The Influence of Culture on the Shift of Household Shopping Behavior Pattern from Traditional Markets to Modern Markets in Makassar Indonesia

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Abstract. This study was motivated by the phenomenon of the recent rapid growth of modern shopping centers that led to a shift in behavior pattern of household shopping previously done in traditional markets and then switched to the modern markets. There are many factors that influence the behavior pattern, one of them is the cultural factor which influences the shift in shopping behavior. This study aims to describe and analyze how the cultural aspect that is deeply rooted in the local community which actually still has behavior patterns of traditional cultural behavior mixing with the modern, causes household shopping behavior pattern in the traditional market then experienced a shift to the modern market. The research used survey method with 257 respondents chosen with accidental respondent method. The collected data then analyzed using *Structural Equation Modeling* (SEM) model with the assistance of AMOS Software Version 18.0. The result of the research indicates that culture has positive and significant influence on the shift of household shopping behavior pattern in the city of Makassar. Cultural factor has great contribution that can influence the attitude of someone in shopping. Customer's behavior in choosing their very basic needs such as staple commodities especially in religious holidays in Makassar is a habit, and the belief to shop in traditional markets that are considered able to meet all their needs then changed and shifted to the modern markets. Customers choose to shift to the modern market because the comfortable market condition and the large amount of goods needed with price certainty.

1. Introduction

The history of marketing began from the evolving economic history until the emergence of mass production concept, which then mass production was considered disregarding target market and thus less effective in stricter competition and the alteration of customers' preferences. This paradigm shift is one of the example of changes in the marketing caused by changes in other aspects like technology, politics, ecology, economy, and social. Barker stated that the paradigm shift is a necessity, which was in line with the stance of Lewis, Ranis, and Todaro (1969) who declared the theory of *economic dualism* which classified economy into two sectors, which are traditional and modern sectors.

Traditional marketing program was considered a failure for the inability to respond to the changes in necessities and not in accordance with *customer focused marketing* (Chaston, 1993). Failure in the past became a lesson for future improvements. Thus, traditional marketing system was replaced by customer engineering system, which is a system focused on customer, integrated and based on measurements designed to increase marketing efficiency (Frigstad, 1995). That system measures and monitors the fluctuation in order to raise marketing efficiency.

For the last 10 years, drastic increase in retail business happened all over Asia, supported by investments of new retailers, the number of modern stores have grown more than 16.000 stores a year resulting in the rise from 50.000 to 220.000 stores today. The highest customer shift was almost 2% a year recorded in North Asia, led by China and modern market increased by 3%. Chinese and Korean markets are the most fluctuate. China contributes more than 100.000 new stores or more than 60% of

new stores investments, equals to 1000% increases over a period of 10 years. While in Korea the rise was extremely fast which Hypermarket acquired about 31% of trading stocks, on the other hand traditional market faced decline of 5% per year or more than 50.000 stores decrease over a decade. Both in China and Korea, according to [1], a customer only visits traditional market 2 or 3 times a week.

Indonesia is the second most developing market in Asia, with annual stock changes about 1.6%. The fastest developing retail in Indonesia are *Giant, Indomart* and *Alfamart.*

The most visible impact from economic crisis to shopping behavior is the increase of focus to all market values. Majority of customers stated that promotion is very important in Vietnam, India, China, and Malaysia. While in Indonesia, rather than promotion they would rather to prefer choosing based on the brands. Traditional markets will still be an important retail market in developing countries [1].

Modern market share growth per year assumed to be linear which means in 2011 modern market share will increase 23.6% and so on. Inu Machfud (2008) in "BMI Research", 2008, explained that to many local and multinational marketers from FMCG (*Fast Moving Consumer Goods*), modern market is the second target of market penetration. First target still focuses on traditional market. AC Nielsen (2010) also further stated that despite the growth of modern market, as in 2008, Indonesia's modern market held 36.5% while traditional market held 63.5%. In 2009 it changed to 38.2% and 61.8% respectively.

In Indonesia, regulation for retail control is Government Regulation Number 112 of 2007 and in Makassar, Regional Regulation Number 15 of 2009. Considering that traditional market is a medium to build and develop small and medium enterprises, Makassar's Local Government decided to protect and empower traditional market while adjusting modern market so both markets can synergize and grow together despite the increasing growth of modern market.

From the descriptions above, several factors that initiated this research were shown, which are:1) Paradigm shift from outdated to newer things 2) Government Regulation Number 112 of 2007 about retail and Regional Regulation Number 15 of 2009 about traditional market 3) lifestyle changes 4) Shopping behavior shifts 5) There hasn't been empirical research about Household Shopping Behavior from Traditional to Modern Market in Makassar.

2. Research Methodology

2.1 Research Design

This research was performed to retail customers who shop in traditional and modern market. The research began with a study of literature and past surveys concerning the behaviors and trends of retail customers in Asia, Indonesia, and Makassar. From the data obtained, research was done by grasping on retail customers' perception in Makassar in which the research became problem solving research and explanatory research.

The main instrument in the data collection is a list of questions arranged by theoretical concept about *Culture and Shifting*

Theoretical concepts above then processed and enumerated, then compiled into a questionnaire. Questionnaire was made with closed questions or statements using likert scale with category from lowest 1 to 5.

2.2 Research Location

This research was performed in 5 districts of Makassar which are Panakukkang, Tamalanrea, Rappocini, Tamalate, and Mamajang.

2.3 Required Data Types

Types of data required consist of primary and secondary data. Secondary data includes shophouses, stores, kiosks, lods, and street vendors' data in the form of customers' quantity who shop in certain period of time.

Primary data collected is in the form of *crossectional data. Crossectional data* in the form of snapshot data about retail customers' perception in Makassar is prioritized in order to grasp the factors influencing the shift of customers' shopping behavior from traditional to modern market.

2.4   Population, Sample, and Sampling Method

Research respondents are retail customers in Makassar. Those chosen are adults above 18 years old with Identification Card. In other words, those who can already make their own decision.

The sample size is expected to represent the real population like other experts have stated; Gozali (2005) said that the most common method in measuring *structural equation model* (SEM) is using estimation model *Maximum Likelihood* (ML) with 100 as minimum sample. In this reasearch, the number of sample is 257 thus fulfilling the requirements.

2.5   Validity and Reliability Test

2.5.1 Validity Test

As for the formula being used to count correlation between each statements with total score is by using the following *correlation product moment* formula :

$$r = \frac{n(\sum XY) - (\sum X \sum Y)}{\sqrt{[n\sum X^2 - (\sum X)^2][n\sum Y^2 - (\sum Y)^2]}}$$

n = number of respondents
X = statement score
Y = total score

2.5.2 Reliability Test

Another argument proposed by Gozali (2005) for reliability test using SEM stated that reliability is the measure of internal consistency from derivative variable that shows the degree of those variables indicating common derivative variable. There are 2 methods possible, which are *composite (construct) reliability* and *variance extracted. Cut-off value* from *construct reliability* is 0,7 minimum, while *cut-off value* for *variance extracted* is 0,50 minimum

Composite reliability acquired with the following formula:

$$\textbf{\textit{Construct Reliability}} = \frac{(\Sigma Std\_Loading)^2}{(\Sigma Std\_Loading)^2 + \Sigma \varepsilon j}$$

~   *Standardized loading* directly obtained from *standardized loading* for each indicators.

~ εj is measurement *error* = 1-(*standardized loading*)^2

Variance extracted shows the number of variances from indicator extracted by developed derivative variable. High value of variance extracted shows that indicators have represent developed derivative variable well. The formula to measure the value of variance extracted is as the following:

$$\textbf{\textit{Variance extracted}} = \frac{\Sigma Std\_loading^2}{\Sigma Std\_loading^2 + \Sigma \varepsilon j}$$

2.6   Analysis Method

Analysis method which is compatible is the (*Structural Equation Model*) or SEM which allows researchers to test the relationship between complex variables to gain the full picture of the model's entirety, SEM can be used to test simultaneously (Bollen, 1989. Gozali and Fuad, 2005).

The purpose of this research is to prove and analyze the influence of exogenous variable to endogenous variable. Those influences are so complex where there are independent, intermediary, and dependent variables. Therefore, the analysis tool used in hypothesis verification is SEM (*Structural Equation Modeling*) with the assistance of AMOS program.

2.7   Matching Test

The structural equation modeling (SEM) of a statistic software AMOS used in the model and hypothesis testing. AMOS causal model shows the measurement and structural problems, and is used to analyze and test the hypothesis model. The steps performed in the SEM testing are described below:
1.   The development of theoretical model
2.   The development of flowcharts (path diagram)
3.   Flowcharts conversion into structural equation and measurement model.
4.   Selecting the input matrix and estimation model
5.   The possibility of the emergence of identification problem

2.8   Definition of Operational Variable

Culture (X) refers to the culture of the customer in terms of the culture is able to reflect and influence shopping behaviors. This variable serves as an exogenous variable and the antecedent variables of this research design.

Shifting (Y). Shifting, in this research was utilized as an output factor that describes the shift in shopping behavior of customers, who had been shopping at traditional market into modern market.

3.   Research Results

3.1   Descriptive Statistic Analysis

Male respondents were only 78 people (30.40%) while female were 179 people (69.60%). Most of the respondents were between 22-35 years old at 96 people (37,40 %), while those between 36-49 years old at 89 people (34,60%), for 50-63 years old at 92 people (28%). Thus the respondents were within the productive age at 22-63 years old.

3.2   Culture Variable

The three indicators used to measure (culture) in general is relatively good, with the average value of 4.13 (good category). Habit indicator (X.1) answer modus on agreed category with a score of 4 as many as 145 people or 56.42% of respondents, Belief (X.2) answer modus on agreed category with a score of 4 is 168 people or 65.37% of respondents., for indicators of social class (X.3) answer modus on agreed category with a score of 4 is 148 people or 57.59%.

Belief indicator (X.2) with a mean of 3.95 and an indicator of social class (X.3) with a mean of 4.07 is smaller than the average variable 4.13. This may reflect that the Belief factor, in relation to impulse of shopping on the religious holidays is not a prominent factor in the formation of culture variable because the culture of shopping's potential shift in spending patterns from traditional market to modern market is not determined by the religious holidays. Similarly, the indicator of social class (X.3) in association with the high or low social class in society is not a determining factor in the shift of shopping patterns from traditional to modern market.

3.3   Shifting Variabel

This variable shows three indicators used to measure the shifting variable in general is relatively good, with a mean variable of 4.22 (good category). Volume of purchased goods (Y.1) in agreed category with a score of 4 as many as 206 people or 80.16% and frequent shopping (Y.2) as many as 155 people or 60.31%.

Shopping time (Y.3) is appreciated well by the respondents shown in answer modus on agreed category with a score of 4 as many as 158 people or 61.48%. Based on the descriptive statistic analysis it appears that there are two items that are below the mean variable value which are the Volume of purchased goods (Y.1) of 4.07 and shopping time (Y.3) of 4.19 of the mean variable 4.22.

4.   Research Results Discussion

4.1   The influence of Culture on The Shifting of Household Shopping Pattern from Traditional to Modern Market

Culture has significant influence on the shift of shopping patterns from traditional markets to Modern markets with P = 0.006 <0.05 with a coefficient value of 0.280. This coefficient shows that the better the culture the greater the shift. Theoretically, culture is the most basic determinant of desire and behavior [2], being the strongest and most influential factor in customer behavior, cognition and affection [3]. Shifting patterns of customer shopping from traditional markets to modern markets is also influenced by external and internal factors [4]. [6] which include culture, social class, social groups, reference groups and families. Strengthened also by the results of the research of Loudon and [7] which stated that there is a strong influence of culture and cultural values held by customers in making purchases.

Therefore, the results of this study are in line with the theory of [2] and [3], which found that cultural factors positively and significantly influence the shift in household shopping patterns from traditional markets to modern markets. This can be seen from the results of the analysis in the testing of the influence of culture on the shift in household shopping patterns from traditional markets to modern markets.

Thus, the hypothesis which stated that cultural factors have a positive and significant influence on the shift of household shopping patterns from traditional markets to modern markets is proven. The results of this study provide an illustration that the cultural environment which includes indicators of habits, belief/religion and social class of society has a significant influence on the shift in household shopping patterns from traditional markets to modern markets in Makassar, South Sulawesi

The results of this study are also in line with the results of [8] study, which found that external environmental factors consisting of: culture, social, family, friends and internal factors consisting of: lifestyle, purchasing power and career goals influence the shift of household shopping patterns from traditional markets to modern markets in Makassar, South Sulawesi.

Based on the description above, this study provides an illustration that from several indicators of habits, beliefs and social classes contribute greatly to the shift in household shopping patterns from traditional markets to modern markets. This shows that shopping, recreations, and vacations are a regular practice of the Makassar community. Strong belief in the religious holidays also made customers to choose to shift to the modern market because of the comfortable market conditions that customers need when they want to purchase many types of shopping necessities. Whereas social class or social strata illustrates that eastern communities, especially Makassar, still prioritize prestige or high appreciation as a measure of social class. By shopping in the modern market with all the advantages, the location, the atmosphere of the shop and the service and the type of goods provided are apparent signs of the social strata.

5.   Conclusion and Research Implication

5.1   Conclusion

Culture positively and significantly influences the shift of shopping behavior from traditional market to modern market.

5.2 Research Implication

1. Implied that there's a tendency in urban populace to shift shopping to modern market based on factors that form behavior which then internalized into self-conception and becoming an experience to customer based on their perception on traditional and modern market. Thus, the future direction of marketing strategy is expected to touch the psychological aspect of customers.
2. The development of marketing strategy must pay attention to targeted market segment. Thus, it has to be noted that customer will behave based on their perspective and perception on an object which formed from cultural, social, personal factors and goods condition, which in this case regarding the choice to shop in traditional or modern market
3. There's a need for subsequent researches to reform the current model.
4. Satisfied customers will spread their experience and motivate others to shop as well.
5. Developers of both traditional and modern market need to understand customer's personal factor, especially ones that determine perspective. Because factors that determines perspective may lead to a decision to whether to shop in traditional or modern market.

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