

CHAPTER 1

INTRODUCTION

Chapter 1 introduces the Study's Topic in a holistic perspective and presents the Main Purpose, Research Questions, Significance, and Organisation of the Study.

1.0 Preface

Mid 1980s policy of the government of Malaysia to open domestic markets to foreign direct investment, and, thereby, to foreign direct competition, was effectively felt in the retail mass markets from the time of the introduction of the first hypermarket, in 1994, in Peninsular Malaysia. The hypermarket arrived on a retail scene of traditional shops and -markets and supermarkets provisioning the households, a scene that appeared to be relatively tranquil on the surface and similar to 1960s / 1970s retail scenes in what is now considered developed economies, e.g. Denmark¹; UK. Introduction of the hypermarket in Malaysia was accompanied by abrupt change in the mass-market retail. Both similar and different change had occurred in retail in developed economies earlier on, albeit change had typically been gradual. It has taken Malaysia less than two decades to reach a state of retail modernisation which it took America and Europe some five decades to reach (Reardon and Timmer, 2005; Chen *et al*, 2005). This study analyses the Malaysia change, places it in a holistic perspective, and discusses implications for the future.

1.1 Traditional trade and supermarkets provisioning Malaysian households

Until the 1990s, Malaysian urban households fundamentally went shopping for provisions at small Malaysian, family run retail outlets within walking- or a short driving distance of their homes,

1. Non-specialised and specialised shops², *Kedai*;
2. Specialised stalls in covered wet markets, some of which markets have a section of cubicle shops selling dry-goods, *Pasar*;
3. Mobile farmers' markets, at set locations and days, *Pasar Tani*; and

¹ Denmark is the birthplace of this student, who frequently visits family there.

² The terminology of 'non- and specialised' follows that which Department of Statistics Malaysia (DOSM) used in the Survey of Wholesale and Retail Trades and Catering 1993 and the similar Census of Distributive Trades 2002. A new Census is set for 2010 (DOSM).

4. Mobile mixed markets, at set locations and days, mainly in evenings, *Pasar Malam*.

Rounding off this description of traditional provisions services in Malaysia, in many communities to this day, fresh chicken, vegetable, fruit, bakery products, ice cream, and non-alcoholic beverages are being traded from small lorries, push-stalls, motorcycles and bicycles, on street corners and up-and-down residential streets. This traditional trade, and by some scholars, the pasar tani and pasar malam, is also described as informal (Kasim and Jayasooria, 2001; Ahmad, 1996; Yacob, 1992; Dannhaeuser, 1991).

The supermarket was first introduced to Malaysia in 1963. According to Reardon and Timmer (2005), Malaysia was in the first wave of ‘supermarket’³ incursion in Asia, a wave that encompassed Taiwan, Korea, Hong Kong, Thailand, Malaysia, and the Philippines, in that order. The supermarket was ‘modern’ and a ‘moderniser’ of the traditional trade, ostensibly because of its spatial and organisational scale that included organisation on chains⁴, e.g. Reardon and Hopkins (2006). Designed to facilitate one-stop shopping, e.g. Hart and Davies (1996), the supermarket gradually introduced Malaysian urban households to larger scale and self-service, e.g. Sieh (1974); Othman (1987), albeit supermarket growth was barely discernable until the 1990s, e.g. Sieh (2000); Tay and Sieh (2000). The 1990s became the decade in which the hypermarket introduced greater scale to Malaysia. A similar development was taking place in the region, e.g. Indonesia; Thailand. During the 1990s, both supermarket and hypermarket growth accelerated in Malaysia, on a background of wide-ranging socio-economic growths and trends that the Study illuminates in Chapter 3.

During the decade of the 1990s, traditional fixed-place provisions outlets declined to circa 80,000 from circa 95,000⁵. In the meantime, the number of Malaysian households had increased by circa 1/3rd⁶. In effect, the loss of 16 percent of provisions outlets translated into a greater reduction of the outlet density vis-à-vis the households, a trend that goes hand-in-hand with modernisation in the provisions segment, and implied increasing travel distance for consumers shopping for provisions (Goldman, 1974).

³ Supermarket/Hypermarket

⁴ In UK, chains of more than ten stores are referred to as multiple retailers, retail multiples or simply multiples (Seth and Randall, 1999).

⁵ Study estimate based on the two DOSM reports in footnote 1, pg 1. The two reports are used by the Study to describe changes ‘in the 1990s’ and ‘the decade of the 1990s’.

⁶ Population and Housing Census Malaysia 2000.

In the beginning mainly expatriates shopped in the new and few supermarkets (Othman, 1990). According to Othman (1987), “*it was not until 1984 that the presence of supermarket was felt...the supermarket is a significant component in consumer choice patterns...in big cities and major towns of Malaysia*”. At the time of Othman’s, Malaysian consumers no longer thought that ‘Supermarkets in Malaysia are meant for high income people,’ albeit the study by Othman found that there was a concentration of supermarket shoppers in high income residential areas. By 1990, a steadily growing portion of Malaysian consumers shopped at supermarkets. This was an intermediate stage of the modernisation process. The modernisation process of food retail depended on factors beyond income and development, e.g. inherent strength of the traditional retail system; consumer characteristics; consumption patterns and values; population density; nature of the supply system; government policies; strategies of the modern competitors (Goldman *et al*, 1996). According to Goldman *et al*, slow supermarket dissemination and modernisation progress were viewed, by some, as temporary obstacles occurring in situations where the needed elements on the consumer and supply side were not yet in place; these elements would automatically emerge as a function of rising consumer incomes and general economic development, and supermarket dominance would follow quickly, e.g. Arndt (1972) definition of this phenomenon as ‘temporal lags’. In an earlier study of urban spatial adjustment of retail activity, Lee and McCracken (1982) derived from 1960s and 1970s literature that “*the level of distribution of retail facilities, sales and prices are related to various characteristics of the households that make up the market areas*” and, further, “*retail and service establishments are grouped spatially according to the special location needs of the business types.*” The phenomena described by Goldman *et al* and Lee and McCracken were visibly in play in Malaysia in the decade of the 1990s, magnified by the growth of hypermarkets, and of supermarkets and shopping malls, in population centres, suburban, with relatively high incomes.

Modern retail outlets were first introduced to Malaysia by foreign corporations. The first supermarket was by Singaporean supermarket chain Cold Storage, in 1963. Japanese Jusco⁷ introduced a second supermarket-first to Malaysia in 1984, a supermarket-within-a-department-store, a development model that was subsequently picked up by Malaysian department store developers, e.g. Parkson; The Store. By 2009 supermarkets by Malaysians vastly outnumbered those by the lone foreign supermarket operator in Malaysia, Giant, while foreign hypermarkets vastly outnumbered

⁷ Aeon Group, department store and supermarket chains.

hypermarkets by Malaysians. By 1990, supermarkets by Malaysians had spread to the large towns across Peninsular Malaysia, Sabah and Sarawak, bringing the total number of supermarkets in Malaysia to circa 300⁸. Foreign owned supermarkets were fewer than 20 by 1990, all of them located in Peninsular Malaysia. During the decade of the 1990s the number of supermarkets across Malaysia increased to circa 800⁹. Circa 150 of these were organised on chains. Supermarkets by Malaysians had quickly outnumbered the foreign supermarkets, emulating the foreign supermarket space, frequently with very different results as compared with the latter, e.g. assortment; presentation; cleanliness; ambiance¹⁰, and lacking in the formation of chains as compared with supermarket development in developed economies. The Study estimates there were circa 1,000 supermarkets in all by 2009, to be verified by the forthcoming 2010 Distributive Trade Census, albeit supermarket growth had slowed, to circa 25 percent, as compared with circa 200 percent in the previous decade. Hypermarkets had grown by circa 300 percent.

By the early 1990s, circa a handful of Malaysian retailers had also emulated the organisation on corporate chains, e.g. Giant; Ocean; Parkson; Ngiu Kee. For some recent history, Giant, with 5 supermarkets and 2 hypermarkets, was sold to Hong Kong's Dairy Farm International in 1999¹¹. Ocean failed in 2003 and was succeeded by one of its parts, Pasaraya Hiong Kong, with 14 supermarkets. Parkson¹² sold its 27 supermarkets to Royal Ahold of the Netherlands in 1998¹³. In the following years, Parkson established department stores/malls, several containing Xtra superstores, in Malaysia, China and Vietnam. These events exemplify differing levels of capacity and confidence among the Malaysian corporations.

Malaysian regulations prevent foreign expansion in the supermarket segment, at least in principle, e.g. Giant. Single supermarkets and supermarket chains by Malaysians are potential candidates to be bought out by other Malaysian chains determined, and financially capable, to grow scale. From circa 2000 onward, supermarket chains by Malaysians began to consolidate by acquiring supermarkets from other Malaysians, build

⁸ Study estimate based on the two DOSM reports in footnote 1, pg 1.

⁹ Study estimate based on the two DOSM reports in footnote 1, pg 1.

¹⁰ Observations by this student on frequent travels around Peninsular Malaysia during the 1980s and 1990s and with Kuala Lumpur supermarkets by Cold Storage and Jusco as a base for comparison.

¹¹ Giant had opened its first hypermarkets in 1995, the second in 1998. A third was in the planning stage when Dairy Farm International acquired 30% of Giant in 1999, and was launched after Dairy Farm acquired 70% in 2002.

¹² Parkson Corporation of the Lion Group is a department store chain, expanding in Malaysia, China and Vietnam.

¹³ Royal Ahold sold its 34 supermarkets to Giant in 2002 and withdrew from Malaysia.

superstores and hypermarkets, more closely emulating the foreign chains, e.g. Billion Group; Fajar; Mydin; Parkson; Servay; The Store.

There is a second ‘trader’ group to consider: Malaysians with single supermarkets. Othman (1987) suggested Malaysian “*Retailers are sceptical of investing large amounts of capital in a supermarket business and consumers are hesitant in accepting this new form of retailing*”. Extant research on the development of supermarkets by Malaysians could not be identified. Nevertheless, anecdotal evidence suggested that many of them came from the traditional provisions trade in fast growing population areas. Having raised the capital for a supermarket, they set up in the greater area or not far from where they traded before, and rarely expanded beyond the single supermarket. These businesses of a single supermarket are incorporated as private limited companies, albeit remain family owned¹⁴. By ownership and organisation, and appearance, this category is, in a way, traditional as compared with both the foreign supermarkets and the modernisation concept of large-scale driving change and productivity.

Early portrayals of retail commerce suggest that modern retail is indebted to its history. Defoe (1726) called English traders the “*human links*” who “*hand forward the goods to the last consumer*”, thereby establishing the crucial importance of traders and consumers to each other; Ashley (1900) wrote that businessmen’s training in the domestic economy in England up until the transition to “*the modern situation*”, was training in individual initiative, free scattered industry, and petty trade, while Veblen (1904) suggested small traders were both community and national pillars of the English, Continental, and American political economic systems up until mid 19th century. Half a century ago, Van Leuer (1955) called retail trade in Indonesia for “*small trade*” and the retail traders for “*small traders*”. Van Leur’s fit today’s traditional retail trade in both Indonesia and Malaysia.

Small trade can be as little divorced from the trader as labour can be divorced from the labourer (Khera, 1977). Small trade in Malaysia is family owned and operated, single proprietorships. Further, among these traditional traders there is typically no formation of alliances for the purpose of obtaining economies of scale, e.g. procurement of trading goods; sharing of marketing banners / programs / advertising. The absence in Malaysia of this type of cooperation / alliances, contrasts with the retail modernisation

¹⁴ At least until they fail or are sold on.

process in developed economies, in which independents typically band together in voluntary procurement and marketing groups to benefit from economies of scale, e.g. Denmark; Germany; UK. In Denmark, circa 90 percent of independents were enrolled in such groups in 2000 (Stockman, 2001). The Census of Distributive Trade 2002 enumerated 144,000 non-specialised and specialised trader businesses serving the Malaysian households, an increase of six percent, accounted for by specialised traders, as compared with the similar Survey 1993. This was in stark, structural and social-economic contrast to the circa 200 percent growth of supermarkets and the growth of hypermarkets, from none to circa 23, in the same period, left for the forthcoming Census of Distributive Trade 2010 to illuminate.

1.2 Entry and growth of hypermarkets

The hypermarket first arrived in 1994, by Carrefour. By 2000, hypermarkets had grown to circa 20, with more in the pipeline, all of them owned by foreign corporations Carrefour, Giant, and Tesco, and in Peninsular Malaysia.

Circa 23 hypermarkets were in operation when in 2002 the Ministry for Domestic Trade and Consumer Affairs hypothesised hypermarket growth to be a threat to traditional traders. The following year, the Ministry placed a five year ban on construction of hypermarkets in Klang Valley, Johor and Penang and extended the license approval time to two years from four months. Nevertheless, seven years later, on May 4th 2009, the Government news agency Bernama informed that 78 hypermarkets were in operation between foreign hypermarket chains Carrefour, Giant and Tesco and 107 hypermarket licenses in all had been issued between the three. Hypermarkets by Malaysians amounted to fewer than 15 at this time. These were not subject to licensing at the Federal level. In the run up to 2010, the Malaysian government appeared to not 'walk-the-talk' of 2002 and 2003 about curtailing hypermarket growth.

1.3 Importance of scale

Sections 1.1 and 1.2 contributed a simplified perspective of scale- and socio-economic division in Malaysian retail trade, particular the trade with provisions. Within about a decade, large-scale retailing was capturing substantial market share and the larger portion of retail's sales growth and hypermarkets had established as the driver of domestic services sector productivity. This was similar to retail change in the mass market in other

newly opened domestic markets, e.g. Wong (2007); Reardon and Timmer (2005); Chen *et al* (2005).

Retail development by larger-than-traditional-scales introduced 'retail modernisation' that included extracting, or imposing, increased efficiency from the supply chain, producers and wholesaler, e.g. Reardon and Timmer (2005); Chen *et al* (2005); Findlay and Sparks (2002); FAO (2002); Savitt (1990); Samie (1990, 1993); Goldman (1974, 1981). Supermarket development first introduced retail modernisation to Malaysia, albeit had barely an impact on traditional wholesalers (Othman, 1987). On the other hand, the intrinsic productivity of hypermarkets, e.g. Reardon and Timmer (2005); Chen *et al* (2005); Thurik (1989), made hypermarket development propel both retail modernisation, e.g. McGoldrich and Davies (1995); Vida *et al* (2000); Gielens and Dekimpe (2001), and supply chain modernisation, e.g. Singh *et al* (2004); Colla (2004); Guptill and Wilkins (2002); Reardon and Berdeque (2002); Boselie (2002); Marsden *et al* (2000); Burch and Goss (1999); Buck *et al* (1997); Gereffi (1994); Winson (1993); Dawson and Shaw (1990). The larger the scale of the retail chains and their services and physical structures the greater the productivity, or efficiency, improvements they contributed to the services sector in a developing (any) economy, e.g. Malaysia, e.g. Foster *et al* (2002); McKinsey (2001); Betancourt and Gautschi (2001); Brown (1997a, 1997b); Bluestone *et al* (1981). The government policy of Malaysia, starting with the policy to liberalise domestic markets, surfacing by the Sixth and Seventh Malaysia Plans, covering 1991-2000, was set on improving services sector productivity and meeting the challenges of Globalisation (Sieh, 2000). On the other hand, improved sector productivity did not directly benefit small retailers / independents in their activities, the large chains typically seeking unique relationships with suppliers and customers that small retailers could not emulate or gain access to.

Supermarkets by Malaysians were not typically on chains by 2000. Circa one dozen chains comprised circa 20 percent of the total. These chains were small in the context of obtaining economies of scale. The hypermarkets were on large international chains at the time they entered Malaysia and, therefore, had potential gravity to improve retail and supply chain productivity in a way the numerous and relatively fragmented supermarkets could not. On the one hand, hypermarkets would positively impact overall productivity of the services sector in the macro economy of Malaysia. On the other hand, in the process, hypermarkets had the potential to negatively impact embedded wholesale and retail trade in the mass market. On balance, it was a sound macroeconomic decision

by Malaysia to open up the domestic retail market to foreign direct competition (Sieh, 2000). Economists had shown significantly lower productivity in domestic markets and industries that were protected from foreign competition, e.g. Baily and Solow (2001); Fagerberg and Verspagen (2001); Fagerberg (1987); Sachs and Warner (1995). Therefore, from a perspective of the Malaysian government, development by hypermarkets represented a valid next step to the policy of selectively, and pragmatically, allowing control by foreign direct investment in the retail sector. In principle, only hypermarket applicants would be allowed to enter and to expand.

1.4 Effects of the retail modernisation

At the beginning of the 21st century, Malaysia displayed a spectrum of urban retail trade that encompassed both traditional and the most modern and state-of-the-art retail trade structures in the mass- and niche markets. In the mass market, the hypermarket stood out by its huge hall and agglomeration of food and non-food items, scores of electronic check-out counters, parking spaces in the hundreds, and retail services techniques, e.g. ambience; entertainment; special offers; loyalty programs; and exchange policy. Further, a relatively new urban retailer 'host', the shopping mall, was growing rapidly and spatially aggregating both small specialised traders, and small and large corporate retail chains, albeit not provisions traders, among the non-specialised outlets in the malls.

Traditional and modern provisions trade in Malaysia and elsewhere interact directly with consumers to a greater extent than any other sector in the economy, except possibly the health care, education, power and water, and media. In, or by, the process of retail modernisation, leading retail chains in the mass market have effectively assumed command of the supply chain. These chains have become first-stage communicators, economically and socially, downstream from consumers to the supply chain and the government. Only a short time ago, the supply chain typically communicated downstream to the retailers and to consumers and the government, e.g. Malaysia circa 1995. This is a reversal of the historic relationship of distribution, consumption and policy. Economic power has transferred to the large retail chains from their suppliers, a reversal of fortunes the retail chains use for consumer and own ends, e.g. Dobson (2005); Dawson (2003); Dawson (2000); Seth and Randall (1999); Burch and Goss (1999); Dobson and Waterson (1999); Dawson and Shaw (1990).

The leading modern grocery retailers in Malaysia, Carrefour, Giant, Jusco and Tesco, established and grew their concepts in their home countries and internationally before coming to Malaysia where they controlled the concepts, developed the concepts further, and adapted the concepts to the local environment(s). The science-based innovation that supported productivity improvement for the benefit of both the retailers themselves and the national economy allowed rapid growth by making it possible to disperse ‘doing things differently innovations’ and controlling the former ‘things’, e.g. electronic data capture; mining of data; and telecommunications.

Malaysian consumers undoubtedly enjoyed less choice prior to the hypermarket’s introduction and growth. Malaysians eagerly adopted the hypermarket. The Malaysian economy enjoyed the productivity improvement generated by the rapidly increasing scale in the mass market retail. New ways from abroad had, in a short time, become embedded with consumers and in the Malaysian economy. In the aggregate, the Study thought recent retail modernisation might account for an important portion of the increase in the standards of living afforded by the socio-economy that city dwellers enjoy in Malaysia today (Kualiti Hidup Malaysia, 1999; 2004).

Nevertheless, looking outside Malaysia, Seth and Randall (1999) suggested the maturing UK grocery market had reached such a level of concentration by the leading chains wielding “*enormous*” power, and “*We cannot assume that they will always use it for the common weal, rather than for their own selfish interest. They have undoubtedly driven thousands of small shops out of business, possibly increasing overall efficiency, but reducing choice. They do not serve the poor and the old well. They contribute to increased road traffic, with all the ills that brings.*” For Malaysia, Seth and Randall’s opened a window to a retail scenario that might follow upon the initial burst of retail modernisation.

It took government policy first, and financially strong, experienced foreign mass retail chains second, to make the known change in Malaysia happen. In developed economies, endogenous retailers and capital had typically embarked on retail modernisation by taking inspiration from each other and across borders, e.g. Denmark; France; Germany; UK. This had produced a variety of outcomes, e.g. modernisation in Denmark and Germany was led by supermarkets; in France by hypermarkets; in UK by superstores, very large supermarkets. An outcome that did not differ among modernising retail markets was the growth of, and market concentration, by the chain store concept.

We do not know the reasons why the challenge by Malaysian retail entrepreneurs and capital was not greater in the 1980s and 1990s, albeit among the reasons could be that history and protection of the domestic market had slowed the pace of retail change in Malaysia, focused capitalistic opportunities in other directions than retail, or had simply dulled the senses, e.g. Chapter 2.

If one retailer introduced an institutional innovation that was successful it would move in front of its peers if only for a relative limited period, e.g. organisation on chain stores; supermarket; superstore; hypermarket. In assortment and economic terms, each innovation would typically up the ante. At some point competitors caught up or ceased to fall behind. At least this was the conventional thinking. Nevertheless, retail modernisation across developed economies created a retail arena, at home and abroad, of a relatively small number of very large corporations that seemed to grow to become still fewer, still larger, still more international, and possessed unprecedented financial, management and technological capabilities.

At the opposite pole, a thousand-fold larger number of small retailers, typically family businesses, are falling behind by becoming fewer and smaller, increasingly specialised, traditionally localised and in recent decades increasingly dwelling in the modern habitats exemplified by shopping malls and hallways connected with hypermarkets, e.g. Malaysia; Indonesia; Thailand. In fact, small traders typically possess few means other than their “wits”. Nevertheless, it is of little succour that some of the largest retail corporations can find their roots in small circumstances from which an entrepreneurial trader migrated with pioneering ideas to grow - and become modern, e.g. Carrefour; Tesco; Wal-Mart (Seth and Randall, 1999).

The current wave of retail modernisation in Malaysia is neglecting social costs. Access to modern shopping facilities is already differentially available to households needing to shop for the most frequently consumed goods. By the proverbial ‘corner store’ and ‘mom-and-pop store’, small traders provide for food security for consumers who cannot or will not walk or travel far to buy provisions on a frequent basis, e.g. the aged, infirm and those who do not have transportation or adequate access to it. Further, retail modernisation in Malaysia assumes that consumers put low price and variety above everything else. And some consumers do. The ‘low price’ issue leads directly back to the market power of the hypermarket chains and their use, and potential abuse, of that market power. The larger the chain, hypermarkets and/or supermarkets, the lower the prices the

chain can typically procure from suppliers. The chain can elect to apply its procurement benefits to profit and/or to attract consumers, including pricing a good at below its cost so as to act as a loss-leader. That is, a good that brings consumers in to earn returns from other goods. Special offers, or high profile product prices that are particularly low, visibly ‘pull’ consumers into Malaysian hypermarkets in droves. It is with some irony that some small traders also purchase goods at the hypermarkets for the purpose of re-stocking their shops. The special offer cycle at hypermarkets repeats itself over and over again.

The government and consumers of Malaysia essentially co-host the retail scenario with Carrefour, Dairy Farm International (DFI), Aeon, and Tesco, financially strong, innovative, experienced, and ambitious international corporations which have great influence on future retail change if change were left to their resources. Even if by visibility the contrast between 1990 and the present is the vastly increased shopping choice to Malaysians, a no less significant contrast is the organisation embodied in Carrefour, Giant (DFI), Jusco (Aeon), and Tesco, as compared with Malaysian retail corporations, and small traders.

Policy makers in developed economies are increasingly reacting to retailer initiatives which have potential to cause unfair competition, trade concentration, and shopping deserts. Trade concentration potentially exposes local communities to oligopoly and monopoly behaviours by incumbent chains. Further, loss of small provisions shops has potential to deprive consumers of access to food shopping within their local communities. 1990s food retail consolidation and concentration in, for example, America, Australia, Denmark, France, New Zealand, and UK, gave rise to government commissions scrutinising, in public proceedings, the nature and state of competition, and incorporating findings in the regulatory frameworks for the purpose of preventing potential harm to consumers, small retailers, and suppliers. Malaysia lags behind these developed economies in the formulation of policy for the retail mass-market, and testing the policy.

1.5 Problem for research, and main purpose

First, both the problem, or topic, for research and main purpose of the Study originated, to a degree, from concerns expressed by the minister of Domestic Trade and Consumer Affairs in April 2002, a time when fewer than 25 hypermarkets were in operation, to the effect that small traders were losing out to hypermarkets, and the Ministry’s subsequent five year ban on hypermarket construction in Johor, Klang Valley,

and Penang. Studies by academicians of 1990s retail developments in various contexts suggested significant structural change occurred in mass-market in the second half of the decade, e.g. Sieh (2000); Tay and Sieh (2000); Rohaizat (1997). Information ACNielsen Malaysia was kind enough to share with the Study in 2001 indicated the number of traditional provisions shops was declining; supermarkets and hypermarkets were growing rapidly, supermarkets from a numerically high base as compared with the newly arrived hypermarkets, and this retail, combined, was capturing both market share and the market growth. Census of Distributive Trades 2002 did not become available until April 2004 to enable a comparison with the previous Census, Survey of Wholesale and Retail Trades and Catering 1993. The situation was, therefore, opaque for lack of analysis and synthesis of developments and how hypermarkets, supermarkets, and the traditional shops interfaced in the retail modernisation of the 1990s and beyond.

Second, it was of concern to the Study, in a social perspective, if the newly arrived hypermarkets would become the bane of a category of small businesses that had grown up until the latter part of the 1990s, typically, and visibly, remained embedded in local communities contributing a measure of both convenience and food security, represented a way of life for tens of thousands of small traders and their families, and had, for that matter, not long ago been the sole purveyors of provisions to the Malaysian households. On the other hand, in a socio-economic perspective, retail modernisation could not be reversed, only, perhaps, differently managed. In a perspective of history, the Study was unable to identify a study of small trade evolution in Malaysia. Studies on small trade in the region and elsewhere were far between, e.g. Tandy (1997); Fontaine (1996); Danhaeuser (1991); Cheung and Mui (1989); Man (1985); McGee and Yeung (1977); Adburgham (1964); Defoe (1839, 1726), as were substantial references to small trade, e.g. Wood (2002); Finley (1973). Small retail appeared to be an under-researched sub-group of retailing.

Third, retail modernisation in Peninsular Malaysia was led by very large foreign retail corporations, experienced in developing hypermarket and supermarket chains internationally. Their competition in Malaysia was made up of the traditional trade / small traders, individual supermarket owners / operators, and a relatively small number of supermarket chains, some with a mixture of supermarkets and hypermarkets, albeit small chains relative to the foreign retail corporations in Malaysia, and economies of scale in the retail industry. Further, lest a large portion of retail activities, and initiatives, by Malaysians might perish, this was a situation that appeared, to the Study, to need

mediation of the kind that could, perhaps only, be provided by government regulations / interventions. Extant Malaysian, and Asian, research was voluminous on the modern retail technologies and consumers' modern shopping, and sparse on the conditions and prospects that modern retail bring to endogenous / incumbent retail in the mass-market in a newly open economy, e.g. Malaysia 1990s. Retail change in Malaysia had been abrupt as compared with the change typically experienced in developed economies, a phenomenon the Study addresses.

The topic, which is also a problem, how hypermarket led retail modernisation affected retail incumbents in Malaysia, and implications thereof, is, therefore, important. The main purpose of the Study is to analyse and articulate the structural change occurring in the retail of provisions, and how this fundamental retail evolved in the history of Malaysia.

1.6 Research questions

1.6.1 How did provisions trade and traders evolve in Malaysia?

1.6.2 Which are principal changes and change drivers in Malaysia affecting the environment of the retail of provisions, 1990s being the inflection point?

- Supermarket-hypermarket retail: structural/organisational, spatial, and institutional and ownership factors.
- Government policy.
- Developments in the macro economy, and demographics.

According to Hunt (1991) it would amount to nihilism to think that in order to “*explain anything we must explain everything*”. The Study will follow Hunt’s advice not to try and “explain everything” on the way to achieving its research questions, albeit the Study seeks to deliver in a holistic perspective.

1.7 Significance of the Study

The Study was unable to identify Malaysian studies on hypermarket implications of the modernisation of provisions retail. Further, an era of fundamental Malaysian retail, traditional provisions retail, arrived at a watershed during the 1990s, and began to decline, for the first time. The Study was unable to identify a historical account of this retail. The Study is, therefore, contributing to bridging two gaps in Malaysian business studies, 1) an

analysis and synthesis of 1990s structural change in provisions retail in Malaysia, and 2) an account how this fundamental retail evolved in the history of Malaysia.

1.8 Research approach

Based on secondary data, a survey of 514 small / traditional grocery shops / shopkeepers in Peninsular Malaysia, personal observations, and synthesis, the Study is wide ranging across the retail of provisions, with the aim of contributing a holistic and rich illumination of the change occurring in Malaysia, in and around the 1990s and what went before.

1.9 Structure of the Report

Chapter 1 Introduction, a descriptive frame of the Study, and setting out the Topic, Main Purpose, Research Questions and Significance of the Study.

Chapter 2 An account of small trade and trader evolution in Malaysia.

Chapter 3 Retail trade modernisation: hypermarket growth in Peninsular Malaysia. A review of secondary data and literature; analysis; synthesis.

Chapter 4 Conclusion.

Although a simplification, the terminologies within each item 1), 2), and 3) are interchangeable in the writing throughout the Study unless otherwise specified:

- 1) Traditional, traders, small trade, sundry/provision shops, mini-markets, Chinese medical halls, and shops;
- 2) Modern, hypermarkets, supermarkets, stores, chains, mass-market retailers; and,
- 3) Provisions, grocery, food, daily- and most-frequently-consumed-goods.