

## Traditional Market Might Against Modern Competitive Fight

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### ABSTRACT

*Traditional markets have a strategic role in the local economy, yet they face increasing competitive pressure due to the rise of modern markets that offer convenience, cleanliness, and service efficiency. This research aims to formulate a competitive advantage strategy for Pasar Jepara I, Jepara Regency, in facing competition from modern markets using the Participatory Appraisal of Competitive Advantage (PACA) approach. This study employs a descriptive qualitative method with the PACA approach, involving the active participation of local stakeholders. Data collection was conducted through field observations, in-depth interviews, and documentation with 17 informants consisting of traders, market managers, consumers, suppliers, and the Jepara Regency Office of Industry and Trade. Data analysis used an interactive model including data reduction, data presentation, and conclusion drawing, with data validity tested through triangulation of sources, techniques, and time. The research results indicate that Pasar Jepara I has competitive strengths rooted in social capital, personal relationships between traders and buyers, price flexibility through bargaining, the availability of fresh local products, and its inherent cultural value. However, the market's competitiveness is still constrained by inadequate infrastructure, weak collaborative governance, a lack of innovation and technology utilization, and a suboptimal bargaining position with suppliers. This study recommends an integrated strategy encompassing strengthening differentiation based on cultural experience, collective adoption of digital technology, building strategic partnerships with local suppliers, strengthening trader institutions, and improving service quality and market facilities. The participatory PACA-based approach proved effective in exploring local potential and formulating contextual, adaptive, and sustainable strategies to enhance the competitiveness of traditional markets amidst the dominance of modern markets.*

**Keywords :** *Traditional Market, Competitive Advantage, PACA, Modern Market.*

### INTRODUCTION

Traditional markets today remain vital nodes of the local economy in various developing countries, including Indonesia. A study by Goldman et al. (1999) on wet markets in Hong Kong showed that traditional markets possess a persistent competitive advantage despite facing massive modern retail penetration. This advantage stems from the market's function as a social space, the personal interaction between traders and buyers, and the ability to provide fresh products with short supply chains. In the Indonesian context, Taufik et al. (2021) confirmed that relational factors and trust are more dominant in shaping customer loyalty in traditional markets compared to price. However, recent research by Hapsari et al. (2024) revealed that creative economy-based traditional markets in Yogyakarta face significant social and technological challenges, while open innovation has not had a direct impact on sustainable competitive advantage. This condition indicates

that the transformation of traditional markets requires a strategic approach that is not only based on historical strengths but also adaptive to changes in the competitive landscape.

The research gap lies in the scarcity of studies that integrate a participatory approach based on local potential in formulating competitive advantage strategies for traditional markets. Most studies, such as those conducted by Muharam et al. (2023) at Guntur Market in Garut and Fauzi (2023) at Sumberkolak Market in Situbondo, still use SWOT and AHP analysis frameworks that tend to be top-down and lack the involvement of the collective perspectives of market stakeholders. In fact, Ramukumba (2014) emphasized that the Participatory Appraisal of Competitive Advantage (PACA) approach is able to bridge the gap between strategic planning and field realities through the mobilization of local knowledge and collective action learning. A study by Santoso et al. (2025) at the Bakaran Batik Center proved the effectiveness of PACA in strengthening the competitiveness of industrial clusters based on multi-stakeholder collaboration. However, the implementation of PACA in the context of traditional markets, particularly in the coastal areas of Central Java which have specific socio-economic and cultural characteristics, has not yet been systematically explored.

This research aims to formulate a competitive advantage strategy for Pasar Jepara I, Jepara Regency, in facing competition from modern markets using the Participatory Appraisal of Competitive Advantage (PACA) approach. Specifically, this research aims to: (1) identify the internal strengths of Pasar Jepara I in facing threats from new entrants, substitute products, buyer bargaining power, supplier bargaining power, and rivalry among existing traders; (2) analyze differentiation, innovation, cost leadership, alliance, and growth strategies that are appropriate to the local context; and (3) formulate an integrated strategy based on stakeholder participation to strengthen the sustainable competitiveness of the traditional market.

The contribution of this research is both theoretical and practical. Theoretically, this research enriches the strategic management literature by integrating Porter's Five Competitive Forces framework (Porter, 2016) into the participatory PACA approach, thereby producing a more contextual model for analyzing competitive advantage based on local values. This research also extends the application of the Resource-Based View (RBV) by identifying intangible assets such as social capital, trust, and traders' tacit knowledge as determinants of sustainable competitive advantage (Amaya et al., 2024). Practically, this research provides applicable strategic recommendations for market managers, trader associations, and local governments in designing traditional market revitalization policies that are not only oriented towards physical infrastructure improvement but also towards institutional strengthening, inclusive digitalization, and local value chain partnerships.

## LITERATURE REVIEW

### **The Paradigm of Competitive Advantage in the Context of Traditional Markets**

The theory of competitive advantage proposed by Porter (2016) has become a fundamental foundation in strategic management studies, asserting that competitive advantage is achieved through the creation of superior value that is difficult for competitors to imitate. Porter identified five competitive forces: the threat of new entrants, the threat of substitute products, the bargaining power of suppliers, the bargaining power of buyers, and rivalry among existing competitors as a structural analysis framework determining industry profitability. In the context of traditional markets, these five forces manifest in complex dynamics: the presence of minimarkets and e-commerce as new entrants, instant products and frozen food as substitutes, dependence on fragmented local suppliers, high consumer bargaining power due to numerous choices, and internal competition among traders that has not been managed collaboratively. However, Porter (2016) also emphasized that competitive advantage is determined not only by position within the industry structure but also by value chain activities that create differentiation or cost efficiency. This concept is relevant for analyzing how traditional market traders create value through personal interaction, price flexibility, and product knowledge that modern retail does not possess.

### **Resource-Based View and Social Capital as Sources of Advantage**

Criticism of Porter's view, which is overly oriented towards the external environment, gave rise to the Resource-Based View (RBV) perspective, which places internal resources as the primary determinant of sustainable competitive advantage. Barney (1991) in Amaya et al. (2024) formulated the VRIO criteria: valuable, rare, inimitable, organized to identify strategic resources. In the context of traditional markets, intangible resources such as consumer trust, social networks, traders' tacit knowledge, and the collective reputation of the market are strategic assets that meet the VRIO criteria. Mahrinasari et al. (2024) proved that local wisdom and the government's role in strengthening social capital contribute significantly to the sustainable competitive advantage of creative industries in Indonesia. This finding aligns with the study by Wang et al. (2021) which identified relationship equity—the value created from emotional bonds between customers and traders—as a key dimension of customer equity in traditional markets. Thus, traditional markets are not merely economic entities, but rather nodes of social networks whose competitive value stems from the depth of relationships, not just transactional efficiency.

### **Dynamic Capabilities and Entrepreneurial Orientation in Market Adaptation**

The theory of dynamic capabilities offers a complementary perspective by emphasizing an organization's ability to integrate, build, and reconfigure internal

and external competencies to respond to rapidly changing environments (Teece et al., 1997). Alghamdi and Agag (2024), in their longitudinal study, found that data-driven innovation capabilities and marketing agility play a full mediating role in building competitive advantage amidst market turbulence. This finding is relevant for traditional markets required to adapt to digital disruption and post-pandemic changes in consumer behavior. Yaskun et al. (2023) confirmed that entrepreneurial orientation which encompasses innovation, proactiveness, and risk-taking significantly influences the performance of MSMEs in Indonesia through the mediation of competitive advantage. However, a study by Hapsari et al. (2024) on creative economy-based traditional markets in Yogyakarta showed contrasting results: open innovation did not significantly affect sustainable competitive advantage, while social and technological challenges actually had a weak but significant influence. This finding indicates that the dynamic capabilities of traditional markets are contextual and cannot be generalized across regions and sectors.

### **Dynamics of Competition between Traditional and Modern Markets**

A cross-country comparative study conducted by Goldman, Krider, and Ramaswami (1999) on wet markets in Hong Kong serves as a classic reference for understanding the persistence of traditional markets. The research revealed that the competitive advantage of traditional markets stems from three pillars: specialization in fresh products that cannot be perfectly substituted by modern retail, search efficiency through trader agglomeration, and social function as a public space. This finding was confirmed by Wibowo et al. (2022) in Wonogiri Regency, showing that traditional markets still excel in terms of price, diversity of fresh products, and emotional closeness with customers. However, a study by Ngandoh et al. (2022) in Makassar City quantitatively proved that the presence of modern markets has a significant negative impact on the income, number of customers, and employment of traditional traders. This dual impact positive and negative indicates that the relationship between traditional and modern markets is not zero-sum, but rather complex and influenced by contextual factors such as customer loyalty, trader adaptation strategies, and local government policies (Kumallasari et al., 2023).

### **Differentiation Strategy and Authentic Shopping Experience**

Porter's (2016) differentiation strategy in the context of traditional markets cannot be simplified merely to product attributes, but rather encompasses an authentic, multi-sensory shopping experience. Purwanti et al. (2022), in a case study of Panorama Market in Lembang, found that improvements in physical aspects, environmental cleanliness, and service quality significantly contribute to increasing the attractiveness of traditional markets. Furthermore, Sugiati et al. (2023) used the Analytic Hierarchy Process (AHP) to identify that customer value including function

value, emotional value, social value, seller service, shopping convenience, and fair price is the top priority in building competitive advantage. This finding underscores that the differentiation of traditional markets is multidimensional, combining utilitarian (freshness, price), hedonic (experience, interaction), and symbolic aspects (cultural identity, support for the local economy). Zhang (2024) introduced the concept of green competitive advantage, showing that green market orientation and knowledge management can drive creativity and sustainable competitive advantage, opening opportunities for traditional markets to position themselves as environmentally friendly shopping destinations with short supply chains and low carbon footprints.

### **Threat of Substitute Products and Local Product Authenticity Strategy**

The threat of substitute products within Porter's (2016) framework becomes significant when alternative products offer a better price-performance ratio. In the context of traditional markets, substitute products appear in the form of instant food, frozen food, packaged vegetables, and clothing e-commerce. Risky and Bahiroh (2024) identified that innovation and differentiation strategies based on product authenticity are key determinants in facing the threat of substitution. The authenticity of local products whether in terms of raw materials, production processes, or cultural narratives creates psychological and preferential barriers that mass-produced products cannot penetrate. A study by Santoso et al. (2025) at the Bakaran Batik Center proved that certifications such as Batik Mark, MUI halal, and geographical indications are strategic instruments in protecting local products from modern textile substitution. Thus, protection against substitute products is not only legal-formal through intellectual property rights but also socio-cultural through strengthening collective identity and product storytelling.

### **Buyer Bargaining Power and Relationship Equity Strategy**

High buyer bargaining power is a structural reality of traditional markets due to the large number of traders offering homogeneous products and low switching costs. However, Taufik et al. (2021) showed that customer loyalty in traditional markets is determined more by relationship quality and trust than by price. This finding aligns with the concept of relationship equity by Wang et al. (2021), which is built through repeated interaction, service personalization, and recognition of customer loyalty. Putri and Nurhadi (2023) added that differentiation strategies based on personal service and alliances among traders in collective loyalty programs can reduce consumer price sensitivity. Thus, high buyer bargaining power does not always lead to the erosion of trader margins if balanced by investment in relationship equity that creates non-price added value. This perspective shifts the competition paradigm from transaction-based to relationship-based, which is a comparative advantage of traditional markets versus impersonal modern retail.

## **Supplier Bargaining Power and Strengthening Local Value Chains**

Traditional market traders' dependence on fragmented local suppliers creates a weak bargaining position, especially during supply fluctuations due to weather or distribution disruptions. Navarro-García et al. (2024), in a study on exporting companies, found that intangible resources and static-dynamic capabilities play an important role in building competitive advantage through supplier networks. In the context of traditional markets, Hakim et al. (2023) recommended developing structured partnership patterns between traders and local producers through cooperative institutions or commodity associations. This partnership model not only strengthens collective bargaining power but also creates supply chain resilience through source diversification, long-term contracts, and post-harvest knowledge transfer. Khasanah (2023), in her study on PACA-based tourism development on Red Island, affirmed that multi-stakeholder collaboration between government, private sector, and local communities can create added value and economic sustainability. The same principle can be applied in building an integrated local value chain ecosystem involving traditional markets, producers, and consumers.

## **Internal Competition and Coopetition Strategy**

Competition among traders within a single market is often perceived as a structural weakness triggering price wars and margin erosion. However, a study by Kumallasari et al. (2023) at Kliwon Market in Kudus actually found that solidarity and mutual cooperation among traders constitute social capital that strengthens the market's existence in facing external pressure. The concept of coopetition collaboration among competitors offers a theoretical framework for understanding this phenomenon. Cadden et al. (2023), in their study on SMEs and big data analytics, emphasized the importance of knowledge integration mechanisms in creating collaborative value. In practice, traditional market traders can collaborate in collective procurement, joint promotions, market information systems, and internal dispute resolution through informal institutions. Gil-Cordero et al. (2023) proved that participative leadership, supported by shared organizational values, is the foundation for achieving sustainable competitive advantage, even under conditions of uncertainty. Thus, internal competition does not need to be eliminated but managed through collective governance that transforms competitive energy into productive synergy.

## **Participatory Appraisal of Competitive Advantage (PACA) Approach**

PACA is a participatory assessment methodology developed by Meyer-Stamer (2019) to rapidly, contextually, and action-orientedly identify local opportunities and competitive advantages. Unlike bureaucratic, top-down planning approaches, PACA emphasizes mobilizing local knowledge, multi-stakeholder dialogue, and learning through concrete action (action learning). Ramukumba

(2014), in a case study on local economic development in South Africa, proved the effectiveness of PACA in transforming participatory diagnostic results into strategic initiatives fully supported by the community. Fiedeldei (2021) reinforced this finding by showing that PACA is capable of uncovering hidden competitive advantages not detected in conventional surveys. In Indonesia, Santoso et al. (2025) implemented PACA at the Bakaran Batik Center and successfully formulated strategies to increase competitiveness based on design innovation, strengthening cultural identity, product certification, and digital collaboration. Khasanah's (2023) study on Red Island tourism development also confirmed that the PACA approach, integrated with the Maqashid Syariah perspective, can create stakeholder synergy and local economic sustainability.

### **Integration of PACA with the Five Competitive Forces Framework**

The theoretical novelty of this research lies in the integration of the PACA approach with Porter's Five Competitive Forces framework. Meyer (2019) asserted that PACA functions not only as a diagnostic tool but also as a facilitator for formulating participation-based competitive strategies. In the context of traditional markets, this integration enables the identification of internal strengths and weaknesses from the stakeholders' perspective, alongside a contextual analysis of external threats and opportunities. Dewi et al. (2024) developed an integrative strategy model combining cost efficiency, differentiation, innovation, alliance, and growth within the PACA framework. This model not only yields realistic and applicable strategies but also builds collective ownership over strategy implementation. Thus, the integration of PACA and Porter not only enriches academic analysis but also enhances the effectiveness of policy interventions and development programs for traditional markets, which have so far tended to be partial and unsustainable.

### **Sustainability of Competitive Advantage and Green Market Orientation**

The contemporary paradigm of competitive advantage no longer stops at creating economic value but encompasses social and environmental sustainability dimensions. Din et al. (2024), in their study on the manufacturing industry, proved that green human resource management (green HRM), green innovation, and competitive advantage significantly influence environmental performance. Zhang (2024) introduced the concept of green competitive advantage built through green market orientation and knowledge management. In the context of traditional markets, a green orientation can be realized through promoting local products with short supply chains, reducing plastic packaging, managing organic waste, and educating consumers about sustainable consumption patterns. A study by Soroka et al. (2017) on big data-driven customer insights in SMEs showed that simple data analytics based on local knowledge can create business model innovations aligned with circular economy principles. By adopting a green market orientation,

traditional markets not only strengthen differentiation and reputation but also contribute to achieving the Sustainable Development Goals (SDGs) at the local level.

## **METHOD**

This research employs a descriptive qualitative approach using the Participatory Appraisal of Competitive Advantage (PACA) framework, aiming to formulate a competitive advantage strategy for Pasar Jepara I in a participatory and contextual manner. The PACA approach was chosen for its ability to uncover local potential and hidden competitive advantages through the active involvement of stakeholders in the process of diagnosis, reflection, and collective action planning (Ramukumba, 2014; Santoso et al., 2025). Unlike conventional top-down strategic planning methods, PACA emphasizes learning through concrete action (action learning) and utilizing local knowledge as a basis for decision-making (Meyer-Stamer, 2019). The research location was purposively selected at Pasar Jepara I, Jepara Regency, considering that this market is the largest traditional market on the north coast of Central Java, facing significant competitive pressure from modern markets and e-commerce, and its complex problems represent the challenges of contemporary traditional markets in Indonesia.

Data collection was conducted through three complementary main techniques: participatory observation, semi-structured in-depth interviews, and documentation. Participatory observation was carried out from January to February 2026 to understand the dynamics of socio-economic interactions, transaction patterns, infrastructure conditions, and natural consumer behavior. In-depth interviews involved 17 informants selected through purposive sampling based on criteria of having at least two years of experience operating in Pasar Jepara I, understanding the competitive dynamics with modern markets, and being able to represent specific stakeholder groups. Informants consisted of active traders across various commodities (dried fish, vegetables, clothing, agate stones), market managers, the Head of Market and Street Vendor Arrangement Section of the Jepara Regency Industry and Trade Office, regular consumers, distributors, and local suppliers. Documentation was carried out by tracing archival data on the number of active traders, market management policies, local media coverage, and visual documentation of market conditions and trading activities. Data validity was tested through source triangulation (comparing information between informants), technique triangulation (comparing observational, interview, and documentary data), and time triangulation (collecting data at different times to ensure information consistency).

Data analysis used the interactive model by Miles, Huberman, and Saldaña (2014), which involves three simultaneous activities: data condensation, data display, and conclusion drawing. Data condensation was carried out through the process of selecting, focusing, and abstracting raw data from interview transcripts, field notes, and documents into thematic information relevant to the research focus.

Data were presented in the form of descriptive narratives, thematic matrices, and conceptual models to facilitate understanding of the relationship patterns between categories. Conclusions were drawn iteratively through verification and testing of the validity of findings with key informants and through reflective discussions among researchers. The entire analysis process referred to the PACA framework, encompassing stages: participatory problem identification, mapping of internal strengths and weaknesses, analysis of external opportunities and threats, and formulation of strategic options based on Porter's five generic strategies contextualized with local potential (differentiation, innovation, cost leadership, alliance, and growth). This approach enables the research not only to produce an accurate diagnosis of the competitiveness problems of Pasar Jeparu I but also to formulate applicable, contextual, and fully supported strategic recommendations by the market community as subjects of local economic development.

## **FINDINGS AND DISCUSSION**

### **Strengths in Facing New Entrants: Social Capital as a Natural Entry Barrier**

The research findings indicate that the main strength of Pasar Jeparu I in facing the threat of new entrants minimarkets, supermarkets, and e-commerce platforms lies in the social capital institutionalized in the daily interactions between traders and buyers. All trader informants (Mrs. Rondiyah, Mr. Yanto, Mrs. Anjar) consistently stated that personal relationships built over many years create loyalty not easily broken by the presence of new competitors. This finding confirms the results of the study by Goldman, Krider, and Ramaswami (1999) on the persistent competitive advantage of wet markets in Hong Kong, where the market's function as a social space is the main determinant of traditional market resilience. Furthermore, this finding extends the argument of Wang et al. (2021) that relationship equity the value created from emotional bonds between customers and traders is a key dimension of customer equity whose influence is significantly stronger than value equity and brand equity in the context of traditional markets. Thus, new entrants relying on advantages in efficiency, cleanliness, and technology face socio-culturally based entry barriers that cannot be overcome through financial capital investment alone.

### **Product Specialization and Differentiation Based on Local Wisdom**

The second identified competitive strength is the specialization in local products not fully available in modern markets. Mrs. Rondiyah, a dried fish trader with over ten years of experience, affirmed that the variety of dried fish based on fish type, dryness level, size, and processing method cannot be substituted by branded packaged products in supermarkets. This finding aligns with Porter's (2016) concept of differentiation, which emphasizes creating unique value as a basis for competitive advantage. Within the Resource-Based View framework, the expertise in selecting, processing, and storing dried fish constitutes tacit knowledge

accumulated through generational experience, meeting the VRIO criteria: valuable, rare, inimitable, and supported by the market organization (Amaya et al., 2024). A study by Mahrinasari et al. (2024) on local wisdom-based creative industries in Indonesia proved that products with cultural narratives and authenticity guarantees have lower price elasticity compared to generic products. The implication is that Pasar Jepra I's differentiation strategy should not solely rely on product attributes but must be strengthened through collective storytelling and informal certifications that build perceptions of uniqueness and authenticity in consumers' minds.

### **Threat of Substitute Products and Local Product Authenticity Strategy**

The threat of substitute products frozen food, instant food, packaged vegetables, and online clothing is the most tangible external pressure faced by Pasar Jepra I. Mrs. Anjar, a clothing trader, acknowledged that marketplaces like Shopee and Tokopedia offer more model variations, competitive prices, and 24-hour accessibility. However, the research findings revealed that traditional markets still possess strength in the multi-sensory direct shopping experience: consumers can see, touch, try, and negotiate prices directly. This finding is consistent with the study by Risky and Bahiroh (2024), which identified that product authenticity and service flexibility are key determinants of resistance to substitute products. Furthermore, research by Santoso et al. (2025) at the Bakaran Batik Center proved that authenticity certifications Batik Mark, MUI halal, geographical indications can create preferential barriers protecting local products from mass product substitution. Thus, the strategy to face substitute product threats at Pasar Jepra I should be directed towards strengthening a collective brand based on geographical indications and participatory certifications that guarantee the authenticity, quality, and cultural value of local products.

### **Buyer Bargaining Power and Transforming Threats into Loyalty Bonds**

Structurally, buyer bargaining power at Pasar Jepra I is very high due to the large number of traders offering homogeneous products and low switching costs. However, the research findings indicate that traders with strong personal relationships with regular customers experience much lower price pressure compared to traders serving incidental buyers. Mrs. Rondiyah and Mr. Yanto explicitly stated that regular customers tend not to engage in aggressive bargaining and are even willing to pay slightly higher prices to maintain good relationships. This finding confirms the results of the study by Taufik et al. (2021), which proved that relationship quality and trust are more dominant in shaping traditional market customer loyalty compared to price. From a relationship marketing perspective, practices such as giving bonuses, remembering customer preferences, and personal greetings constitute investments in relationship equity that systematically increase psychological switching costs (Wang et al., 2021). Thus, the threat of buyer

bargaining power can be transformed into loyalty bonds through service personalization strategies and recognition of long-term loyalty.

### **Supplier Bargaining Power and Strengthening Collective Value Chains**

The most significant weakness of Pasar Jepra I in facing supplier bargaining power is the absence of collective institutions that strengthen traders' bargaining position. Both Mrs. Rondiyah and Mr. Yanto acknowledged that fluctuations in raw material prices due to bad weather, distribution disruptions, or market speculation are always fully transmitted to traders due to the lack of collective negotiation mechanisms. This finding indicates that local resources in the form of diverse supplier networks have not been strategically managed. A study by Navarro-García et al. (2024) on export companies showed that static and dynamic capabilities in managing supplier relationships are determinants of competitive advantage. In the context of traditional markets, Hakim et al. (2023) recommended establishing commodity cooperatives or product-based trader associations for collective purchasing, quality standardization, and long-term contracts with local producers. The PACA approach proposed by Ramukumba (2014) offers a participatory method to facilitate the formation of such collective institutions, starting with small-scale joint purchasing pilot projects as a vehicle for action learning and trust-building among traders.

### **Internal Competition and Coopetition based on Participatory Governance**

Competition among traders at Pasar Jepra I is intense but remains within healthy bounds, balanced by informal solidarity. Mrs. Anjar described that fellow clothing traders help each other watch over stalls, share supplier information, and even borrow stock from each other for special requests. This phenomenon represents the concept of coopetition collaboration among competitors which in a study by Cadden et al. (2023) was shown to be capable of creating value through knowledge integration mechanisms. However, this research identified that coopetition practices are still spontaneous and individual, not yet institutionalized within systematic collective governance. Gil-Cordero et al. (2023) proved that participative leadership supported by shared organizational values is the foundation for achieving sustainable competitive advantage. In the context of Pasar Jepra I, participative leadership can be realized through revitalizing the trader association to function not only as a communication forum but also as an instrument for enforcing service standards, managing internal dispute resolution, and overseeing collective promotion programs. Thus, previously fragmented competitive energy can be consolidated into a synergistic force that enhances the market's collective competitiveness.

## **Differentiation Strategy and Service Innovation based on Authentic Experience**

The research findings indicate that Pasar Jepara I's differentiation strategy has so far been more intuitive and individual, not yet designed as a systematic collective strategy. Yet, the potential for differentiation based on authentic experience is enormous: the bargaining process as a social ritual, local culinary knowledge embedded in traders, and the market atmosphere representing Jepara's cultural identity. A study by Purwanti et al. (2022) at Panorama Market in Lembang proved that improvements in physical aspects, cleanliness, and service quality significantly contribute to the attractiveness of traditional markets. Sugiati et al. (2023) used AHP to identify that emotional value and social value have high priority weight in building the competitive advantage of traditional markets in Banjarmasin. Referring to these findings, Pasar Jepara I's differentiation strategy should be directed towards creating a multi-sensory shopping experience that combines traditional strengths (personal interaction, price flexibility, fresh products) with improved cleanliness standards, stall arrangement aesthetics, and comfort-supporting facilities. Service innovations such as a WhatsApp pre-order system, complete meal ingredient packages, or regular culinary demonstrations can add value and strengthen the market's differentiation position.

## **Digitalization as Relationship Strengthening, Not Interaction Substitution**

One critical finding of this research is the resistance and limited capacity of traders in adopting digital technology. Mrs. Anjar acknowledged interest in online sales but is constrained by time, skills, and capital. Mr. Yanto has utilized WhatsApp to serve orders from regular customers, but it is still limited to basic communication functions. This finding confirms the results of the study by Hapsari et al. (2024) that technological challenges have a significant but weak influence on the competitive advantage of traditional markets due to the digital literacy gap and supporting infrastructure. However, research by Wang et al. (2021) proved that social networking service (SNS) marketing activities can significantly enhance traditional market customer equity, especially the relationship equity dimension. Thus, Pasar Jepara I's digitalization strategy should not be designed as a substitute for physical interaction, which would actually eliminate the main competitive advantage of traditional markets. Instead, digitalization must be positioned as a tool for strengthening relationships: a collective promotion medium based on narrative content, a product availability information system, and personal communication channels with loyal customers. The participatory PACA approach can facilitate the design of a collectively managed digital platform, so the burden of technology adoption is not borne individually by traders.

## **Strategy Synthesis: Transforming a Transactional Market into a Socio-Economic-Cultural Destination**

Based on an integrated analysis of the five competitive forces and the internal AQpotential of Pasar Jepara I, a comprehensive strategy is formulated centered on transforming the market's identity from merely a place for economic transactions into an intelligent socio-economic-cultural destination. This strategy integrates four main pillars: (1) experience and culture-based differentiation by packaging the market as a shopping tourism destination with narratives of local product authenticity and the social ritual of bargaining; (2) relationship-supporting digitalization through developing a collective social media platform that strengthens communication, promotion, and loyalty without replacing physical interaction; (3) strengthening local value chains through structured partnerships with agricultural, fishery, and craft producers based on commodity cooperatives; and (4) participatory governance through revitalizing the trader association as an instrument of collective leadership, enforcing service standards, and managing conflict. This strategy synthesis aligns with the concept of sustainable competitive advantage proposed by Zhang (2024) and Din et al. (2024), where competitive advantage is measured not only by short-term profitability but also by social, economic, and environmental sustainability. With this transformative strategy, Pasar Jepara I will not only survive the onslaught of modern markets but evolve into a model for the future traditional market that is adaptive, inclusive, and a vital node in the local economic development of Jepara Regency.

## **CONCLUSION AND RECOMMENDATION**

This research concludes that Pasar Jepara I has a strong and sustainable competitive advantage foundation rooted in social capital, local product authenticity, multi-sensory shopping experience, and service flexibility that cannot be replicated by modern markets or e-commerce platforms. The five competitive forces threat of new entrants, threat of substitute products, buyer bargaining power, supplier bargaining power, and internal rivalry do not stand as deterministic external factors, but can be managed and transformed into sources of competitive advantage through collective, participation-based strategies. The main findings of this research confirm that customer loyalty in traditional markets is determined more by relationship quality and trust than by price, making differentiation strategies based on relationship equity more effective than cost leadership strategies. However, structural weaknesses such as the absence of collective institutions, limited digital literacy, and suboptimal supply chain partnerships are the main obstacles in transforming individual strengths into sustainable collective competitive advantage.

The theoretical implications of this research extend the application of the Resource-Based View (RBV) in the context of traditional markets by identifying

social capital, traders' tacit knowledge, and collective reputation as strategic resources meeting the VRIO criteria valuable, rare, inimitable, and supported by the market's informal organization. This research also integrates Porter's Five Competitive Forces framework with the participatory PACA approach, resulting in a more contextual model for analyzing competitive advantage based on local values. This model offers an alternative to the top-down strategic planning approaches that have so far dominated traditional market revitalization policies in Indonesia. Practically, this research contributes to evidence-based policy development for the Jepara Regency Government and other stakeholders in designing programs to strengthen traditional market competitiveness, oriented not only towards physical infrastructure improvement but also towards strengthening collective institutions, enhancing inclusive digital capacity, and developing equitable local value chain partnerships.

The implications of this research's findings extend beyond the context of Pasar Jepara I and are relevant for the development of traditional markets in other regions with similar socio-economic characteristics, particularly in coastal areas and agricultural-fishery production centers. The strategic model for transforming traditional markets into intelligent socio-economic-cultural destinations can be contextually adapted by considering the distinctiveness of local superior products, community institutional structures, and traders' digital literacy levels. Furthermore, this research contributes to the broader discussion on inclusive and sustainable local economic development, where traditional markets are not positioned as obsolete economic entities that must be modernized through external intervention, but as vital nodes of a people's economy ecosystem possessing adaptive capacity and dynamic capabilities to transform from within. This perspective aligns with the Sustainable Development Goals (SDGs) agenda, particularly goal 8 (decent work and economic growth), goal 11 (sustainable cities and communities), and goal 12 (responsible consumption and production).

This research acknowledges several limitations that open avenues for further research. First, the qualitative approach used limits the generalization of findings to the specific context of Pasar Jepara I, necessitating comparative studies across traditional markets in various regions with different socio-economic, cultural characteristics, and levels of modern market competition. Cross-case research using the fsQCA (fuzzy-set Qualitative Comparative Analysis) method is recommended to identify the configurations of conditions necessary and sufficient for successful traditional market transformation. Second, this research has not quantitatively measured the impact of implementing the recommended strategies on market performance indicators such as trader turnover, consumer visit frequency, and stall occupancy rates. Participatory action research with a mixed-methods design is needed to longitudinally evaluate the effectiveness of strategy interventions. Third, this research identified limited digital literacy as a major barrier to technology adoption but has not deeply explored the psychological and sociological

determinants affecting the digital readiness of senior-generation traders. Ethnographic and cross-generational psychological studies are needed to design digital assistance programs more responsive to the needs and characteristics of elderly traders.

Subsequent research questions emerging from this study include: What are the mechanisms of tacit knowledge transfer between generations of traders in maintaining competitive advantage based on local wisdom? To what extent can product certification based on geographical indications and halal labels enhance the competitiveness of traditional market products in modern markets and digital platforms? What is the effective institutional design for commodity cooperatives to strengthen traders' bargaining position without creating exclusion for small producers? What are the appropriate marketing communication strategies to convey the value of authenticity and sustainability of traditional market products to Generation Z and Alpha who grew up in a digital ecosystem? These questions are not only relevant for the advancement of strategic management and marketing science but are also crucial for formulating public policies that favor the sustainability of traditional markets as cultural heritage and people's economic infrastructure.

Based on these conclusions and the further research agenda, this study recommends: (1) for the management of Pasar Jepara I, immediately facilitate the formation of intensive communication forums with the Industry and Trade Office and the Cooperatives and SMEs Office to formulate priority programs for strengthening collective institutions and gradual digital literacy assistance; (2) for trader associations, initiate small-scale joint purchasing pilot projects for one superior commodity as a vehicle for action learning and trust-building among traders; (3) for the Jepara Regency Government, integrate the revitalization of Pasar Jepara I into the Regional Medium-Term Development Plan (RPJMD) not only as an infrastructure project but as an integrated local economic development program encompassing human resource capacity building, supply chain partnership facilitation, and traditional market-based tourism promotion; (4) for academics and researchers, continue collaborative participatory research with traditional market communities to jointly develop social innovation models, appropriate technology, and evidence-based policies that strengthen the resilience and competitiveness of traditional markets in the era of digital disruption.

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