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ADAPTATION STRATEGY OF TRADITIONAL MARKET TRADERS IN RESPONSE TO DIGITALIZATION COMPETITION

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ABSTRACT

This research discusses how traditional market traders in Pasar Hongkong Medan City adapt to the competition of digitalization. With the increasing penetration of the internet and the popularity of e-commerce, traditional markets face great challenges in maintaining their relevance. The research used a qualitative method with in-depth interviews to traders in three accessories shops as the research subjects. The results showed that the merchants experienced diverse impacts of digitalization. Certain shops successfully utilized technologies such as WhatsApp for digital marketing and transactions, while others faced a decline in revenue. Adaptation efforts involved strategies such as price adjustments, use of social media for promotion, and digital payment systems. This study recommends digital literacy training, market infrastructure improvement, and collaboration with digital platforms to help traditional traders survive in the digital era.

Keywords: *adaptation strategy, traditional market, digitalization.*

1. INTRODUCTION

The development of all aspects of modern life is greatly aided by globalization. The world of technology and information is currently experiencing many improvements and rapid progress due to globalization. The rapid advancement of communication, information technology, and technology in society is proof of this. This situation still exists today, is growing rapidly in the current era of globalization, and has resulted in advances such as the increasingly sophisticated information technology. The absence of time and space restrictions, as well as the many applications and inventions of various information technology instruments that can serve the needs of life, all contribute to the development of information technology.

Technology is currently developing very rapidly. Various conveniences are available in this digital era, and people's lifestyles have changed into a lifestyle that cannot be separated from electronic media. Most of society's needs can be fulfilled by technology. As a result, the world no longer recognizes borders, and changes in the economy, education, and society are now inevitable. Similarly, the economy growing rapidly, especially in trade. Through the internet, transactions have become faster and more effective, eliminating the need for traders and buyers to meet in person. This digitalization has a significant impact on markets, especially traditional markets.

Amidst the tsunami of digitalization, traditional markets, have been the hub of the local economy, are now places where direct transactions between buyers and sellers usually involve a bargaining process. Thanks to the development of digitalization, traditional markets that have been at the center of the community's socio-economic activities and created patterns of economic relations that lead to close social interactions between traders and buyers, traders and suppliers, and a source of livelihood for many traders, are now facing significant challenges. Trade-related digitalization, such as e-commerce, online shopping apps, and digital marketing, has changed consumer behavior and the way merchants interact with customers.

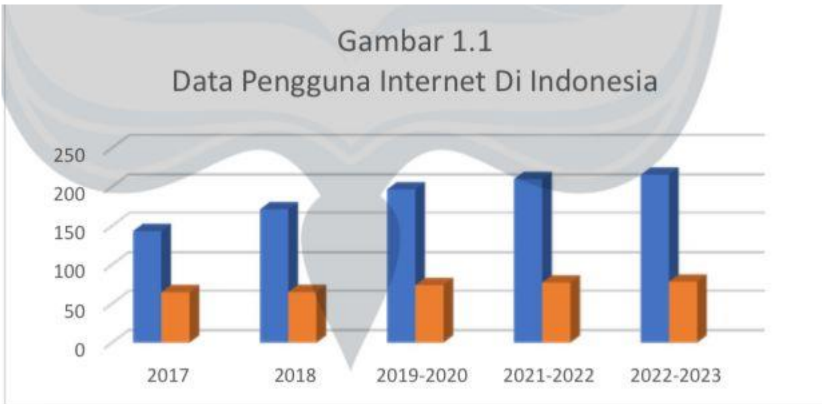

Figure 1. Internet User Data in Indonesia

Based on the APJII survey results, by 2023 the number of internet users in Indonesia will reach 215.63 million, as shown in Figure 1.1. This figure increased by 2.67%. The number of internet users in the previous period reached 210.03 million people or 78.19 percent of the total population of Indonesia or 275.77 million people. For information, more and more Indonesians are using the internet every year. The percentage of internet users increased from 64.8% in 2018 to 73.7% in 2019 and 2020. Internet penetration increased again in 2021-2022, which amounted to 77.02% and 80% in 2022-2023, respectively. This shows that internet usage among Indonesians is increasing.

Daftar Jumlah Pengunjung Aplikasi *E-commerce* Di Indonesia

No.	E-commerce	Jumlah Pengunjung		
		2021	2022	2023
1.	TokoPedia	157 juta	158 juta	117 juta
2.	Shopee	138 juta	131 juta	158 juta
3.	Lazada	28 juta	26 juta	83,2 juta
4.	Bukalapak	29,88juta	21 juta	18,1 juta
5.	Blibli	17,51 juta	24,9 juta	25,4 juta

Figure 2. data listing the number of visitors to e-commerce applications in Indonesia

Today, Indonesians only use e-commerce applications for shopping, as shown in Figure 1.2. This is evident from the high number of users visiting Indonesian e-commerce websites and the large number of e- commerce applications in Indonesia. In order to compete in the e-commerce sector, businesses must maintain their market share and grow their client base by developing new technologies that make consumers' lives easier and deliver high-quality e- commerce services.

One of the traditional markets in the city, Pasar Hongkong in Medan City, is a prime example of the impact of digitalization that traders have to face. The ease of shopping on increasingly popular digital platforms has made the market, which used to be the main location for people to shop for their daily needs directly, have to compete. The presence of digital shopping applications and payment systems, as well as advances in digital technology that facilitate online transactions, have threatened traditional market traders such as PasarHongkong to switch to online transactions.

However, traditional markets have not necessarily lost their competitiveness in the face of digitalization pressures. In fact, by leveraging digitalization to boost sales and expand market reach, many conventional market vendors are trying to adapt to technology and create new survival tactics. Given that most merchants lack understanding of infrastructure and technology, this conversion process is difficult.

Researchers are interested in studying the traditional Hong Kong market in Medan City in this research because, although digital markets such as Shopee, Lazada, JD.ID, Bukalapak, Tokopedia, and other online stores have sprung up today, these markets still exist. In this case, how conventional market traders respond to competition from digitalization is important. This research is expected to provide an overview of how traders in Medan City's Hong Kong Market address the challenges posed by digitalization and come up with a better plan to keep operating and competing. This research is also expected to be used as a reference by the government, trade associations, stakeholders, and other relevant parties.

2. RESEARCH METHOD

The research methodology focused on how Medan's traditional market traders adapt to competition from digitalization, by applying qualitative techniques. This research can collect secondary data from literature reviews, such as previous research papers or reports, which can be used to add context and enhance the analysis. Thus, scholars can dig deeper into themes, patterns and connections, leading to a more genuine understanding. To gain a comprehensive understanding of the impact of these activities, collect primary data by conducting in-depth interviews with informants. After that, use participant observation to see the activities firsthand. In this case, the Adaptation Strategy of Medan Traditional Market Traders in Facing Digitalization Competition aims to understand something more precisely.

This research was conducted in the neighborhood of Jalan Kotanopan 1, Pasar Hongkong, Medan Kota Subdistrict, Korta Medan North Sumatra 20212. The research subjects in this study are business people who sell in the Hong Kong market. There are 2 types of informants in this research. Core informants, namely 3 accecoris business people. traders who own one of the shops in the Hong Kong market. As well as 1 additional informant.

3. RESULT AND DISCUSSION

Description of Research Location

Located in the neighborhood of Jalan Kotanopan 1, Hongkong Market Medan has been a well-known traditional market in Medan, North Sumatra, since the 1980s. The market is famous as a center for replica wholesale stores, which offer a wide variety of goods ranging from daily necessities to unique items.

Basic necessities such as fruits, vegetables, meat and fresh seafood are among the items available. Clothing & accessories: The market is famous offering affordable jewelry, bags, shoes, and clothing, specialty items as well as a variety of imported toys, small electronics, and customary mementos from China and other Asian countries. Diversity in Culinary Arts The main attraction of Hongkong Market Medan is the wide variety of regional and international cuisines. You can find Medan specialties, traditional snacks, and food with East Asian flavors.

Affordable prices This market is a great location for consumers looking for the best prices as it provides competitive pricing as well as the opportunity to bargain. The vibrant local trading culture, which is heavily influenced by foreign cultures, is reflected in Medan's Hongkong Market. The market offers visitors and residents the opportunity to shop and Experience Medan's culture.

Interview

Researchers conducted interviews at several accessories stores in the Hong Kong market, then researchers chose the main store as an informant. In the research which was conducted on Wednesday, November 13, 2024, several interview results were obtained including. *"The response of the main store (TR) that the impact of digital development has no impact on its business because the main store (TR) sells its goods in large quantities (as suppliers). With the development of technology today, there are challenges and threats for business actors, therefore related to technological developments, adaptation strategy carried out by the main store is by utilizing whatsapp as a marketing medium for customer consumers. And place an order or purchase via whatsapp. And the main store has made transactions with a digital payment system."*

Then the researcher conducted an interview with Toko SP *"that the impact of digital development has an effect on his business because goods are sold through online sales compared to offline sales. With the development of technology today, there are challenges and threats for business actors, therefore related to technological developments, adaptation strategy carried out by store utilizes whatsapp as a marketing medium for consumer* *customers. And place orders or purchases via WhatsApp and the store has made transactions with a digital payment system."*

Furthermore, the researcher conducted an interview at Toko MR *"the impact of digital development is very influential on his business as a result of which his business has experienced a decrease in income. Regarding digital developments, the store carries out a strategy to survive during the current technological development by competing in market prices, for example, the store sets a different price from the surrounding stores and also lowers prices from the usual market price."*

Figure 3. The process of collecting information and research data using the interview method

Today, almost every human activity depends on technology, which has a significant impact on human life. In this regard, one of the technologies that have a significant impact on human life is digital technology, which uses an automated operating system with a computerized system instead of requiring manual human power, this technique relies on electrical signals from computers. The following are some of the advantages of digital technology that make it very beneficial to human survival:

1. Access to Information: With today's technology, anyone can quickly and easily find information from various sources. Global electronic gadgets, media Social media, and internet databases are some of the sources of this data. In order to learn and access knowledge more effectively than just using conventional methods, this information is necessary.
2. Communication has become easier; digital technology has changed the way we communicate. The first step is to make voice or video calls and send text messages through instant messaging apps or email. In long-distance relationships between islands or countries, this makes effective communication easy.
3. Higher productivity: The availability of productivity-enhancing technologies can be beneficial to everyday life as well as the workplace. The use of software programs that can handle tasks and further manage work data effectively is one such example.

Adaptation Strategies of Traditional Merchants in Facing Digitalization Competition Based on Jhont Bennet's adaptation theory, it explains that to adapt to a changing environment, humans are required to be dynamic, namely having: 1) active behavior, 2) action strategies, 3) adaptive strategies (Bennet in Triguna, 2008).

Given the prevalence of digital technology in everyday life, it is important for businesses to recognize opportunities for company mergers by leveraging digital technology. However, running a business with digitalization technology is a challenge, as maximizing business potential with digital technology requires a well-thought-out strategy. Business players competing in the digitalization competition can use the following business development strategies:

a. Pay attention to business goals and needs
   Understanding and paying attention to the needs of the market is the first step as it is a crucial phase in business development, which requires a thorough examination of the needs, obstacles, and long-term and short-term goals. This is necessary as the market can determine the areas where digital technology can help the company. Through a thorough assessment of the business process, the strengths and weaknesses of the company will be determined, and the prospects of a suitable and efficient market for business growth and success will be informed.
b. Building an online presence
   To help businesses expand their market, increase brand awareness, and increase their sales.
c. Use Data to Analyze Data
   To stay ahead of the competition, businesses must evaluate data to gain insight into market trends and demands. This will allow them to determine what is required and make the right judgments. To boost sales, online businesses such as websites, social media, and other online platforms are used as promotional tools and to facilitate consumer buying and selling transactions.

Trading patterns have changed profoundly due to digital transformation. Wider consumer access is enabled by the digital marketplace, but it also forces established merchants to change.

Based on the findings of the study, the adaptation methods of Hong Kong's traditional market traders to the digital market.

1. Utilization of Communication Technology
   For conventional merchants, technology like WhatsApp has become a key instrument for maintaining relationships with clients. This includes product ordering, marketing, and delivery coordination. In the digital age, this move shows how conventional merchants can stay relevant by implementing basic technology.
2. Payment System Improvement. One of the key adaptations is the digitization of payment systems. As modern consumers want simplicity and security in transactions, they tend to accept merchants who use digital payment systems such as bank transfers and e-wallets.
3. Competitive Pricing Strategy
   To attract customers, merchants facing competition in the digital marketplace decide to provide discounts and reduce prices. Despite lower potential profits, these tactics temporarily improve customer retention.
4. Online and Offline Combination.
   Online and offline sales have been successfully carried out by some retailers. They retain old clients who are used to traditional purchasing techniques while reaching out to new clients through the digital marketplace.

5. The Importance of Innovation and Service.
   Merchants who can develop sales strategies, including providing unique products or additional services (such as fast shipping), have a better chance of success in the digital age.

4. CONCLUSION

Conventional market vendors are affected differently by digitalization. Store TR experienced less impact, Store SP experienced a significant increase in online sales, and Store MR experienced a decrease in revenue.

The social media platform most frequently used by traders for customer service, marketing and transaction purposes is WhatsApp. This shows the success of WhatsApp as a digital adaptation tool for conventional market traders.

Most of the merchants interviewed have started using digital payment methods. This shows an increase in digital literacy and an understanding of the importance of more contemporary payment methods. Each merchant uses unique adaptation techniques. In addition to using digital payments and WhatsApp, some also attempt to compete by cutting prices.

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