CHAPTER 3

RESEARCH METHODOLOGY

This chapter describes the methodology and research design used in the study. The questionnaire design, sampling and data collection procedures will also be discussed.

Research Design

The study used two simply designed questionnaires. One (Q1) for traditional food retailers (specifically department stores, supermarkets, minimarkets and convenience stores) operating in the Klang Valley area, and a shorter version (Q2) for the 3 mega-stores, that is, MAKRO, CARREFOUR and GIANT. (Please refer to Appendices A and B)

The survey questionnaires were designed with the help of a local market research firm and based on studies relating to retail buying. It was also finalized with the help of industry experts (Malaysian Retailers Association, Chinese Chambers of Commerce and Industry, agency houses) and a market test which was implemented on 12 department
stores, supermarkets and minimarkets. Convenience sampling was used for the survey questionnaires.

The objective of survey questionnaire Q1 is two-fold: firstly, to identify and assess the relative importance of the factors that influence traditional food retailers in their choice of suppliers. Secondly, to determine the impact of mega-stores (MAKRO and CARREFOUR) on these food retailers especially with regard to the supplier selection criteria.

Questionnaire Q2, which was meant for mega-stores contained similar questions to Q1, that is, relating to the supplier selection criteria and the factors that attracted or discouraged customers from shopping at mega-stores.

The list of factors that influences food retailers in their choice of suppliers were determined firstly by referring to the "elements determining basis of competition" for suppliers, contained in the Distributive Trade Survey, Malaysia (1990) commissioned by Permata Merchant Bank. The 12 elements or factors are as follows:

- Have strong personal contacts with customers
- Have reputation for good quality
- Have competitive pricing
- Be well located
- Have appropriate business hours
- Provide a wide range of products
- Have high stock availability
- Have excellent reputation as a company
- Have reputation for good after sales service
- Have exclusive distributorship for one or more brands
- Provide better credit terms
- Provide delivery

The above list was modified by referring to the Wagner et. al. (1989) article on "Vendor Selection Among Retail Buyers: An Analysis by Merchandise Division". The list of criteria suggested by Sheth 's 1973 model was believed to be inadequate to capture the differences between retail and industrial buying. Wagner et. al. surmised that this implied that the vendor selection decisions of retail buyers were likely to involve some criteria unique to the retail buying process.

They pointed out two main differences between industrial and retail buying which helped modify some of the factors listed above for the survey questionnaires. One difference is in the buyer's responsibility for meeting the profit objectives of the firm. While industrial buyers are responsible for controlling costs, retail buyers are responsible for both controlling costs and generating revenue through their purchases. This, according to Wagner et. al., suggests that markup, which represents the difference between the wholesale cost and the retail price of a vendor's merchandise, may be a criterion that is more appropriate than price is, to the study of vendor selection among retail buyers. Thus, the third factor, "Have competitive pricing" was replaced by "Give good markup".

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The second difference between industrial and retail buying, pointed out by Wagner et. al., was is in the nature of the goods purchased. While industrial buyers purchase raw materials and component parts for use in production, retail buyers purchase finished goods for resale to the consumer. Consequently, the right goods for industrial buyers are those necessary to support the production process while the right goods for retail buyers are likely to be those which the buyer expects to sell well. Retail buyers might then be expected to use criteria such as selling history and merchandise fashionability in their vendor selection decisions. Hence, these two criterion was also added to the list of factors identified above making the number of factors 14 now. They were included as "Provide merchandise fashionability" and "Provide merchandise with good selling history".

A number of interviews was also conducted with industry experts and they highlighted two important factors, that is, good inter-organizational relations and government policy. The first factor in our list identified above was then modified to read "Have good inter-organizational relations" replacing "have strong personal contacts with customers". "Follow government policy" was also added to list of factors identified above, making the number of factors, 15.
Finally, the factor "Others" was added for those factor(s) that are pertinent but have yet to be identified. The final list of 16 factors were randomly listed as follows:

1. Have reputation for good quality
2. Have good inter-organizational relations
3. Provide merchandise with good selling history
4. Have high stock availability
5. Give good markup
6. Provide merchandise fashionability
7. Have excellent reputation as a company
8. Have appropriate business hours
9. Provide a wide range of products
10. Have reputation for good after sales service
11. Have exclusive distributorship for one or more brands
12. Be well located
13. Provide delivery
14. Provide better credit terms
15. Follow government policy
16. Others
Questionnaire Design

Survey questionnaire Q1 has 5 sections. Section 1 was to determine the profile of the respondent. It consists of 4 questions. Here the respondent was to identify the type of food retailer he is, that is, whether he was a general merchandising store (consisting of a department store and supermarket), supermarket, minimarket or convenience store. The respondent's profile also included their average monthly sales, size of establishment and the type of ownership.

Section 2 asked respondents to tick (✓) the 5 most important factors from a total of sixteen factors listed, that they would consider when choosing their food suppliers. They were then asked to list the "most important" factor of the 5 chosen and also to list the "least important" factor of the list of sixteen.

Section 3 contained 8 questions to determine if the 2 mega-stores (MAKRO and CARREFOUR) being studied were perceived as a threat. It began with a question to see how well the respondent knew the two mega-stores. A third wholesaler (Davids Holdings, Australia's largest wholesaling specialist), which was mentioned by the Minister of Domestic Trade and Industry in local newspaper reports was also included. This was to gauge if respondents were aware of this new entrant into the Malaysian retail
industry.

Their opinions were also sought on who they thought the 2 mega-stores were competing with; if there were any positive and negative effects on them as a result of the entry of these mega-stores; their opinion of the factors that attracted or discouraged consumers from patronizing these mega-stores.

Section 4 of questionnaire survey Q1 was to determine the respondents' opinion on the role of government with regard to the entry of mega-stores into the retail industry. As players in the industry, they were also asked to forecast future trends in the retail industry as a result of the entry of these mega-stores. Finally, they were asked to strategize, that is, how they would deal with these mega-stores in the short and long term.

All the questions in the survey questionnaires only required respondents to tick (✓) their response. There were no open ended questions.

Survey questionnaire Q1 was prepared in 2 versions, that is, in the English Language and Bahasa Malaysia. Survey questionnaire Q2, meant for mega-stores, as explained above was a shorter version of Q1.
The Sampling and Data Collection Procedures

The respondents for survey questionnaire Q1 were food retailers operating in the Klang Valley. The food retailers sampling frame consisted of those registered with the Registrar of Companies (ROC).

With the help of an undergraduate student, the survey questionnaires were administered on mega-stores, general merchandising stores, supermarkets, minimarkets and convenience stores.

Of the total 60 questionnaires (Q1) mailed and administered through interviews, 38 or 63.3% response was recorded. Since 2 of the questionnaires were spoilt only 36 was usable. All the 3 mega-stores identified in the beginning of the study completed survey questionnaire, Q2.

Data Analysis

The software programme used to process and analyse the data was the Statistical Package for Social Science (SPSS/PC+). Various statistical techniques were used to analyse the data, namely frequencies, cross tabulations, Chi-Square analyses and Spearman's Rank Correlation.