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Quantifying barriers impeding the diffusion of supermarkets in China: The role of shopping habits



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ABSTRACT

The present study contributes to the literature on supermarket diffusion by incorporating shopping habit factors, beyond socioeconomic factors and store characteristic factors, into a framework for predicting consumers' choice to shop in traditional versus modern retail formats. Further, this study aims to estimate the relative importance of these variables compared to other factors. Our results show that socioeconomic factors have minimal impact on consumer choice. Shopping habit factors have as great or even larger impact as market-relevant and product-relevant attributes, especially for fresh-food and cooked-food shopping.

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1. Introduction

In the last decade, many studies have focused on the diffusion of supermarkets in developing countries. Some studies have attempted to explain the determinants of supermarket diffusion from a macroscopic perspective, stressing the role of economic variables such as gross domestic product (GDP) per capita, income distribution, urbanization, openness to foreign direct investment, and economic reform (e.g., [Dries et al., 2004](#); [Hu et al., 2004](#); [Traill, 2006](#)). Others have adopted a microscopic perspective by considering supply-side factors such as procurement systems, supply chain development, and policy environment (e.g., [Goldman, 1974, 2000](#); [Reardon et al., 2007](#)), or by exploring demand-side factors, that is, the role of consumers in supermarket diffusion (e.g., [D'Haese et al., 2008](#); [Amine and Lazzaoui, 2011](#); [Amine and Tanfous, 2012](#); [Sehib et al., 2012](#)). Among these studies, [Goldman et al. \(2002\)](#), [Goldman and Hino \(2005\)](#), and [Hino \(2010\)](#) have investigated the role of consumers in supermarket diffusion by empirically investigating the components driving supermarket diffusion. They argue that there are three general diffusion components in supermarket market-share changes: diffusion across geography, diffusion across socioeconomic segments, and diffusion by product category. Based on these three segments, the authors have identified factors such as distance or travel time, socioeconomic factors (e.g., income and car ownership), and format outputs (quality, variety, and store cleanliness) as the main factors that impact consumers' adoption of supermarkets.

The present study aims to extend existing research by incorporating several factors related to consumers' shopping habits (or patterns),

including cooking frequency, preference for one-stop shopping, habits of bargaining, usual shopping time in a day, and transportation means, into a framework for predicting consumers' choice to use traditional retail formats (wet markets, traditional grocery stores, and specialty food stores) or modern retail formats (hypermarkets, supermarkets, and convenience chains). Of even more interest here is how much impact these factors exert on consumers' decision to shop at traditional or modern retail markets, especially compared to factors examined in previous studies (e.g., socioeconomic factors and format output factors). Determining the impact of various factors on consumer choice is achieved by estimating the relative importance of different variable sets. For comparison, we followed a method adopted by previous studies (see [Goldman et al., 2002](#); [Goldman and Hino, 2005](#); [Hino, 2010](#) for details). Additionally, in consideration of the possible bias caused by the order of variables entered into the model, we also tested the robustness of the results by adopting the method introduced by [Soofi \(1992\)](#), who suggests a method of computing the relative importance of variables by averaging them over all orderings of the results. This is an important contribution of our study in terms of quantifying barriers (or facilitators) of supermarket diffusion.

More specifically, this study focuses on consumers' adoption of supermarkets in second- and third-tier cities of Chinese market.¹

¹ Chinese market can be divided into different tiers basing on key characteristics of the city, such as its economic development, provincial GDP, advanced transportation systems and infrastructure. It is commonly agreed that China's first-tier cities include Beijing, Shanghai, Shenzhen, and Guangzhou as they have the high levels of economic development and a well-established infrastructure. The second-tier cities mainly refer to the provincial capitals and relatively developed cities that have major development potential such as Shenyang, Dalian, Tianjin, Harbin, Chengdu and Wuhan. The third-tier cities are characterized by major underdevelopment of the economy and infrastructure but are catching up rapidly ([CNBC, 2011](#)).

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The country's huge consumption potential as well as rapid economic growth has made China one of the most attractive markets for international food retailers. Many international retailers, including Wal-Mart, Carrefour, Tesco, and Metro, have entered China with a long-term expansion plan. In recent years, these international retailers have shifted their attention to second- and third-tier cities in China (Nan Fang Daily, 2011; National Business Daily, 2012), which are becoming the "second engine" of the Chinese economy due to increasing consumption power and high economic growth rate. As businesses with modern retail formats continue trying to reach consumers in these emerging markets, understanding the local markets, especially with regard to consumers' shopping behaviors towards traditional and modern retail formats, will improve understanding of opportunities and challenges facing modern retailers.

The rest of the paper is organized as follows. Section 2 presents the literature review and our hypothesis development. Section 3 details the methodology used for the study. Section 4 summarizes the results of the study. In Section 5 we discuss the main findings, and in Section 6 the conclusions and managerial implications of the research findings are presented. Section 7 concludes.

2. Literature review and hypothesis development

Previous studies investigating the role of consumers in supermarket diffusion have usually involved an interest in exploring consumers' perception, attitudes, or shopping behavior towards traditional and modern retail formats. Usually, in the studies concerning the diffusion of supermarkets, modern retail formats include hypermarkets, supermarkets, and convenience chains, while traditional retail formats consist mainly of wet or fresh markets,² street stalls, and independent, small-scale outlets, including specialists (e.g., butchers, staple food stores) and general stores (Goldman, 2000; Ho, 2005; Reardon et al., 2007; Maruyama and Trung, 2007; Sehib et al., 2012). In this study, we follow these classifications of modern and traditional retail formats.

In prior works, both qualitative and quantitative approaches have been adopted in investigating factors that influence consumers' shopping behavior towards traditional and modern retail formats. As mentioned above, Goldman et al. (2002), Goldman and Hino (2005), and Hino (2010) have empirically investigated the components driving the supermarket diffusion process and have distinguished between diffusion across consumer segments (geographic and economic) and product categories. That is, (1) supermarkets penetrate new geographic segments by increasing the number of store outlets, (2) they spread from middle/upper-income consumers to low-income consumers, and (3) they make inroads into processed and packaged products, followed by fresh produces. Based on these segments, the authors have identified factors such as travel time (geographic diffusion), socioeconomic factors (economic diffusion), and store characteristics (category-dependent diffusion) as the main factors that impact consumers' adoption of supermarkets.

² A wet market in China usually refers to a place that sells fresh produce in the open space or in some cases in a building (Ho, 2005). It mainly consists of a number of individual stalls that offer fresh fruit and vegetables, poultry, live fish, and fresh meat. Other food such as dried, preserved food and cooked food are also available (Ho, 2005). The term 'wet' means that the floor of the wet market is always wet due to the fact that wet market retailers frequently spray fresh produce and clean meat and fish stalls (Goldman et al., 1999).

It has been argued that due to the idiosyncratic nature of sociocultural elements in different countries, the transfer and acceptance of supermarket technology will be significantly influenced by the sociocultural environments in different marketing systems (Ho and Lau, 1988). Some studies have examined the influence of cultural factors on consumers' adoption of supermarkets in different areas, such as the influence of consumers' preference for fresh ingredients in Hong Kong (Goldman et al., 2002) and the influence of religious and ethnic-cultural factors in Israel and Jordan (Hino, 2010). Amine and Tanfous (2012) have identified some cultural, religious, and ideological motivations for the rejection of the modern retail format in Tunisia. In contrast, Sehib et al. (2012) have qualitatively studied the effect of social acceptability and the role of gender on supermarket adoption in Libya and they have found that a traditional culture can act as a facilitator of supermarket diffusion.

In this study, we incorporate variables associated with consumers' shopping habits into our framework for predicting consumers' choice to use traditional or modern retail formats. For example, cooking broadly refers to food preparation and provides an opportunity for personal involvement in the food system. As cooking requires the selection, measurement, and combination of ingredients to achieve a desired result, food preparation is usually associated with food choice (Chen et al., 2012), which might further influence consumers' choice of shopping location. Studies have found that Chinese consumers more often intend to bargain and bargain more competitively than consumers in countries such as the United States (Lee, 2000). For those who prefer bargaining, a much heavier focus is placed on the benefits of bargaining; these benefits are not only economic, such as discounts in the form of lower prices, gifts, or free services (Lee, 2000), but also provide psychological satisfaction. Thus, those consumers who prefer bargaining are more likely to shop at places where bargaining is possible. In China, consumers often purchase fresh products at traditional retail markets in the early morning. In response, some supermarkets have attempted to open morning markets inside the stores (Jilin Daily, 2009; Shenzhen Economic Daily, 2009). The reasons consumers choose early-morning shopping are manifold, being able to obtain much fresher food is one explanation. Other reasons might include convenience of schedules or time constraints. For example, elders often have a habit of exercising during the morning, and buying some fresh food on the way home after exercising may be very convenient; for young, employed consumers, buying fresh food before going to work saves the time it would take to shop after work. In this study, the impact of these factors will be examined.

Based on the above arguments, this study incorporates the following groups of factors: socioeconomic status of consumers, store characteristics (which are divided into product-relevant and market-relevant attributes), and shopping habits. These factors are assessed for their effects on consumers' choice to use traditional or modern retail formats in emerging Chinese markets. Following Hino (2010), the geographic factor, which is measured by travel time or travel distance in previous studies (Goldman et al., 2002; Goldman and Hino, 2005), was included as one aspect of store characteristics in our framework.

2.1. Socioeconomic factors

Consumers' adoption of supermarkets is impacted by their socioeconomic status (e.g., Anand, 2009; Hino, 2010). Previous studies in developing countries have shown a more rapid adoption of supermarkets by wealthier consumers (Anand, 2009; Tessier et al., 2010; Amine and Lazzouli, 2011). Consumers with higher socioeconomic status are more likely to switch to

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