

Retail Activity in Malaysia : From Shophouse to Hypermarket

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Abstract

Retailing is a subset of the commercial sector that has contributed significantly to Malaysia GDP. Similar to the situation in many Southeast Asian countries, retailing of various scales, co-exist side by side. This is especially true in the highly urbanized areas where small-scale retailing co-exist with the large-scale retailing. In the states of Selangor and Johor, the small-scale retailing in the form of shophouses still continue to grow in spite of the advancing hypermarkets. On the other hand, in Federal Territory Kuala Lumpur, the retail trend seems to be changing from shophouses to large-scale retailing like supermarkets and hypermarkets. Shopping complexes and hypermarkets have outgrown shophouses in recent years in F.T. Kuala Lumpur. However, there are still places in Malaysia that is experiencing growth in, both small-scale retailing and hypermarkets, an example is the state of Penang where shophouses and hypermarket are achieving high growth. Having looked at the retail trend in various states in Malaysia, this paper will then proceed to look into the main characteristics of retail development in the state of Penang. The data presented in this paper was obtained from a survey conducted in various parts of Penang. The survey found that the majority of the shoppers are young single students and mostly, would patronised shopping premises nearest to their place of residence. A majority of the shoppers travel by car thus making car-parking facilities a necessity. The survey also shows that other than purchasing daily necessities, shoppers treat shopping trips as an outing with family or friends and for entertainment. Subsequently, cross-tabulation and multiple regression analyses were performed and it was found that patronage pattern were mainly influenced by socio-economic factors, trip factors and the type and prices of product as well as the amenities and shopping ambience.

Keywords: retail trend, patronage pattern, shoppers profile, Malaysia

1.0 Introduction

The retail environment in Malaysia has undergone a continuous and marked change over the decades. New facilities ranging from supermarkets and superstores to retail warehouses and convenience stores have been added to the retail landscape, much at the expense of the traditional shophouses. However, all is not lost for the small retailer. It may be losing out in the urban center but at suburban areas the small retailer is still very much in the picture. This paper attempts to look into the retail trends in selected states in Malaysia and also presents findings of a retail survey conducted in Penang.

2.0 Types of Retailing

Retailing refers to all activities directly related to the selling of small quantities of goods and services, at a profit, to the ultimate customers for personal consumption and non-business use (Mohd-Said, 1990). Retail trading encompasses a wide variety of goods and services, ranging from household items to food and accessories. Literature has highlighted many attempts to classify the retail trade. Guy (1980) for instance has categorized retail trade into three groups: (a) convenience goods which include groceries and daily provisions; (b) shopping or comparison

goods which refer to relatively more expensive items bought at less regular intervals; and (c) specialty goods which are unique items that appeal to customers of the higher income level.

Other scholars (Ahmad et. al., 1996; Nik Yacob et. al., 1992; Cox, 1988) have divided retail trade into small-scale and large-scale establishments. The small-scale retailers include the single-proprietor stores and non-store operators such as hawkers, peddlers and market stalls. Whilst the large-scale retailers include superstore, discount store, department store, supermarket, hypermarket and shopping center.

Four major categories of retailing can be found operating concurrently in large cities in Malaysia and in the Southeast Asia region. These four types of retailers include:

- The informal sector, which includes hawkers and peddlers selling fresh produce, cooked food and daily provisions in the designated morning market, wholesale market and enclosed market.
- The small-scale, single-proprietor shops along major roads in town areas. These premises are usually double or three-storey pre-war shophouses with retail activities on the ground floor and dwelling units in the upper floors. Examples of such trading include jewellery, spices and religious paraphernalia, clothing apparel, handbags, personal items and medicinal herbs and coffee shops.
- The large-scale department stores and supermarkets built in the late 1970s and early 1980s, generally in modern architectural style.
- The super regional shopping centres built in the late 1980s and beyond, which feature several department stores and small-scale shops located under one roof. Such commercial complexes also provide for leisure and social activities along with shopping. The architectural styles of these modern shopping complexes, with glass frames, atrium and perspecs roof, stood in contrast to the existing traditional architectural landscape in the immediate surrounding area.

The co-existence of hawker stalls and peddlers together with the pre-war shophouses, large-scale department stores and shopping complexes portrays an interesting phenomenon in many parts of Southeast Asia region.

Currently, there are 107 superstores in Thailand with 57 in Bangkok and 50 in the provinces. Convenience stores are expanding at an even faster rate, noting the presence of more than 2,000 7-Eleven stores in Thailand. However, retail in Thailand develops in very much the same way as other parts of Southeast Asia; while convenience stores were spreading, wet markets remained popular. (Nina S., 2002)

Traditional wet markets (total of 564,000 establishments in Thailand) and "Mom & Pop" independent grocery stores (total of 270,000 establishments in Thailand) will continue to exist especially in the rural areas because rural consumers have less purchasing power and are less exposed to non-traditional food as compared to their urban counterparts. (Thailand Food Sector Report, 2001)

In Indonesia, wet market is still a primary channel for fresh produce distribution. Almost 80 % of fresh food sales go through wet market. On the other hand, textile and general merchandise are usually traded in traditional market. This form of traditional market has even become a reference point for many multinational retailers' purchasing agent because of the competitive price and attractive merchandise. The wet/traditional markets in Jakarta are usually divided into three types, namely, morning market, night market and specialized traditional market.

Even though modern retail shops are available, many consumers in Indonesia still prefer to shop at the wet/traditional market. There are various reasons for this, some of the possible causes are:

- Competitive prices (In some cases, price level is created by oral selling where the seller shouts to announce their offer price)
- Wide and varied assortment of merchandise
- Price flexibility
- Easy to access or closer to home
- Good relationship between shopper and trader
- Quality
- Volume and availability

However, in spite of the above plus points, many consumers do complain that the wet markets are dirty and often plagued by pickpockets.
(S. Muharam, 2001)

3.0 Retail in Malaysia

Retail has been one of the most active sub-sectors in the Malaysian economy. Retail is the second biggest contributor to the national GDP, contributing RM31,081 million (AUD14,603 million) in 2000 (Eighth Malaysia Plan, 2001). Refer to Table 1. Higher disposable income, a more affluent society as well as more sophisticated tastes of the consumers have led to a rapid growth of the sector. This sub-sector as a whole contributed 14.9% to the national income in 2000, rising from 11.1% in 1999. About 1.6 million people were employed in this sector in 2000 or 17.1% of total employment in Malaysia. This figure is estimated to increase to 1.9 million (17.3%) in 2005. (Eighth Malaysia Plan, 2001).

Table 1: Gross Domestic Product by Industry of Origin, Malaysia 2000-2005

Sectors	Contribution to GDP (%)	
	2000	2005
Agriculture, Forestry, Livestock & Fishing	8.7	7.0
Mining & Quarrying	6.6	5.5
Manufacturing	33.4	35.8
Construction	3.3	3.2
Electricity, Gas & Water	3.4	3.4
Transport, Storage & Communications	8.0	8.6
Wholesale, retail, hotel & restaurant	14.9	15.0
Transport, storage & communications	8.0	8.6
Finance, insurance, real estate & business services	11.8	12.4
Government services	7.0	5.7
Other services	7.5	8.0

Source: Eighth Malaysia Plan, 2001

By this standard it is anticipated that retail trade will continue to be a prominent economic activity in the country. In tune with the Government's aim to establish Malaysia as a prime regional shopping destination, many new shopping areas have been designated and many shopping campaigns and carnivals were launched to attract shoppers from local and abroad. All these efforts have accentuated the importance of the retail trade in Malaysia. Retail in Malaysia is wide-ranging; from department stores, supermarkets and mini markets, specialty shops, convenience stores, provision stores, pharmacies, medical halls, direct sale, wet market stalls to pavement shops and petrol kiosks (Seventh Malaysia Plan, 1996). Such variety reflects the changing demands and expectations among consumers for better quality products and services.

4.0 Retailing Trend

Retailing which operates in an open milieu in cities is continuously subject to various external forces including customer behaviour, rival competition, legislative framework, technological advancement, and changes in societal status and values (Lusch, 1982). Retailing inevitably evolves in response to these significant changes in society.

Table 2 shows the average annual growth rate from 1990 to 1995 for different retail activities for the whole country. Pavement shops have the highest growth rate at 17.1% followed by wet market stalls (14.5%) and pharmacies (13.1%). The growth rate for Supermarket and mini-markets are 3% higher than department stores. This indicates that generally the small-scale retailing is experiencing better growth than the large-scale retailing from 1990-1995.

Table 2 : Type of Retail Growth 1990-1995

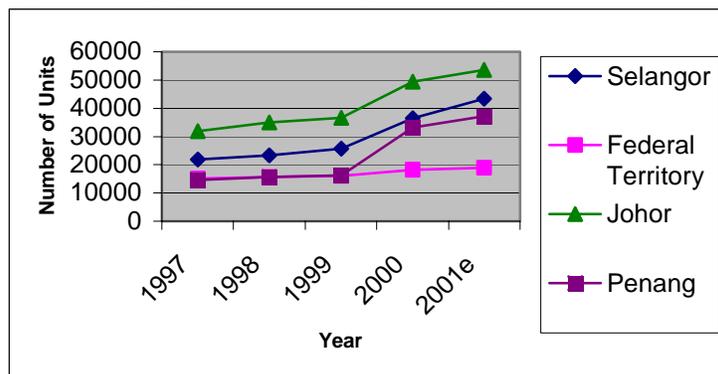
Activity	1990 Number	1995 Number	Average Annual Growth Rate 1990-95 (%)
Department Stores	218	289	5.8
Supermarket & Minimarkets	940	1,430	8.8
Speciality Stores	53,401	54,200	0.3
Convenience Stores	275	326	3.5
Provision Stores	36,977	38,358	0.7
Pharmacies	305	564	13.1
Medical Halls	2,514	2,243	-2.3
Direct Sale	766	809	1.1
Wet Market Stalls	15,140	29,787	14.5
Pavement Shops	286	630	17.1
Petrol Kiosks	2,200	2,358	1.4
Total	113,022	130,994	3.0

Source: Seventh Malaysia Plan, 1996

However, since then, what is the retail trend in our country? To see the changes in retailing, this paper will only focus on retail trend in the states with high urbanisation rate where the pace of change is rapid.

Based on data from the Property Market Report, it indicates that supply of shophouse/shop-office between 1999 and 2000 have increase tremendously especially in the states of Penang, Selangor and Johor. On the other hand, Federal Territory Kuala Lumpur does not share this trend. Refer Figure 1. This implies that small-scale retail is not expanding well in FT Kuala Lumpur as compared to the three other states since small-scale, single propriety shops are usually operated from shophouses.

Figure 1: Supply Trend for Shophouse/shop-office, 1997-2001

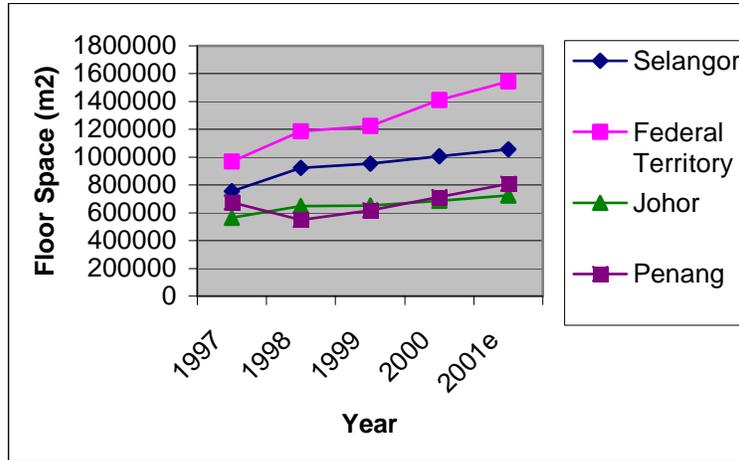


Note: 2001^e - estimated figure

In comparison, shopping complexes registered an increase of 15.52% in Penang followed by FT Kuala Lumpur at 15.34% while both the states of Selangor (5.39%) and Johor (5.63%) registered relatively low increase in 2000. See Figure 2.

For FT Kuala Lumpur, in comparing this trend with the shophouses, we opined that the retail trend in FT Kuala Lumpur is slowly evolving from shophouses to shopping complexes. The ever-growing supply of commercial space in shopping complexes between 1999 and 2000 is an indicator that large-scale retailing is gaining momentum in the FT Kuala Lumpur.

Figure 2: Supply Trend for Shopping Complexes, 1997-2001



Note: 2001^e - estimated figure

Hypermarket started coming into Malaysia in the early 1990s. From 1993 until 2002, there are now a total of 22 hypermarkets all over Malaysia. The numbers of hypermarket in different states of Malaysia are as shown in Table 3.

Table 3: Number of Hypermarkets by states in Malaysia

State	Number of Hypermarket
Selangor	7
Federal Territory	5
Johor	4
Penang	3
Negeri Sembilan	2
Perak	1
Total	22

Source: <http://shoppers.bluehyppo.com/hypermarkets.asp>

The highest numbers of hypermarket are located in the state of Selangor while FT Kuala Lumpur and Johor both have an almost equal share of hypermarket with Penang a close fourth. From Table 3, it is noted that all hypermarkets are located in the states that are better developed. The higher developed states in Malaysia are Johor, Melaka, Negeri Sembilan, Perak, Pulau Pinang and Federal Territory Kuala Lumpur (Eighth Malaysia Plan, 2001) where the population is higher as compared to the relatively less developed states. The exception here is Negeri Sembilan where its population is lower than the less developed states but it has 2 hypermarkets.

Table 4: Comparison of Shophouse/shop-office, Shopping Complex and Hypermarket

States	Shophouses % increase ¹	Shopping complexes % increase ¹	Hypermarkets Number
Selangor	41.36	5.39	7
Federal Territory	13.09	15.34	5
Johor	34.67	5.63	4
Penang	104.74	15.52	3

Note: 1- annual increase for year 2000

From Table 4, we found that in 2000, shophouses are on the decline while shopping complexes and hypermarket are on the rise in the state of FT Kuala Lumpur while the states of Selangor and Johor still favour shophouses in combination with hypermarket to the detriment of shopping complexes.

This indicates that the trend of retail in highly urbanised areas, are going towards shopping complexes and hypermarkets. As a comparison, the urbanisation rate for FT Kuala Lumpur is 100% while the rate for Johor is 63.9% and Selangor is 88.3% in 2000 (Eighth Malaysia Plan, 2001). Smaller retailers in shophouses find it difficult to compete with the goods range and competitive prices of large-scale retailers. Furthermore, shopping complexes and hypermarkets are not only for shopping but also provides an entertaining outing with friends or family. The preference towards this type of shopping experience is indicated from the survey findings in section 6.3 of this paper.

It is interesting to note that the state of Penang has high increases in shophouses and shopping complexes while having 3 out of the 22 hypermarkets in the whole country. The high level in retail supply could be due to various reasons. One of which, is the establishment of Penang as the shopping hub in the northern region of Malaysia. Furthermore, even though the young locals do not favour shopping in small shophouses, foreign tourists are drawn towards the traditional retail and informal sectors perhaps due to their unique characteristics (Lok, 2001). As such, the small and big retailers appear to prosper side by side.

5.0 Characteristics of Retail Premise & Shoppers

This section of the paper will present data obtained from a survey that was conducted pertaining to retail in the state of Penang in 1999. Data from the survey conducted provides insight into the type and preference of Penang shoppers. A total of 1,088 consumers were surveyed in various shopping premises around Penang and the respondents duly completed all questions. The survey findings are divided into three sections, namely spatial requirement, physical design and facilities and shoppers profiles.

5.1 Spatial Requirement

The survey found that major shopping complexes and hypermarkets are located in the areas of City Council where the population is higher than the outlying areas. In addition, the catchment area of these shopping premises are not only restricted to Penang but also to the whole northern region.

5.2 Physical Design & Facilities

A total of 11 premises were surveyed and it was found that buildings located in city centre are usually multi-storey building and eight out of the eleven shopping premises surveyed were built in the 1990s. New buildings tend to have a more contemporary façade design as compared to the older buildings. Each shopping premises have at least a minimum of three shopping lots. The shopping complex with the highest number of shoplots have 936 lots but the occupancy rate is only 20%. The reason for the low occupancy rate could be due to the economic downturn or maybe big is not necessary better for shopping complexes here.

Major items offered in most shopping premises are food and beverages, clothing, shoes, household items and electrical goods. The types of services provided are recreational (cineplexes, bowling arcade, theme parks), restaurants, health centre, beauty saloon, car wash and travel agency.

Public facilities such as public telephone, lifts, public toilets, signages and foodstalls were found to be available in all major shopping complexes while only 80% of the shopping complexes have escalators, ATM machine and carparking area. Shopping complexes that are without carparking facilities, usually have public parking nearby the complex. An even lesser percentage of shopping complexes (36%) have surau (praying hall for muslims).

5.3 Shoppers Analysis

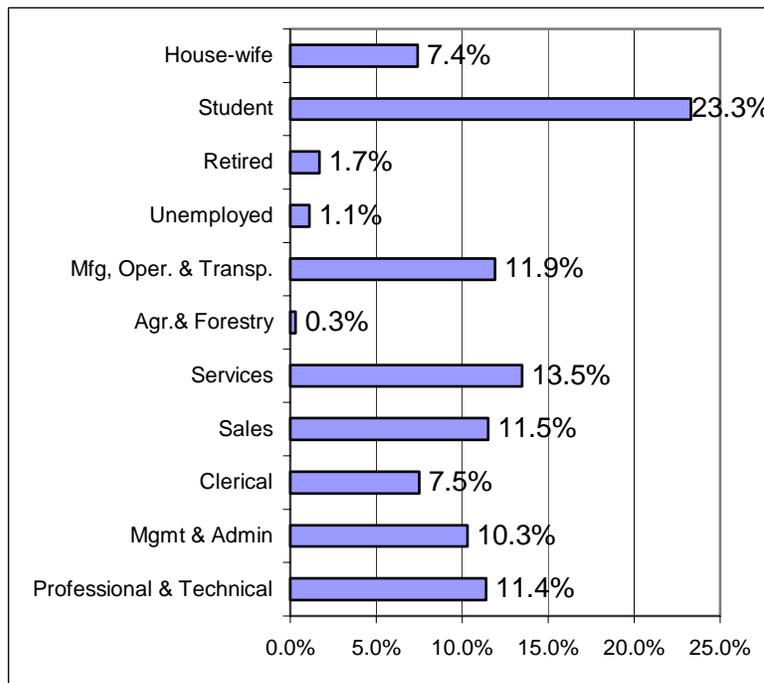
Shoppers analysis are divided into two parts. The first part, look at four main areas namely shoppers profile, trip patterns, transaction patterns and shoppers' opinions on the business premise. The second part, look at the patronage patterns of shoppers.

5.3.1 Shoppers Profile

From a total of 1,088 shoppers surveyed in this study, 52% are male while 48% are female. Majority of the shoppers are within the age of 21 – 30 years of age. 54% of those surveyed are single while 43% are married.

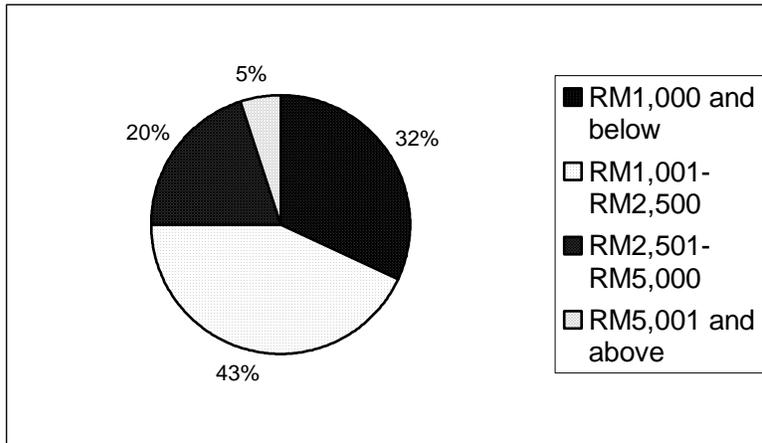
23.3% of the respondents were students followed by workers in the service industry (13.5%) and workers in manufacturing, operators and transport industry (11.9%). See Figure 3.

Figure 3 : Occupation of Respondents



Among the respondents, 43% have a household income between RM1,001 to RM2,500 a month while 32% have a household income below RM1,000 a month. See Figure 4. In comparison with the national mean monthly income per household of RM2,472 in 1999 (Eighth Malaysia Plan, 2001) the low figure in this survey could be due to the large percentage of student respondents.

Figure 4 : Monthly Income of Respondents

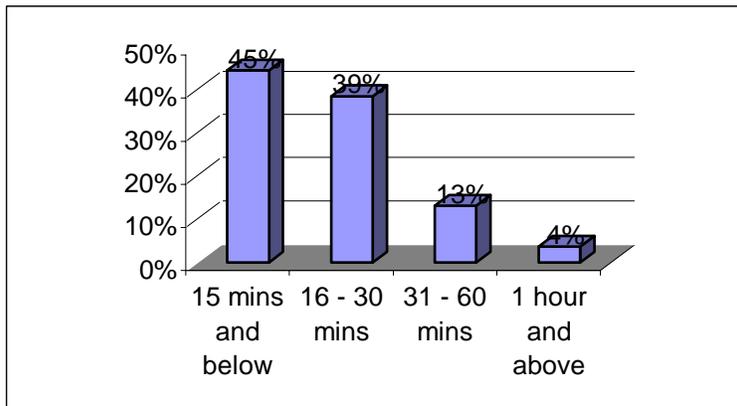


Majority of the respondents have a household size of between 4 to 6 persons per household followed by 37% having a household size of between 1-3 persons per household. Only 14% have a household size of 7 and above.

5.3.2 Trip Patterns

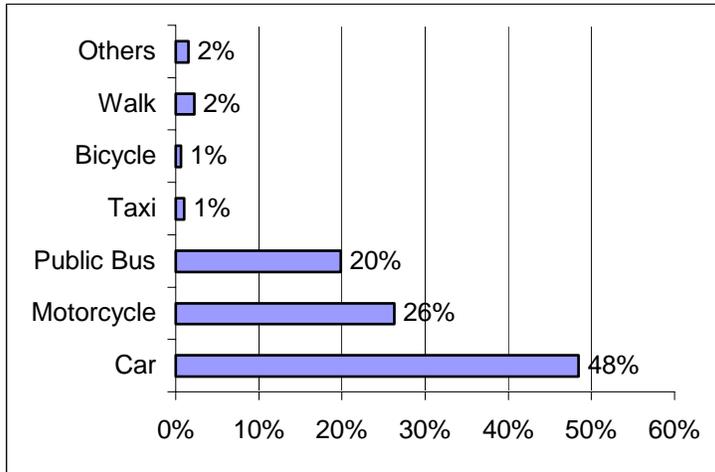
From our analysis, we found that there is a significant correlation between places of residence with the shopping premises that shoppers patronise. Shoppers will usually shop at places nearest to their home. The survey shows that 83% of the respondents takes about 30 minutes or less to travel to their shopping place. See Figure 5.

Figure 5 : Travelling Time to Shops



A survey of the vehicle used by the respondents for their shopping trips shows that 48% used private cars followed by 26% on motorcycles while 20% used public buses. See Figure 6.

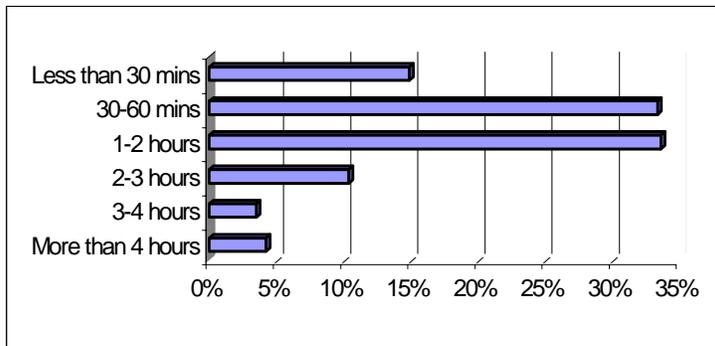
Figure 6 : Mode of Transport to Shops



5.3.3 Transaction Patterns

In terms of frequency in patronising a shopping premise, the survey shows that a majority of the respondents (66%) shop only once a week, normally on a weekend or public holidays. 21% shop twice weekly, 6% thrice weekly and 7% more than 4 times a week. While at the shopping premises, 67% of the respondents would spend between ½ hours to 2 hours usually in the afternoon between 12 in the afternoon to 6 in the evening. Refer to Figure 7.

Figure 7 : Time Spent At Shopping Premises



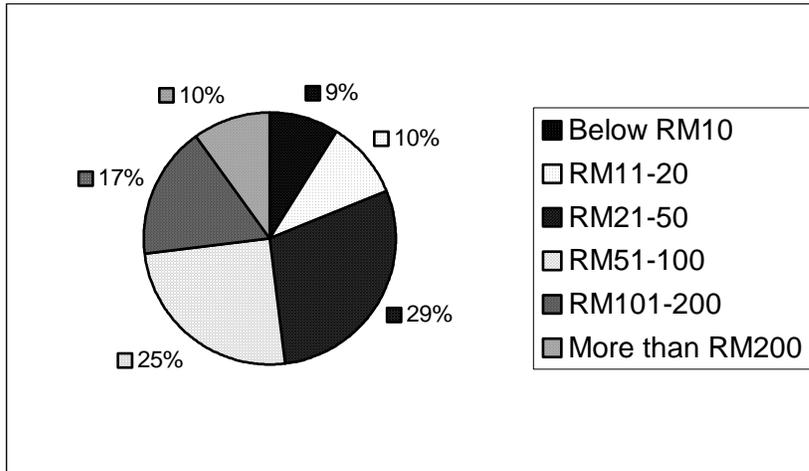
Main activities pursued by respondents during shopping trips are buying daily necessities (46.3%), outing with friends (15.6%), outing with family (10.4%) and window-shopping and recreation (7.4%). Other activities are as shown in Table 5.

Table 5: Major Activities at Shopping Premises

Type of Activities	Responses (%)
Buying daily necessities	46.3
Outing with friends	15.6
Outing with family	10.4
Entertainment, Movies, Bowling	7.5
Window shopping	7.4
Dining	4.1
Work related	1.8
Beauty & Hair Saloon	1.3
Visit static exhibition	1.2
Banking	1.0
Government transaction, pay bills	0.8
Business related	0.7
Others	1.9
Total	100.0

The survey also attempts to find out the amount respondents spend on each shopping trip. 19% spend below RM20 while 29% of the respondents spend between RM21-RM50. 25% of the respondents spend between RM51-RM100 while 27% spend above RM101 in each shopping trip. Refer to Figure 8.

Figure 8 : Amount Spent on Shopping



Major products purchase during these trips, are food, drinks and fruits (30%), clothing and shoes (29%), groceries and kitchen appliances (15%), stationeries (7%) and cosmetics (6%).

5.3.4 Shoppers' Opinions

The respondents were also asked on what makes a shopping complex attractive to them. Table 6 shows the responses received. Variety in choices of shops and products is the main feature that attracts shoppers while spacious interior spaces and competitive price are also a plus factor for a shopping complex to succeed.

Table 6: Shoppers' Preferences

Description	Response (%)
Variety of shops and products	28.3
Spacious interior space	21.2
Competitive price	16.2
Near to place of residence	5.3
Attractive and trendy products	4.7
Good public transport available	4.0
Not crowded	4.0
Clean and comfortable interiors	3.9
Car parking facilities	3.8
Satisfactorily service from sales assistant	3.1
Many shoppers	2.8
Others	2.7
Total	100.0

5.4 Patronage Patterns

Cross-tabulation and multiple regression analyses were used to identify the patronage pattern of the respondents. The analysis suggests that the patronage pattern at large-scale retail establishments were influenced by

1. socio-economic factors such as age, household size and occupation
2. trip factors such as distance and mode of travel
3. factors associated with the shopping complex itself such as type and price of products sold, availability of public amenities and shopping ambience.

6.0 Conclusion

Modernization and urbanisation has impacted our retail landscape, replacing the small and traditional mode of retailing with large shopping complexes and hypermarkets, which not only offer better shopping but also better facilities and entertainment. This paper shows that even though shopping complexes and hypermarkets have mushroomed in this country but this type of development has contained itself within the urbanised area and/or areas with a higher rate of urbanisation. With the advent of more hypermarkets in some areas, namely Selangor and Johor, the casualty seems to be the shopping complexes and not the traditional shophouses. This, we believe, is due to the large suburban areas in these states where the residents still need the services that small retailers at shophouses offered.

However, in the capital of Malaysia, Kuala Lumpur, where urbanisation has reached 100%, shophouses are losing out to shopping complexes and hypermarkets. The scenario at the heritage city of Penang is markedly different where the various scale of retail business continues to grow side by side. This could be attributed to the different preferences of different people, where the old world charm of shophouses is still in demand by tourists while the locals favour the newer large-scale retail such as hypermarkets.

Findings from the survey indicate that a majority of shoppers in large-scale retailing establishments are young students. Therefore, products and marketing strategy should be tailored accordingly to suit the preference of the younger generation. The mode of transport is mainly private car, thus making car-parking facilities an important consideration. A wide-ranging choice of shops and products, spacious interior space and competitive price are the features that are most attractive to shoppers. In addition to these, socio-economic factors, trip factors, provision of amenities and shopping ambience are equally important in influencing the pattern of patronage.

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