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The impact of modern markets on traditional markets' survival in the digital era

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Abstract

The market is a place where sellers and buyers gather, which results in transactions for buying and selling goods and services. Currently, the market consists of traditional markets, modern markets and digital markets (e-commerce). Currently, traditional markets must be able to defend themselves and compete with modern markets and e-commerce, therefore traditional markets must be able to attract consumers, because consumers are the target for realizing sales success. The impact of the existence of modern markets causes changes in the environmental order of society and the economy. In addition, the impact caused by the existence of modern markets causes different perceptions for society, some think positively, especially the middle and upper classes get benefits because they can change their shopping habits to clean, comfortable and hygienic places. Traditional markets that are close to modern markets, as well as changes in people's shopping patterns also indirectly have an impact on the decline in the turnover of traditional market traders, especially for selling the same goods in modern markets.

Keywords: modern market, survival of traditional markets, digital era

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1. Introduction

A market is a place where buyers and sellers interact to conduct transactions of goods and services. In today's era, markets have evolved into three main types: traditional markets, modern markets, and digital markets (e-commerce). Traditional markets are known for direct face-to-face bargaining, while modern markets offer fixed prices and self-service systems, and e-commerce conducts sales entirely online via the internet.

Traditional markets play a crucial role in local economies, particularly for lower-middle-income communities. These markets are generally located close to residential areas and are accessible by public transportation. One of the key advantages of traditional markets is the flexibility of prices through bargaining, which allows buyers to negotiate and agree on prices directly with sellers.

The emergence of modern markets and e-commerce has significantly impacted the sustainability of traditional markets. Modern markets, such as minimarkets and supermarkets, are professionally managed and cater to middle-to-upper-class consumers, offering cleanliness, convenience, and structured service. These advantages have led to a shift in consumer behavior and preferences, reducing the competitiveness of traditional markets (Sihotang, 2014).

According to Presidential Decree No. 112 of 2007 (Peraturan Presiden No. 112 Tahun 2007) and Ministry of Trade Regulation No. 53 of 2008 (Permendagri No. 53 Tahun 2008), the Indonesian government has set policies and guidelines for the establishment and development of traditional markets, shopping centers, and modern stores to ensure fair coexistence. These regulations aim to prevent traditional markets from declining or shutting down due to the proximity and expansion of modern retail outlets.

Sinaga (2006) defines modern markets as professionally managed markets, typically found in urban areas, offering quality goods and services to upper-class society. In contrast, traditional markets often lack technological infrastructure and modern management practices. As Hanafie (2010) explains, understanding markets extends beyond physical spaces—it involves the entire process of supply and demand interactions between buyers and sellers.

Pramudyo (2014) emphasized the importance of revitalizing traditional markets, improving service quality, implementing supportive regulations, and encouraging innovation and community participation. These efforts are necessary to maintain the existence and relevance of traditional markets amidst modern retail competition.

Arianty (2013) analyzed differences in layout strategies and service quality between modern and traditional markets. The findings show that most service quality aspects in modern markets fall into the "maintain" quadrant, while traditional market services mostly fall into the "improve" quadrant, indicating that consumers perceive the service quality in modern markets as superior.

Firmansyah (2024) reported that the presence of modern retail outlets such as Alfamart and Indomaret in Simalungun Regency has negatively affected traditional markets, with traders' monthly incomes dropping from Rp3,777,000 to Rp1,406,334. Additionally, basic goods sellers experienced a significant decrease in sales and customer numbers.

Pameling, Sari, Faradea, and Hendra (2024) found that the growth of modern markets has brought significant changes in trade patterns and consumer behavior. The use of digital technology in payment systems, management, and marketing has created a gap with traditional markets, which have seen a 30–40% drop in revenue and a 50% decrease in visitors over the past decade.

From an Islamic economic perspective, Sari (2021) emphasized that both traditional and modern markets should align with Islamic economic principles, including product quality, service ethics, and honest measurements. If both types of markets uphold these principles, traditional markets still have the potential to survive and compete in the digital era.

2. Research Design and Method

This research is field research, which is a systematic and in-depth study using data from the field. Library research is also used to support this research, utilizing various relevant literature and issues related to traditional markets in the digital era.

3. Results and Discussion

The history of markets dates back to the beginning of human civilization, when humans began to meet their needs, and markets are one of the oldest human activities. Markets began in ancient times with bartering, or the exchange of goods. At that time, there was no indication of profit-seeking trade, but rather simply the acquisition of necessities. Over time, currency was adopted as a medium of exchange. With the introduction of money, the barter system underwent a shift, as people began to assign value to each item using a monetary value. Pricing depended on the utility of the goods being traded.

With the shift from bartering to money, people began to consider the advantages of using money as a medium of exchange in buying and selling, transforming markets into centers of economic activity. This shift led to the rapid growth of buying and selling activities within markets. This phenomenon is evident in the emergence of trading centers called markets, now referred to as traditional markets and modern markets.

The history of the development of modern markets in Indonesia began in the 1960s with the opening of Sarinah, the first department store in Jakarta. Entering the 1970s and 1980s, modern retail formats began to develop with the emergence of supermarkets such as Gelael and Hero. Significant growth occurred in the 1990s following the issuance of trade deregulation policies that opened opportunities for foreign investors to enter the Indonesian retail industry. This triggered the rapid growth of various modern market formats, such as hypermarkets, supermarkets, and minimarkets, which spread to remote areas.

The presence of modern markets amidst traditional markets in the current digital era has become a topic of interest, linked to technological developments and changes in consumer behavior. In this context, modern markets not only offer easy access and shopping convenience but also utilize technology to attract consumers through various digital platforms. This has led to a shift in consumer shopping patterns, from traditional to modern, with a preference for modern shopping using online applications.

While traditional markets have historically served as a forum for social and economic interaction, they face significant challenges with the emergence of modern markets and e-commerce. Traditional markets have distinctive characteristics and play a crucial role in the Indonesian economy. Their main characteristics include a bargaining system that prioritizes social interaction, the products sold are generally fresh and basic necessities, and their strategic and easily accessible locations. Traditional markets also play a role in driving the people's economy, providing employment, and distributing products from MSMEs and local agricultural products. Furthermore, traditional markets serve as social spaces that strengthen relationships between sellers and buyers.

On the other hand, traditional markets still grapple with classic issues surrounding unprofessional management and uncomfortable shopping. Modern and traditional markets also compete in the same market, especially since products sold in traditional markets can also be found in modern markets.

The presence of modern markets has indeed made shopping a family-friendly experience. Modern markets are now packaged in a neat, bright, airy, and cool layout, no longer presenting the dirty, hot, stuffy, and muddy atmosphere of traditional markets. With these advantages, modern markets naturally attract the public. On the one hand, there is a fundamental difference between traditional and modern markets: bargaining is still common in traditional markets, while in modern markets, prices are clearly marked with price tags. The impact of modern markets has led to changes in the social and economic environment. Furthermore, the impact of modern markets has led to differing perceptions among the public. Some view them positively, especially among the middle and upper classes, who benefit from shifting their shopping habits to clean, comfortable, and hygienic places. The proximity of traditional markets to modern markets, along with changes in people's shopping patterns, has also indirectly impacted the decline in traditional market vendors' turnover, particularly when selling the same goods as in modern markets.

According to AC Nielsen data, modern markets grow at a rate of between 10% and 30% annually, indicating aggressive expansion into residential areas. A 2005 study found that modern markets grew 31.4% annually, while traditional markets shrank by 8%. Meanwhile, traditional markets are experiencing a decline in popularity and presence, largely due to their inability to adapt to technological changes and consumer preferences that increasingly prioritize efficiency and convenience. Research shows that many traditional market vendors are beginning to feel the negative impact of this competition, necessitating innovation in the form of digitalization to maintain their competitiveness.

In response to this competitive environment, the government has issued regulations and policies to regulate the existence of modern markets and protect traditional markets. Presidential Regulation Number 112 of 2007 (Peraturan Presiden No. 112 Tahun 2007) concerning the Arrangement and Development of Traditional Markets, Shopping Centers, and Modern Stores serves as the primary foundation governing zoning, operating hours, and partnerships between modern markets and MSMEs and traditional markets. Traditional market revitalization programs have also been implemented to improve their competitiveness and service quality, including infrastructure improvements, vendor restructuring, and modernizing management systems. These regulations are reinforced by the Minister of Trade Regulation on Guidelines for the Arrangement and Development of Traditional Markets, which further details operational standards, business actors' obligations, and traditional market empowerment. However, the implementation of these policies still faces challenges on the ground, such as a lack of oversight and coordination among stakeholders to create a more balanced trading ecosystem between modern and traditional markets.

In keeping with the demands of the current digital era, traditional markets should begin adapting, albeit on a limited scale, by adopting digital payment applications, joining e-commerce platforms to reach online consumers, and utilizing social media for promotions. Several traditional markets have adopted app-based management systems for kiosk management and market administration. Empowerment programs from the government and financial institutions are also beginning to focus on digital literacy and technological assistance for traditional traders.

With digitalization available to traditional market traders, opportunities for innovation and adaptation to the digital environment will open up. However, all of this will work well if the government, especially market managers, supports these policies and provides access to digital infrastructure within the traditional markets they manage. This is where maintaining a balance is crucial, such as maintaining the traditional values that are the hallmarks of traditional markets while adopting digital innovations that can increase merchant competitiveness in the digital age.

Traditional market merchants must understand changes in consumer behavior in order to develop strategies. Traditional markets should prioritize aspects such as safety, cleanliness, comfort, and alternative payment methods other than cash, while maintaining the uniqueness of traditional markets and their family cultural values. Based on current conditions, traditional markets need to adopt the developments of modern markets to ensure their continued existence and competitiveness. Therefore, the following steps need to be taken: (1) Providing comfort, namely by providing a comfortable, clean environment and providing payment options other than cash; (2) Selling a variety of products that meet consumer expectations; (3) Conducting promotional activities is one strategy to attract consumer interest.

4. Conclusions

The impact of the presence of modern markets on the survival of traditional markets in the digital era has caused changes in the social and economic environment. Furthermore, the impact of modern markets has led to different perceptions among the public. Some consider it positive, especially the middle and upper classes who benefit from changing their shopping habits to clean, comfortable, and hygienic places. The proximity of traditional markets to modern markets, along with changes in people's shopping patterns, has also indirectly impacted the decline in traditional market vendors' turnover, especially when selling the same goods as in modern markets.

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