

The Influence of Culture on Retail Sales Promotion Use in Chinese Supermarkets

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Abstract

Current challenges to supermarket retailers posed by the growing popularity of online retail, customer desensitisation to advertising, and globalisation of large grocery retail firms, has led to an increased reliance on sales promotion as a means of attracting and retaining customers. Retailers recognise the need to make the shopping experience more rewarding for the consumer (Keh and Teo 2001), and have a keen understanding of which supplementary activities are likely to achieve this in their market. The difficulty faced by manufacturers, therefore, is in assessing which sales promotion activities that support their own goals will be favoured by retailers in culturally diverse environments. In light of China's attractiveness as an export destination for food products (Lo et al 2001), those wishing to do business effectively in China must understand specifically how sales promotion and culture are linked (Lee 2002). This exploratory study considers the use of, and preferences towards, different sales promotion methods in supermarkets in China and New Zealand, highlighting the potential impact of cultural influence on the application of particular tools.

Keywords: Sales promotion, Cross-cultural marketing, China, supermarkets

Introduction

The supermarket industry is faced with a growing number of challenges in light of globalisation of brands and products, increased internal and external competition, and a continuing struggle for power between manufacturers and retailers. In response to these challenges, the last few years have seen a shift in marketing emphasis away from media advertising towards sales promotion strategies to reach consumers in the supermarket industry. This however, brings many problems of its own, as multinational grocery product manufacturers struggle to cope with the difficulties of producing a suitable sales promotion strategy for often culturally dissimilar markets.

The use of sales promotion in the supermarket industry has its roots in customer service and relationship management. As noted by Keh and Teo (2001), "in addition to selling merchandise... retailers are also concerned with making the shopping experience more rewarding for the consumer" (p. 370), and this has led to the development of a set of supplementary marketing activities, including price discounts, coupons, self-liquidating offers, bargain packages, gifts, sampling, and merchandising and display, all of which are used to offer further value to the customer.

Perceptions of these promotional incentives can vary dramatically from country to country, and differences are frequently culturally inspired (Kashani and Quelch, 1990). However, there is a scarcity of literature devoted to investigating the use of retail sales promotion within Asian countries and how culture might affect this type of marketing communications. In light of the increased attractiveness of China as an export destination for supermarket goods (Lo *et al*, 2001), this study explores the use of retail sales promotion in an area of China that has had, to date, little Western influence in terms of its use of marketing communications methods, and compares sales promotion use to that in a Western (New Zealand) supermarket industry. In addition, China offers a portrait of a highly attractive market for exporters of grocery products since its inclusion in the World Trade Organisation (WTO), however, limitations in the form of acquiring reliable information and a general lack of understanding of Chinese markets has created a number of barriers to development in most areas of this emerging market (Walters and Samiee 2002).

2.0 Background to the Chinese and New Zealand Supermarket Industries

Figure I: Level of Development Characteristics by Country

Developing Market (China)	Highly Industrialised Market (New Zealand)
✓ Numerous Channel Members	✓ Shorter channels, fewer members
✓ Inadequate channel communications infrastructure	✓ Highly efficient channel communications systems
✓ More powerful channel intermediaries, may influence marketing communications	✓ Intermediaries less powerful, often fulfilling distribution role only
✓ More sporadic importing, more supplier switching	✓ Regular importing in volume, less supplier switching
✓ Informal financial arrangements between channel members	✓ Formalised financial agreements between channel members

(Developed from Samiee 1993)

In a summary study of retailing and channels of distribution in developing countries, Samiee (1993) presents a set of five characteristics that differentiate channel structures in less developed economies from those in highly industrialised nations. These five characteristics were used as a basis on which to define the level of grocery industry development in China as compared to a western country such as New Zealand (Figure I).

While growing numbers of Asian countries have adopted economic policies which encourage multinational corporations to invest in the region, in China foreign direct investment in the retail sector has only been permitted since 1992 (Samiee, Yip and Luk 2004). This means that a large proportion of supermarkets currently operating in China are locally based, and although this is rapidly changing with the introduction of major supermarket retail firms such as Tesco (UK) and Carrefour (France), the industry structure remains predominantly local. Until 1990, and the opening up of the retail industry in China, development of the Chinese supermarket industry was relatively slow, with an enduring reliance on traditional wet markets and smaller scale retail operations in many regions. However, increased economic stability (and therefore incomes), combined with expansion of the market and penetration by large, multinational retail firms, has reduced the fragmentation of the industry in China to date (Samiee, Yip and Luk 2004). Western format and warehouse-style supermarkets (hypermarkets), as classified by the Chinese government (Luk and Yip 2003), have begun to dominate retail store openings in China, although “the retail and distribution sectors are amongst the last industries that have remained largely local and substantially fragmented (Samiee, Yip and Luk 2004, p. 248).

Foreign investors use a variety of entry methods in the Chinese supermarket industry, however, despite substantive growth in this area, foreign direct investment is still tightly controlled by the government, with joint ventures the most popular entry technique. Although major multinationals such as Carrefour, Tesco, Metro and Wal-Mart currently operate in China, foreign competition in the retail sector is said to be small by most estimates (Samiee, Yip and Luk 2004). Chinese consumers are said to prefer to shop in smaller, local retail outlets, and although the average consumer’s income is growing, Chinese consumers spend “a relatively small amount by regional standards” (Samiee, Yip and Luk 2004, p. 250).

Independent retail stores are also more popular in China, and large-scale national retail outlets are still fairly new in this industry. In addition, government policy has meant that only a limited number of international retail projects compared to that of local projects are approved each year (Samiee, Yip and Luk 2004). In the Jilin and ChangChun areas for example, major retailers include the independents (ZhuoZhan, Hua Pu, Ou Ya Department Store Market, Nan Jie Market and Zhongdong), the national (Wanda, Hengke Long Mega Market and International Shopping Centre), and the international (Wal-Mart and Baisheng Shopping Centre) ¹.

Tesco supermarkets have recently entered the Chinese market through a joint venture with Ting Hsin International, one of the largest retail operators in the country (despite having only 25 hypermarkets throughout China) (Guerrera and Voyle 2004). Metro AG (Germany) has plans to open 40 new stores throughout China over the next five years, with Carrefour currently holding 40 retail sites and Wal-Mart 30 (Samiee, Yip and Luk 2004). These statistics, although small, indicate a firm commitment by

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