

**THE LOSS OF SMALL GROCERIES AND HYPERMARKET GROWTH
IN MALAYSIA**

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ABSTRACT

The first hypermarkets in Malaysia opened for business in 1994 / 1995. The hypermarkets grew rapidly and symbolised, or led, a change to large-scale grocery retailing, spatially and organisationally. This modernisation, or organisation, was accompanied by a decline of small groceries in residential communities. Soon Malaysian policy makers began to ascribe the decline of small retailers to the hypermarket growth and heralded the possibility of curtailing the hypermarkets to stop the loss of small businesses. In spite of the rhetoric, the number of hypermarkets - and supermarkets - continued to increase. The purpose of this study was to seek to understand and articulate the retail modernisation in Malaysia by large-scale retail and the tens of thousands of small shops at which Malaysian households fundamentally shopped for groceries / provisions until well into the 1990s and which also provided a form of food security in local communities. Data collection included an empirical survey of small groceries in Peninsular Malaysia. The analysis showed that supermarkets affected small groceries more negatively than did the hypermarkets. This was a new empirical finding for Malaysia, but it was hardly a surprising finding.

Key words: competition; deregulation; food security; hypermarkets; political economy; small groceries; supermarkets.

1.0 INTRODUCTION TO THE RESEARCH

Malaysian government policy effectively opened domestic grocery retail to foreign direct investment and, thus, competition, during the 1990s. The first hypermarkets opened for business in 1994 / 95, grew to 21 by 2002 and 45 by 2004¹. By 2009, there were 78 foreign owned hypermarkets plus 28 issued licenses not yet built, according to Bernama² - in addition to a dozen Malaysian owned hypermarkets. Supermarkets grew by 90 per cent to 738 during the 1990s (National Retail Census 2001). Supermarkets were embedded in Malaysian towns at the time the hypermarket arrived (Othman, 1990). In the decade to 2000, small groceries declined, for the first time, by 15 per cent to 45,353. Groceries-based retail formats were important in the shopping life of Malaysians. As a group, Malaysians allocated 25 per cent of household expenditure³ to groceries and 26 per cent to non-groceries of a 'hypermarket nature'⁴ in 1999 (PwC, 2005/2006).

¹ Count by this researcher.

² Bernama, Malaysian National News Agency which provides real time Malaysian news including politics, business, economy, commodities, executive reports, and sports.

³ Based on an average monthly expenditure of RM 1,631. Source: Malaysia Household Expenditure Survey Report 1998 / 1999, Department of Statistics Malaysia.

⁴ Miscellaneous Goods and Services, Furniture, Furnishing and Household Equipment, and Clothing and Footwear. Source: Department of Statistics Malaysia.

The hypermarkets in Malaysia are owned, by far, by foreign, international chains, Carrefour, Dairy Farm International (Giant), and Tesco. The MDTCC⁵ regulates the FDI in the retail sector spatially and financially. Retail investments by Malaysians do not come under similar purview of the MDTCC. Malaysians can invest in any size and format of retail they wish, subject to state and local regulations.

The supermarkets are owned, by far, by Malaysians, largely independents and regional chains, the chains being very small in terms of the modernisation concept(s). An estimated 162 supermarkets were distributed on 13 chains in 2004 the largest of which was The Store, accounting for 39 supermarkets.

The small groceries are Malaysian family owned and operated, providing the backbone of shopping for provisions well into the 1990, and in the local communities.

The Eighth Malaysia Plan (2001 - 2005), announced in 2001, used a study showing hypermarkets “*affected the sales of 58 per cent of the retailers in the neighbourhood areas where hypermarkets were located*”. In 2002, the government began to publicly associate hypermarket growth with the loss of small businesses. In 2003, the government placed a five-year ban on the construction of new hypermarkets in Johor, Klang Valley⁶, and Penang, the main Malaysian economic core areas. In 2004, the MDTCC changed the spatial definition of a hypermarket to > 5,000 m², from the original > 8,000 m², and barred new foreign direct investment in < 2,000 m² retail spaces. While this allowed incumbent and new foreign investors to apply to MDTCC for permits to build smaller hypermarkets and ‘superstores’ of less than 4,500 m², the 2,000 m² limit effectively reserved supermarkets, minimarkets and shops for Malaysian retailers. Reading ‘between the lines’ the government was determined to cement its modernisation / productivity drive by, on the one hand, looking to experienced and financially strong foreign chains and financially strong domestic chains to carry retail modernisation⁷ by multiplying to towns / townships in the economic core areas and in the periphery and, on the other hand, encourage Malaysian retail entrepreneurs to invest / expand in < 2,000 m² retail spaces from which FDI / foreign control and direct competition was barred.

The hypermarkets were very visible with the populace and politicians because of size, practices, advertising, and ability to draw consumers in droves. Nevertheless, the hypermarkets were numerically few by 2002, when the political rhetoric was in high gear, placing the responsibility for the deteriorating business conditions of the small shops with the hypermarkets. The growth of supermarkets across urban areas was not a part of the political rhetoric about the loss of small businesses. How the growth of large-scale retail in Malaysia affected small groceries was under-researched by academics prior to 2004 / 2006.

To examine how small groceries were affected by hypermarkets and supermarkets in 2004, a time when government attention was focused on the hypermarkets, the Study surveyed 514 shopkeepers, selected by stratified simple

⁵ Ministry of Domestic Trade, Cooperative and Consumerism.

⁶ An urban conurbation, 4.8 million people in 2000, in the state of Selangor incorporating Kuala Lumpur. Source: Kuala Lumpur City Hall.

⁷ Meaning, in this case, new competition thought to be able to energize / cause restructuring of the retail trade in the host towns and in the wide supply chain, and changing the shopping habits of (local) consumers.

random sampling and surveyed by administered questionnaire, in the hypermarket towns and in two large, hypermarket free towns in Peninsular Malaysia. The sample was purposely distributed on the National Retail Census 2001 categories of non-specialised and minimarket shops. In the absence of similar Malaysian research, the Study put together its conceptual framework and questionnaire by variables from the literature and previous research focused on incumbent small-scale retail and the entry of large-scale retail intuition, and by intuition. The data were analysed by OLS multiple regressions and the Probit method (Verbeek, 2004).

2.0 A CONCEPTUAL FRAMEWORK FROM THE LITERATURE

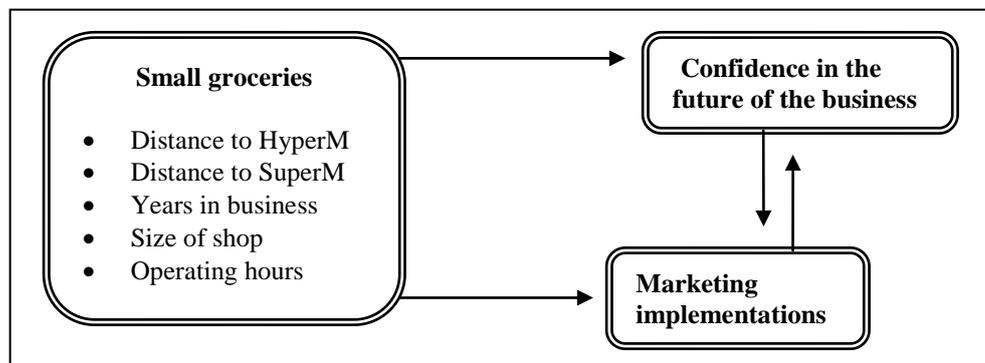
Since the 1980s, it appeared to be a worldwide phenomenon that new large-scale retail venues and organisation captured business from traditional shops, some of which became extinct and were not replaced in their local communities. The growth of hypermarkets in Malaysia was visibly as revolutionary as it had been in some other economies earlier or simultaneously, e.g. Brazil; Spain; Thailand; Taiwan; former Soviet Union East European economies, in which hypermarket growth directly and indirectly dislocated incumbent retailers, e.g. small groceries and independent supermarkets (Trappey and Lai, 1996; Tordjman, 1994). According to Tordjman, large-scale retail formats growth did not occur across national borders within Europe at or near the same time, e.g. hypermarket growth in Italy was behind that of Spain and Spain was far behind France - and UK grocery retailers largely opted for superstores and supermarkets rather than hypermarkets. In Spain the number of small groceries and other traditional shops declined dramatically as both hypermarket and supermarket chains grew (Flavian and Polo, 1998), similar to the development in Malaysia. For Malaysia's Klang Valley, Shivee *et al* (2008) found in 2006 that of 76 small groceries surveyed as a part of a larger survey of small shops, 75 per cent of the groceries expressed they were negatively affected by the hypermarkets. Shivee's was by stratified simple random sampling and self administered questionnaire measuring the shopkeepers' "opinion on the establishment of hypermarkets which is measured by the three-point Likert scale" and if the shopkeepers "were negatively affected by the presence of hypermarkets".

Retail trade modernisation in developing economies by large-scale retail was illuminated by non-Malaysian research, e.g. Dawson (2003); Hitoshi (2003); Tosonboon (2003); Gielens and Dekimpe (2001); Vida *et al* (2000); McGoldrich and Davies (1995) as was the decline of small grocery shops in developed economies, e.g. Shaw (2003); Monbiot (2000); dozens of published researches on the 'Wal-Mart effect' in towns across America, e.g. Charles Fishman (2006); Moreton (2009), and the 1990s and early 2000s research by dr. Jeffrey E. McGee of the University of Texas Arlington, and associates. Hamilton *et al* (2002), McGee and Peterson (2000), and McGee *et al* (1999; 1997) found that the distance to the nearest large-scale same goods competitor influenced small retailer survival. Increasing distance between incumbents and new large-scale entrants abated negative effects. On the other hand, when large-scale retail came to town this was likely to attract new customers to the town, from other towns, and be beneficial to the non-competing businesses of incumbents (McGee and Gresham, 1995; Farhangmehr *et al*, 2001). In Malaysia, supermarkets became embedded during the 1980s and 90s (Othman, 1990) and grew along with small groceries on a rising wave of urbanisation and economic growth, and protected from foreign direct competition until in the 1990s.

The retailing literature was explicit that hypermarkets competed with and at the expense of supermarkets and similar large-scale formats (Singh *et al*, 2006; Colla, 2004; Shaw, 2003; Dawson, 2002; Gielens and Dekimpe, 2001; Vida *et al*, 2000; Monbiot, 2000; Michman and Mazze, 1998; McGoldrich and Davies, 1995; Lyle, 1995). During retail modernisation by hypermarkets and rapid hypermarket growth, e.g. Brazil; Malaysia; Thailand, independent supermarkets and small supermarket chains of the preceding era became particularly vulnerable along with small shops. As it were, a growing number of supermarkets pressured by a growing number of hypermarkets unleashed a new level of competition, directly and indirectly, the supermarkets responding to the hypermarket growth.

The literature suggested personal service, location and small retailers were connected (Rosmimah and Melewar, 2004, 2000; Hamilton *et al*, 2002; Guariglia, 2002; McGee *et al*, 1999, 1997, 1996; Osman and Ismail 1989). Further, according to Chandler and Hanks (1994) previous specific experience and the length of experience contributed positively to business performance. For measuring how hypermarkets and supermarkets affected small groceries, this study configured its conceptual frame in a holistic perspective, as follows:

Figure 2.1 - A conceptual framework for measuring how hypermarkets and supermarkets might affect small groceries



3.0 BACKGROUND OF THE SMALL GROCERIES IN THE SURVEY

Table 3.0.1: Selected characteristics of the small groceries

The groceries	Hypermarket towns		Hypermarket free towns		Total	
	N	Pct	N	Pct	N	Pct
<i>Shop type**</i>						
Sundry/provision shop	163	40.3	78	71.0	241	46.9
Mini-markets	163	40.3	30	27.3	193	37.5
Chinese medical hall	78	19.4	2	1.7	80	15.6
	404	100.0	110	100.0	514	100.0
<i>Ethnicity**</i>						
Malay	103	25.5	76	69.1	179	34.8
Chinese	222	55.0	29	26.4	251	48.8
Indian	79	19.5	5	4.5	84	16.3
	404	100.0	110	100.0	514	100.0
<i>Years in business</i>						
> 5 years	118	29.2	33	30.0	151	29.3
5 to 15 years	144	35.6	43	39.1	187	36.4
< 15 years	142	35.2	34	30.9	176	34.2
	404	100.0	110	100.0	514	100.0
<i>Size of shop**</i>						
> 1,400 square feet	227	56.2	87	79.1	314	61.1
< 1,400 square feet	177	43.8	23	20.9	200	38.9
	404	100.0	110	100.0	514	100.0
Total shopkeepers	404	100.0	110	100.0	514	100.0

+ significant at ten per cent; * significant at five per cent; ** significant at one per cent

Some 2/3rds of the small groceries surveyed in the hypermarket towns were largely established before or early in the hypermarket growth in Malaysia.

The Table 3.0.1 sample proportions of the shop type, ethnicity and shop size were significant at one per cent (Pearson chi-square). Years in business were not significant. The shop type distribution among the ethnic groups in the hypermarket towns was significant at one per cent. The shop type distribution was not significant in the hypermarket free towns.

3.1 Confidence in the future of the business

The survey found that more shopkeepers were not confident as compared with confident in the future of the business in both hypermarket towns and hypermarket free towns. The distributions of this binary variable were significant at one per cent. This lack of confidence was more pronounced in hypermarket towns as compared with hypermarket free towns, by a statistically significant ten percentage points.

3.2 Implementation of marketing improvement

Table 3.2.1: The shopkeepers implemented marketing improvements

The groceries	Hypermarket towns		Hypermarket free towns	
	N	Pct	N	Pct
<i>In last 2-3 years the shopkeepers had implemented</i>				
Increased variety of goods **	264	65.3	98	89.1
Upgraded segments of goods **	174	43.1	95	86.4
Made the shop layout more friendly **	301	74.5	100	90.0
<i>Perception of customers' behaviour</i>				
More demanding and discriminating + Inquires and listens to the customers' needs and wants and tries to provide them +	384	95.0	109	99.1
Total	404		110	

+ significant at ten per cent; * significant at five per cent; ** significant at one per cent

The distribution differences among the groceries in hypermarket towns and hypermarket free towns were not significant. A larger portion of the groceries in hypermarket free towns implemented improvements of variety, goods segments and shop lay-out as compared with the groceries in the hypermarket towns. This was significant at one per cent - and unexpected.

The marketing criteria perceptions of the shopkeepers differed markedly between Hypermarket towns and hypermarket free towns and this was significant at one and five per cent respectively,

Table 3.2.2: Shopkeepers' perception why their customers shop there

The groceries	Hypermarket prevalent towns		Hypermarket free towns	
	N	Pct	N	Pct
<i>Perception why their customers come to the shop</i>				
Lower prices here **	178	44.1	31	28.2
Convenient location here	396	98.0	110	100.0
Personal treatment and service here	396	98.0	110	100.0
Better assortment and variety here	373	92.3	110	100.0
They do not like hassle of going shopping at Supermarket or Hypermarket **	361	89.4	61	55.5
Total	404		110	

* significant at five per cent; ** significant at one per cent

Total Groceries	404	100.0	110	100.0	514	100.0
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The quality and price of the goods they sold were on the minds of the shopkeepers in the hypermarket towns and barely on the minds of the shopkeepers in the hypermarket free towns.

Of the variety of the goods and the specialised goods, the shopkeepers in the hypermarket free towns favoured the variety as compared with the shopkeepers in the hypermarket towns. Personal treatment and service to the customers were more important with the retailers in the hypermarket towns as compared with the hypermarket free towns. On the other hand, location, that is, the community market, was more important with the retailers in the hypermarket free towns as compared with the hypermarket towns.

The different preferences for personal service and location in the marketing criteria were unexpected. Perhaps shopkeepers in the two groups of towns held different worldviews,

Table 3.2.3: Marketing criteria of the shopkeepers

The groceries	Hypermarket prevalent towns		Hypermarket free towns	
	N	Pct	N	Pct
<i>Perception of a marketing success criteria</i>				
Personal service**	328	81.2	46	41.8
Variety of goods**	212	52.5	102	92.7
Location**	199	49.3	108	98.2
Quality of goods**	127	31.4	0	0.0
Presentation of goods**	123	30.4	58	52.7
Fresh food*	94	23.3	14	12.7
Price of goods**	89	22.0	6	5.5
Specialised goods*	17	4.2	0	0.0
Sufficient parking*	13	3.2	0	0.0
Shop layout	1	0.2	0	0.0
Special offer campaign	0	0.0	0	0.0
Distributing flyers	0	0.0	0	0.0
Nothing in particular	0	0.0	0	0.0
Others	0	0.0	0	0.0
Total	404		110	

* significant at five per cent;** significant at one per cent

Tables 3.2.1 - 3.2.3 suggested the small groceries were focusing on consumers / households living nearby their shops, that is, the community market, and were at one with Dawson's (2002) "location".

4.0 APPLYING THE CONCEPTUAL FRAME TO THE DATA, THE PROBIT MODEL

Confidence, the dependent variable, was a binary variable and measuring it would not be possible by a linear regression model. The significance testing in a model rests upon the assumption that errors of prediction are normally distributed.

Because the dependent variable would only take the values 0 and 1, the latter assumption was difficult to justify, even approximately. Nevertheless, this study wished to see if there were one or more fundamental relationships rather than just historical coincidences within the sample. To overcome the problems with the linear model and the limitation represented by the 0 and 1 scenario, Verbeek (2004, pg 190-202) referred to a class of binary choice models designed to essentially describe the probability that $y_i = 1$ directly and depending on the marginal effects of the independent variable components. Therefore, this study adopted the Probit model to model the function of the independent variables,

$$p_i = F(Z_i), \text{ where:}$$

$$Z = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7$$

$Z = Y =$ Retailer confidence in the future of the business; where:

$X_1 =$ Distance from shop to Hypermarket, actual distance

$X_2 =$ Distance from shop to Supermarket, actual distance

$X_3 =$ Number of years in business at present location

$X_4 =$ Shop size

$X_5 =$ Total weekly operating hours

$X_6 =$ Ethnic group Malay

$X_7 =$ Ethnic group Chinese

Subsequently the marginal effect of X_i is $\frac{\partial p}{\partial X_i}$ which is computed as

$$\frac{\partial p}{\partial X_i} = \frac{dp}{dZ} \frac{\partial Z}{\partial X_i} = f(Z)\beta_i, \text{ where } f(Z) \text{ is the standardized normal distribution:}$$

$$f(Z) = \frac{1}{\sqrt{2\pi}} e^{-\frac{1}{2}Z^2}$$

The Study arbitrarily selected ethnic Indian as a control group for the ethnicity.

According to the Probit analysis, Table 4.0.1, the probability that the small grocers in the hypermarket towns would be confident or not was influenced by the distance to a supermarket and not by the presence in the town of one or more hypermarkets. The analysis used actual distances from the small groceries to nearest supermarket and hypermarket. The distances for the supermarket were significant at one per cent and not significant for the hypermarket.

The greater the distance to the nearest supermarket the higher the probability the retailers were confident in the future of the business and this was significant at ten per cent. The influence by the size of the shops was significant at ten per cent in the hypermarket towns and was not significant in the hypermarket free towns. The influence by the length of time the retailers had been in business at the present location was not significant. The influence by the opening hours was not significant in the hypermarket towns and was significant at one per cent in the hypermarket free towns, albeit the influence was minimal in both kinds of towns,

Table 4.0.1: Shopkeepers' confidence in the future of the business and the marginal influence of selected variables

Small groceries Confidence in the future of the business	Hypermarket towns		Hypermarket free towns	
	Estimate	Std. error	Estimate	Std. error
Distance to hypermarket (0' km)	0.008	0.005		
Distance to supermarket (0' km)	0.017	0.010+	0.012	0.006+
Years in business (0' years)	-0.002	0.002	0.003	0.006
Shop size (000' square feet)	0.034	0.018+	0.091	0.071
Total weekly operating hours	0.001	0.002	0.009	0.003**
Ethnic Malay	-0.087	0.068	0.170	0.237
Ethnic Chinese	-0.033	0.068	-0.409	0.171*
Observations	404		110	
Likelihood Ratio Chi square	12.74		33.77	
Probability > Chi square	0.08		0.000	
Pseudo R squared	0.025		0.224	

+ significant at ten per cent; * significant at five per cent; ** significant at one per cent

The influence by the supermarkets in Table 4.01 was not surprising. This study estimated that supermarkets outnumbered hypermarkets by not less than fifteen to one in the Peninsular Malaysia hypermarket towns in 2004.

5.0 THE MULTIPLE REGRESSIONS

The dependent variable of Implementation of marketing changes in recent years is a continuous variable and can be measured by the multiple regression method. In preparation for the multiple regression analysis the Study carried out the Principal Component Analysis using the three items of changes the retailers had implemented, Table 5.0.1, to come out with one factor called Implemented marketing changes. This instrument was tested using Cronbach's Alpha analysis which reported a reliability coefficient of 0.84. A reliability coefficient of 0.8372 is a good instrument (Field, 2000; Tabachnick and Fidell, 1996).

The analysis in Table 5.0.1 shows the influence by the hypermarket was less as compared with that by the supermarket. The influence by the distance to the supermarket was significant at one per cent in both kinds of towns and was more pronounced in hypermarket towns as compared with the hypermarket free towns. The hypermarket influence was significant at ten per cent. The shorter the distance from the groceries to first a supermarket and second a hypermarket the less marketing changes the shopkeepers implemented. Vice versa, the more distance the shopkeepers had between themselves and a supermarket and hypermarket the more marketing changes the shopkeepers implemented. This was unexpected.

Influence by the shopkeepers' years in business at the present locations was significant at one per cent in hypermarket towns and at five per cent in hypermarket

free towns. The more years the shopkeepers had been in business the fewer marketing changes they implemented. Vice versa, the fewer years the shopkeepers had been in business the more marketing changes they implemented.

Influence by the shop size was significant at five per cent in both kinds of towns. The larger the size of the shops the more marketing changes the shopkeepers implemented. The latter influence was more pronounced in the hypermarket free towns as compared with the hypermarket towns.

The influence by the operating hours was significant at one per cent in the hypermarket towns and at ten per cent in the hypermarket free towns and was more pronounced in the last towns as compared with the first. The more hours the groceries kept open the more marketing changes they implemented,

Table 5.0.1: Shopkeepers' implementation of marketing changes and the influence of selected variables

Small groceries Implemented marketing changes in the last two to three years	Hypermarket towns		Hypermarket free towns	
	Estimate	Std. error	Estimate	Std. error
Distance to hypermarket (0' km)	0.029	0.016+		
Distance to supermarket (0' km)	0.110	0.030**	0.033	0.012**
Years in business (0' years)	-0.025	0.006**	-0.020	0.010*
Shop size (000' square feet)	0.143	0.056*	0.269	0.121*
Total weekly operating hours	0.017	0.006**	0.011	0.006+
Ethnic Malay	0.110	0.218	-0.898	0.509+
Ethnic Chinese	0.440	0.203*	-0.596	0.508
Constant	-2.382	0.571**	0.216	0.782
Observations	404		110	
Likelihood Ratio Chi square	10.05		3.38	
Probability > Chi square	0.000		0.004	
Adjusted R squared	0.14		0.12	

+ significant at ten per cent; * significant at five per cent; ** significant at one per cent.

Reference group for ethnicity: Indian.

The Probit and multiple regression analyses, Tables 4.0.1 and 5.0.1, both showed a greater influence by the supermarket as compared with the hypermarket. This was a new empirical finding for Malaysia about small groceries being influenced by large-scale groceries.

Given the large sample, a further multiple regression was conducted, on the mini-markets in the hypermarket towns, to see if by further segmentation of the sampled groceries a different result would occur, even if the mini-markets might be more homogenous as compared with the overall sample. The mini-market segment of the survey consisted of 193 of the 514 small groceries surveyed. This segment made up circa 10 per cent of the estimated mini-market population in Peninsular Malaysia. 163 were in hypermarket towns and amounted to a sample of circa 8 per cent of the

total population. The sample of the hypermarket free towns was not meaningful to run a regression for the mini-markets in these towns,

Table 5.0.2: Implementations by mini-markets in hypermarket towns and the influence of selected variables

Mini-markets	Hypermarket towns	
Implemented marketing changes in the last two to three years	Estimate	Std. error
Distance to hypermarket (0' km)	0.012	0.019
Distance to supermarket (0' km)	0.119	0.036**
Years in business (0' years)	-0.001	0.008
Shop size (000' square feet)	0.191	0.083*
Total weekly operating hours	0.005	0.006
Ethnic Malay	0.160	0.250
Ethnic Chinese	-0.045	0.245
Constant	-0.974	0.670
Observations	163	
Likelihood Ratio Chi square	2.93	
Probability > Chi square	0.006	
Adjusted R squared	0.077	

+ significant at ten per cent; * significant at five per cent; ** significant at one per cent

Again, the influence by the hypermarket appeared to not be significant. The influence by the supermarket was significant at one per cent. The shorter the distance to the supermarket the fewer the changes the mini-markets had implemented recently. The influence by the supermarket and the hypermarket was similar in Tables 5.0.1 and 5.0.2. The supermarket variable had a greater influence with the dependent variable as compared with the hypermarket. Table 5.0.2 limited to the mini-market sample did not contradict the supermarket influence in Tables 4.0.1 and 5.0.1.

6.0 CONCLUSION

The Tables 4.0.1, 5.0.1, and 5.0.2 suggested that the hypermarket was both the catalyst and the symbol of the retail change, retail modernisation, in Malaysia⁸. However, in the perception of the shopkeepers, the supermarket rather than the hypermarket was the token of the negative trend to the small groceries. This finding contributed an empirical dimension to the early phase of retail modernisation in Malaysia. Further, the survey data confirmed that the small groceries focused on the community market environment in which the groceries were embedded. The shopkeepers perceived of their business as depending on their location that was convenient to some of their customers some of the time or all of the time. The shopkeepers focused on personal treatment and service by variety and assortment

⁸ It took government policy and, thus, political timing, to open the domestic retail market to foreign direct investment / competition. The market opening and the terms, the new playing field, became effective in the early 1990s.

adjusted to their experiences in the community environment, were engaging with their customers about the latter's needs and wants, and perceived the customers were becoming more demanding and discriminating about the retail offer. This suggested that far from being oblivious to the changes to their local trading environment the shopkeepers were aware of the need for them to be effecting changes by themselves toward meeting the external conditions that Sieh (1974) suggested were given. Further, the shopkeepers in the survey sample largely appeared cognizant of being both small grocery shops and having to at least be meeting the neighbourhood's demand for household necessities on a nearly daily basis and by methods, e.g. atmosphere; pricing, that were non-controversial in the neighbourhood / community. The shopkeepers had no enthusiasm for specialised and deep assortments of goods and preferred to address the necessities and the most frequently consumed goods.

6.1 Reflections on the status of small versus large-scale groceries and going forward

Why should we be concerned about the loss of small groceries in Malaysia, when large-scale retail, e.g. supermarkets and hypermarkets, launch and multiply and now provide consumers with more choice and the economy with large investments and increased productivity and for some, better jobs?

Policy and regulatory developments in Malaysia determined the timing of new and direct competition in the domestic grocery market. When the retail change began in Malaysia the long status quo ended. Decades of endogenously generated growth of traditional grocery shops in step with demographics, slow supermarket growth, and limited, albeit improving, choice for Malaysian households were changed rather abruptly, in the main urban areas to begin with. Wholly new characteristics of retail growth were introduced during the decade to 2000. The change was symbolized by the hypermarket and heralded the beginning of a decline in the density of grocery outlets. The nature of the hypermarket entrants from abroad was important. Lesser competitors might have left more room for Malaysian retail entrepreneurs to respond and grow.

The claim can be made that during the decade to 2000, small retail businesses grew as a category, concurrent with the growth of large-scale retail such as hypermarkets, supermarkets, and department stores / shopping malls. Overall, retail outlets in Malaysia grew from 135,930 to 143,878 (National Retail Censuses). However, analysis of the census data revealed that underlying the absolute increase, both the number of non-specialised and specialised food retailers declined. From a perspective of future food security, this decline importantly outweighed the increase in specialised non-food retailers. Perhaps ironically, the increase in non-food outlets could be partially ascribed to the rapidly growing number of hypermarkets and shopping malls on the floors and forecourts of which could be found a multitude of independent small retailers among large stores frequently on chains. The hypermarket forecourts phenomenon of small retail booths and shops was driven by government policy. As a group, shopping malls, department stores, and hypermarkets grew fourfold during the decade to 2000, to 507, and continued to multiply. Malls and hypermarkets hosted specialised retailers, small and large, from cart to small shop to large store and from independents to chains. Nevertheless, small specialised retailers in the mass market did not fundamentally improve their competitiveness vis-à-vis their large-scale corporate counterparts.

From a perspective of government policy, the hypermarket entrants became drivers of retail modernisation / retail productivity in Malaysia. This perspective was facilitated by the hypermarket corporations' superior experience, capital resources, supply chains and other technology. From a more immediately practical perspective, retail is a substantial component of the Malaysian economy in both monetary and employment terms. Equally the positive societal impact of a dynamic retail sector is significant as a driver of the broader economy, e.g. domestic consumption; co-determinant of future shopping trends.

While the timing of retail change differed from one developing economy to another the effects on the incumbents were largely similar, e.g. Brazil; Malaysia; Taiwan; Thailand. In comparison, previous decades' retail change in developed economies had been more gradual, albeit not less dislocating to incumbents over time.

Malaysian consumers benefited by the foreign hypermarket entrants being among the world's largest and experienced mass-market retail corporations. However, to share in the vastly increased choice consumers travelled further to shop for most-frequently-used-items and received less personal service as compared with the recent past.

'Modern' spatial options for retail activity by independents appear to be associated with shopping mall and hypermarket managerial discretion about what/who should occupy the retail spaces, with federal government policy and vision about the nature of economic development and retailing, and with state and local governments' similar policy and vision and the latter two's implementation of large-scale development proposals for new large retail venues and new townships.

Fostering vibrant small-scale retail activity in local and wider markets contribute to a vibrant society and long-term self-employment opportunities in commerce, a worldview statement that needs to be taken on faith (Hogarty *et al*, 1999). Small retailers as self-employed and independent businessmen and women employ others in service jobs, a growth concept the Malaysia government already supports. However, current trends in grocery retailing in Malaysia appear to stand in stark contrast to the historic fragmentation in outlets and venues in Malaysia (Shaw, 2003; Guy, 1991). The apparent trend reversal and consolidation and concentration implied the imposition of a number of future second-order effects on consumers in some local communities, e.g.

1. Protecting the shopping needs of consumers who are unable to shop at a hypermarket or a supermarket, e.g. less independent consumers, the aged and infirm. These demographics will increase in Malaysia in the future as presented in national research / statistics (Ong, 2003);
2. Protecting consumers restricted by the means of available transportation and time, e.g. consumers on lower incomes or unable to independently drive; and
3. Protecting Consumers who, out of preference, do not wish to be limited to shopping for groceries at hypermarkets and supermarkets. This category could include consumers to whom it is important to

preserve the local community and its social and commercial vibrancy lest the community begins to fade away.

This can be summarised as ‘food security’, that is, the physical accessibility to food shopping in the local community / at the local level. Not only for the aged, infirm, consumers without adequate transportation, and consumers who do not wish to be limited to shopping at a supermarket or hypermarket, but for all consumers in the local area. Underserved, potentially food shopping deprived communities, urban and rural, can emerge in the future, unlike the past when the growing number of food retail outlets, primarily small groceries, independents, protected against this, to a degree. Further, food security, in an abstract sense, may also be a consideration when increasing consolidation by retail corporations relies on extending logistically complicated supply chains, often global, and without community level links. In some developed economies and where the populations are aging, shop deprivation considerations and debates appear on the agenda with increasing frequency, e.g. America; Denmark; France; Japan; UK (Clarke *et al*, 2004; GLA Economics, 2005; ICSC, 2002). Malaysia does not have a policy plan addressing shop deprivation at the local level, following upon the retail modernisation.

From a consumer and food security perspective, local communities do not necessarily have to be served by independent small groceries as long as the communities are served. From this perspective, European hard discount corporate chains Aldi, Lidl, and Netto continue to establish mini supermarkets within local communities / residential areas, e.g. Germany; Denmark, and have built large grocery market shares based on low prices and the micro market, even if these chains generically stock a fraction of the items and mainstream brands as compared with the supermarkets. The thousands of these small groceries by hard discount experts Aldi, Lidl and Netto rely on economy of scale and state-of-the-art logistics systems to keep the small groceries resupplied and competitive, capabilities which require substantial capital and know-how. There is no certainty that Malaysian consumers would take to the concept(s) even if Malaysian consumers are among the most price sensitive shoppers in Asia (ACNielsen, 2002).

However, by reserving the retail spaces of below 2,000 square metres for Malaysians, the government has excluded potential foreign expert entries to a potential hard discount groceries segment in Malaysia and challenged Malaysian chain store initiatives / entrepreneurs to serving local communities with daily-consumed-goods in the long run. At the time of this writing, the 200+ minimarkets of the 99⁹Speedmart chain, launched in densely populated areas in the Selangor⁹ state in the last decade, stands out as a forceful Malaysian initiative. In the beginning of 2000s, when convenience store franchisee 7-Eleven Malaysia, a large corporate, grew very slowly¹⁰, the founder of 99⁹Speedmart from scratch, Malaysian Lee Thiam Wah, focused on scale-economies and local community / location. Continued growth by the 99⁹Speedmart chain would augur well for the consistency of grocery shopping in local communities, while adding to the woes of independent small groceries.

⁹ The state of Selangor comprises Kuala Lumpur in the Klang Valley, an urban conurbation of 7.2 million people in 2010 (Kuala Lumpur City Hall).

¹⁰ As compared with the development of convenience store chains in other developing economies, e.g. Philippines; Korea; Thailand; Taiwan.

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