

Impact of the modernization of vegetable supply chains on traditional wet markets in east Java, Indonesia: a transaction cost approach

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Acta Horticulturae 1006: 285-290. 2013.

Abstract

This study analyses the impact of the modernisation of vegetable supply chains on the profit level of retailers in traditional wet markets in Indonesia, focusing on the transaction costs of the retailers in their transactions with suppliers. Data were collected from 797 traditional market retailers, in seven regions, in the Province of East Java, Indonesia. The analysis compared the transaction costs and socio-economic variables in the current market with the pervading market conditions in 2005. The impact of the different variables on profit levels were analysed using multi-group structural equation modelling. Before 2005, information cost had a significant influence on the profit level of retailers; however, in the current market, negotiation costs play a more important role. The results highlight the importance of improving the ability of retailers to negotiate with suppliers through strengthening the retailers association.