CHAPTER FIVE

CONCLUSION

This chapter summarises the findings of the study, highlights its implications, makes some recommendations for further research and concludes.

Summary of Findings

A recent Asian Wall Street Journal article suggested that MAKRO's cheap prices and aggressive growth are helping to usher in a new retail era in Asia, where a thick wall of small, independent distributors separates retailers from manufacturers. With mega-stores coming into the Malaysian retail industry, this was the best possible time to look at the retailer-supplier relationship. Studies in this area especially in Malaysia are rare.

The objectives of the study are to identify the supplier selection criteria of food retailers and to assess the relative importance of each criterion. The perceived threat of mega-stores by traditional food retailers and the short and long-term strategies of traditional food
retailers in overcoming competition of mega-stores were also discussed. Tests were carried out on the data to see if there were any correlation between this perceived threat and the supplier selection criteria. Data were collected using survey questionnaires from 36 traditional food retailers and the 3 mega-markets currently operating in the Klang Valley.

Three categories of supplier selection criteria of traditional food retailers were identified for comparison with the Wagner et. al. study. They are 'reputation for quality', 'good markup', 'better credit terms', 'wide range of products' and 'high stock availability'. These 5 criterion are the most significant for traditional food retailers when choosing suppliers.

The next category of criteria which received secondary consideration by traditional food retailers were 'after sales service', 'exclusive distributorship' and 'selling history'.

The final category was made up of 'merchandise fashionability', 'inter-organizational relations', 'delivery', 'government policy', 'company reputation' and 'appropriate business hours' and represents criteria that has few main effects on the supplier selection criteria.
The supplier selection criteria for mega-stores were similar to the traditional food retailers. Since their number was very small, only criteria in the significant category were discussed, that is, 'markup', 'credit terms' and 'reputation for quality'.

When the traditional food retailers were broken up into two groups, that is, large and small- and medium-sized traditional food retailers, and tested to see if their supplier selection criteria varied, there was no significant difference found between them.

Traditional food retailers perceived that MAKRO was more of a threat to wholesalers while CARREFOUR was a threat to supermarkets.

The two main positive effects of the entry of mega-stores are that traditional food retailers would be forced to be more competitive and that customers would benefit from the lower prices offered by mega-stores. The three main negative effects of the entry of mega-stores to traditional food retailers are the decreased market share, loss of customers and the intense price competition.

Factors that attract customers to mega-stores, according to traditional food retailers, are the wide range of products available, low prices and the large and free parking lots. The factors that discourage customers from
shopping at mega-stores are the long distances they have to drive, owning a proper vehicle for the semi-bulk purchases and the cash transactions.

Mega-stores agreed with traditional food retailers when it came to attraction factors of mega-stores but they felt that the main factor that discouraged shoppers to mega-store was their no frills environment and low service level.

Three-quarters of traditional food retailers felt that government regulations were too liberal or lax and therefore responsible for the proliferation of foreign mega-stores. Specifically, they wanted the government to monitor closely the establishment of mega-stores and determine the margin percentage of daily use products to protect the small and medium-sized food retailers.

Traditional food retailers forecasted that the future trends of the retail industry, as a result of the entry of mega-stores are, more competition, a better future for customers in terms of wider range of products, lower prices and better service, and small food retailers going out of business.

In the face of competition from mega-stores, traditional retailers suggested that they should negotiate for better prices from suppliers, increase variety of
brands and merchandise sold at competitive prices and review marketing strategies in the short-term. In the long-term, they felt that they should concentrate in cutting costs by managing their stores efficiently and improving their marketing strategies and retail mix.

However, when a Spearman Rank Correlation was run to test if there was any correlation between the markup criterion, perceived threat of mega-stores to traditional food retailers and 'negotiating for better prices from suppliers' in the short-term, no significant relationship was found.

**Implications of the Study**

The results of this study have several implications. Only the principal ones are discussed.

First, the study has identified supplier selection criteria for traditional food retailers and mega-stores. This will enable both retailers and suppliers to better understand their relationship and the reasons for the cause of 'strain' at certain junctures. For example, with the entry of mega-stores, traditional food retailers may be forced to demand better markup from suppliers and suppliers are now in a better position to understand this action.

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Second, this study shows that mega-stores are perceived as a threat by traditional food retailers although the degree of threat may vary from one mega-store to another. It also shows the different ways in which traditional food retailers are affected with the entry of mega-stores (positive and negative effects of the entry of mega-stores) and confirms the reasons for their success in the Malaysian retail industry. Traditional food retailers, by being aware of the threat and the reasons for the popularity of mega-stores, would be in a better position to plan their 'counter-attack' in the face of competition.

Third, the study shows that the majority of traditional food retailers still want government to play an active role in their industry and therefore are not ready for the wave of liberalization that is sweeping throughout the world in the form of the General Agreement of Trade in Services (GATS) and the establishment of the ASEAN Free Trade Area (AFTA). Here, the government must be able to discern whether the entry of mega-stores actually represent competition which will benefit both businesses and consumers in the long run; or whether it is too early to permit the establishment of mega-stores as the Malaysian retail and wholesale trades have still not attained the maturity that is required to withstand this kind of competition.
Finally, the study highlights the importance of supplier selection criteria in better understanding the supplier-retailer relationship, even when employing very simple research methodology. Thus, it may well spur further empirical research to confirm the findings of this study or for identifying supplier selection criteria for retailers from non food businesses.

**Limitations of the Study**

The main limitation of this study in terms of research methodology is that the survey questionnaires only managed to capture nominal type data and so many of the more powerful SPSS tools could not be used to prove the findings of this study empirically.

**Recommendations for Further Research**

Further research is recommended in the following areas:–

(i) This study is confined to identifying supplier selection criteria of a small section of traditional food retailers. Hence, further research on supplier selection criteria for all traditional food retailers (including provision shops, Chinese medicine halls and night markets)
is recommended to get a clearer picture of retail buying decisions in food retailing.

(ii) This study is confined to just identifying supplier selection criteria and does not address an important area in retail buying, that is, how are retail buying decisions made and who are the individuals involved in this decision. It will be useful to have more research in this area as it will give a better understanding of retail buying decisions in the food retailing industry.

(iii) Likewise, cross-sectional studies covering other retailers will help answer questions such as, "Do the supplier selection criteria vary across different retailing business, for example food retailing compared to nonfood retailing? Does the importance of each criterion also vary?".

(iv) This study also tried to gauge the element of 'perceived' threat of traditional food retailers to mega-stores, though it was only a secondary consideration. The findings seem to indicate that traditional food retailers are wary of them. Therefore studies concentrating or focusing on the threat of new retail formats to traditional retailers is recommended.
Another finding that has emerged from this study is that traditional food retailers still want to be accorded government 'protection' from new and foreign retail formats. Further research into this area is recommended especially in regard to the prevalence of this view and what the Government can do to change this attitude among traditional retailers.

Conclusion

The aim of this study was to shed light on the supplier-(food) retailer relationship in Malaysia. The secondary consideration, was the analysis of the emergence of new retail formats (mega-stores) and their impact on Malaysian retailers as well as consumers.

The findings indicate that the Malaysian consumer and retailer have still not 'matured'. While the Malaysian consumer has yet to be exposed to the different retailing formats and therefore is naturally drawn to them; the Malaysian retailer, on the other hand, continues to practise the "wait and see" approach and in the event of keen competition, hopes that the Government will come to their rescue!
The study also points to the inevitable proliferation of more and newer retailing formats in the Malaysian retailing industry, in light of the global liberalization of services. Ultimately the question of 'survival' emerges and as is commonplace the answer lies with whether traditional players are willing to adapt and how quickly they put their plans into action!