

Hypermarket impact on small retailer

[Finance](#), [Market](#)



ABSTRACT Kedai runcit or sundry shops have been a standard feature of our housing estate landscape ever since there were housing estates. These mom-and-pop operations have been selling to their surrounding residents everyday essentials such as groceries, fresh produce, poultry, toiletries, etc. Their reasonable price and close distance have made them popular among residents of the housing estates in which they are located. Lately, though, their popularity has been on the decline due to competition from wholesale markets or hypermarkets which can offer the same items cheaper and conveniently under one roof.

Local and foreign-bred hypermarkets such as Giants, Tesco and Carrefour have been invading our towns, big and small, leaving the traditional sundry shops fighting for their business. Many of these small-scale individually-owned shops have since closed their operations permanently or moved them a little further outskirts of town, away from the hypermarket catchment. Just how serious is the impact of these hypermarkets on the operation of the sundry shops has so far not been fully investigated in Malaysia although many studies have been carried out elsewhere.

Thus, this paper presents a study that has been carried out by the authors to investigate how serious the impact is in Johor Bahru. A sample of three hypermarkets was chosen for this study. Using GIS, we spatially showed the annual changes in the density of sundry shop licenses issued by the local authority within the catchment of each hypermarket, three years before as well as three years after the inaugural date of the hypermarket. Also using GIS, we corroborated the decline in the number of sundry shops within the

surrounding housing estates with the residing addresses of the surveyed customers of the hypermarkets.

The results obtained confirmed that the operation of hypermarkets does contribute to the decline in the number of sundry shops and the degree of the decline decreases radially outward from the location of the hypermarkets. The findings from this study suggest that some rethinking needs to be done about the manner in which hypermarket licenses, or sundry shop licenses for that matter, are issued. Even our current policy of allowing a certain percentage of new housing development to be set aside for shoplots may also need to be reviewed.

Keywords: Hypermarkets, sundry shops, GIS spatial analysis 1.

INTRODUCTION Kedai runcit or a sundry shop is any shop that sells groceries and other daily items directly to its customers in small quantity (Osman, 1988). Normally, sundry shops are owned by individuals or shared by several individuals and offer limited number of items and quantity. In Malaysia one can find sundry shops in almost every housing estates and villages and they normally have a limited catchment area.

A hypermarket, in contrast, is a big-scale retail store that offers a variety of goods and services all conveniently under one roof (Duncan, Hollander and Savitt, 1983). A hypermarket commands a wide catchment area and it is normally owned by big companies who have numerous branches of the hypermarkets in many places. Among the more-popular chains of hypermarket operating in Malaysia are the locally-owned Giant Hypermarkets, and foreign-owned Tesco Hypermarkets and Carrefour Hypermarkets.

Like in any modern country, hypermarkets in Malaysia have been expanding their operation to meet the demand of current generation for quality, convenience, product variety and long operation hours (Malaysian Ninth Plan, 2006). However, there are ever growing concern on the negative impacts of hypermarkets on the business of nearby neighborhood sundry shops (Johor Structure Plan 2002-2020, 2005). This is supported by Bennison & Davies (1980) and Seiders & Tigert (2000) whose study concluded that a hypermarket did have a negative impact on the growth of small sundry shops in the area.

In spite of the same concern in Malaysia, there have been no study to investigate the spatial extent of the impact. Thus, a study was set up by the authors to investigate the spatial extent of the impact and also to find out the factors that attract customers to hypermakets, leaving their neighborhood sundry shops struggling for business. 2. OBJECTIVES The objective of the study was to spatially investigate the impact of a hypermarket on the operation of the surrounding sundry shops.

In order to achieve the objectives the following tasks needed to be carried out: 1) identifying the suitable samples of hypermarkets; 2) identifying the market catchment of the hypermarkets; 3) collection of data pertaining to the number of business licenses issued to sundry shop operators within the catchment areas three years before as well as three years after the operation of the hypermarkets; 4) identifying factors that influence the decisions by the customers to shop at these hypermarkets.

The method used to conduct the study is discussed in details in the following section. 3. METHOD The first step of the study was to choose a number of

hypermarkets as units of analysis. Among the criteria taken into consideration in choosing the hypermarkets were: 1) the year they were opened for business to ensure that the chosen hypermarkets have been operating for at least three years; 2) the distances between each other to avoid overlapping of the market catchments; and 3) the types of goods sold at the hypermarkets so that they match those sold at the neighborhood sundry shops.

Of the total of about ten hypermarkets in the City of Johor Bahru, three hypermarkets met these criteria and were chosen for the study. The three hypermarkets were from a locallygrown hypermarket chain known as Giant Hypermarket that are located in Southern City (in Johor Bahru City Centre), in Plentong and in Skudai (10km outskirts of Johor Bahru) (Refer Figure 1. 0). These three hypermarkets served a number of residential areas, known in Malaysia as taman perumahan or housing estates, located between 0 – 20km surrounding them.

The next step was the distribution of questionnaire sets to 200 customers per hypermarket (100 during weekday and 100 during weekend) containing questions concerning their home addresses and the reasons for choosing to shop at the hypermarkets. Their home addresses were then inputted into the city plan in GIS format to determine the extent of each hypermarket's catchment area. One way to measure the impact of a hypermarket on the neighborhood sundry shops is to actually count the number of sundry shops that are in business several years before and after the hypermarket is in operation.

This is difficult to conduct since the monitoring would take as long as the number of years that we are interested in investigating. One way to expedite the process is to actually study the records of the number of annual business licenses issued to sundry shops and assume that each sundry shop that holds such license is actually operating a sundry shop. On this basis, the number of business licenses issued to sundry shops within three years before and after a hypermarket was in operation were obtained from the local authority (Johor Bahru Tengah Municipal Council).

The locations of the business premises of these licenses were then plotted on the city map and then rasterised into a 50m grid format to give a density of sundry shop licenses per fifty square meters for each of the three years before and after the operation of the hypermarkets. The changes in the sundry shop density were then used to explain the impact of the hypermarkets on the business of the sundry shops.

2. Impact on Neighbourhood Sundry Shops

If most of the customers that patronize these hypermarkets come from the surrounding housing estates as described previously, what is the impact on the sundry shops within those housing estates? The least impact would be slowing down of business for these neighborhood sundry shops while the worst impact would be closing down of business. While business slowdown can be investigated, this study only looked at the closing down of business by tracking the number of sundry shop licenses issued annually by the local authority.

Since the impact normally materializes a few years after the opening of a hypermarket, records of licenses three years before and after the opening of

the hypermarket were inventoried. Changes in the number of sundry shops were investigated by studying the changes in the density of sundry shop licenses for every 50m² area surrounding each hypermarket. This is done spatially in GIS by rasterising the 50m² area into grids and varying the color of the grids according to the number of licenses within the grids for each particular year. Figures 5. 0 – 7. show the annual changes in the density of licenses within the grids for all the three hypermarkets studied. In general, the figures show the decreasing trend in the densities of sundry shops even before the opening of these hypermarkets except for the Plentong Giant Hypermarket. The decreasing number of sundry shops surrounding the Southern City Hypermarket (Figure 5. 0) could be attributed to competition among themselves and the operation of another hypermarket chain at the very building occupied by the Giant Hypermarket before it took over the operation.

Meanwhile the decreasing number of sundry shops surrounding the Skudai Hypermarket (Figure 7. 0) could be attributed to the opening of another Giant Hypermarket just 4km away the year before the Skudai Hypermarket opened, apart from competition among themselves. The number of sundry shops surrounding the Plentong Hypermarket (Figure 6. 0) on the other hand was on the increase prior to the opening of the hypermarket. Investigation revealed that this was due to the opening of several new housing estates in the area which normally, as the case is in Malaysia, come with a number of shoplots.