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ABSTRACT

Retail shopping establishments in the West have evolved through many different stages, in close association with Western lifestyles. The growth of supermarkets has been an important part of this trend, and in the 1980s, they were introduced in China. With their distinctive business environment, it is significant to study the success of the distribution technology transfer and how the Chinese consumers have received the Western shopping approach. This study examines supermarket shoppers in Beijing. The results provide an insight into the shopping patterns of Chinese consumers and identify potential problems for international retailers.

Key words: supermarkets, China, retailing, shopping behaviour

INTRODUCTION

When supermarkets were first established in the United States in the late 1920s, they represented a new institutional form of retailing technology. By the 1950s, they had been introduced to 47 countries (Zimmerman, 1955). The success of transferring supermarket technology was affected strongly by various factors, such as the socio-cultural environment of the host and home countries (Lo *et al*., 1986; Ho and Lau, 1988). Supermarkets were introduced in China in 1981, and since then, there has been much debate on their prospects for growth. Although they experienced slow growth in the 1980s, the supermarkets expanded rapidly in the 1990s and they are now widespread in the major cities in China. However, their future growth may be constrained as most Chinese consumers still shop in traditional markets rather than supermarkets for daily food consumption, while food expenditure accounts for more than half of the total household expenditure for average families and for less developed parts of China (Ho and Lau, 1988). Nevertheless, with one fifth of the world's consumers, China is an attractive market for most businesses. Accompanied with its commitment of further opening up the service sector after joining the World Trade Organisation (WTO), China will soon be viewed as an investment opportunity by many international giant retailers.

The aims of this study are to gain an insight into Chinese consumers and to identify the constraints that may be barriers for supermarket development in Mainland China. At present, only a very small fraction of the Chinese population shop in supermarkets, the authors decided to use the shoppers in Beijing, the capital city and one of the top-tier westernised cities in China, to derive probable indicators for the future and other developing cities in China.

INTERNATIONAL TRANSFER OF SERVICE TECHNOLOGY

A service technology, such as supermarket retailing, may function well in one country but may not be efficient in another due to the differences in the environment and distribution system and infrastructure. Several requirements are necessary for the transfer of technology to be successful. First, the perceptions of the technology must suggest an increase in satisfaction. Second, there must be sizeable demand that sustains the investment. Third, the suitability of political, legal, demographic and socio-cultural factors ought to be taken into consideration before the transfer of service technology (Lo, *et al.* 1986; 2001). In other words, the environment will have a significant impact on the transferral and its acceptance by the local consumer groups. The service management and technology transfer is reflected in the size of the industry. In China, according to Miu and Penhirin (2003) the retail sector is growing by 7 per cent a year in China, much faster than other developing countries. Excluding Japan, the retail sector was 56 per cent larger in China than in the remainder of Asia's major markets combined with $405 billion in sales in 2001.

The Supermarket and its Development in China

Although the service sector has under-performed for a very long period of time in China, it took off rapidly after the economic reforms of Deng Xiaoping in the 1980s, which opened up the market. Nevertheless, the government has not viewed the service industry as being high on the national economic agenda. The commonly known official definition of primary industry refers to agriculture, and secondary construction and industrial production, while any other industries fall into the category of tertiary or service industry (Lo *et al*., 2001). From local people's perspective, there was also confusion over the meanings of 'service' and 'servitude'. Many people were reluctant to provide services because working in the service sector was associated with low social status and low pay (Ho and Lo, 1987).

Supermarkets are operated on a self-service basis that enables them to achieve economies of scale and efficiency and to provide a wide range of products (Levitt, 1976). In the 1950s, supermarkets were introduced to Asia in countries such as Japan, Malaysia and the Philippines (Zimmerman, 1955). Supermarkets were introduced to Mainland China in the early 1980s (Ho and Lau, 1988). First-tier distributors were located in Beijing, Shanghai, and Tianjin municipalities, and Guangzhou, Guangdong Province (Powers, 2001). The presence of the supermarket was mainly in response to the opening up policy and they catered for the needs of foreign tourists and overseas Chinese (Lo *et al.*, 1986; 2001). The general public seldom shopped there as the majority of them made their purchases in the traditional markets (Sha and Li, 1992). Nevertheless, Chinese supermarkets reported a strong increase in sales from $700 million in 1995 to over $5 billion in 1998, with an average of only 14 outlets each. Shanghai remains the supermarket stronghold; by 1998, the main players (Lianhua, Hualian, and

Nonggongshang) all achieved sales in excess of $120 million (*The China Business Review*, 1999).

Operating Environment in China

During the late 1980s period of economic reform, the Chinese government actively encouraged and supported the expansion of commodity production and its exchange. Meanwhile, agricultural products have declined in their share of China's imports, from about 33 per cent in 1980 to less than 10 per cent in 2000. China is largely self-sufficient in food and is a major exporter of corn, rice, fruit, and vegetables (Gale, 2002). The importation of advanced retail services and technologies facilitated the modernisation of the retail sector.

The large population in China, sharing a common language and cultural heritage, contributed to the attractiveness of the market. Furthermore, Sha and Li (1992) cited government support, increasing incomes and food expenditure, changes in family structure, and the modernisation and improvement of technology and operations as additional factors. However, it is observed that Chinese consumers have lower mobility compared with those who live in the western developed countries due to low car ownership. As a result, in contrast with the location of supermarkets in the western countries, it tends to be located in densely populated cities rather than suburban areas (Miu and Penhirin, 2003).

Although some companies have recorded impressive sales growth and efficient operations, a large number of foreign investors have suffered financially as they overestimated the demands and the return on their investments were unsatisfactory (Davies 1994; Rheem, 1996; Cui and Lui, 2001).

SUPERMARKET PATRONAGE BEHAVIOUR

While the western consumers switch from in-town to out-of-town stores, Chinese consumers have only been introduced to supermarkets located in densely populated residential areas in the last two decades because of the reasons discussed previously. The industry life cycle of supermarkets in the West provides useful knowledge of its development in China. Many studies strongly suggest that shopping plays significant role in consumers' lives and how they interact with the shopping environment influences their experiences and patronage decisions (Sherry, 1990; Babin and Darden, 1995). Consumers' shopping decisions are no longer only based on tangible value or price (Zeithaml, 1988). They make their decisions in a short time, and many do not check the price when they place the product into their shopping basket (Dickson and Sawyer, 1990) because other elements, such as convenience, contribute significantly to the total value of their shopping experience. With respect to attitudes, some consumers feel that shopping is work, others fun (Fischer and Arnold, 1990; Arnold and Reynolds, 2003). Furthermore, regional and cultural differences affect the manner by which consumers evaluate the products acquisition process (Griffin, *et al*., 2000). Therefore, how Chinese consumers interact with the new self-serving fixed-price barter-free zone environment becomes a question. Yet, how to introduce a western style shopping environment into the Chinese way of life becomes a challenge.

Chinese Supermarket Shoppers: A new chapter

The competition in China is increasingly keen from domestic manufacturers as their quality standards rise. For western company companies viewing Chinese market as an opportunity they ought to prepare to understand the consumers first. Apart from the mode of investment, much literature has suggested the constraints for foreign investors in China were associated with consumers' attitudes and shopping behaviours. Although it has been identified that 'income' is the key segmentation factor in relation to whether to purchase fresh food in a supermarket or traditional market (Goldman, et al. 1999), while Chinese consumers have continued to purchase fresh foods from highly accessible traditional markets (Goldman, *et al.*, 1999; Goldman, 2000), they have posed a continued threat to the supermarkets. There is an urgent need for research on Chinese consumers although limited literature on branding suggested many global brands have been successful in promoting awareness and in penetrating the local markets. For example, Cui and Liu (2001) reported a high level of awareness of international brands among Chinese consumers, such as Coca-Cola (81%), Head & Shoulders shampoo (Procter & Gamble, 72%), and Panasonic (Matsushita, 70%). Consumers rate quality as the most important criterion determining their purchasing decisions (Hansen, 2001). The supermarkets need to evaluate customer satisfactions because it is a proxy for a store repatronage (Hutcheson and Moutinho, 1998).

DATA COLLECTION

The above literature has provided this study with some key variables for studying supermarket shoppers in China. A survey was conducted using a structured questionnaire. The sample comprised 200 respondents who were randomly chosen outside two supermarkets, Bei and Yi (abbreviations), in Beijing. Supermarket Bei opened in 1997, in the Northern District which was developed for the 1990 Asian Games and a new Metro line is planned to be built through this area in the next few years. Supermarket Yi has operated since 1998 in an area which is to be further developed for the 2008 Olympic Games. The two supermarkets were selected because they represent the two major supermarket-operating modes in Beijing, one is a subsection of a department store and the other one is a chain that has many stores in or surrounded by a densely populated residential area. Most Chinese organisations hold a conservative view about surveys. Data were collected over a period of 4 weeks (14 July – 18 August 2002) under a workable agreement with the two supermarkets within three time slots; weekdays, during the day and in the evening and one weekend day. Beijing not only is the capital city but thought to be one of the most cosmopolitan cities in China associated with innovations and adaptations of new forms of marketing institutions. The variables used in the questionnaire ranged from the profile of the shoppers, how they shopped, the category of products they purchased from the supermarket to reasons of choosing the supermarket.

RESULTS

All respondents indicated that they had shopped in a supermarket before. The shoppers were 44.5% male and 55.5% female, and the majority of them were married. The number of male shoppers suggests the importance of Chinese men in household chores and their changing role in society. The shoppers covered a broad age, with 31-40 year-olds showing a slightly higher distribution compared with others.

The mainland Chinese are accustomed to using 1,000 or 10,000 yuan (renminbi, or RMB) as a benchmark for household purchasing power (Cui and Liu, 2001) and they seldom convert their monthly income into annual income. Therefore, this study asked respondents for their income on a monthly basis. It was found that only 8% of respondents were so-called '*working poor*' compared with more than half of respondents in Cui and Liu's study published in 2001. 35.5% were reported earning RMB 801-2000 per month and 33.5% earned RMB 2001-4000 per month. They can be categorised as '*salary class*' and '*little rich*' (Tong, 1998; Cui and Liu, 2001). The '*yuppies*', with an annual household income more than 40,000 RMB, comprised 15% in Cui and Liu's study amongst urban consumers (a total of forty-one cities-including China's major urban centres, such as Beijing, Shanghai, Guangzhou, and many other smaller cities were surveyed) compared with more than 20% in this study after converting the monthly income into an annual one. This suggests that Beijing has a significantly higher proportion of 'little rich' and 'yuppies' than other urban cities although it may also due to an increase of average income in the last three years (see Table 1).

Insert Table 1 here

In an analysis of consumers' shopping frequency and the amount of money spent on each shopping trip, the results indicate that Chinese consumers are accustomed to making small and frequent shopping trips to the supermarkets, which is significantly different from the shoppers in the West. More than 85% of the respondents shop more than three times a week, spending less than RMB100 per visit; in particular, more than 45% of the shoppers spend less than RMB50 per visit (approximately £4) (See Table 2). These shopping behaviours are associated with the mobility of local people and accessibility of the supermarkets. It was found that nearly 90% of the supermarket users arrived on foot that limited how much shopping they could carry. Only 1.5% of the shoppers use a car. In addition, 92.5% of consumers indicated that they also shop somewhere else other than the supermarket, including traditional markets, particularly for the food categories of fruits, vegetables, meat and fish.

Insert Table 2 here

With respect to consumers' patronage motives, respondents were asked to indicate the extent to which they agreed to various possible statements which explained why and where they shopped. Similar to Western consumers, '*closeness to home*' ($\overline{X}$ = 4.24) is the most important factor determining where they shop (see Table 3) followed by '*satisfactory product assortment*' ($\overline{X}$ = 3.99), '*good quality*' ($\overline{X}$ = 3.76) and '*reasonable price*' ($\overline{X}$ = 3.63). Despite the observations by the authors that the prices of fruits and vegetables and many comparable items are significantly higher at Supermarket Yi and Bei than the surrounding traditional markets, over 60% of the respondents considered their prices as reasonable. The variables that gained the lowest agreement levels from the respondents were '*good services*', '*club membership*' and '*closeness to work*'.

Insert Table 3 here

One-way ANOVA was used to analyse if there was a significant difference in shopping patronage motives amongst various sub-groups such as gender, age, marital status and income. The significant level was determined at 5%. The results are interesting in that very little significance is shown in the statistics apart from two variables relating to '*income*' and one relating to '*marital status*'. The first difference with respect to income is with respect to shopping at the supermarket because it is '*close to work*' (P=0.21) and has a '*satisfactory product assortment*' (P=0.039). '*Marital status*' was significantly related to choosing to shop at the supermarket because it is '*located in a shopping centre*' (P=0.048). (See Table 4)

Insert Table 4 here

CONCLUSIONS

The results suggest that Beijing supermarket shoppers make small purchases and frequent visits at supermarkets. Most of them do not use any form of transport to reach supermarkets as they arrive on foot. This dictates the volume of shopping they can carry, which results in the high frequency of patronage and the low amount of spending. Gender does not make a significant difference in shopping in Chinese society; the stereotype of Chinese women undertaking all household chores has not been sustained in this study.

More importantly, there is a significant increase in supermarket shoppers' incomes compared with previous studies. In a sub-group analysis into the reasons of shopping in a supermarket, the only significant correlations were between consumers' incomes and both closeness to work and a satisfactory product assortment in the shops, and between marital status and the location of the supermarkets in shopping centres. Therefore, the reasons why they shop in a supermarket are homogeneously due to 'closeness to home', 'satisfactory product assortment', 'good quality', and 'reasonable price' ($\bar{Y} > 3$). Consequently, supermarkets should continue to focus on these aspects of management to attract future repeated custom.

This finding of this study is consistent with Goldman, *et al.* (1999) study which suggests 'income' significantly influences where consumers shop. The result also indicates the shopping patronage motives related to '*located in a shopping centre*' vary because of the '*marital status*' that may due to the need of one-trip shopping differ between single and married shoppers. Unlike the success enjoyed by some loyalty schemes in the west, the majority of the Beijing supermarket shoppers suggest that such schemes are not the reason why they shop in a supermarket. Developing a sophisticated loyalty scheme does not seem to be attractive to Chinese consumers and may not have strong influence on where they shop at the time when this study was conducted. It is known that the ownership and usage of bicycles in these regions are very high, in order to encourage consumers to purchase higher volume in one shopping trip, supermarkets could provide areas near them for parking their bikes.

Similar to the results from other studies (Goldman, 2000; Miu and Penhirin, 2003), Chinese consumers use supermarkets ‘selectively’ and are accustomed to shop in the traditional markets to buy fresh food, namely fruits, vegetables, meat and fish. Although more than half the respondents agreed that supermarket prices were reasonable, in the long term, based on western experience, the supermarkets will only play an important role in supplying fresh foods when the local lifestyles, local distribution methods and cost structures have changed. Given the pace of development of the Chinese market, it may not be long before these changes occur. There has been substantial development in the number and the size of the ‘free-market’ in Chinese retailing. The markets are mostly open-air stalls, which cluster around the established shops. They can pose a threat to the supermarkets. Therefore, in the long term managers need to increase their emphasis on the total value shopping experience involving intangible factors other than price. However, the disparity in development and wealth between the cities and the rural areas in China is still very significant and the strategies must therefore be carefully measured.

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Table 1 Demographic Profile of the Supermarket Shoppers

N=200

Variable	Frequency	Per cent (%)
Gender		
Male	89	44.5
Female	111	55.5
Age		
< 20	1	0.5
21-30	46	23.0
31-40	58	29.0
41-50	47	23.5
51-60	39	19.5
61+	9	4.5
Marital Status		
Single	60	30.0
Married	140	70.0
Monthly Income		
≤ 800 RMB	16	8.0
RMB 801-2000	71	35.5
RMB 2001-4000	67	33.5
RMB 4001-6000	25	12.5
RMB 6001-8000	15	7.5
RMB 8001+	6	3.0

Table 2 Shopping Frequency and Expenditure

Variable	Frequency	Per cent (%)
Frequency		
Less than once a week	4	2.0
Once or twice a week	23	11.5
Three or four times a week	131	65.5
Five times a week or more	42	21.0
Spending per shopping trip		
≤RMB50	92	46.0
RMB 51-100	80	40.0
RMB101-200	26	13.0
RMB 200+	2	1.0

Table 3 Consumers' Patronage Motives

N=200

Reasons	Strongly agree (%)	Agree (%)	Neither agree or disagree (%)	Disagree (%)	Strongly disagree (%)	Means*
Closeness to home	46.5	40.0	4.0	9.5	0.0	4.24
Satisfactory product assortment	21.5	61.5	11.5	5.5	0.0	3.99
Good quality	3.0	74.0	22.0	1.0	0.0	3.76
Reasonable price	5.5	56.5	33.5	4.5	0.0	3.63
Located in a shopping centre	0.0	42.5	3.0	53.0	1.5	2.87
Attractiveness of advertising	0.0	20.5	36.0	39.5	4.0	2.73
Closeness to work	6.0	24.5	4.0	65.5	0.0	2.71
Club membership (loyalty scheme)	0.0	12.5	13.5	63.0	11.0	2.28
Good services	0.0	0.5	9.0	68.0	22.5	1.88

* The values attached to the agreement levels are 5, 4, 3, 2 and 1 respectively.

Table 4 Patronage Motives versus Consumer Profile

One-way ANOVA

Reasons	**Gender**	**Age**	**Marital Status**	**Income**
Close to home	0.084	0.091	0.268	0.557
Close to work	0.435	0.061	0.706	**0.021**
Located in a shopping centre	0.179	0.546	**0.048**	0.698
Attractiveness of advertising	0.112	0.465	0.966	0.395
Good services	0.507	0.616	0.742	0.948
Good quality	0.079	0.270	0.081	0.559
Reasonable price	0.086	0.634	0.071	0.731
Club membership (loyalty scheme)	0.125	0.673	0.765	0.135
Satisfactory product assortment	0.198	0.252	0.324	**0.039**