is your advertisement strategy?
4. How do you attract consumer to buy your fresh vegetables product?
5. I would like to know more about your procurement strategy
    a. Who are your suppliers?
    b. What are the criteria to be the suppliers?
    c. How many (in %) the number of local and import suppliers?
    d. Do you treat your (local/import) suppliers differently?
    e. Is there any non-economic reason in choosing the suppliers? I.e. government intervention, social responsibility interest.
6. I would like to know on how you compete in the market
    a. What is your corporate value or jargon (particularly in standards to quality and safety)?
    b. How do you balance between quality and price?
    c. Do you think that your supermarket has implemented the standard setting?
7. I would like to know more about your procurement strategy
    a. Who are your suppliers?
    b. What are the criteria to be the suppliers?
    c. How many (in %) the number of local and import suppliers?
    d. Do you treat your (local/import) suppliers differently?
    e. Is there any non-economic reason in choosing the suppliers? I.e. government intervention, social responsibility interest.
    f. How do you monitor and evaluate the suppliers?

Part B Standard Functions

1. I would like to know about the standard setting in your supermarket on fresh Tomatoes
    a. What are the standards?
    b. Do you implement the SNI and PRIMA standards?
    c. Do you have your own label/certification/brand? What are the specification and advantages?
    d. Who and how do you determine a standards? And why are those standards needed?
    e. What do the standards cover? (safety, quality, social, environment)
2. I would like to know on standard adoption to the suppliers
    a. How do you ensure the suppliers can adapt with your standards expectation?
    b. Is there any upgrading/assistance provided?
3. I would like to know on the standard implementation in your supermarket
    a. What are the specifications of your tomato standards?
    b. Do you have certain rules/regulation for your suppliers in terms of standards implementation?
    c. How do your officials work in ensuring the standard implementation?
    d. Is there any differentiation in standard implementation to local and import suppliers?
4. I would like to know how you monitor and evaluate your standard implementation

    a. Do the government do monitoring and evaluation to your standard implementation?
5. I would like to know about the standard enforcement, is there any particular sanction to the suppliers or perhaps outlet who's not implementing the standard properly?

Part C Standard Characters

1. What do standards mean for you?
2. Beside quality and safety features, is there any social/environment (or others) features underlying the standards implementation?
3. How do you anticipate the risk to supplier under-standardize product?
4. How do standards help you in minimizing the risk to your business?
5. Is there any influence from other stakeholders (state/non-state) in determining non-product standards?
6. How do you use/utilize standard as part of your strategy to attract consumer?
7. Do you have your own label/brands? And how does it affect your business?
8. Are you developing specific market/consumer segmentation through standards (product and non-product)?
9. How is your global brand influencing your standards setting?
10. Do you have any own brand/label features non-product standards? Such as 'support to local suppliers', etc

Part D Standard Approach and Value

Codes	How did you set and develop your standards codes in the fresh tomato product?
Specify	May I know the details of the standards you implement?
Compliance	What are the strategies to ensure your supplier comply with your standards? What are the challenges?
Implementation	How did you implement the standards? Any upgrading conducted? Is there any intervention/support from the government/NGO?
Standard Use	How do you use your standard for your business? (Quality, Safety, Social)
Standard Value	How do you connect your business strategy, value, and standard implementation?

Part D Value Chain Analysis

1. What is importance of standard for you?
    a. How will you gain benefit through promoting standards?
    b. Do you see other stakeholder conflicting with your importance to standards?
2. What is your interest in this standard governance?
    a. What have you attempted to promote your interest?
    b. What is your role in the standard mechanism?
3. What is your influence to other actors in this system?
    a. How can you influence standard mechanism?
4. Input – output analysis (for the supermarket)
    a. Geographical context in the value chain
    b. Governance and Institutional structure in the value chain
    c. Upgrading Opportunities from the supermarkets to the suppliers and producers

Respondent: Specialized Supplier

Part A Supermarket Business Strategies

1. Do you think that the supermarket you supplied is more price- or quality sensitive?
2. Are they implementing the standards strictly?

Part B Standard Functions

1. What are the standards embedded in the Tomato product?
2. What are the term and codes in the standard mechanism with the supermarket?
3. How long have you supplied your product to this supermarket?
    a. What are the challenges in adopting the standards?
4. How do you comply with the standards given by the supermarkets?
    a. How many years do you need to comply? What are the challenges?
    b. Explain your progress in complying with standards? What are the main key-factors of your success?
5. Is there any particular upgrading from supermarkets? What are the forms?
    a. Is there any upgrading from government or others?
6. How did supermarket monitor and evaluate the standard implementation in your company?

Part C Value Chain

1. What is importance of standard for you?
    a. How will you gain benefit through promoting standards?
    b. Do you see other stakeholder conflicting with your importance to standards?
2. What is your interest in this standard governance?
    a. What have you attempted to promote your interest?
    b. What is your role in the standard mechanism?
3. What is your influence to other actors in this system?
    a. How can you influence standard mechanism?
4. Input – output analysis
    a. Where do you get your product?
    b. Do you do upgrading to your supplier?
    c. Do you supply to other supermarket or buyer?
    d. How is the price?
    e. Is there any different standard between the buyers you supply?

Respondent: Experts

Part A Standard Mechanism

1. How was the standards mechanism for fresh tomato?
2. Who set, implement and control the standard?
3. To what extent does the global power influence the standard mechanism?
4. How do you differ between supermarkets based on their business strategy?

Part B Standard Interaction

1. How was the interaction of public and private standards in tomato product?
2. What does standard mean for government?
3. What does standard mean for supermarket?
4. What does standard mean for other actors?
5. In the standard contestation, how do public-private standards build up the standard governance?

Part C Standard Influence

1. Who are the actors and what are their roles?
2. What are the function of standard to government and supermarket?
3. How does global standards/governance influence the standard-setting in Indonesia?

Part D Standard Implementation

1. How do you see standards implementation to different supermarket?
    a. SuperIndo
    b. Carrefour
    c. Other supermarkets
2. In your perspective, how are these standards being implemented? Are they implemented completely?
3. How is the standards implication to the business competition in the Tomato sector?

Respondent: Consumer Association

Part A about Standard

1. How was the standard development in fresh tomato in Indonesia?
2. How do the supermarkets benefits from standards? And is there any relation between standards and their business strategies?
3. How is the development of private label?
4. What are the standard details that apply to the fresh tomato product? Particularly fresh tomato

Part B about Consumers and Consumers Association

1. What are the roles of your organization on fresh tomato standard implementation in Indonesia?
2. How is the relation of private and public standard on fresh tomato? And where is the position of the consumer association?
3. How is the character of consumers in Indonesia? Particularly in purchasing fresh tomato
4. Are Indonesian consumers aware and concern to standards?
5. Between traditional market and supermarkets, where do the consumers prefer to buy fresh tomato?
6. Do organic products being prioritized by the consumers in general?

Part C about Standard Implementation

1. How is the standard mechanism in the supermarkets? What are the roles of government, consumers association, or other institute?
2. What are the issues developed in the standard set process and implementation on fresh tomato in Indonesia's supermarkets?
3. What are the challenges that faced by the supermarkets and suppliers in implementing standards on fresh tomato?

Appendix D: Analysis Framework

Functions Associate with Systems of Standards

Function	**Regulation**	**Public Voluntary Standards**	**Legally-Mandate Private Standards**	**Voluntary Standards**
Standard-setting	Legislature and/or public regulator	Legislature and/or public regulator	Commercial or non-commercial private body	Commercial or non-commercial private body
Adoption	Legislature and/or public regulator	Legislature and/or public regulator. Private firms or organization	Legislature and/or public regulator	Private firms or organizations
Implementation	Private firms	Private firms	Private firms	Private firms
Conformity assessment	Official inspectorate	Public/private auditor	Private auditor	Private auditor
Enforcement	Criminal or administrative courts	Public/private certification body	Criminal or administrative courts	Private certification body

Source: Henson and Humphrey (Henson and Humphrey 2010: 1631)

Four CSR Approaches

Inactive	Re-Active	Active	Pro-Active
Corporate Self-Responsibility	Corporate Social Responsiveness	Corporate Social Responsibility	Corporate Societal Responsibility
Inside-in	Outside-in	Inside-out	In/outside-in/out
Doing things right	Don't do things wrong	Doing the right things	Doing the right things right
Doing well	Doing well and doing good	Doing good	Doing well by doing good
Just do it	Just don't do it	Do it just	Just do it just
Efficiency	Limit inefficiency	Equity/Ethics	Effectiveness
Utilitarian Motive: Profit Maximization	Negative duty approach: Quarterly profits and market capitalization	Positive duty or virtue based values (long-term profitability)	Interactive duty approach: medium-term profitability and sustainability
Indifference	Compliance	Integrity	Discourse Ethics
Business and Society Management		Business in Society Management	Business-Society Management
'trust me'		'Prove it to me'	'involve/engage me'

Multi-usage tools/concepts of CSR
PR Brochures
Press Release
Sponsoring
Transparency and Accountability
Corporate Citizenship
Corporate Philanthropy
Corporate Volunteering
Integrity
Business-Community Involvement

Economic Responsibility ⟷ Social Responsibilities
[Wealth Oriented] [Welfare Oriented]
Narrow (internal) CSR Broad (external) CSR

Source : van Tulder and der Zwart (2006: 144)