94

Int. J Sup. Chain. Mgt   Vol. 5, No. 2, June 2016

Critical Success Factors of Retail and Wholesale Industry: A Case Study

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Abstract **-** **This paper illustrates to identify critical success factors of retail and wholesale industry based on a case study. The rampant development of urban advancement in Malaysia has expanded the quantity of basic supply retail outlets that gives assortments of items. Due to this, clients are accustomed to visit different outlets. Retailers also acknowledged consumer loyalty playing a part in their business achievement. Therefore, it has become important for grocery retail stores to identify the factors in decision makings of customer selections. This study was conducted in three chosen stores, specifically Mydin, Giaint and Tesco in Alor Setar, Kedah. Data from 190 respondents were collected from questionnaires. Data were then analyzed by using summative score examination, relative investigation and chi-square freedom test. Primary variables that were significant were location, facility, process, product quality and value for money. Hence, a few suggestions are displayed to enhance consumer loyalty and dependability of their clients. This study unlock further frontiers for the perspective entrepreneur in order to get idea about various success factors to set up retail business. With this study it is also contribute for sustainability of the business retail and wholesale outlet.**

Keywords: Retail Business, Consumer Selection Decision, Retail Success Factor

1. Introduction

The rampant urban advancement in Malaysia had incredibly affected the lifestyle on which in each city had at least a supermarket to fulfil demands of consumers at their own convenience. The presence of a town or city by account would be deemed incomplete without a general store or shopping center.

Shopping centers and shopping arcades is characterized as a building with a course of shops and walkways that permit guests to stroll from shop

to shop whether roofed or not. In Europe and Australia, it is known as the shopping center or

shops on the sides or roofed street and is commonly referred to as shopping area. In North America, the expression "complex" or 'shopping center' is generally connected to structures of a closed market while shopping complex refers to the supermarket outside.

In Malaysia, it incorporates self-serviced stores offering an assortment of commonly items with a larger array of choices which incorporate food products, meat, agricultural products, dairy items, canned and packaged goods as well as various non-food items such as household supplies, pharmacy and toiletries. Floor space ranges from one level and is generally located near residential areas with ample parking lots.

For hypermarkets, it must have a total floor area of business not less than 5,000 square meter and is only allowed to operate for every 350,000 population within a radius of 3.5 kilometers from the city center and residential areas subject to the approval of the Local Authority, In addition, hypermarkets are only allowed to operate in the suburbs with a freestanding facility that is standardized such as parking, lounges, restaurants and other public facilities (toilets, telephone, ATMs etc.) as well landscapes. Generally known, there are many renown existing supermarket nowadays such as Giant hypermarket, Carrefour, Tesco, Jaya Jusco just to name a few.

Retail became the main entrance or the last channel for goods before they reach the consumer. It became an important link between retailers and consumers. Retail is not limited to grocery stores alone; it covers the entire wholesale and retail activities, regardless big or small businesses. There are 11 kinds of wholesale and retail activities. These include supermarket and mini-markets, specialty stores, convenience stores, need-supply shop, pharmacy, traditional medicine shops, direct selling, hypermarkets, sidewalk shops and petrol stations.

According to the Department or Statistics, Malaysia, wholesale and retail accounted for 11.6%. of GDP in 2006. In 2007, this sub-sector contributed an increase of 12.2%. This encouraging development is parallel with strong private

95

Int. J Sup. Chain. Mgt   Vol. 5, No. 2, June 2016

consumption supported by the hike of disposable income higher fitness retail trade and the increasing number of tourist arrivals in conjunction with Tahun Melawat Malaysia 2007. Hypermarkets had shown the greatest growth compared to any other types of retailing evident in Rancangan Malaysia Kesembilan (RMK9). There were only 22 hypermarkets in Malaysia in the year 2000. But this figure rose to 81 hypermarkets in 2005. This meant an average annual growth rate from 2001 to 2005 was 29.8%.

Hypermarket comprised both local and foreign niche. Examples of local hypermarket are Econsave, Mydin and Kamdar, while the foreign hypermarkets include Giant, Tesco, Jusco and Carrefour. In 2000, there were the only 6 local hypermarkets and increased to 13, while foreign hypermarkets grew from 22 to 81 in 2006. It could be clearly seen that foreign hypermarkets grew more rapidly than local hypermarkets. Average annual growth rate for foreign hypermarkets from 2001 to 2001 is 33.6%. This rapid growth indeed brings benefits to the country and society but at the same time, it also brought impact[1].

1.2   PROBLEM STATEMENT

Foreign operators have chosen Malaysia as their prime hub for investment which caused an increased number of hypermarkets owned by them which threatened our local retailer. Most of the foreign entrepreneurs involved in retailing industries are highly skilled and have experience in terms of management and adequate capital. This situation creates an increasing competition in retail industry among hypermarkets, or local grocery stores.

Apart from the company's strength, other local factors contributed to this situation. For example, local consumer behaviors, consumers are more likely to choose hypermarkets as their first choice when purchasing. Therefore, customer's level of satisfaction, suggestions or complaints should be addressed accordingly. If customers are satisfied, they will be loyal to the hypermarket and would frequent it. Retail owners also need to identify their strengths and weaknesses in order to compete with other retailers that have same potential.

Decision-making style refers to the mental orientation that explains how a consumer or individual makes a choice in buying a product. When deciding the purchase of goods, consumers have a number of dimensions to be considered. There are eight dimensions of consumer decision-making model have been highlighted. It consists of the components of perfection, brand awareness, awareness on the latest trend, recreation, price consciousness, intuition, confusion from ample choices and brand loyalty. There are three issues related to the above dimensions:

i. The price-conscious used a combination of price and quality dimensions (the means to pay at a lower price with high quality goods).
ii. Based on user intuition dimension overlaps with brand loyalty behavior in the shopping process (as opposed to each other).
iii. Time consciousness overlap with dimensions recreational.

Retail owners should identify their strengths and weaknesses in order to compete with competitors or identical potential. In Malaysia, the competition will become more intense as the government adopted free trade in agreement with every developed and developing country. Thus indefinitely cause more foreign entrepreneurs to build hypermarkets in Malaysia.

In the context of this study, consumer decision-making style refers to the process of consumer making store selection and ultimately purchase a product or service offered at local and foreign hypermarket. The current study attempts to discover consumers' store selection and the determinant of the retail store selection decision in Malaysia.

Despite the fact that there were numerous studies on store selections, very few studies had directed towards developing nations such as Malaysia where the retail scene is changing with the rise of new retail concepts. Past studies have explored determinants of retail determination which revealed components for example store location, image, atmosphere and services but few studies have distinguished the factors affecting store choices by different product types such as groceries versus shopping goods. From the business points of view, better segregation of retail market may offer better retail techniques to serve potential customers.

Furthermore, this study sought to distinguish and critically analyze the components of purchaser retail choices while concentrating on their shopping encounters at three distinct stores, local and foreign specifically Mydin, Giant and Tesco. The study focused on these stores since they are typical samples of the most popular shopping channel in Alor Setar. They are persuasive intense retailers, vast hypermarket and well known supermarket in the zone. The geographic region or exploration was restricted to Alor Setar, the state capital of Kedah where the vast majority of the experimental examination and information gathering was led.

1.2.1   Research Objectives

i. To identity the preferred choice of hypermarket among the three stores.

96

Int. J Sup. Chain. Mgt   Vol. 5, No. 2, June 2016

ii. To investigate factors that influenced customers' store preference.

1.2.2 Research Questions

i. Which is the most preferred hypermarket choice among the three stores?
ii. What are the factors that influenced customers' store preference?

2.   LITERATURE REVIEW

Ref. [2] refers that there are factors influencing customer behavior on choosing their favorite place for shopping, such as hypermarkets atmosphere, location factors, parking space, completeness of hypermarkets, and the capability of the organization. Beside that most of marketing is focused on the coupon promotion. Coupon is now wide use in retail goods. It also can indeed have an impact on customer behavior [3]. Research was done at Careefour Subang Jaya, analysis was found that five main factors that influence customers behavior which are affordable pricing, extensive parking/free, "One Stop Shopping', product freshness and quality and varieties of sales promotions [4].

2.1   Parameters of the purchasing decision process

There are three elements of the buying group structure which are participation, formalization and centralization [5]. Buying center consist of five dimensions, (i) vertical involvement, (ii) lateral involvement, (iii) extensively, (iv) connectedness and (v) centrality [6].

2.2   Location

There are several factors must be taken into consideration for choosing a business location and these are demography, local socio-economic conditions, competitors, government policy, law and facilities and other infrastructure [7].

2.3   Customer service

Customer service is an important element of additional service in retail mix such as accept credit purchases, modify the items purchased (clothing), fabricating items, through home delivery, dressing room, packaging, parking and guarantees and other[7]. Customer service also should include policies and practices of competitors, types of merchandise sold, background of customer's income, purchase behavior, pricing policy and business location [8].

2.4   Product Quality

The eight dimension of product quality are performance or characteristics of a product or service, features of the product or service, conformance or the match or pre-established standards, durability or product life, reliability of the product or service, serviceability of repair, appearance of the product and image or reputation of the product or service[9].

2.5   Store Facilities

Grocery store as a place of sensory stimuli where consumers can find colorful product displays coupled with fruits and flowers with perfectly displayed packages of snacks and advertisements covering the floor. Supermarket facilities are very important since they have the ability to influence the purchasing behavior of customer [10]. Sum of elements contribute to a pleasant shopping atmosphere such as layout, cleanliness and well-shaped product displays [11]. Asserts that aisle management involves the effective placement of categories in the store aisles to improve customers' shopping experience [12]. Physical aspects such as a good store layout and attractive service materials give customers a good impression and attitude towards the store [13].

2.6   Reliability

Reliability refer to how much trust can be afforded the supermarket staff and organization, the promises given by the store [13].

2.7   Process

Today's customers are looking for economy in the utilization of time and any time wasted due to waiting is resisted upon. Wonderful experience the customer has had in the retail store gets diluted and creates a bad experience for the customer if wait longer time for the checkout [14].

2.8   Value of Money

Eighty five percent of the world's consumers ranked Good Value for Money the most important consideration when choosing a grocery store [15].

2.9   Staff

Factors that affect customer satisfaction that have a very close relation to employee of a company which include friendly employees, courteous employees, knowledgeable employee, helpful employees, accuracy of billing, billing timeliness, competitive pricing, service quality, good value, billing clarity and quick service [16]. Satisfaction can be associated with feelings of acceptance, happiness, relief, excitement and delight [17].

2.   METHODOLOGY

In this study, questionnaires were used to gather primary data. The questionnaires were designed bilingually consisted of English and Malay in the form of structured questions (closed ended). Question used were brief, comprehensive and use jargon were avoided to improve the understanding and interest of respondents. The

questionnaires consisted of two sections. First section consisted of general questions and the second section focused more specifically on answering the objectives of the research. There are 9 dimensions highlighted that constituted to the selection decision of customers under store context. Those are core dimensions which included (i) location, (ii) additional services, (iii) product quality, (iv) store facilities, (v) reliability, (vi) process, (vii) value for money, (viii) staff, and (ix) personnel service.

Each dimension composed of few elements which described attributes of customer selection decision explicitly. There were a total of 19 elements categorized into relevant 9 dimensions as mentioned previously. For this section, respondents were asked to rate their satisfaction level by using the Likert scale, to show the importance of each elements. The scale is from 1 to 5 (1=Very Dissatisfied, 2=Dissatisfied, 3=Neutral, 4=Satisfied, 5=Very Satisfied).
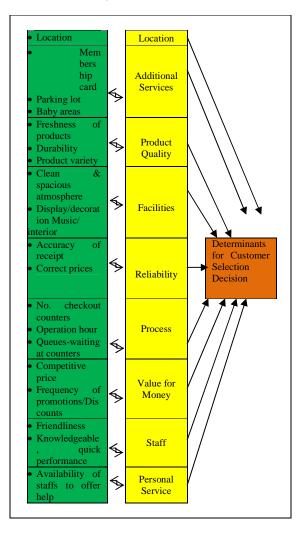

Figure 1 Theoretical Framework for Element of Customer Selection Decision

Empirical cases of the research were conducted in Mydin, Giant and Tesco respectively.

In other words, sampling frame consisted of three grocery stores. Population consisted of the customers from the three retailers in Alor Setar. Therefore it was decided that the sample size for each of the store would be 10% from the day with the highest number of customers. The sampling method used was non probability.

	Sample Calculation		
	MYDIN	**GIANT**	**TESCO**
Day with highest no of customer (**fourth weekend every month**)	800	550	700
Sample (**10%**)	10% x 800 = **80**	10% x 550 = **55**	10% x 700 = **70**

Table 1. Calculation of Sample

Theoretical frameworks were based on 9 dimension with 19 elements overall structured together to determine the characteristics of customer selection making.

4.   RESULTS AND DISCUSSION

Number of questionnaires distributed at the three stores are as followed:-

Store	No of Questionnaires distributed	No of 'reject' questionnaires (**)	No of questionnaire used for date analysis
Mydin	80	8	72
Giant	55	3	52
Tesco	70	4	66

Table 2 Number of Questionnaires
Note: ** A questionnaire is classified as 'rejected when respondent chose more than one store.

Customer selection decision is the only variable to be measured in this research. To ensure element was measured effectively, 9 core questions with 9 dimensions were developed, (i) location (B6LOC), (ii) additional services (B6AS), (iii) product quality (B^PQ), (iv) facilities (B6FAC), (v) reliability (B6REL), (vi) process (B6PRO), (vii) value for money (B6VLF), (viii) staff (B6STF), and (ix) personnel service (B6PS). Each dimension has different elements.

LABLE	NAME
AGE	Age of the respondent
GENDER	Gender of the respondent
STORE	Store that respondent choose to shop at
FREQUENCY	Frequency of respondent visit the store
IMPORTANT	Important of the store name to respondent
B1LOC	Location
B2AS1	First element of Additional services: Membership card
B2AS2	Second element of Additional services: Parking lot

98

Int. J Sup. Chain. Mgt   Vol. 5, No. 2, June 2016

B2AS3	Third element of Additional services: Baby areas
B2PQ1	First element of Product quality: Freshness of products
B2PQ2	Second element of Product quality: Durability
B2PQ3	Third element of Product quality: Product variety
B3PQ1	First element of Product Quality: Freshness of products
B3PQ2	Second element of Product Quality: Durability
B3PQ3	Third element of Product Quality: Product variety
B4FAC1	First element of Facilities: Clean & spacious atmosphere
B4FAC2	Second element of Facilities: Display & signage
B5REL1	First element of Reliability: Accuracy of receipt/Receipt clarity
B5REL2	Second element of facilities: Correct information of price signs & discount.
B6PQ1	First element of Process: Number of check-out counters/express check-outs.
B6PQ2	Second element of Process: Operation hour
B6PQ3	Third element of Process: Waiting time at counters.
B7VM1	First element of Value for money: Competitive price.
B7VM2	Second element of Value for money: Frequency of promotions/discount.
B8STF1	First element of Staff: Friendliness, helpfulness.
B8STF2	Second element of Staff: Knowledgeable staff with quick performance.
B9PS	Personnel service

Table 3 Elements of customer satisfaction

4.1 Score criteria:

Each element of Likert Scale has score 1 to 5 (1=not satisfied at all; 5 = extremely satisfied).

Maximum score for each questionnaire of 19 elements was 105 (19 x 5 = 105). Maximum score for each element assigned by the whole sample of 190 respondents is 19,950.

4.2 Summative Score
= (Score obtained from Mydin's Customers + Score obtained from Giant's customers + Score obtained from Tesco's customers)
= (72*105) + (52*105) + (66*105) = 19,950

4.3 Summative Score Comparison

		B1LOC	B2AS1	B2AS2	B2AS3
N	Valid	190	190	190	190
	Missing	0	0	0	0

Sum	730	652	672	621

B3PQ1	B3PQ2	B3PQ3
190	190	190
0	0	0
696	671	727

B4FAC1	B4FAC2	B4FAC3	B4FAC4
190	190	190	190
0	0	0	0
712	689	700	665

B6PRO1	B6PRO2	B6PRO3
190	190	190
0	0	0
564	729	556

B7VM1	B7VM1	B7VM1	B7VM1	B7VM1
190	190	190	190	190
0	0	0	0	0
680	698	629	623	628

Table 4 Statistics: Sum (SPSS)
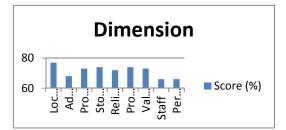
4.4 Summary of Dimension

Figure 2 Summary of Dimension

4.5 Analysis Of Other Factors

Regardless of preferred store customers visited, it could be identified that 71 respondents were aged in the range of 15-25 years old, 50 respondents were aged in the range of 26-35 years old, 58 respondents were aged in the range 36-50 and 11 respondents were aged more than 50 years old; in percentage 37%, 26%, 31% and 6% respectively.

70% of the respondents were female which accumulated the value to 133 respondents. Only 30% were male with 57 people. This value indicated the female were mainly involved in shopping compared to male.

From the analysis, it could be identified that most of the respondents with 43.7% visited the store for the purpose of monthly shopping. Followed by 1-2 times per week of 29% with almost daily trips, 14% and 13% for 3-4 times per week of store visits.

4.6 Comparative Analysis of Mydin, Giant and Tesco

	Mydin	Giant	Tesco
Location	74%	80%	78%
Additional Service			
- Membership Card	66%	63%	76%
- Parking Lot	63%	74%	77%
- Baby Area	62%	68%	67%
Product Quality			
- Freshness of Food	79%	70%	70%
- Durability	73%	70%	69%
- Product variety	78%	75%	76%
Facilities			
- Clean & spacious atmosphere	76%	77%	72%
- Display & signage	74%	75%	69%
Reliability			
- Accuracy of receipt/Receipt clarity	77%	71%	72%
- Correct information of price signs & discount	73%	69%	68%
Process			
- Number of check-out counters/express check-out	61%	57%	60%
- Operating hour	80%	77%	73%
- Waiting time at counters	59%	56%	59%
Value for Money			
- Competitive price	74%	70%	70%
- Frequency of promotion / discount	76%	72%	72%
Staff			
- Friendliness, helpfulness	69%	64%	65%
- Knowledgeable staff with quick performance	68%	67%	62%
Personal Service	69%	63%	66%

5. CONCLUSION

The generalization of findings from the research is however limited due to its small-scale design. A large scale study which includes customers from different demographic and geographic areas may provide more representative findings. Another factor which might contribute to enrich this area of research is to determine the relationship between social class and retail selection decision [1]. Some suggestions that might be relevant to retail industry since most of the respondents felt not satisfied with the process at the store due to the change of demographics available time of urban consumers decreases and puts pressure on their availability. With the time constraint, the customers would likely wish to optimize the time. Hence despite having a good shopping experience delay at the billing counter would lead to negative impact on the customers buying experience. Generally there is large crowd on holidays and weekends which puts lot of pressure on the existing infrastructure. Therefore extra precautions towards the store design should be flexible enough to accommodate their needs for instance by having additional billing counters to take care of the large crowds. The mere sight of long queues in the store could put off the customers and might switch the store anticipating delays at the billing point. Therefore the retailers need to take necessary measures in such situations and avoid the negative perception of the customers. Separate billing counters to be kept operational for customers with minimal purchases. This would result in customer satisfaction and continual store patronage. With this study it is also contribute for sustainability of the business retail and wholesale outlet.

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