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BUSINESS RESILIENCE OF TRADITIONAL MARKET VENDORS IN THE DIGITAL TRANSITION: A CONCEPTUAL MODEL BASED ON DYNAMIC CAPABILITY AND LOCAL WISDOM

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ABSTRACT
Digital transformation has changed patterns of competition and consumer behavior, requiring traditional market vendors to develop adaptive capabilities in order to sustain their businesses. However, most previous studies have focused on technology adoption, while the gradual process of business adaptation that shapes business resilience has received relatively little attention. This study aims to develop a conceptual model of business adaptation among traditional market vendors in the face of digital transformation by integrating the perspectives of dynamic capabilities and local wisdom. The study employs an integrative literature review using a conceptual-qualitative approach through the synthesis of various literature on digital transformation, dynamic capabilities, business resilience, and business adaptation among small enterprises. The findings indicate that vendors' business resilience is built through adaptation stages sensing, learning, adapting, and integrating—which ultimately foster business resilience. Furthermore, local wisdom manifested in customer trust, social relationships, a culture of patronage, bargaining practices, and personalized service serves as a reinforcing factor that supports the success of the digital adaptation process. The resulting conceptual model emphasizes that digital transformation should not be understood merely as the adoption of technology, but rather as a process of business transformation that combines adaptive capabilities with local values to enhance the competitiveness and sustainability of traditional market vendors' businesses. This model is expected to make a theoretical contribution to the development of small business management studies and to serve as a foundation for empirical research and the formulation of policies aimed at empowering traditional market vendors in the digital age..

I. INTRODUCTION

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Traditional markets are a crucial element of the grassroots economic structure, serving as centers of trade activity, social interaction, and livelihoods for small-scale communities. These markets are not merely venues for buying and selling goods; they are the primary source of income for traders' families and for the wider local population. Traditional markets characterize the local economy by providing consumers with access to daily necessities at relatively affordable prices, encouraging interpersonal interaction, and creating an environment conducive to bargaining. Trust, social proximity, and enduring customer relationships often underpin interactions between sellers and buyers. However, traditional markets currently face new pressures from the widespread diffusion of digital technologies, the emergence of more practical, faster, and digitally connected transaction patterns, and shifts in the modern business landscape. Digital transformation is changing how organizations create value, interact with customers, and sustain competitiveness in a continuously evolving business environment; it also affects how they leverage technology (Vial, 2019; Verhoef et al., 2021; Bharadwaj et al., 2013). Therefore, it is important to conceptualize traditional markets as more than conventional economic spaces; they are contexts that require adaptation by local businesses in order to survive amid digital transformation.

Shifts in consumer behavior toward more practical, faster, and technology-based methods have made digital transformation a tangible driver of change for traditional market traders. The rise of online marketplaces that facilitate consumer access, together with increased use of digital payments, communication via WhatsApp, and social-media-based promotion, are signs of this transition. In this context, traditional market traders face competition both from fellow market vendors and from modern businesses that can exploit technology to broaden their customer base. Vial (2019) illustrates that digital transformation is a process initiated by the adoption of digital technologies, which then affects how organizations create value and respond to their business environment. Similarly, Verhoef et al. (2021) emphasize that digital transformation is not merely the application of technology but also involves changes in business processes, strategy, structure, and customer relationships. To remain relevant amid mounting digital competition, traditional market traders must be able to adjust trading methods, customer service strategies, and business-sustainability approaches.

Digitalization for traditional market traders should not be reduced to mere technology adoption such as using online marketplaces, WhatsApp, social media, or digital payments. Although technology is an initial indicator of change, its use does not automatically mean that traders possess the capacity to adapt to altered business conditions. Two traders using the same digital technologies may achieve very different outcomes if their capacities for adjusting services, learning, understanding change, and integrating technology into daily operations differ. Therefore, digital transformation should be viewed as a more comprehensive change process rather than simply the deployment of digital tools. Vial (2019) explains that digital transformation concerns organizational changes triggered by digital technologies that affect value creation. Likewise, Verhoef et al. (2021) assert that digital transformation requires changes in strategy, business processes, and customer relationships. In the context of traditional markets, this indicates that the central issue is not only whether traders use technology, but how they can transform their business practices to remain resilient in an increasingly digitalized business environment.

The dynamic capabilities approach is relevant for explaining how traditional market traders adapt to digital transformation. Teece et al. (1997) describe dynamic capabilities as an organization's ability to integrate, build, and reconfigure internal and external competencies in response to rapidly changing environments. For traditional market traders, this capability need not be understood only at the scale of large organizations; it can be interpreted as the trader's ability to perceive changes in consumer behavior, learn to use technology, adapt service patterns, and modify business practices to survive. Teece (2007) further clarifies that dynamic capabilities encompass sensing, seizing, and transforming—the abilities to identify opportunities, make adaptive decisions, and reconfigure resources to meet environmental demands. Consequently, traditional market traders should be regarded as active economic actors in the face of digitalization, with potential to develop adaptive capabilities through learning, changes in business practice, and strengthening customer relations.

Business resilience is an important objective of traders' digital adaptation processes. In this context, resilience is not only the ability to continue trading, but also the capacity to retain customers, maintain income stability, adjust service delivery, and withstand competitive pressure from modern trading formats. Digital transformation can present both challenges and opportunities for traditional market traders if it is accompanied by the capacity to learn and to incrementally change business practices. Khurana et al. (2022) explain that resilience among small enterprises can emerge as an advanced dynamic capability when entrepreneurs are able to respond to crises, leverage technology, and reallocate resources within an evolving entrepreneurial ecosystem. In traditional market contexts, such resilience can develop when traders not only use technology technically, but also integrate it as part of a strategy for business continuity. Thus, digital adaptation among traditional market traders should be directed toward building business resilience—the capability to remain viable, relevant, and competitive amid changing consumer behavior and the pressures of market digitalization.

Local wisdom is an important factor that reinforces traditional market traders' adaptation to digitalization. In practice, traders do not survive solely because they can use technology, but also because of social relationships, customer trust, long-standing patronage cultures, bargaining practices, and personalized service that have formed over time. These values give traditional markets a character distinct from modern digital commerce because trader–customer relations are not entirely transactional but also emotional and social. From the dynamic capabilities perspective, local wisdom can be seen as a social resource that helps traders recognize customer needs, tailor services, and sustain market relationships (Teece et al., 1997; Teece, 2007). Therefore, digitalization need not eliminate the traditional character of markets; it can be integrated with local values so that adaptation processes become more contextually appropriate. Traders who are able to combine digital technology with trust, social proximity, and personalized service are more likely to develop stronger business resilience in the face of changing business environments (Khurana et al., 2022).

Based on the foregoing, this article addresses a research gap: studies on digital transformation among traditional market traders tend to treat technology primarily as an adoption tool, while discussions about the process of gradual business adaptation remain relatively limited. In reality, digital transformation not only requires businesses to adopt technology, but also demands the ability to recognize change, learn, adjust business practices, integrate technology, and build resilience in dynamic business environments (Vial, 2019; Verhoef et al., 2021). Moreover, studies of small-business resilience in the context of digital transformation need to be strengthened with the dynamic capabilities approach to explain how entrepreneurs develop adaptive capacities in response to change pressures (Teece et al., 1997; Teece, 2007; Khurana et al., 2022). The novelty of this article lies in developing a conceptual model of business adaptation for traditional market traders based on dynamic capabilities that integrates the stages of sensing, learning, adapting, integrating, and achieving business resilience, with local wisdom serving as a reinforcing factor in the adaptation process. Accordingly, this article aims to construct a conceptual model of business adaptation for traditional market traders facing digital transformation through a literature-review method, thereby contributing theoretically to small-business management scholarship and practically to the formulation of empowerment strategies for traditional market traders.

II. RESEARCH METHOD

This article employs a literature-review method with a conceptual-qualitative approach to develop a model of business adaptation for traditional market traders confronting digital transformation. This method was selected because the article's objective is not to test field data, but to examine, compare, and synthesize relevant literature on digital transformation, dynamic capability, business resilience, and small-business adaptation. A literature review is an appropriate research method when conducted systematically to identify the development of a field, reveal research gaps, and build new conceptual contributions (Snyder, 2019). In this article, the literature is analyzed through thematic synthesis by grouping the discussion into several main themes: digital transformation, traders' adaptive capabilities, and the stages of sensing, learning, adapting, integrating, and business resilience. An integrative literature-review approach is used because it allows the author to combine diverse theoretical perspectives and prior research findings to produce a more coherent conceptual framework (Torraco, 2005). Furthermore, the conceptual model is developed by considering logical relationships among concepts based on the literature synthesis, resulting in a dynamic-capability-based model of business adaptation for traditional market traders with local wisdom as the basis for strengthening business resilience (Paul & Criado, 2020).

III. RESULTS AND DISCUSSION

Digital Transformation as an Adaptive Pressure on Traditional Market Traders

Digital transformation has generated increasingly strong pressures for change among traditional market traders because technology alters how consumers seek information, communicate, transact, and choose purchase channels. These changes do not only affect large firms but also reach micro-entrepreneurs and small traders who have long relied on direct, face-to-face trading patterns. Consumers are becoming accustomed to services that are fast, convenient, accessible, and digitally based, thereby imposing new demands on traditional market traders to adapt their customer service methods. Vial (2019) explains that digital transformation is a process of change triggered by the use of digital technologies that affects how organizations create value. In line with this, Verhoef et al. (2021) emphasize that digital transformation is not only about technology adoption but also involves changes in strategy, business processes, organizational structure, and customer relationships. In the context of traditional markets, these changes place traders in situations that require adaptive capacity in order to remain relevant amid shifting consumer behavior and increasing competition from modern trading formats.

The pressure of digital transformation also indicates that the main issue for traditional market traders is not merely the use of technology, but how that technology can be connected to everyday business practices. Use of WhatsApp, social media, digital payments, or online platforms does not automatically increase business resilience if it is not accompanied by changes in service patterns, customer communication, and the ability to read market needs. Bharadwaj et al. (2013) argue that digital business strategy requires integration between information technology and business strategy so that organizations can create new value in changing business environments. Accordingly, traditional market traders need to develop the capacity to understand digital change, select technologies that fit their business character, and adapt their trading methods without losing the distinctive features of traditional markets. In this sense, digital transformation should not be understood as a replacement for all traditional trading practices but rather as both a pressure and an opportunity to strengthen competitiveness, expand customer relationships, and gradually build business resilience.

Dynamic Capability as the Basis for Traders' Business Adaptation

The dynamic capability approach provides a theoretical basis for understanding how traditional market traders can survive under the pressure of digital transformation. In rapidly changing business environments, firm capability is determined not only by resource ownership but also by the ability to sense change, exploit opportunities, and continuously adapt business practices. Teece et al. (1997) define dynamic capability as an organization's ability to integrate, build, and reconfigure internal and external competencies in response to environmental change. Although this concept was originally used in the context of large firms, the framework remains relevant for explaining adaptive behavior among traditional market traders. Traders who can detect changes in consumer behavior, learn to use simple technologies, adjust their customer service methods, and alter business patterns incrementally demonstrate dynamic capabilities at a micro scale. Thus, dynamic capability can be used to view traditional market traders not as passive economic actors, but as entrepreneurs capable of learning, adapting, and sustaining their businesses amid digital change.

In the context of digital adaptation, dynamic capability can be translated into several core abilities: sensing environmental changes, learning to use technology, adapting business practices, and integrating these changes into daily activities. Teece (2007) explains that dynamic capability comprises sensing, seizing, and transforming—the capacities to identify opportunities or threats, take strategic action, and reconfigure resources to meet environmental demands. For traditional market traders, these processes can manifest as awareness of changes in customer behavior, willingness to learn to use WhatsApp or digital payments, adjustments in promotional methods, and modifications to service patterns that preserve proximity to customers. Therefore, traders' digital adaptation depends not only on technology availability but also on their capacity to convert new knowledge into relevant business practices. The dynamic capability framework thus forms an essential foundation for a business-adaptation model for traditional market traders that progresses through the stages of sensing, learning, adapting, integrating, and ultimately achieving business resilience.

Stages of Digital Adaptation among Traditional Market Traders

The stages of digital adaptation for traditional market traders can begin with sensing and learning. The sensing stage reflects traders' ability to perceive changes in the business environment, such as shifts in consumer behavior, increased use of digital communication, the growth of cashless payments, and the emergence of platform-based competitors. At this stage, traders realize that reliance on conventional trading patterns is no longer sufficient because consumers increasingly prefer services that are fast, convenient, and easily accessible. After this awareness emerges, traders enter the learning stage, in which they acquire knowledge of and practice with technologies relevant to their business needs—such as WhatsApp for customer communication, social media for promotion, or digital payments to facilitate transactions. Teece (2007) notes that the capacity to identify opportunities and threats is a vital element of dynamic capability because entrepreneurs must recognize change before undertaking adaptive action. In traditional market contexts, sensing and learning form the foundational steps that determine whether a trader can move from awareness of change to practical competence in incremental technology use.

Following sensing and learning, the adaptation process continues through the adapting, integrating, and business-resilience stages. The adapting stage occurs when traders begin to change business practices—for example, by adjusting customer service methods, accepting orders via digital messages, offering more flexible payment options, or using social media to introduce products. The subsequent integrating stage is reached when technology is no longer used sporadically but becomes part of everyday business routines. At this stage, traders do not merely use technology as an auxiliary tool; they begin to link it to customer relations, transaction management, and customer-retention strategies. Teece et al. (1997) stress that dynamic capabilities relate to the ability to integrate and reconfigure resources in response to environmental change. If these processes proceed consistently, traders stand a better chance of achieving business resilience—the capacity to sustain operations, retain customers, and maintain competitiveness amid digital pressures. Khurana et al. (2022) further demonstrate that small-business resilience in digital transformation can develop when entrepreneurs cultivate adaptive capabilities to respond to an evolving business ecosystem.

Local Wisdom as a Reinforcer of Business Resilience

Local wisdom plays an important role in strengthening traditional market traders' digital adaptation because the character of traditional markets is built not only on economic transactions but also on social relations between traders and customers. In practice, traditional market traders often retain customers through trust, personal proximity, a culture of patronage, bargaining practices, flexible service, and more intimate communication. These values constitute social capital that can help traders remain resilient despite the pressures of digitalization and competition from modern commerce. From a dynamic capability perspective, social relations and customer trust can be understood as distinctive resources that should be preserved, developed, and reconfigured to align with changing business conditions (Teece et al., 1997; Teece, 2007). Thus, digitalization need not eliminate the distinctive features of traditional markets; rather, it can be combined with local values so that adaptation becomes more contextualized and humane. Traders who can adopt digital technologies without abandoning personalized service, social proximity, and customer trust are more likely to build stronger business resilience. This view aligns with Khurana et al. (2022), who argue that small-business resilience in digital transformation emerges when entrepreneurs develop adaptive capabilities suited to the characteristics of their business ecosystems.

Conceptual Model and Propositions of the Article

Based on the literature synthesis, this article develops a conceptual model of business adaptation for traditional market traders facing digital transformation. The model positions digital transformation as a pressure that drives traders to build adaptive capabilities incrementally. Within the dynamic capability framework, the adaptation process begins with sensing—traders' ability to perceive changes in consumer behavior and digital competitive pressures—followed by learning, the process of acquiring technology skills matched to business needs; adapting, the modification of business practices and service patterns; integrating, the embedding of technology into routine business activities; and culminating in business resilience (Teece et al., 1997; Teece, 2007). The model also identifies local wisdom as a reinforcing factor that supports all adaptation stages because social relations, customer trust, patronage culture, and personalized service remain defining features of traditional markets that cannot be fully replaced by technology. Consequently, digital transformation in traditional markets should be understood not as a process that eradicates traditional values but as an adaptive process that blends technology with local social strengths to enhance traders' business resilience (Vial, 2019; Verhoef et al., 2021; Khurana et al., 2022).

Table 1. Conceptual Propositions for the Business-Adaptation Model of Traditional Market Traders

Code	Conceptual Proposition
P1	Digital transformation is prompting traditional market vendors to recognize changes in consumer behavior, transaction patterns, and the nature of business competition.
P2	The ability to sense helps vendors identify digital opportunities and threats that affect the sustainability of their businesses.
P3	The ability to learn strengthens vendors' readiness to understand and use simple technologies relevant to their business activities.
P4	The ability to adapt encourages vendors to change their service, transaction, communication, and promotional practices to align with changing customer needs.
P5	Integration capabilities make technology an integral part of business routines, supporting transaction efficiency and customer relationships.
P6	Local wisdom in the form of trust, social relationships, a culture of loyalty, bargaining, and personalized service strengthens the digital adaptation process for traditional market vendors.
P7	The integration of adaptive capabilities based on dynamic capabilities and local wisdom contributes to the development of business resilience among traditional market vendors.

Source: Author's synthesis based on a literature review, 2026.

IV. CONCLUSION AND IMPLICATION

Digital transformation requires traditional market vendors not only to adopt technology but also to gradually build adaptive capabilities. Based on the results of a literature review, the business resilience of traditional market vendors can be developed through a process of sensing, learning, adapting, and integrating, ultimately leading to business resilience. This process demonstrates that digitalization is not merely the use of digital tools such as WhatsApp, social media, or digital payments, but rather a shift in how vendors understand customers, tailor their services, maintain market relationships, and ensure business sustainability amid increasingly dynamic competition.

This article emphasizes that the business adaptation model of traditional market vendors must be understood through the integration of dynamic capabilities and local wisdom. Adaptive capabilities help vendors interpret changes and adjust business practices, while local wisdom manifested in beliefs, social relationships, customer loyalty, bargaining, and personalized service serves as a reinforcing factor that distinguishes traditional markets from modern trade patterns. Thus, the main contribution of this article is the development of a conceptual model of business adaptation for traditional market vendors based on dynamic capabilities, with local wisdom serving as a reinforcement of business resilience. Further research is recommended to empirically test this model through qualitative studies, case studies, or in-depth interviews with traditional market vendors in various regions so that the developed model becomes more contextual and applicable.

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