

Attitude and attitude towards foreign retailers marketing essay



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The retail industry is second largest growth sector in UAE. The countries organised retailing represents about 23 of the gulf regions US 65 billion. The country has got 1. 2 million square metres of retail space in market since 2006 (Emirates 247, 2011). The country's top most city Dubai has been ranked number as the number one city in international retailers in 2011, it shares the same rank as that of London. The favourable government policies and the active participation of the private sector are the main reasons for the retail industry in UAE to come out as one of the world's most desirable retail environment in terms of investment and also revenue generation. Dubai is the top target for the Asian retailers for investments outside their home and only second to London retailers. This essay is a thorough analysis of the retail Industry in UAE. The major composition of retail supply comprises of the non mall, the regional and super regional malls which includes the Marina mall, Abu Dhabi Mall, Al Wahda Mall etc which comprises of about 29% of total and they dominate the market in terms of performance (FAI, 2009).

The main factors that are driving the retail industries upwards are the strong economy of the country, the growing middle class, rising consumer confidence, rising purchasing power and the rapid increase in the domestic consumption. All these factors along with the contribution from the strong industries such as tourism, trade, banking etc are expected to raise the growth of the retail industry in UAE at a CAGR (compound annual growth rate) of around 8% during 2011-2014 (Rncos, 2011). In addition to this it is found that the country's population is highly dominated by the expats. Out of the total population the UAE nationalist accounts only for 20% share and the

remaining of the share is from the south Asian and European countries (Bharatbook, 2010). Dubai allows 100% ownership of the enterprises to the foreign investors and also 100% repatriation of profits and capital back to home country. The legal system of UAE is very speedy and strong thus making it low risk for the investors. Another reason which made the country optimal for selling expensive merchandise is the country's low crime rates.

In this study two of the major grocery retailers are compared- Carrefour and Lulu. Both are highly successful in the market and are in direct competition with each other. The difference between the brands is the fact that Carrefour is a foreign brand- perhaps the only major foreign retailer to make it big in the UAE. Lulu, on the other hand, is a local brand. Lulu is a wide spread business empire in UAE spanning across different sectors ranging from real estate, to automotives to retailing.

This study aims to understand two factors.

1. Differences in consumer attitudes , if any, towards both these retailers.
2. Is the consumer attitude towards Carrefour or Lulu has influence of consumer ethnocentrism? Does the fact that Carrefour is a foreign brand, in any way, affect the attitude of the consumer?

This study, in order to find answers for the above questions, adopts a mixed methodology. Attitude is measured using quantitative tools, and impact of consumer ethnocentrism is measured using qualitative tools.

Aims and objectives of the study

The study is undertaken as a comparison of attitudes towards Carrefour which is a foreign retailer and Lulu, which is a native brand.

The following are the research questions

What is the attitude of customer's towards Carrefour group? How does it differ from the attitude towards Lulu?

Which are the major components that significantly shape attitudes towards these retailers? In other words which are the factors that are important to the UAE consumer in creating a positive attitude towards a retail brand?

Is there any significant difference in the overall attitude or in individual components of attitude towards the two brands?

To what extent is the consumer's attitude towards a retailer is influenced by consumer ethnocentrism in UAE? Does being a local brand help in creating a more positive attitude than a foreign brand?

Based on the above research questions, the following objectives are formulated.

Establish the individual components that constitute towards creating attitude towards a retail brand and determine the differences in attitudes towards both retailers.

Determine the factors which are significant in formulating a positive attitude towards a retailer using quantitative approach

Explore if consumer ethnocentrism is an influential element in attitude formation using qualitative methodology.

Background to research

The industries in UAE had been affected during the times of when the recession was in its peak during 2008. Financial institutions faced a debt collection crisis as many expatriates became jobless and they were in no means of paying the loans. As the crisis was mainly affected in the European countries, the investments from these countries in UAE were reduced. Retail sector saw a considerable increase in the first quarter of 2011 (Anon., 2011). High end retailers did suffer during the recession time but Dubai came up with some tourist campaigns during the summer months to attract investors.

Dubai is a city that is ranks second to Hong Kong in its consumption of luxury fashion brands. The other states such as Ajman, Sharjah, Ras Al khaimah were less affected as they are not much dependent on tourism. The luxury brands have been affected in the recession periods as people turned towards acquiring cheaper products. A sharp upturn has been seen in the consumption of luxury items by beginning of 2011. Thus now for the Rivoli group, the salespersons are facing the problem of lack stock as they didn't expect the sudden recovery. It was seen that during the recession time the domestic buyers had made up the majority of about 65% at sales (Worldfranchiseassociates, 2011). The products such as food and beverages, food retail, cosmetics and personnel care, computers, air condition equipments have shown flexibility against recession.

The retail industry in UAE is very much outstanding in the Colour Cosmetic Products Market which includes facial and eye make-up, mouth caring and skin caring products which continues to grow at a subsequent period. The widespread of demographic spectrum of UAE leads to the widespread approach for these cosmetics. This therefore is a very strong retail market and leads UAE to an appealing marketplace for cosmetic manufacturers and suppliers of all kinds. The growth of the colour cosmetic market is reflected to be about 27.8% (Cosmetic and fashion, 2011) boost over a 2009- 2014 period of time. There have been many exhibitions and programmes for attracting buyers, retailers, distributors as well as for increasing the innovations, developments and trends of cosmetics in the retail markets. The agricultural production in the UAE retail is limited to dairy products, poultry and some vegetables. The retail outlets mostly import about 80% of its food products from other countries while the remaining 20% products are locally processed by using imported ingredients.

UAE Retail market

<http://www.thenational.ae/deployedfiles/Assets/Richmedia/Image/ol-uae-retail-marketweb.jpg>

(Jones, 2011)

The retail market can be divided into grocery retailers, on- grocery retailers and non- store retailers. The retail market has to be growing over the past five years with the total sales to US\$1.75 billion. But the best of times is not found to be equally divided upon the big and small stores. The food retail is the largest in the retail industry. As a result of inflation many of the retailers

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have compromised on the UAE Governments demand to subsidise the rate of about 400 products to the public which is to continue till 2011 end (Jones, 2011). Large shopping malls had been built such as Dubai Mall shopping centre in 2008, followed by other major shopping malls such as major luxury area at the mall of emirates, Deira city centre, Burjaman in the past 5 years. The growth of the supermarkets and hypermarkets are healthy while the jewellers and independent small grocers are found to have negative growth.

Many researchers have revealed that the services sectors play a very major role in the development of the retail industry. The tourism sector have led to the billions of dollar worth tourism infrastructure developments, the country is to receive about 18 million foreign tourists (Free press release, 2010) which in turn leads to the growth in the retail sector by their spending in the malls and local shops. The healthy economic conditions in UAE set the stage for the foreign players to easily enter the retail market and set their base. UAE is one among the few countries that offers low custom duties on imports and also no tax on corporate and individual profits.

The supporting political and economic environment in UAE has helped many companies such as LuLu, EMKE Group, Fathima Group, and Carrefour to flourish in the retail sector. Carrefour is a French Hypermarket chain which is world's second largest retailer made its entry into the market of UAE in 1995. The first place the company got established in UAE was Dubai and from there on using the waterfall model approach it entered the other emirates of UAE such as Abu Dhabi, Ajman, Al Ain, Dubai, Fujairah, Ras Al Khaimah and Sharjah. The Carrefour supermarkets in UAE are operated jointly by the Mujid Al Futtaim Group and Carrefour French. As it has established a partnership <https://assignbuster.com/attitude-and-attitude-towards-foreign-retailers-marketing-essay/>

with the UAE nationals, Carrefour rent and not owns its property. Carrefour provides groceries and consumer goods at retail level in the form of hypermarkets, supermarkets and discount store. Apart from these the company provides online market, convenience stores and foodservices to its customers. Carrefour has been successful in maintaining its reputation through these years by providing good quality products, customer services and competitive prices. It has a weak position in the Middle East as compared to in Europe. It has got a significant medium for brand differentiation and customer loyalty which in turn has helped in the organisational growth and sales.

Carrefour Express stores are also operated which provides limited amount of the product ranges with different prices. The Carrefour is considered to sell products such as trolley load of products at a much cheaper rate when compared to other supermarkets such as Spinneys and Waitrose (Dubai faqs, 2011). The company provides special offers for products at times where customers purchase products at lower prices. Carrefour has advanced its services through internet as well. This has helped the customers to shop online with advanced customer choice, flexibility and convenience. This websites gives the opportunity to the customers to browse through various company products and also to know and compare the features of the company products with others (Zawya, 2010). The company's main advantage is that it offers a one-stop shopping to its customers where it provides all kind of facilities from banking to grocery shopping. Carrefour has been targeting women of the country these days as the Arab women now has been educated and they too has become the bread makers of the family.

This has led them to work and since it is the women who do the shopping it provides a good target market for Carrefour. As UAE is a country that ensures all business to follows some business rules. The Carrefour being a system under the influence of UAE monarch and Muslim religion, it has to fulfil the countries laws such as respecting the customers, preventing women from working at night and for not more than 8 hours a day. The health and the safety measures of the employees have been successfully followed. The company had been affected by the economic factors like global recession due to which the revenue for the fiscal year ended 2009 were at \$85, 963 million which was a decrease of 1. 2% as compared to the revenue of (Barbradozier, 2011). But as compared to the European countries the UAE had a much stable economy as the consumer spending was not much reduced here. The market demand for the food products, drinks and all groceries in any part would not be much reduced which was the main reason of profit for the company during the recession time. Carrefour also uses the developed technologies like internet, video conferencing and satellite phones in sharing information's. In UAE Carrefour has to win over many of its competitors such as Wal-Mart, Tesco and Sears in the international scene, and EMKE and Fathima Groups.

Another major playing retail shop in UAE is LuLu Hypermarket which is started by the EMKE Group.(which owns the Lulu brand). Lulu gives importance to quality as a major factor and is known as a trend setter of the retail industry. Lulu has more than 16 exchange centres in UAE and Oman in the span of 2 years (Business Line, 2011). Lulu Hypermarket has laid out ultra modern ambience for the shoppers by providing all the consumer needs

under one roof. As UAE provides a suitable environment for the retail shops to get established the competition too has become very tight for retailers. All the retail shops in its pre stages of establishment had many barriers such as finding a local partner and also getting adapted to the local customers and the nation culture took some time. Lulu has been really focusing in improving its competitive advantages, market positioning and in driving sales. Lulu has got its own food and non-food products manufactured by the leading international companies as per the QC standards. Many of the Lulu stores in Abu Dhabi & Al Ain were presented with the Appreciation Award by Abu Dhabi Food Control Authority (Khaleej Times, 2011).

The Lulu hypermarket has also reduced the prices of 50 food and non-food items. This loss in profit is considered to be the part of their corporate social responsibility (EMKE Group, 2011). The retail chain is also promoting awareness about the consumer protection through the supply of mementos, gift articles which bears the logo of consumer protection, banners and posters. The tourists as well as the local people are increasingly doing their shopping in shopping malls and from the retail stores. The increase in the population of UAE increased the overall market size for the retail sector. The company provides healthy and fresh vegetables to the customers as the customers these days are more conscious of their health. Lulu mainly target for Indian customers. Many people prefer to shop at Lulu during the silent days as weekdays and avoid the rush hours. There have been many complaints on the cleanliness of lulu as compared to other retail shops which maintain the full customer satisfaction.

The retail industry of UAE has increased its revenue in the first quarter after the Dubai shopping festival. But this is not certain to continue in coming years. Thus for the momentum to keep going future plans have to be implemented. Dubai is UAE's largest retail market with about 185, 800 square metres of the retail space in shopping centres which includes Dubai mall. The retail industry was affected during the global crisis; this was overcome by bringing in sales promotions and innovative marketing such as providing free classes to the customers on how to use their products. There are other malls yet to open in 2012 such as Yas Mall and Reem mall in Dubai that is going to double the retail mall space. Retail space in UAE is expected to increase from 700, 000 sq metres to almost 1. 2 million sq metres. About 65 new jewellery shops are to open in UAE in coming years. The construction of malls will be in a well planned manner such that each resident can access retail shop within 1. 3 sq meters (Ligaya, 2010). Thus the planners are planning to have smaller cluster of these retail shops in different areas rather than constructing many malls at the same location. Thus this shopping in large regional malls alone which increases traffic congestions and time delays thus leading to loss of trade can be stopped. The main factor that should be maintained by the government is the inflow of the tourist. Only with the tourist inflow the consumption rate can be increased the tourist consumes more in the retail industry.

The malls must concentrate not only in providing rich shopping experience but also must be successful in providing a mode of relaxation to the customers. The retailers have there on suggestions in the improvement of the retail market. The poor performing stores such as those which generate

poor revenue are to be shut down. The new technologies such as online shopping, internet marketing, innovative marketing and voice conferences are to be adopted in the retail market. This would help save time and also attracts more customers. Thus with all these changes UAE has been trying to offer the best shopping malls and favourable conditions to promote its retail industries. Dubai has also been sponsoring festivals like DSF and DSS in the same way as many other countries like Singapore in order to promote the retail sales. Thus the retail sector in UAE is sure to flourish in the coming future.

More about Carrefour

The Carrefour group is created by the Fournier and Defforey families. It is one among the leading distribution groups which has grown up by the last 40 years. It is the world's second largest retailer and the largest in England. The group works for four grocery stores which includes hypermarkets, supermarkets, hard discounts and convenience stores. The group has about 15, 000 stores operated by the franchises or by the company. It has its presence over 35 countries and the turnover of 57% is from outside France. It has more than 475000 employees (Carrefour, 2010). Carrefour group was expanded to European hypermarket in 1995 and was established decades ago in Dubai. Thus the group saw a potential in United Arab Emirates. It is French hyper market in UAE. UAE has a flourishing economy as well as industries so that the Carrefour group was able to run its root there. The objective of the group was to reduce risk and to get profitability there.

There are nine specialised zones in Carrefour groups. They are market zone, organic zone, frozen zone, beauty zone, fashion zone, baby zone, home
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zone, media zone, seasonal zone. All these zones help the group to do different things to attain success. There are large numbers of discount options which will really attract the customers. The group also provide large number of practical solutions for the customers this includes a cut for only 10 euros in the beauty zone and collection point for the purchases which are too large (Daniels, 2007). The strategies followed by the group are that they try to make them as the preferred retailer by the customer wherever they works. For this they try to get the trust from the customers by trust in product quality, price and services. They always focused on the satisfaction of the customer by providing them with different offers. They always give importance to the environment. The strategy of the group is aimed at achieving organic, sustained, profile growth and has three levels. They are client-oriented structure, transformation and innovation. By being active in this three level the group will be able to get more profitability by attracting more customers. The established home market is in France (AME info, 2009) . In UAE and also in many countries shopping can be done by ecommerce. The shopping is offered by online, home delivery and in ware house collection. In the structure of the company there is executive committee and executive board which include and the CEO. The executive board plans and execute the action. The executive committee implements the strategic plan and align the leadership principles. The values followed are commitment, caring and positive. There are committed members and professionals. Being positive means they are enthusiastic and always come with new ideas. The scheme that they use for being environmental friendly or for sustainability of environment is called as act green. For that they have withdrawn all the plastic bags to help in reducing the plastic consumption.

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The group first introduced the hypermarket in the Middle East in 1995. There are about 37 hypermarkets in the Middle East. The main reasons for the success are the quality and freshness of the product, customer satisfaction and service and the prices. (Carrefour man, 2008) They are really conscious about the economic, environmental and social aspects. Sustainable development lies in the top of the strategies followed by them. The group works with FIDH (International Federation of Human Rights) for monitoring the social conditions and also has a partnership with the NGOs like WWF and try to reduce waste and help in biodiversity. The organization focuses on group activities; which is done by the Group's Sustainable Development Department who manages the group approach. As the company deals with many suppliers in UAE they try to build good relations with them. The group has a code of ethics by 2007. This ethics must be followed by all the members in UAE group and also by members outside. Carrefour group signed an agreement with the UNI for preserving the rights of the employees (Waters, 2006). The joint mission between the Majid Al Futtaim group and Carrefour France there are stores in Al Ain, Abu Dhabi, Ajman, Dubai, Ras Al Khaimah, Sharjah, and Al Shindagha which sell grocery, fruits, vegetables, light household goods, consumer durables, garments, etc. In UAE they focused in selling food, electronic devices, stationary, kitchen and dining ware and clothing and accessories. From all these data it is clear that Carrefour group is a big retail which is really active in UAE and they are successful in most of the popular parts of UAE. They give much consideration for the customers as well as the stakeholders. They always try to focus on ethical aspects and also on the sustainability of the environment. There are

many strategies, structures and values that are being adapted by the group for getting profit.

For competing with the Dubai market it adapts many steps so that they make sure that they don't miss any customers. Carrefour is also there in Abu Dhabi, Qatar, Bahrain, Oman, Saudi and Kuwait. As the report given by the Qatar government the positioning of Carrefour group is as mega retailer by the Strategic positioning. The group is noted officially as the shop which provides goods with reasonable price or with lowest price. It seems that the group will be a threat to the local retailers like Lulu, Al Meera etc. It seems that the group in UAE is able to attract the families towards them (Market Intelligences, 2008).

This study aims at understanding how the group succeeded in UAE, and what role did the attitude of UAE customers towards the foreign retailers played in it. The study will aim at determining the key components of the attitude formation and how these influence the success of foreign retailers.

Relevance of the study

UAE is one of the fastest growing consumerist nations. The attitude of customers towards the foreign retailers can play a significant role in determining the success of any firm which wishes to enter the UAE retail market. The findings of this study will have implications for not only firms which wishes to enter the UAE retail but also the existing retailers. The identified key components of attitude formation can help Carrefour and other retailers to streamline their business strategy. It can also help the local

retailers to realize their own strengths and weaknesses and put forward a better competition.

Research design

The research methodology used is a combination of quantitative and qualitative methods. The reasons for this choice are explained in the “Methodology” chapter. The Data collected is mainly primary data through questionnaire and focus group interviews. The results were correctly analysed. Recommendations and Conclusions are given at the end.

Structure of the Dissertation

The dissertation is divided into 6 sections. The first section would be the introduction. The aims and objectives of the study and the research methodology are briefly discussed. The second part deals with all the literature that is related to this topic. The first part of this literature review would throw insights into the theories of attitude and especially Fishbein multi attribute model, which forms the basis of questionnaire scoring of this study. Studies about consumer attitudes towards retailers, foreign retailers and consumer ethnocentrism are also reviewed.

Chapter three deals with the research methodology details. The methods that could be used and the method which has been opted are discussed in detail. The data collection method and the techniques used are also discussed. The reasons as to why that particular research has been stated are also discussed, following which the questionnaire that is used is discussed and purified. The limitations of the study are also stated at the end of the study.

Section four will contain the data analysis of the sample data that is collected. The demographic analysis of the variables will also be discussed here. The findings from the data collected through questionnaire are described which is followed by description of the qualitative results. This chapter is followed by discussions and analysis chapter which synthesises the results from the previous chapter. The last chapter contains the conclusion and the suggestions.

Limitations

The study is limited in terms of generalisability. The sample population belongs to a small geographical region of UAE and the results as such need not be replicated everywhere. Though the researcher have attempted to explore the different variables that plays in this area using a mixed approach, these need not be exhaustive. Further, there were limitations in terms of time available to do the study and the word count available to present all the findings.

Chapter 2: Literature review

This chapter presents a critical review of the literature to provide an idea regarding the already published documents in this field. The literature review also acts as a platform for creating a theoretical base for the study. Based on review of the literature, the researcher will attempt to identify major topics- the key areas of impact- which will later form as the basic platform for creation of questionnaire and interview questions.

Introduction

The main objective behind the research is to understand customer attitude towards global retail brands and local retail brands. In this chapter will observe and present a detail analysis on issue that customer attitude and perspective towards the global retailers over local retailers in the developing and developed countries. Several studies reveal the customer perspective and approach towards choosing the global brands over local brands in the developing countries (Batra et al, 2000). Consumer from the developing countries approach the products and brands from the developing countries are of cheaper quality and later on develops dissatisfaction in the consumers (Okechuku and Onyemah, 1999).

Here various model and theories are used and discussed in greater details to find out various factors and elements which lead the customer to prefer global brands over local brands. This theories, reviews and models which will help analysis and study to find out the factors and elements in finding out the customer perception and attitude towards the global retailer and brand names.

This literature review has been divided into different sections. First part will throw light into Attitude and consumer attitude towards foreign retailers then literature review moves into various elements like consumer ethnocentrism and COO.

Attitude and Attitude towards Foreign Retailers

In fact there are numerous research reveal the factors direct the formation of attitude in a consumer. Allport (1967) refer attitude as “ mental and neural

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state of readiness, organized through experience, exerting a directive and dynamic upon individual's response to all object and situation with which it is related". Udell (1971) conclude that attitude is the way which an individual response to a stimulus situation. By reflective positive or negative reflection towards various marketing stimulus situation like brand name, store, marketing advertisement, a consumer can either show his preference or lack of preference towards the store. Therefore, attitude towards a foreign brand or store in a country is vital for a brand looking internationalization. De Mooji and Hofstede (2002) study infer that international retailer will face a huge loss if they aren't thoroughly studies the domestic consumer attitude towards the foreign brand. A consumer showing positive attitude towards the foreign brand will prefer that shop to purchase and consumers having a negative preference will not choose that store to purchase products Moye & Kincade (1999). For greater detail on the study of the attitude formation, this studies adopt one of the important theoretical frameworks Fishbein (1967). Fishbein multi-attribute model gives a clear picture about inter linking factors between consumer attitude, consumer behavior and consumer intension. Fishbein's multi-attribute model suggests that consumer attitude is a direct relation function of " his belief and implicit evaluative responses associated with those beliefs". Intension is a co factor of the attitude and intension is subjective to probability that a consumer will perform some kind of behaviorism (Fishbein & Ajzen; 1975). Fishbein & Ajzen (1975) studies strongly suggest that intension of a consumer is the key element turn the consumer attitude. This conceptual suggestion concluded that there is a positive correlation between the intension of a consumer and his attitude. Peter and Olsen (1987) attitude towards a brand/product is likely to be the

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behavior towards the product or brand. But previously this fact was suggested by Fishbein (1980) "more favorable a person attitude towards a product, the more likely the person use or buy the product".

This study adopts Fishbein's multi-attitude model to define the attitude. Previous many research studies in the retail literature used this model. For example Evans et al (1996) used Fishbein model to measure attitude of consumer towards mall and Jones and Vijayasarathy (2000) used multi-attitude model to measure the attitude towards online shopping. Though there is no experimental data proving that external pressure and stimulus situation will drive the consumer to behave unpredictably vary from his predefined attitude.

Fishbein and Ajzen (1975) suggested that intention can be viewed as a variable which affects the consumer behavioral intention and a particular person behavior. Moye and Kincaid (2003) research on intention infer that there exists an invisible relation between intention and patronage behavior. Positive or favorable attitude towards a retail store drives customer towards the shop and most likely consumer will patronize the retailer and buy or use the service frequently, the other way if consumer has an opposing attitude which keeps him away from store. Chen (2007) concluded that consumer's approach is positively related with the consumer purchase intention.

Coming into greater detail of Fishbein's attitude model, Fishbein suggests that a consumer's intention to execute a specific task, in correspondence with a stimulus object, in a particular circumstance, model is a function of following elements. 1) Consumer Behavior (is belief of consequences of executing a

specific behaviorism 2) consumer assessment or evaluation (about those beliefs (), that means consumer will evaluate multiple beliefs and their consequences. 3) Normative Belief (NB) it is what consumer believes from other p