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Consumer Preferences Between Hypermarkets and Traditional Retail Shophouses: A Case Study of Kulim Consumers

WEI MEI WONG
BBA in International Trade
Central China Normal University
Wuhan, Hubei
China

Introduction

Most data relating to retail choice in Malaysia is from surveys taken in urbanized areas of Malaysia. Preference patterns for secondary town are relatively under-explored in academic circles. While a few studies have been undertaken on similar issues in various parts of Malaysia for example: Johor, Penang, and Selangor (Mui, Badarulzaman and Ahmad, 2003; Shamsudin and Selamat, 2005; Terano et al., 2014). These areas are first tier cities boasting a high population and strong economical foundation which are not representative of smaller towns like Kulim that has been the receiving end of two large international retailers in the space of 7 years. Thus, this paper will attempt to investigate the preferences of consumers for either traditional shophouse retailers or hypermarkets (Tesco and Giant) in the area of Kulim, a secondary town in Malaysia. This research differs from the previous researches on retail format choice because it considers consumer retail selection based on the categories of goods bought. The study is also unique as it is designed to discover secondary town consumers' retail format preferences across different categories of products. In addition to that, the study strives to understand the general preference and perspective between hypermarkets and the traditional and unique retail format – shophouses. The main incentive of the research is to shed light on the consumer patterns in secondary towns in Malaysia, with this, the results may be able to help hypermarkets from deciding or planning their entrance into a similar market in Malaysia.

Overview

Retail multinationals specializing in food and daily goods like Wal-Mart, Tesco, Carrefour, etc., have spreaded across the world (Currah and Wrigley, 2004; Wrigley, Coe and Currah, 2005; Reardon and Gulati, 2008). In the past, modern retail formats tend to focus the market of larger cities to serve the rich and middle class society (Wrigley, 2000; Reardon, Barret and Berdegue, 2003; Wrigley and Currah, 2006; Reardon and Gulati, 2008). In this case, the highly populated market often offers the highest profit per capital invested, but as the profits decline, hypermarket retailers tend to extend into the smaller towns, sometimes utilizing different format like discount stores or smaller-scaled hypermarkets to appeal to the poorer locals (Reardon and Berdugue, 2002; Reardon, Henson and Berdegue, 2007; Reardon and Gulati, 2008). Eventually, foreign retailers will redirect their attention to expanding towards developing countries. Dawson (2003) reasoned that the market of developed countries face intense competition and eventually face steep profit margins. Unfavourable legislatures targeting retail multinationals also spurred the mass movement of foreign retailers to explore the otherwise risky and fresh market of East Asia, Latin America, and Central Eastern European. Factors that may contribute to this shift to less populated areas or nations can be attributed to global urbanization, increase in population, higher wages, lenient investment, and relaxed trading laws. This can be seen through the phenomenon in Chile where about 40 percent of less populated areas have supermarkets (Faiguenbaum et al., 2002; Reardon et al., 2003) and Thailand where hypermarkets can be found in provinces apart from Bangkok (Chen, Shepherd and da Silva, 2005). Even more surprising is the emergence of hypermarkets in many small and medium sized settlements in financially low nations such as Kenya (Neven and Reardon, 2004). In China, hypermarkets are spreading away from the more populated coastal area into poorer and more remote towns in inner, northwest, and southwest of China (Hu et al., 2004). Foreign retailers usually acquire or joint venture with local chains to start their invasion.

In Malaysia, the retail landscape has undergone major changes for the past 20 years. From a market saturated with traditional shophouses, night market, wet market, and even street side peddler to a retail environment that has hypermarkets, supermarkets, and specialized mega stores (IKEA, Courts Mammoth, Watsons, etc.) complementing the traditional retail landscape. Small shophouses were dominating the retail market in large numbers selling goods and services, albeit limited. As Malaysians become wealthier, small shophouses were faced with a new kind of competitor – hypermarkets. Malaysia's lenient trading laws aimed at international retailers helped propelled the hypermarket invasion phenomenon in the last decade. The policy allowing hypermarkets to gain licenses to run their businesses in regions with a population below 350,000 further encouraged hypermarkets to instil themselves in the daily lives of even those from secondary towns. Hypermarkets in Malaysia refer to a combined supermarket and department store. Based on Mui and Ahmad (2003)'s research, we know that most hypermarkets are situated in populated zones, a sentiment echoed by Shamsudin and Selamat (2005). The majority of hypermarkets are operated in highly urbanized cities of Malaysia such as Selangor, Johor and Penang. In fact, Selangor has the highest recorded number of both local and foreign hypermarkets in the entire country.

While the common perception of the public in Malaysia towards hypermarkets are generally favourable, the invasive entry from international retailers such as Tesco, Carrefour, Jaya Jusco, Giant, Makro, etc., has affected the competition environment and retail market structure in general (Shamsudin and Selamat, 2005). Consumers that shopped in hypermarkets frequently expressed their reasons for shopping there because of the ample parking space, children friendly environment, convenience and aggressive prices (Terano et al., 2014). Despite so, there are also consumers that frequent shophouses and traditional retail outlets due to the personalized service and specialized items that may not be found in hypermarkets (Wel et al., 2012).

Background Information: Kulim

Kulim is a secondary town located in the state – Kedah, in Malaysia. According to the local council's official website, Kulim is 765 km per square feet and has a population of 188,076 (Majlis Perbandaran Kulim Official Website, 2015). Situated on the southeast of Kedah, facing its West is Penang. Penang boasts a population of 1.64 million as of 2010 (Department of Statistics Malaysia, 2012) and is the most densely populated area in Malaysia. As the state with the third-largest economy, Penang holds the highest GDP per capita in 2012 with a staggering RM 36669.00 (10240.17 USD). The highly developed and industrialized Penang is an economic powerhouse (Koon, 1995; Leete, 2007), thus the close propinquity of the increasingly urbanized state of Penang is one of the main reason that Kulim has made the transition from a small settlement to a secondary town. The conurbation helped the urbanization process of many neighbouring towns including Kulim alongside the entire northern region of Malaysia. Penang continued to provide services in terms of education, work opportunity, social growth and others to small towns like Kulim, which propelled Kulim's rising development (National Higher Education Research Institute, 2010).

Traditional Retail Shophouses in Kulim, Malaysia

Retail trade in Malaysia contributes greatly to the Malaysian economy and the national GDP. According to the Eighth Malaysian Plan (2001), RM31,081 million was derived from the retail sector. The retail sector influences domestic purchasing patterns and continue to do so today. The retail landscape in Malaysia was generally made up of traditional shophouses, but in recent years, supermarkets, hypermarkets, and large-scaled shopping outlets are rapidly changing the retail scene (Lim, Badarulzaman and Ahmad, 2003).

Shophouses are usually used for single ownership small businesses, located around the main streets in a slightly more populated area. Some are built with two or three floors. Businessmen usually conduct their businesses on the ground floor and make home in the second or third floors (Ismail and Shamsuddin, 2005). However recently, there has been a change in the shophouse usage trend. Businessmen are utilizing upper floors for serviced based businesses such as martial art dojo, nail parlours, computer fixing services, tuition, piano learning centers, etc. The first floor is usually used to conduct trading businesses that rely on being easily sighted or accessible to gain more customers.

Hypermarkets in Kulim, Malaysia

Malaysian consumers are relatively comfortable with shopping for their grocery and basic household items at modern retail stores (Hassan, Sade and Rahman, 2013). Hypermarkets are one stop outlets with in-store facilities that provide an array of services ranging from restaurants, hair salon, luxury goods shopping and even entertainment venues such as cinemas, ice-skating rinks, arcades, and others. The government's emphasis on modern retail as a key contributor to the economy has led the Malaysian government to designate it as a National Key Economic Area (NKEA). This led to an increase in opportunities for retailers, particularly large foreign retailers such as Tesco, Giant, Carrefour, JUSCO, etc. (Terano et al., 2014) This in turn comes into fruition with granting the policy for hypermarkets to obtain licenses for a region with a population as low as 350,000 and less (Wel, Hussin, Omar and Nor, 2012). Thus, in the last 7 years, Kulim, a secondary town with a population of less than 200,000 has since welcomed the emergence of two major hypermarkets – Tesco and Giant (Meng, 2011).

In areas like Kuala Lumpur, the most populated and urbanized area in Malaysia, shophouses find it hard to compete with the modern retail outlets, especially hypermarkets (Lim, Badarulzaman and Ahmad, 2003). However, for secondary towns like Kulim, many speculate that the shophouses will not be as affected by the presence of the relentless hypermarkets. With hypermarkets getting increasingly accepted by Malaysian consumers (Chakravarty and Soon, 2012), we need to know whether this data which is predominantly made up of consumers from larger and more populated cities reflects the situation in smaller towns that are in recent years targets for hypermarkets expansion plans.

Tesco Profile

Tesco is the biggest supermarket group in the world. There are about 27 million Tesco employees outside of Britain by 2013 (Winterman, 2013). It is headquartered in Cheshunt, United Kingdown and is the third largest retailer in the world based on profit, coming after Wal-Mart and Carrefour (Potter, 2011; Seaton and Waterson, 2013). Founded by Jack Cohen in 1919, the first store was established in 1929 in Burnt Oak, Edgware, and Middlesex (Aghaei et al., 2012). It is the first British supermarket to emphasise on consumer behaviour. The launch of their Tesco Clubcard, their loyalty scheme helped Tesco to understand consumers' purchasing patterns and was able to formulate discounts and deals personalized for their consumers (Winterman, 2013).

Tesco expanded into Asia, Europe, and North America while dominating the grocery retail market in the United Kingdom (Palmer, 2005; Lowe and Wrigley, 2009). According to Winterman (2013), due to Tesco's aggressive expansion, the company was accused of forming "clone towns" (Rees, 2011). "Clone towns" are towns that lost their distinction and look similar to each other. The expansion has also led to the Association of Convenience Stores (ACS) expressing their concern regarding the possible negative effect on the small local retail industry (Beckett, 2008). Tesco is losing its dominance in the United Kingdom after over-focusing on their overseas expansion (Winterman, 2013).

According to Aghaei et al., (2012), Tesco is one of the major hypermarkets in Malaysia. Each Tesco store is divided into various sections providing books, clothing, furnitures, electronics, music store, raw and ready food items, household appliances, gardening tools, etc. The first Tesco store in Malaysia was in Puchong, Selangor and was opened in May 2002. Tesco currently operates 49 stores, both standalone and integrated and is being serviced by two distribution centers located in Selangor. Liew (2013)'s paper explained that Tesco hypermarkets own almost 11 percent of the market share in the grocery retail market in Malaysia. United Kingdom-based Tesco PLC is currently in partnership with Sime Darby Berhad, a local conglomerate. Tesco Stores (Malaysia) Sdn Berhad is a subsidiary of Tesco PLC (UK). Makro Malaysia, a foreign-based wholesaler was also acquired by Tesco and was converted to Tesco Extra to cater to local businesses for bulk purchasing (Aghaei et al., 2012). In addition to that, Tesco Malaysia has their own range of products, both food and non-food items under the Tesco brand (Puspadevi, 2014).

Giant Profile

Giant retail was founded by the Teng Family on 1944 as a small grocery outlet in the suburbs of Kuala Lumpur. As the business boomed and expanded, it attracted the attention of the leading Hong Kong-based Pan-Asian retailer – Dairy Farm International Holdings Limited. Dairy Farm acquired Giant with a 90 percent stake in 1999, the Teng family held the remaining stake (Lee, 2014). Today, Giant is a Malaysian brand supermarket-hypermarket chain owned by Giant Capital Holdings (GCH) under the Dairy Farm group and runs the Malaysian branch of Cold Storage, Mercato and Jasons Food Hall. Dairy Farm Group also operates Guardian, a health and beauty retail outlet across Malaysia (Dairy Farm International Holdings Limited, 2013).

Giant Hypermarket has chains in Malaysia, Singapore, Indonesia, Brunei, and the United Arab Emirates as a subsidiary of Dairy Farm International Holdings. Dairy Farm saw how Giant's continuous success was because they offered products at really low prices so the group used the same principle and applied it in the overseas expansion of Giant. The first Giant Hypermarket store was established in Shah Alam, Selangor in 1999. In 2014, Giant Hypermarket operates 127 hypermarkets and supermarkets in Malaysia (Lee, 2014). Giant is also the biggest hypermarket chain in Malaysia especially after the official announcement that Giant plans to build 4 more outlets in 2015 (Easter, 2015).

With almost 70 years history, their mission "Great Value, Big Variety, and Low Prices" is working for them especially with their image of having low prices along with a comfortable shopping setting (Giant Malaysia's Official Website, 2015). Giant Hypermarkets carry their own range of products under the Giant brand (Landau, 2015) with a lower price than branded item that appealed to the more money-conscious consumers. Over the years, Giant has received several accolades. Giant was ranked by Interbrand as Malaysia's Eleventh Most Valuable Brand in 2007. Giant held the title of "Top Retailer in Malaysia and Best of the Best in Asia Pacific Retailers" Award for 2007 and 2008. Giant also won the Excellence Service Quality Award in the 7th Asia Pacific International Entrepreneur Excellence Award and the Gold Winner of Retail Category by the Putra Brand Awards 2012 (Giant Malaysia's Official Website, 2015).

Literature Review

Studies regarding retail selection are usually focused on researches pertaining to store choice, retail selection, and store patronage behaviour. Store choice has been a much-discussed topic in academic literature with many authors attempting to rationalise consumers' preference using several distinctive methods. Monroe and Guiltinan (1975); Arnold, Oum and Tigert (1983); Mason, Durand and Taylor (1983); Louviere and Gaeth (1987); Spiggle and Sewall (1987); Dawson, Bloch and Ridgway (1990); Arnold, Handelman and Tigert (1996) dominated the area of studies regarding store choices as they studied store attributes, situational factors, shoppers, household demographics, shopping patterns, price level, etc. Store choice studies are usually in the scope of much discussed formats such as hypermarkets, discount stores, etc.

Morschett et al. (2005) concluded that there are certain attributes that affects store choice – product quality, assortment, one-stop, price, speed and quality of service along with the atmosphere of the in-store experience. Fotheringham (1988), and Meyer and Eagle (1982) viewed location as a huge influence on store choice. In literature relating to location as well, Brown (1989), Craig et al., (1984), and Huff (1964) argued that the travel costs of shopping plays a huge role in store choice and preference. Hence, store location is crucial to the selection process of stores. Many other studies conducted has supported the notion where store location is a paramount attribute that contributes to store choice (Arnold et al., 1983; Freymann, 2002). The amount of time required to complete one's shopping seem to have a uniform effect in Kahn and Schmittlein (1989)'s study where customers that could not afford to shop leisurely for a longer period of time would prefer smaller local stores while those that could would shop at larger stores. Store choices are found to be dependent on demographic profiles in Arnold (1997) research where a distinctive difference could be found among shoppers from department stores and shoppers that are not in terms of age, education, household size, etc. Carpenter and Moore (2006) supported this line of thought when their study reveals that particular demographic groups were directly correlated to particular store formats. Additionally, low price and bountiful selection seem to account for 86 percent of store choice's variance (Finn and Louviere, 1996). Similarly, Amine and Cedenat (2003) acknowledged the importance of attributes to store format.

As such, the level of customer involvement appears to be a pivotal store determinant. According to Sinha and Banerjee (2004), to increase the preference level towards speciality stores, specialty stores should arm consumers with further pre-purchase information. However, Brook et al., (2001) found that attribute impact is inconsistent across different store format. Moye (2000) believes that consumers go through a comparison process that examines the compatibility of personal attribute requirements with store characteristics. When both conditions align, consumers will settle on said store. Similarly, consumers' general perception of store ideals was compared with store attributes, an identical process described by Moye (2000) to decide on the suitability of the store to their personal shopping predilection. A negative response may occur where the shop will not be selected as their shopping destination when overall perception is unfavourable (Engel et al., 1995).

Retail format selection is a much-discussed topic especially since the increment of retail formats. Worthington and Hallsworth (1999) coined the phrase "polygamous loyalty" to describe consumer behaviour in the retail market where consumers are found to be faithful to numerous stores. Leszczyc and Timmermans (2001) agreed that consumers tend to shop at several stores. Nevertheless, they argued that consumers generally prefer smaller specialty stores. Notwithstanding the possibility that there are consumers that purchase all their needs at a single retail outlet if possible, there exist consumers that choose to browse multiple establishments before settling for the most advantageous purchase (Mogelonsky, 1995; Gauri et al., 2005). Moreover, Fox and Semple (2002) found that most experience "cherry pickers" would compare prices beforehand by going through advertisements from various retail outlets before deciding on a store to patronize for a particular bargain product. However the conditions dictating store choice overlap with retail format choice as well. Furthermore, Morschett et al., (2005) and Gröppel (1995) discovered that retail format choice is driven by consumer perception rather than the more practical and ground "objective reality" where perceived needs of the consumers at certain occasion or situation help determine the acceptability of a retail format. Accordingly, consumers perceptions of store attributes were found to vary by store type (Lee and Johnson, 1997). Paulins and Geistfeld (2003) study on apparel store preference revealed the same conclusion. Bell et al., (1998), Verhallen and de Nooij (1982) contributed to the influence of store location in retail selection literature. Solgaard and Hansen (2003) also agreed that store location is an important factor in retail selection along with price level and assortment.

Another important factor that has been extensively researched pertaining to the subject of retail selection is patronage behaviour. Studies regarding this topic were headed by twelve widely accepted theoretical models of patronage behaviour. These are the works of Monroe and Guiltinan, 1975; Darden, 1980; Möller and van den Heuvel, 1981; Lusch, 1982; Bellenger and Moschis, 1982; Falk and Julander, 1983; Paltschik and Strandvik, 1983; Sheth, 1983; Laaksonen, 1987; Spiggle and Sewall, 1987; Lusch, Dunne and Gable, 1990; Osman, 1993. According to Laaksonen (1987), these researches and many other studies tried to elucidate "all the possible inner features of dynamism around the shopping behaviour phenomenon in terms of store choice". Apart from that, the NBD (Negative Binomial Distribution) model is often able to reflect and forecast patronage patterns accurately (Greenwood and Yule, 1920; Uncles and Hammond, 1995; Morrison and Schmittlein, 1988). This works based on the assumption that consumer patronage behaviour conforms to particular laws and distributions (Guo, Wang and Liu, 2013). Subsequently, Osman (1993) defined the phrase "patronage behaviour" as "the repeat purchase behaviour at a particular store for either the same products or any other products". He attempted to develop different ways to measure purchasing patterns. Hence, he believed that store image and favourable purchase experiences influence loyalty patronage behaviour. Furthermore, he argued that lifestyle and shopping preferences greatly influence the general attitude towards a store.

On the other hand, Shim and Kotsiopulos (1992) defined patronage behavior as "store choice behaviour that represents an individual's preference for a particular store for purchasing products". Another notable literature from Pan and Zinkhan (2006) divided retail patronage into store choice and frequency of visit to store. Similarly, retail image and perception towards the retail outlet affects shopping patterns by increasing the frequency of the consumers patronizing the particular retail outlet. In cognizance with the discussion above, patronage behaviour is affected and measured by several variables. Dawar and Parker (1994); Turley and Milliman (2000); along with Ou, Abratt and Dion (2006) postulated the possibility of store choice being determined by 5 categories which are price, accessibility, atmosphere, demographic characteristics of consumers, and retailer's reputation.

Traditional shophouses are a part of the retail legacy in Malaysia. However, traditional shophouses face economic and social impact from the increase in hypermarkets and foreign retailers. Although there are both positive and negative impacts, the most significant effect that was studied was did local small-scaled retailers lose customers with the emergence of foreign multinational retailers (Suryadarma et al., 2007). Most foreign literatures focused on change in annual sales prior and after the establishment of large-scale retailers. While there is a significant decrease in general (da Rocha and Dib, 2002; Tonsoboon, 2003), a decrease in sales is not representative of consumer choices, especially in secondary towns in Malaysia. It could be likely that there is an equal or increase in patrons but expenditure patterns faced a decline. Chamhuri and Batt (2013) proved this theory with their study on factors influencing consumers' choice of retail stores for fresh meat in Malaysia. They found that although there was an increment in hypermarkets and large scaled retail outlets that offers fresh meat, Malaysians still preferred to purchase fresh meat in small scaled traditional markets.

This research is different from most similar local researches as most of them focused on more populated zones such as the Penang and Selangor area. Wel, Hussin, Omar, and Nor (2012) investigated store choice among various formats for different product categories such as groceries and shopping goods. They also identified the preferred retail format and the crucial factors that affect consumers' store preferences. However the study was conducted in Selangor, a first-tier state. Similarly, Chamhuri and Batt (2013) research on factors influencing the consumers' choice of retail store for fresh meat in Malaysia was conducted in Selangor as well, which is grossly under-representative of the entire Malaysian market. Another Malaysian research studying the factors influencing consumer choice between modern and traditional retailers in Malaysia gathered their data from a small part of Selangor only, citing the state as where most consumers have the higher chance of purchasing goods from both traditional and modern retail format. However, the data did not reflect the entirety of traditional retail formats in Malaysia as the data is only collected in front of night markets, supermarkets, and hypermarkets. The paper failed to take into account the diverse traditional retail market format in Malaysia despite mentioning a few types of traditional retailers such as wet markets, dry markets, night markets, sundry/provision shops, and convenience stores in the introduction. One of the main traditional retailer formats – shophouse was largely ignored. In light of the absence of substantial literature regarding retail format preferences in secondary towns of Malaysia, it appears vital that such regions that make up a big part of Malaysia should be taken into account when discussing retail format choices.

Methodology

The study employs a cross-sectional survey research where the data is compiled at a singular time frame as the paper aims to investigate consumer preferences between hypermarkets and traditional retail shophouses in Kulim, Malaysia. The research instrument utilized are self-administered questionnaires and informal conversations with survey-takers. To serve the purpose of this study, three housing areas in the vicinity of both shophouses and hypermarkets (Tesco and Giant) were picked as research zones to administer the questionnaires. The author argue that despite the convenience that hypermarket are perceived to provide, dwellers near shophouses would slightly prefer shopping at shophouses due to the more attentive customer service. Details of the research process will be explained further in the sections below.

Data Collection Method

To achieve a better understanding of the consumer preference for either hypermarkets or shophouses in Kulim, questionnaires were distributed in the targeted research areas. The data was aggregated by using a survey questionnaire with only close-ended questions. The survey questionnaires were distributed among the dwellers of the three housing areas that were selected. As for the target interviewees, only individuals that are directly part of the household purchase decision are eligible respondents. However, in circumstances where the person in charge of the household shopping was not available, a participating household shopper was requested to answer the questionnaire instead. Casual tête-à-tête in the process of the questionnaires being filled out is also being recorded in writing as well in order to gain additional insight to the research. The questionnaire was designed based on past related literature (Wel, Hussin, Omar and Nor, 2012; Kaliappan, Alavi, Abdullah and Zakaullah, 2008). The characteristics of consumers in the sample are presented in Table 1. Eight categories were listed to evaluate the retail selection decision while respondents were required to determine their preferred retail medium when purchasing specified category of goods and general preference. Respondents are required to select either "hypermarket" or "shophouse" and not pick both or leave both options blank. While filling out the questionnaires, the respondents were engaged in conversations regarding their selections.

Questionnaire Design

The questionnaire is divided into two sections. The first section of the questionnaire consists of questions soliciting the profile and characteristics of the consumers. The following section is a series of question that investigate where the consumers' preferences lie for purchasing certain category of products. There are two options to choose from for each category including general preference which are "hypermarket" or "shophouse".

Questionnaire Administration

To investigate the household purchase decision regarding two different retail formats, 200 consumers from Taman Cendana, Taman Cengal, and Taman Selasih were asked to answer the questionnaire. Prior to the official survey, a pilot survey was run on 10 households in Taman Cendana to examine the effectiveness of the questionnaire. From the questionnaires and feedbacks, a revision was made to the original questionnaire to fit the purpose of the research better. The official field survey was conducted from January 26-29, 2015. The respondents of the surveys were asked to respond to the questions listed, the questions consisted of their personal and household profile and their tastes in shopping outlets. Casual conversations pertaining to the answers filled were carried out simultaneously.

Data Analysis

The questionnaire's data was evaluated using IBM® SPSS® (Statistical Package for the Social Sciences) Statistics 22.0 Mac OS Version (Greasley, 2007; Green and Salkind, 2013; Pallant, 2013; Wagner III, 2014). Graphs and charts were later produced using Microsoft® Excel® for Mac 2011 Version 14.4.2, 200 cases were part of the data analysis and a variety of descriptive statistics were generated from the data – frequencies, modes along with cross tabulation. The main form of analysis is portrayed though descriptive statistics as the research aims to describe and summarise the shopping preferences only (Trochim and Donnelly, 2006).

Table 1
Characteristics of Consumers in the Sample

No.	Description	Range	Frequency	Percentage (N = 200)
1	Gender	Female	144	72
		Male	56	28
2	Age	Less than 23	12	6
		23-33	46	23
		34-43	64	32
		44-53	50	25
		54 and above	28	14
3	Ethnic Background	Chinese	42	21
		Indian	23	11.5
		Indonesian	1	0.5
		Malay	133	66.5
		Portuguese	1	0.5
4	Housing Area	Taman Cendana	65	32.5
		Taman Cengal	34	17
		Taman Selasih	101	50.5
5	Monthly Income	Less than RM1200	31	15.5
		RM1201-RM3000	72	36
		RM3001-RM5000	61	30.5
		RM5001-RM7000	26	13
		More than RM7001	10	5
6	Number of people per household	Less than 3	8	4
		4-5	80	40
		6-7	98	49
		More than 8	14	7
7	Status of Employment	Full time	133	66.5
		Part time	67	33.5

Findings and Results

Respondents Characteristics

The socio-demographic characteristics of respondents in the sample are shown in Table 1. The findings reveal that there are more females compared to males in the terms of gender. There are 72 percent female while there are only 28 percent males. This can be reasoned that the person in charge of household shopping in Kulim is mostly consisted of females. The majority of respondents are aged between 34 and 43 (32 percent) while young consumers below the age of 23 seem to be the minority in this sample (6 percent). The sample of Kulim consumers is made up of mainly Chinese (21 percent), Indian (11.5 percent), and Malays (66.5 percent) with a minority of others, which are represented, by Indonesian (0.5 percent) and Portuguese (0.5 percent) here. However, it is imperative to note that this data is not reflective of the actual racial distribution in Kulim as it hinges on the cooperation of willing consumers to participate in said survey. Additionally, the samples were taken from three housing areas in Kulim that are in close propinquity with both shophouses and hypermarkets to prevent biased decision based on distance – Taman Cendana (32.5 percent), Taman Cengal (17 percent), and Taman Selasih (50.5 percent). The majority of the respondents studied had monthly income of between RM1201 to RM3000 (36 percent) and between RM3001 to RM5000 (30.5 percent). Number of people per household seems to be mostly around the range of 6 to 7 (49 percent). In general, most of the families have huge households. Regarding the status of employment of the respondents, almost 67 percent reported that they hold full time jobs.

Preference between Hypermarkets and Shophouses

Types of goods were being compared with cross tabulation to see whether consumers prefer to shop for the particular category of goods in hypermarkets or shophouses more. Based on Chart 1, it is found that slightly more consumers prefer shopping for items under the book and stationery category in shophouses. This result is supported by the 53 percent that selected shophouse as their preferred shopping destination for book and stationery and the slightly lower 47 percent of consumers that picked hypermarket instead.

Chart 2 shows that there is a distinctive pattern regarding footwear. More than 50 percent of the respondents reported that shophouses are a better place to shop for shoes, making up a total of 67 percent. On the other hand, only 33 percent of Kulim consumers prefer big hypermarkets despite their larger selection.

Meanwhile, an even bigger proportion of Kulim consumers prefer to purchase their electrical and household appliances from shophouses. Eighty-four percent of the respondents responded positively towards shophouses while only 16 percent think hypermarkets are a better option for electrical appliances (Chart 3).

However, when it comes to fresh produce, Kulim consumers are more comfortable with shopping at hypermarkets. A significant 78 percent represented the respondents that chose hypermarkets over shophouses (Chart 4).

Following that shopping trend found in fresh produce, similarly, canned, tinned or packaged food items are mostly chosen to be purchased at hypermarkets. Only 8 percent of Kulim consumers purchase these from shophouses (Chart 5). Interviewees explained that this is similar to the reason they purchase fresh produce from hypermarkets. Cleanliness plays a huge part along with the added bonus of variety and freshness.

Based on Chart 6, a majority of household shoppers from Kulim favour shopping for clothing in individual shophouses instead of hypermarkets (72 percent).

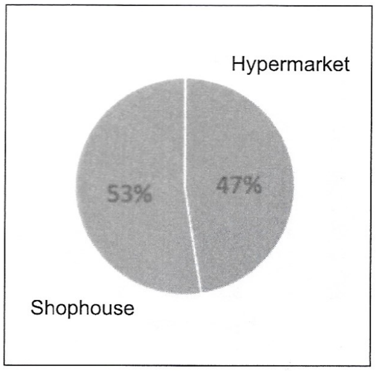

Chart 1. Book and Stationery

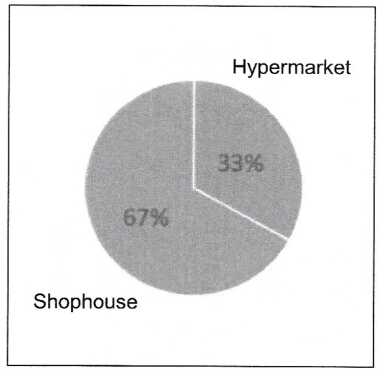

Chart 2. Footwear

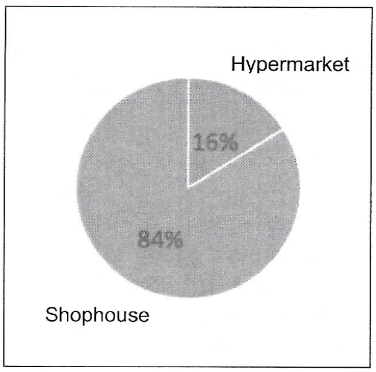

Chart 3. Electrical and Household Appliances

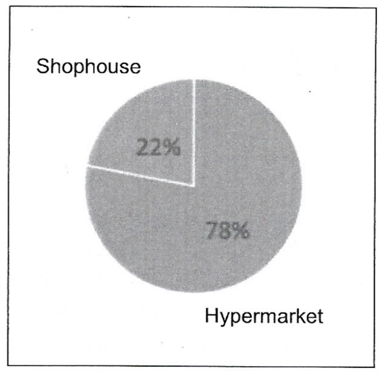

Chart 4. Fresh Produce

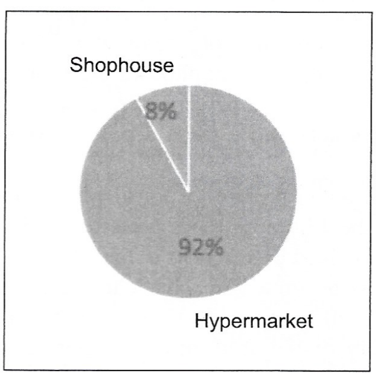

Chart 5. Canned, Tinned and Packaged Food

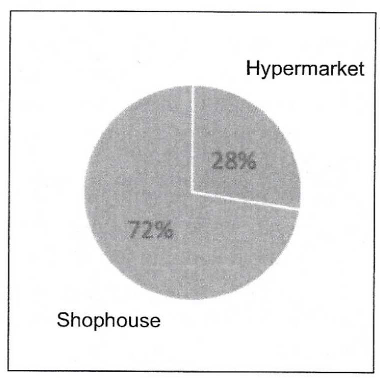

Chart 6. Clothing/Apparel

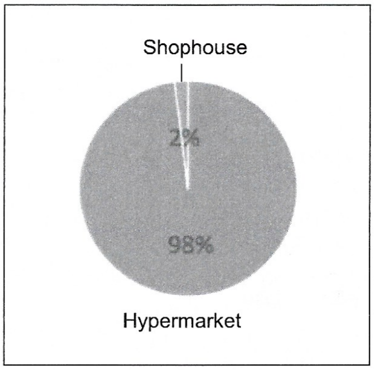

Chart 7. Toiletries/Cosmetic Product

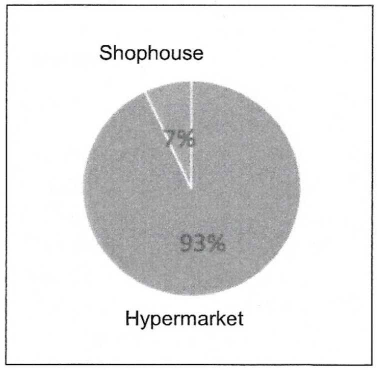

Chart 8. Household Items

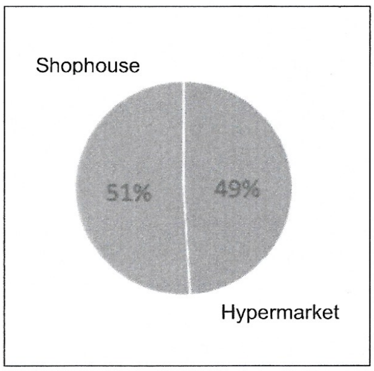

Chart 9. In General

For toiletries/cosmetic products (Chart 7) and household items (Chart 8), hypermarket is reported to be the apparent preferred choice, dominating the toiletries and cosmetic products market with a staggering 98 percent. Similar pattern can be found in household items with 93 percent of the respondent responded that hypermarket is the favoured option. Shophouses are seen to hold a very small market share in these two category of goods with only 2 percent of respondents picking shophouse for purchase of toiletries and cosmetic products and a mere 7 percent frequenting shophouse for household items.

The survey found that despite the difference in retail outlet preference for different category of products, in general, while shophouses are perceived to be a little bit more preferred at 51 percent, both of them are about equal in terms of respondents' perceived preferences (Chart 9).

Referring to Chart 10, a summary of the findings is presented in a bar chart and while it is observed that the preferences may be inconsistent with different category of products, ultimately, Kulim consumers' preferences are somewhat equally distributed among hypermarkets and shophouses.

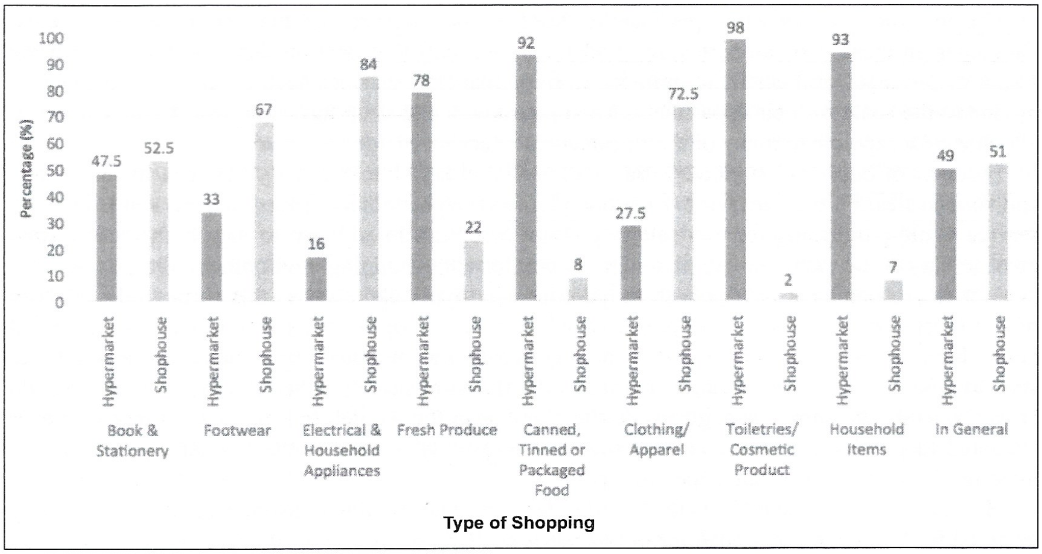

Chart 10. Consumer's Preferences

Cause Analysis

As the types of goods were being compared with cross tabulation, two main categories of causes, which affected the data outcome, were identified. First, consumers' perception and purchasing habits. Next, a series of objective causes. According to the data accumulated, a pattern has emerged where products requiring service to improve their shopping quality seem to be bought, preferably at shophouses. These categories of products are: book and stationery, footwear, electrical/household appliances, and clothing/apparel. Interviews have revealed that consumers identify a good purchase in these categories when great quality of service accompanied it.

Lack of knowledge about the products sold seem to be another hindrance for consumers to pick hypermarkets over shophouses, especially with products where consumers require more pre-purchase information in order to make a successful transaction. This is reflected in a statement Mr. Teng said when asked about why he picked shophouses over hypermarkets for electrical appliances, "At least in shophouses, I can get professional advice and recommendations tailored to my needs. In hypermarkets, some of the staff don't even know how to operate the electrical appliances I was planning to buy!"

Most consumers interviewed do not understand the functions and applications of the electronic products that they are interested in and require a great deal of pre-purchase information. Kulim consumers rely on the staff in electronic goods outlets to help and recommend products for them to purchase. Services such as after-sales service, free home delivery, and installation of the electronic products bought were also raised as examples of services that help the respondents to decide where to shop for their electrical and household appliances. Most of these services are either unavailable or not of high standards in hypermarkets researched. While the apparel and footwear industry does not have to rely on great product knowledge from staff to make a successful purchase, service is still vital.

"I know that shophouses don't carry a great range of shoes compared to hypermarkets, but I don't mind because at least in shophouses, I receive great service," Ms. Azizah said. Many other respondents echoed Ms. Azizah's sentiment and express their displeasure at the lack of personalized service in hypermarkets while purchasing these items which ruined their shopping experience altogether. In these two categories, respondents prefer staff that wait on them, help them with the sizing of products, and aesthetic opinion. In hypermarkets, services such as this is hard to come by due to the scale of their department. Most consumers ended up having to resort to self-service, which is unacceptable to many of the respondents interviewed and surveyed.

In terms of book and stationery, the market is divided almost equally between hypermarkets and shophouses. Further interview helped explained the phenomenon. Respondents replied saying service while purchasing for this category is not essential. In addition to that, both retail format provide almost the same variety and suitably comfortable shopping environment. Despite so, it is evident that respondents which chose shophouses over hypermarkets over this particularly category of products are individuals that prefer to make brief shopping trips to purchase pre-planned items. Interviewees explained that it is more convenient to purchase their books and stationery at shophouses as shopping time can be reduced. Ms. Lakshmi explained her choice, "All I have to do is park outside the shophouse, go inside the shophouse for a quick five minutes to buy whatever I wanted to purchase and that is it. Also, there is usually no line at the cashier counter, unlike hypermarkets! It is in and out, super convenient!"

However, further research is needed to determine whether this consumer habit is specifically reserved for the purchase of book and stationery.

When it comes to fresh produce, consumers would prefer buying from hypermarkets when they consider cleanliness of goods. Ironically, consumers responded that while they do not like buying from shophouses that has a similar format to the fresh produce section in hypermarkets, they love buying their fresh produce from traditional wet markets. Most averred that the fresh meat available from traditional markets was of higher quality and fresher compared to that available from hypermarkets and shophouses. And if given the choice, they would pick traditional wet markets instead of hypermarkets and shophouses. They also indicated that they usually prefer to buy from the same butcher as they perceived that the butcher or seller they favour provide consistent quality fresh produce.

When purchasing canned, tinned, and packaged food, hypermarkets are very much preferred while shophouses hold a very tiny market. There are four popular responses to explain this status quo. The first one is the lack of variety in shophouses. Shophouses are perceived to cater to less customers and thus stock less variety of packaged food items. Second is the lack of quality control. Respondents regard shophouses to often stock already expired products and to have lower regard for the quality of the packaging which often results in dented cans or faulty packaging. Another factor that respondents are concerned with when it comes to shophouses is that it is not Halal guaranteed. Halal is an Arabic word that is loosely translated to allowed or permitted. Used to label food items, it means that the food is permitted to be consumed by Muslims (Chamhuri and Batt, 2013). Respondents perceive shophouses to not be up to date with products carrying expired halal certificates or may carry packaged food items with fake halal logos.

"At least with hypermarkets, the organization has to be up to date with the latest Halal movement to ensure that Muslim consumers can buy food items from hypermarkets with confidence," Ms. Khadijah justified her reason for picking hypermarkets instead of hypermarkets. As such, respondents prefer to shop at hypermarkets for this category of goods despite the inconvenience.

"My family don't mind waiting for a shopping trip to the hypermarket to purchase them. It is not an essential and we do not need them immediately," Mr. Ahmed said.

This attitude is shared by hypermarket advocates for toiletries/cosmetic products and household items. As they are not "immediate essentials", shoppers prefer to shop for all of them at a one-stop location during their planned shopping trip. The comfortable shopping environment also makes it an enjoyable shopping destination. In general, respondents insisted on the importance of interpersonal relationship forged in shophouses and since hypermarket is still a relatively new phenomenon in Kulim, the older generations explained that they struggled with the concept of a hypermarket and it "scares" them.

On a separate note, a series of objective causes also affect the outcome of the data. Interestingly, when respondents need to buy only one category of goods, they tend to bring their business to shophouses. They explained that it is more convenient this way. However, hypermarkets are reported to be a more convenient location for those that shop for goods from multiple categories. This helps consumers to avoid visiting several shophouses to buy all the goods off their shopping list. This would explain consumer choices between shophouses and hypermarkets for certain category of items. Apart from that, time plays a factor as well in the choice between these two retail formats. When dealing with respondents that have limited shopping time, shophouses are found to be preferred. Shoppers that have more freedom and time to plan and execute their shopping trips tend to pick hypermarkets in the questionnaire.

Furthermore, distance affects respondents' choices as well. Shophouses tend to be located closer to housing areas in comparison with hypermarkets. Respondents that picked shophouses for most of their categories of goods told the interviewees that they would sometimes walk or take the motorbike to patron shophouses.

"Going to a hypermarket is more hassle. We tend to buy a lot more than we plan and it is further shophouses. Usually, we have to drive a car there and that is very inconvenient for us!" Ms. Aisyah stated. The research revealed that both choices are driven by convenience mainly, whichever choice that was more convenient to particular group of people as elucidated in the explanation and statements made above.

Conclusion

With the "invasion" of hypermarkets in secondary towns like Kulim proliferating, it is crucial to investigate the shift in consumer purchasing preference with the inclusion of new retail formats in their area. Even though shophouses and hypermarkets are found to share an almost equal market share in Kulim in general, this trend might deviate in the next few years with an increasing acceptance towards large retail outlets like Tesco or Giant. Despite citing interpersonal relationships between vendors and fellow customers being a huge driver behind shopping preference at traditional retail settings (Chamhuri and Batt, 2013), younger generations will look to other factors such as cleanliness, better parking spaces, cleanliness, variety, etc., when shopping for goods and ultimately prefer to patron hypermarkets (Hsu and Chang, 2002) in Kulim. When the data is assimilated, the research found that hypermarkets dominate Kulim's consumer preference in the category of fresh produce, toiletries/household items, household items, and canned, tinned or packaged food. Nevertheless, service-oriented industry that specializes in book and stationery, footwear, electrical/household appliances, and clothing/apparel is still dominated by traditional shophouses. Hypermarkets in secondary town may increase their market in these categories by providing better personal service to accommodate to the consumers' perceived preferences that is directly related to service.

The contrasting results provided by Wel, Hussin, Omar and Nor (2012)'s research of Malaysian consumer's retail format selection that was conducted only in Selangor, a first-tier city argued that the current trend in Malaysian retail market show hypermarkets to be the clear preferred choice, citing the size and atmosphere as the main reason for this phenomenon. This research clearly shows the need for more researches into retail format choices in secondary towns around Malaysia as the findings found from Selangor only is irrelevant to secondary town retail markets and is not representative of the retail pattern in the entire Malaysia. Small towns like Kulim, which are the latest target for foreign hypermarket retailers, should be given more attention to produce the most accurate result to explain their retail landscape.

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