

## Economic Behavior of Traditional Market Traders in Responding to the Existence of Modern Markets and Online Markets

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### ABSTRACT

This study aims to determine the economic behavior of traditional market traders in facing the existence of modern markets in Makassar City. This research uses qualitative research. Data collection techniques were carried out by observation, interviews, and documentation. The informants in this study were traditional market traders in Makassar City totaling 5 people as the object of research. The results of the research obtained are that the existence of modern markets greatly affects the income of traditional market traders which is marked by a drastic reduction in income. As for determining the price of traditional market traders using a bargaining system and an agreement between the seller and the buyer. In improving product quality, traditional market traders sort the goods taken from the camp to avoid damage to the product. While in improving the quality of service traditional market traders serve one by one buyers, that way buyers can also ask directly about the products to be purchased.

**Keywords:** *economic behavior, traditional markets, the presence of modern markets and online markets*

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## 1. INTRODUCTION

Traditional markets have long been the center of economic activity in communities around the world. In these markets, traders and buyers interact with each other in a buying and selling process that has existed for centuries. However, technological developments and changes in consumer behavior have brought significant changes in the traditional economic market scene. Along with the advancement of information and communication technology, modern markets and online markets have emerged as new alternatives for consumers to fulfill their needs (Sexton, 2013). The existence of modern markets with large shopping centers and online markets with e-commerce platforms has changed the way people shop and interact with products and services (Billewar et al., 2022). This phenomenon has a significant impact on the economic behavior of traditional market traders. In the midst of competition with modern and online markets that offer various conveniences such as shopping without having to leave the house, many traditional market traders feel challenged to stay competitive and maintain their market share. According to Akram et al. (2021), traditional market traders must respond to changes in consumption patterns and customer preferences in order to remain relevant in this evolving era.

In this era of globalization has brought changes to the pattern of life and the needs of the community. the existence of modern markets is felt by many parties including traditional market traders. The market as one of the shopping facilities has been integrated and has an important place in people's lives. For the community, the market is not only a place where sellers and buyers meet but also a place for social interaction (Wu & Li, 2018). Some opinions state that traditional markets are places where sellers and buyers can bargain directly and

the goods traded are basic necessities (Lahiff ar al., 2013; Tingchi Liuet al., 2013; Kistruck et al., 2013). This traditional market plays an important role in advancing economic growth in Indonesia, where the existence of traditional markets is very helpful for people who depend on trading activities.

The spread of modern markets has penetrated not only in metropolitan cities. However, the spread of modern markets on the one hand has a good impact, this is evidenced by the high economic growth and investment. On the other hand, this can cause lethargy for traditional market traders.

In a traditional market, a trader does not just receive money and the other party receives goods, but there are social needs to be obtained from the other party, namely reciprocal appreciation that takes place in an equal relationship, intertwined with emotional personal relationships. Likewise, consumers/customers do not merely get the goods they need, but there are other "satisfactions" needed, including where and with whom the seller they are dealing with. In the culture of eastern society, shopping while socializing is more of a preference than shopping individually, so shopping while talking is one of the modes of satisfying needs, or as one of the accompanying parts of the commodity that must be fulfilled.

Meanwhile, behavior is a trait that exists in humans, human behavior is simply driven by certain motives. In various literatures, behavior is an individual's response or reaction manifested in movement (attitude), not just body or speech (Bari & Robbins, 2013; Tay et al., 2014; Rashidovna, 2020). Meanwhile, the definition of a trader etymologically is a person who trades or can be referred to as a merchant. Traders are people who trade, trade goods or products that are not produced by themselves for profit (Sujatmiko, 2014; Isma et al., 2020).

Humans are creatures that are so bound to the morals that apply in society, including economic morals. All individual behavior, including economic behavior, must refer to the moral norms found in society. According to Filatova (2015). subjective economic behavior can not only be seen in consumer behavior, but also the behavior of traders.

Subjective economic behavior can not only be seen in consumer behavior, but also the behavior of traders. Similar to consumer behavior, traders' behavior is not solely influenced by their rational knowledge but also by the value system they believe in. Entrepreneurs also base their economic behavior on a set of ethics they believe in. Therefore, the economic behavior of entrepreneurs does not merely consider the right and wrong factors according to economics and law or based on experience, but also considers good and bad factors according to ethics.

There are several factors that can influence trader behavior, namely: 1) Quality of goods / products (Hamodah, 2022): the quality of goods / products is the level of good or bad or the level of a product. Product quality is a number of attributes or properties that are described in the product and which are used to meet customer expectations. Product quality is an important thing that every trader must strive for if they want the goods produced to compete in the market to satisfy the needs and desires of consumers. 2) Service Quality (Kaski et al., 2017): Service is helping by providing everything that other people need such as guests or buyers. Serving buyers well is a must so that customers feel satisfied. A seller needs to listen to the buyer's feelings. This service quality is not a permanent thing but is flexible and can change. this change is of course in the form of improving the quality of service to make it even better. In the process of changing the quality of service to customers, including in the form of input, opinions and feedback about the services that have been provided. 3) Price (Ozen & Engizek, 2014): Consumers tend to prefer shopping places that have lower prices. Merchants should also make bookkeeping in the form of financial information, for example, the acquisition price which is equipped with financial reports. As a merchant is required to record every transaction made.

In recent years, it is undeniable that the existence of modern markets has become a demand and a modern lifestyle that is developing in society (Slater & Tonkiss, 2013). This makes one of the factors that affect the economic behavior of traditional market traders where traditional market customers are starting to switch to modern markets which causes fewer consumers to shop in traditional markets. Therefore, the increasing competition between traditional markets and modern markets has an impact on traders, so researchers are

interested in conducting research related to how the economic behavior of traditional market traders amid the existence of modern markets.

This study aims to explore the economic behavior of traditional market traders in the face of modern markets and online markets. In this context, economic behavior includes marketing strategies, price adjustments, customer service, and technological adaptation. By understanding how traditional market vendors respond to these changes, we can gain better insight into market dynamics and possibly provide recommendations that can help them to remain sustainable in their business.

This study will explore the challenges and opportunities faced by traditional market traders and find out how they are adapting to the changing economic environment. In addition, this study will also provide a more comprehensive viewpoint on how the presence of modern and online markets affects the traditional market ecosystem as well as its impact on the local economy. Through a deeper understanding of the economic behavior of traditional market traders, it is hoped that this research will contribute to the development of strategies and policies that support the sustainability of traditional markets amidst the ongoing changes in today's business world.

Based on this, researchers are interested in conducting research entitled "Economic Behavior of Traditional Market Traders in Relation to the Existence of Modern Markets in Makassar City".

## **2. RESEARCH METHODS**

This research uses a qualitative descriptive method which emphasizes meaning rather than generalization. The purpose of qualitative descriptive in this research is to provide a systematic, factual and accurate description of certain facts. This particular fact is about the behavior of traditional market traders in relation to the existence of modern markets. The place of implementation in this research is in Makassar City. Data collection technique is the most strategic step in research, because the main objective in research is to get data. In qualitative research, data collection is carried out in natural conditions (natural settings), primary data sources and data collection techniques using observation and in-depth interviews, and documentation. In this study the data was analyzed by means of data reduction, data display, conclusions and verification.

## **3. RESULTS AND DISCUSSION**

### **3.1 Results**

#### **a. Determining the Price**

In essence, modern markets and traditional markets have their own advantages where market segmentation is different from one another. In traditional markets, there is still a price bargaining process that allows the establishment of personal and emotional closeness between sellers which is impossible to obtain when shopping in modern markets, because in modern markets the price is certain, marked with a price tag (Sarwoko, 2018; Indrawati & Yovita; 2014). As stated by the first informant with the initials HN (50 years old):

*"So far we are still applying the bargaining system, but in addition to selling retail here we also sell wholesale and of course the price is definitely different, because for the wholesale ones they want to resell so the price must also be cheaper than those who buy for daily needs at home."*

The results of the interview above indicate that in traditional markets in determining prices, bargaining is still held between sellers and buyers which allows personal closeness to be established. However, it is different for buyers who take goods wholesale, they are given a price with a lower amount compared to the unit price. As stated by the second informant with the initials S (40 years):

*"If the price issue is actually clear that we are cheaper than modern markets but that's the usual luck if there is a discount, well there are more buyers. If there they usually set the usual price to add another 10 percent, while here we don't add the price. As for the pricing strategy, we don't use it, just follow the price. But if people think logically, they will definitely choose to shop at the modern market, especially if they see a discount, they will definitely prefer to buy there even though oneji looks cheap, not cheap all the goods. But if people are broad-minded,*

*they will definitely find it cheap in the market, but it is also common for customers to think twice if they want to shop in the market because it is dirty and rotten, while in the modern market it is clean."*

The results of the interview above indicate that if you want to compare the price of products in traditional markets and in modern markets, it turns out that the price of products in traditional markets is lower. The fourth informant has the initials HN (48 years old):

*"It's actually better to shop in traditional markets because it's actually cheaper here than in modern markets, maybe because people there have high taxes. So it's also common for consumers to say ji is cheaper ji in traditional markets because the difference is usually around 2,000"*

The results of the interview above lead to the fact that the prices of goods in traditional markets are cheaper than the prices in modern markets, but usually consumers shop in modern markets only because they are influenced by the existence of discounts (promos) that can attract consumers to shop in modern markets while in the strategy of determining prices in traditional markets depends on where the product is taken, namely the box car or commonly referred to as kampas. as stated by the third informant with the initials HE (43 years):

*"If I have capital, it's good, if it's during a promo I take the goods there and then resell them here"*

The results of the interview above indicate that when there are discounts (promos) in modern markets, traders sometimes buy goods there and then resell them in traditional markets at normal prices as usual. The same thing was stated by the third informant with the initials HEr (43 years):

*"I still follow the market price, there is no effect, the goods from Alfa Mart enter here, if he is a promo, it is indeed below the promo price."*

The results of the interview above lead to the determination of prices in traditional markets having no influence from modern markets.

#### b. Improving Product Quality

Product is one element of the marketing mix that can satisfy to meet the needs and desires of consumers. It is hoped that through the purchase of these products consumers can fulfill their satisfaction. Product quality is the superiority of a product that will be felt by consumers. Product quality usually has its own standards. Traders must pay attention to the quality of the products they sell in order to create trust from consumers in the quality of the products they sell. If the seller pays less attention to product quality issues, there will be a decrease in the purchase rate, but if the seller is very concerned about product quality, there will be an increase in the number of purchases due to the level of consumer satisfaction due to the good level of product quality. In running a business, the products sold must be of good quality or in accordance with the price offered. So that a business can survive in the face of competition, especially competition in terms of quality. As stated by the first informant with the initials HN (50 years):

*"Sometimes if an item purchased by a new customer is damaged, I give it back and replace it with a new item, but it also depends on the buyer because there are usually those who ask for their money back, so I give them back their money".*

In addition, in maintaining product quality in accordance with what consumers expect, the informant also stated that:

*"Usually if there are buyers or there are goods looking for, we usually give them a look, but if for example here we buy goods from the campsite according to what the people here want, like for example online goods, there are not too many people looking for them here, so we usually don't provide such goods here.". Usually here, what is most often used by customers is also provided".*

The results of the interview above lead to traders maintaining the quality of their products to consumers, namely by replacing new goods or by refunding consumers if the goods purchased are damaged. In addition, traders also provide items that are most often sought after by consumers. A product can satisfy consumers if the value can meet or exceed their wants and expectations. As also stated by the fourth informant with the initials HNa (48 years):

*"If there are items taken from the camp, they are not immediately sold, they are checked again and then if there are items that expire, they are given back, returned back with the camp and then replaced with new items."*

The second informant also added his initials S (40 years old):

*"If it's just to attract products, it's not like the strategies that are used in modern markets, here my strategy is to organize goods by type, for example soap with soap, shampoo with shampoo, etc."*

Hasil wawancara diatas mengarah pada bahwa di pasar tradisional strategi dalam kualitas produk belum seperti di pasar modern, pedagang di pasar tradisional hanya dengan menyusun barang sesuai jenisnya saja agar bisa terlihat rapi.

c. Improving Service Quality

Service quality is a measure of how good the level of service provided is able to match customer expectations (Wijaya, 2011. As stated by the fifth informant with the initials HS (36 years)

*"I give time to the buyer, if I know the buyer, maybe I can give them credit if they are already my customers."*

The results of the interview above lead to the transaction process in traditional markets applying a payment system on credit in accordance with the agreement between sellers and buyers who already trust each other. As stated by the fourth informant with the initials HN (48 years):

*"We just have to be patient because we as traders have to take the risk of what is there. Yes, that's normal because maybe it's emotional again and it will definitely melt again. Sometimes the wrong response or the wrong request he ji again who immediately packs the goods. In terms of service, it's good there but it's different there and different here."*

The results of the interview above lead to the buying and selling process sometimes there are complaints from buyers with complaints submitted to the seller but as a trader must accept the risks involved. In the midst of competition between modern markets and traditional markets, traditional market traders must maintain their business existence. As stated by the fifth informant HS (36 years):

*"by serving one buyer at a time with prices not listed on the packaging. Likewise, the price cannot be sold at a cheaper price than in the modern market if that is the price."*

The results of the interview above lead to the service of traders to customers, namely by serving consumers one by one because products in traditional markets are not listed. But on the issue of prices they sell according to market prices because it is impossible for the prices they sell to be cheaper than prices in modern markets.

### 3.2 Discussion

a. Determining the Price

Price is one of the success factors of a company because the price determines how much profit the seller will get (Alfiani et al., 2018). Setting the price too high will cause sales to decline, but if the price is too low it will reduce the profit that will be obtained.

Price formation in traditional markets must realize a price agreement between sellers and buyers. Through buying and selling transactions, sellers and buyers can bargain. The bargaining is intended to reach an agreement on the price of the product. Bargaining will continue until the price is acceptable to the seller and buyer. Usually, the price desired by the seller is higher than the price desired by the buyer. In addition to price agreements, bargaining can also establish communication between sellers and buyers because economic activities can be said to run if there are trade transactions between sellers and buyers. According to Zhang et al. (2014), the price issue between traditional markets and modern markets has a significant difference.

Consumers can get cheaper prices if they are able to bargain for the price of the goods. Unlike the case in modern markets where there is a definite price tag, modern markets carry out price and non-price strategies, for example by providing price discounts at certain times, non-price strategies in the form of advertising and free parking. But in reality, the price of goods in traditional markets is actually cheaper than the price in modern markets if you don't see promo prices (Lim et al., 2014), but in modern markets it sometimes seems cheaper because of the cross-subsidization strategy, making the price of one type of goods cheaper, and making the price of other goods more expensive than in traditional markets (Purdy, 2020).

b. Improving Product Quality

In running a business, the products sold must be of good quality or in accordance with the price offered. So that a business or company can survive in the face of competition, especially competition in terms of quality. Improving product quality can make consumers feel satisfied with the products or services they buy, and will influence consumers to make repeat purchases (Mirabi et al., 2015).



Consumer perceptions of product quality can be influenced by product prices. Consumers have a perception that the higher the price of a product, the higher the quality of the product (Beneke et al., 2013). Consumers can have such perceptions when they have no other clues or references from product quality. Sales can have produced quality if the product or sales service meets or exceeds customer expectations.

In traditional markets, goods such as vegetables, fish and fruits are fresher because they are supplied directly in the morning and usually not in large quantities and the process takes place every day. whereas in modern markets the freshness of products is not beaten also because of the presence of freezers. Some products in modern markets that have been taken from producers are products that are sold to have a longer shelf life. Both markets are equally one of the places that drive the community's economy. In selling products in traditional markets, products that will be sold are sorted when they are taken from the box car (Kampas). The point is to avoid damage to the packaging before it is purchased by consumers.

c. Improving Service Quality

Service is an action taken or done in order to lure buyers so that they want to use the products offered with the ultimate goal of a transaction. In order to market their products, sellers always try to satisfy the wants and needs of their customers and try to find new customers. In this effort, it cannot be separated from the existence of services. Excellent service is able to retain existing customers. Service quality is the level of excellence to meet customer desires (Lau et al., 2013). In other words, the main factors that influence service quality are expected service and perceived service.

#### **4. CONCLUSIONS AND RECOMMENDATIONS**

Based on the results of research and discussion that has been carried out in traditional markets in Makassar City, it can be concluded that the condition of traditional markets in the midst of the existence of modern markets is greatly affecting the income of traditional market traders which is marked by a drastic decrease in income.

Traditional market traders in determining their market prices still follow market prices by implementing a bargaining system and buyers who take their wholesale goods are given lower prices. Meanwhile, in maintaining the quality of its products, namely by checking the goods that have been taken by the box car (Kampas) to be sold in the market and replacing new products if there is damage to the products purchased by consumers. And for the quality of traditional market services, namely by serving one by one consumers with prices not listed on the packaging.

Based on the above conclusions, there are several suggestions, including: 1) The Makassar City government must pay attention to the conditions of traditional market traders as an effort to maximize traditional market facilities and infrastructure. 2) Traditional market traders must have creativity in taking responsibility for product quality by keeping agreements during the buying and selling process and the quality of their services. 3) For readers and writers, it can be an inspiration in making writings related to the theory of traditional market trader behavior in relation to the existence of modern markets.

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