

THE REVOLUTION OF CRC DEPARTMENT STORE

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ABSTRACT

Stepping into the 1980s, the department store industry entered into another phrase of the life cycle. Severe invasion from the Japanese department stores coupled with the ever modernizing local Hong Kong department stores caused the Chinese department store to lose its foothold in Hong Kong.

Under such a low tide period for the Chinese stores, CRC group captured this opportunity to acquire two of the leading Chinese department stores, CPC and CME and renamed it as CRC Department Store. Faced with keen competitive forces and changing customer needs, CRC had undertaken a "Market Repositioning" program in order to create a new store image which could help to get rid of the traditional Chinese image.

With an aim to target at a segment of youngster aged 25-40, which was new to the store, CRC had increased its merchandise mix to include the imported items and to retrain its salespeople to be more service-oriented. However, at the same time, CRC didn't want to lose the old CPC and CME customers. Thus, "gradualism of change" was applied, that was, the identity of the store (revolution), but all the layout, merchandise display and decoration of the store were kept unchanged in order not to create shocks for the group of CPC and CME customers.

Under such an arrangement, confusion about the store identity was created. Furthermore, adding up the store layout, merchandise mix, internal decor of the store and services of the salespeople, they still shaped CRC to a traditional Chinese store image as perceived by both the existing customers of CRC and its potential customers. According to the consumer survey conducted, it had also been proven that the target segment of CRC (aged 25-40) were highly aware of the store, and over half of them had visited the store. Unfortunately, most of both who had visited or not visited the store, declared that they are not likely to buy at CRC. The main attributers were the traditional Chinese image of CRC that lowered their motivation to buy there. In addition, they thought that the merchandise was not suitable for them.

As a result, it was suggested that the store sign should be hung up at all five branches first in order to create a clear identity for the store. Without an identity, all the things done would be irrelevant. Then, a careful selection on merchandise should be followed in order to fit the needs of the targets. Equally important, salespeople should receive a more comprehensive training programme so as to change their old working attitude and to deliver a pleasant image for the store. If possible, in the near future, store layout should be rearranged to create a comfortable shopping environment for the shoppers and advertising should be launched to project a brand new image for CRC.

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CHAPTER I

INTRODUCTION

1.1 Structure of the Project

This project was a case study over CRC Department Store's "Market Repositioning" strategy. It was structured into eight separate chapters. The first chapter was "Introduction". It informs the readers about the skeleton of the project, brought out the evolution of the department store in Hong Kong and mention briefly about why CRC Department Store would exist and how it carries out the "Market Repositioning" program. Finally, the project objectives which helps CRC to evaluate its repositioning program and also the project methodology are presented.

The second chapter gives the readers a brief idea about what kind of store is CRC and how it plays in the market. In the next chapter, the "Market Repositioning" program is described. Moreover, criteria to be used for evaluating the effectiveness of the "Market Repositioning" program is discussed, coupled with the factors that affect store image, awareness and intention to buy of customers towards CRC.

When moving to chapter four, the consumer survey that the authors had conducted for the evaluation of the "Market Repositioning" program is introduced. In

this chapter, both the survey objectives and methodology are presented, along with the structure of the questionnaire and a summary of the study limitations.

Chapter five presents the research findings of the survey. Discussion is divided into two parts, the first part focuses on the questionnaire directed at the existing CRC customers, while the latter part on the questionnaire targeting at the potential CRC customers.

Basing upon the research findings, together with the in-depth interview with Mr. Huang, Director of CRC Department Store and the authors' observations, issues and problems of CRC are identified and discussed in chapter six. What follows in chapter seven, would be the recommendations for these issues and an overall conclusion.

1.2 The Evolution of Department Stores in Hong Kong

The establishment of first department store could be traced back to almost a century ago. It was in 1900, Sincere Company Ltd. started the department store business in Hong Kong¹. At that time, the store provided a large variety of merchandises and modernized facilities for selection, which were really fresh to local consumers. In 1907, there was a second player coming to scramble for market share. This was Wing On Company Ltd. The two Hong Kong based stores with their shops located at the Central District competed directly.

¹ Cheung, W.L., So K. H. & Yau O. H. M., "Store Image and Store Nationality: The Case of Buyers of Department Stores in Hong Kong", Hong Kong Baptist Collage, 198_

Not until 1938, the first Chinese department store joined the game, it was China Product Company Ltd (CPC). The shop at that time was located at the newly developed shopping area-Causeway Bay, serving a niche market that differed from that with the Hong Kong Stores-Wing On and Sincere.

During the 1950's, the competition was intensified by the expansion of Wing On in setting up a second branch in Central in 1956. And at the same time a second Chinese department store entered the battle field in 1959. It was really a breakthrough at that time for Yue Hwa Chinese Products Emporium Ltd to be situated at the residential area in Yaumatei. Besides, it was also the first department store to be operated in the Kowloon Peninsula.

Stepping into the 1960's was just like entering into another phase of the life cycle. In 1960, the first Japanese department store started its business at Causeway Bay that was Hong Kong Daimaru Store Co. Ltd.

Daimaru sold Japanese products and served the upper-middle class people. It expanded gradually, on one hand enlarged the whole pie by absorbing new customer segments (entire department store business), and on the other hand, exerted pressure on its competitors by eating up their market shares.

In view of the thriving economy and rising consumption power in Hong Kong, both foreign players and local stores rushed to capture the market. During the past

thirty years, many department stores had been established and they could mainly be categorized into four distinctive groups, namely Hong Kong department store Chinese department stores, Japanese department stores and foreign department stores. Here was a list of some of the department stores operating during 1900-1992.²

Hong Kong Department Stores

- Sincere Company Ltd.
- Wing On Company Ltd.
- Shui Hing Department Store
- Metropole International Department Stores Ltd.

Chinese Department Store

- CRC Department Store
(a merger between China Product Ltd.
and Chinese Merchandise Emporium)
- Chung Kiu Chinese Products Emporiums Ltd.
- Chinese Arts & Crafts (HK) Ltd.
- The Chinese Goods Centre Ltd.

Japanese Department Stores

- HK Daimaru Store Company Ltd.
- HK Matsuzakaya Department Store
- Sogo HK Company Ltd.
- Yoahan Department Store (HK) Ltd.
- Uny (HK) Company Ltd.
- Jusco (HK) Company Ltd.
- Seibu Department Store

Foreign Department Stores

- Marks & Spencer (HK) Ltd.

² Ibid 1

1.3 The Birth of CRC Department Store

During the 1960s to 1970s, power of the players in the department store industry were quite balanced. Each unique group of department store actually appealed to own unique set of segments. For the Hong Kong department stores, they used to be the place for middle class family. For Japanese department stores at that time, they aimed at attracting middle to higher income class youngster and professionals to spend their leisure time there. For the Chinese department stores, they did have a huge market at that golden period because the “low price” and “good value for money” products which met the primary needs of the general public.

Nevertheless, faced with the severe invasion from the Japanese department stores which changed the consumers’ purchasing behaviour together with upgrading their living standards, “quality, variety and creativity” seemed to become the keys for product selection by these “demanding” customers. Unfortunately, the traditional Chinese department stores were conservative and reluctant to change in nearly all aspects, e.g. management style, service quality, product mix, and they even did not repair or refurnish their stores for tenths of years.

Therefore, “a total number of about 130 Chinese department stores operated during the early 1980’ dropped to approximately 20 stores surviving in the mid 1990s”, as stated by Mr. Huang Zilong, Director of CRC Department Store.

Seeing the sun setting Chinese department stores, CRC group believed that the demand for Chinese department stores was there, but the players had misfocused their effort at internal competition with each other rather than pointing the arrows towards their common enemies- other department stores originated in Hong Kong and Japan. CRC group discovered that the management of these Chinese department stores were too short sighted and too weak to fire back for any turnpoint. As a result of these, Mr. Huang Zilong was appointed as the Director for the new store to acquire two of the leading Chinese department stores, that were the China Products Company (HK) Ltd. (CPC) and the Chinese Merchandise Emporium (CME). The two stores merged and renamed as CRC Department Store on August 26, 1993.

The philosophy of such a merger was to rejuvenate the life of the Chinese stores at the time when they were not totally dead; and to be more flexible, resourceful and competitive through merging the two of the strongest Chinese stores with similar market position in Hong Kong.

After merging and renaming the stores, CRC undertook a "Market Repositioning" program in order to get away from the shadow of the traditional Chinese department stores and to be reborn as a new department store targeting at younger generation aged between 25 to 40. For instances, they had designed a new store logo, imported a series of merchandise from Japan and other foreign countries and organized fashion shows in the stores.

1.4 Research Objectives

Through a discussion with Mr. Huang Zilong, Director of CRC Department Store, he and the authors jointly decided that the project objective was to evaluate the effectiveness of the “Market Repositioning” program undertaken by CRC Department Store at that time.

1.5 Scope of Study

With reference to the research objective being set, here was a list of areas that were worth investigating.

1. What should be the criteria used for evaluating the effectiveness of the program?
2. Could CRC department store be successful in projecting a new image (different from the image of the old stores-CPC and CME)?
3. Would the existing customers of CRC Department Store matched with the target customers that described by the management.
4. If the perceived image of CRC Department Store was one of the criteria used for evaluation, what would be the factors that affect a store's image?
5. Was the overall awareness of the potential customers of CRC Department Store high?
6. How likely would the potential customers buy from CRC Department Store?

1.6 Research Methodology

1.6.1 Exploratory Research

Exploratory research was being conducted during the initial stage of idea generation, and objective setting through various means, like literature review, interviews and observations.

1.6.1.1 Literature Review

During the idea generation period, newspapers, reports and magazines were widely searched for the sake of discovering interesting and worth studying topics. After decided to approach CRC Department Store to understand its “Market Repositioning” program, an intensive desk research was made to gather some information about the company and the department store industry.

1.6.1.2 In-depth Interview

After gaining a brief understanding about what was going on at CRC Department Store, an interview was arranged at October 1995 to meet with Mr. Huang Zilong, the Director of CRC Department Store. During the interview, the evolution of CRC Department Store was described and its “Market Repositioning” program was discussed also. Then, the research objective was designed jointly.

Another interview with Ms Kit Ho, Deputy Officer of Marketing and Advertising Department was arranged. By that time, a more detail planning about the research project was scheduled and a consumer survey was agreed to be carried out.

1.6.1.3 Store Observation

Visits to the five CRC Department Stores were made. This aimed observe the store layout, merchandise display, store's selling atmosphere and shoppers' purchasing behaviour. Later on, these valuable information served as the basis for the next step-consumer survey.

1.6.2 Descriptive Research

According to the objectives being set and a brief understanding about CRC, a descriptive research through sample survey was conducted then.

The consumer survey was to be conducted to gain an understanding of the customers of CRC and their reactions and feelings towards the repositioning program. At this stage, two sets of structured questionnaire were designed to be completed by a group of existing CRC customers and another group of potential customers of CRC respectively. (Please refer to Chapter IV for detail survey methodology description)

1.7 Summary of the Chapter

In this chapter, the evolution of the department stores in Hong Kong was reviewed. With an understanding about the declining importance of the Chinese department stores, it was not surprised to accept the idea of CRC Department Store in acquiring CPC and CME and undertook the repositioning program. To assess whether

CRC Department Store was successful at this stage, the objective of this research project was to help CRC in determining the effectiveness of its repositioning program.

In the next chapter, a brief description about the store was provided for the readers to know the business scope of CRC.

CHAPTER II

COMPANY BACKGROUND

In this chapter, an overview of CRC store would be made so as to get an understanding about its store operation, target customers, merchandise provided and its perceived competitors.

2.1 History of CRC Department Store

CRC Department Store Ltd. (CRC), which was a retail subsidiary of China Resources (Holdings) Co. Ltd. Founded on August 26, 1993. It was formed by a merger between the China Products Co. (HK) Ltd. and the Chinese Merchandise Emporium and renamed as CRC Department Store Ltd.

2.2 Store Operation

CRC Department Store had five branch stores which grand open on January 8, 1994. All the five stores were located in the heart of Hong Kong's thriving commercial districts and fashionable shopping centre, with two of them located in Causeway Bay, one in Central, one in Mongkok and the other in Tsuen Wan. The total shop space was around 390,000 square feet.

Actually, the store location and shop space were just the same as the former Chinese stores (China Product Ltd. and Chinese Merchandise Emporium. Moreover, the sign of the former stores were changed to CRC Department Store at one of the Causeway Bay shops and also at the Central shops.

2.3 Target Customers

CRC Department Store employed a middle class image, and aimed to appeal to younger customers aged between 25 and 40 of course, tourists and overseas Chinese would be a niche group.

2.4 Merchandise Mix and Scope of Service

CRC Department Store primarily provided customers with traditional Chinese consumer products. To cope with the demand pattern of the younger generation, it included internationally branded products from Europe, America, Japan, Taiwan and Hong Kong.

As a whole, CRC Department Store had been able to present nearly 100,000 kinds of commodities to meet customers' needs. The product lines included both local and imported cosmetics, men's and ladies' clothing, children's wear and toys, babies' goods, watches, accessories, leather products and shoes, household goods, electrical

appliance, gift items, bedding and stationery. Besides, traditional items like raw and prepared Chinese medicine, porcelain, carpet, Chinese arts and crafts, silk fabrics, drawnworks, embroidery, teas and Chinese specialty foods were also presented.

Furthermore, CRC had developed its own line of clothing for ladies and men, including L'Image ladies' wear, Softender cashmere fashion and Condiari men's wear.

CRC did provide a full range of services, for instances, it accepted enquiries and mail orders from customers abroad. It also provided "Ordering in Hong Kong, Collecting in China" service with areas covering Beijing, Shanghai, Guangzhou, Shenzhen, Zhuhai Zhongshan, Jiangmen, Chuanzhou, Wunzhou, Fuzhou and Xiamen.

2.5 Perceived Competitors

In general, all players in the department store segment, no matter they were the foreign department stores or Chinese stores, were considered as CRC's competitors.

A step forward, if customers regarded shopping in the department store as a kind of leisuring activities for family, then, the boundary of competition would extend to include cinemas, restaurants.... According to Mr. Huang, Director of CRC Department Store, they perceived Wing On Department Store as their direct competitor.

Wing On Department Store was a Hong Kong based store which projected an image as "Family Department Store". Wing ON was established in 1907, developing from a small family store to a listed company nowadays, it had twelve stores scattered around Hong Kong's business and residential areas. The name "Wing On" was rooted in Hong Kong consumers' hearts, though it did not featured as a fashionable store, it appealed to a group of youngster in their early 30's that CRC was also looking for.

2.6 Merchandising System

Merchandise purchasing was a centralized function at CRC. There was a central purchasing team consisted of professional buyers seeking goods from Hong Kong, China and all over the world. Thus, merchandise being sold at five CRC stores would be consistent.

2.7 Summary of the Chapter

CRC Department Store was founded in August 1993 and started business in January. It had five branches located at the same places as the former CPC and CME stores did. However, only two of the stores had changed the former signs to CRC Department Store. This might actually cause some kinds of confusion for the shoppers. And this problem would be discussed in Chapter V again (perceived image of CRC Department Store by shoppers at the store with CRC sign and at another store without CRC sign).

Furthermore, the stores defined their target customers aged from 25 to 40. To serve this group of customers, they not only offered the traditional Chinese goods, but also adding imported foreign products and developing own brands. They had a centralized purchasing system to ensure merchandise being sold at different branches were consistent. Finally, Wing On Department Store was perceived as CRC's direct competitor in terms of customer profile, product variety and price.

In the next chapter, the details about CRC's "Market Repositioning" program would be discussed.

CHAPTER III

THE MARKET REPOSITIONING PROGRAM

After gaining a brief idea about what CRC Department Store was doing in the previous chapter, let's have an investigation into the "Market Repositioning" program launched by CRC. Then, at the latter sections, both the criteria for evaluating and factors affecting the effectiveness of this program would be taken into account.

3.1 The Market Repositioning Program of CRC

With the hope of changing the fate of the Chinese department stores, CRC Department Store was formed with merging the two leading traditional Chinese Stores, namely CPC and CME in 1993. However, CRC did not retain the names of CPC and CME for the stores after its merger because, as Mr. Huang had mentioned, Hong Kong people had a kind of stereotype towards these Chinese department stores. Hong Kong people used to think that these Chinese stores were old-fashioned, traditional, conservative, boring, poor quality, a place for older generation and a centre for "made-in-China" products. Even if they never have the chance to visit the store, they still got such kinds of negative perception or it was better to say that this was the barrier for CRC Department Store to attract a new group of customers, that was the youngster.

3.1.1 Signs and Logo

To have a fresh and exciting image, CRC Department Store hired one of Hong Kong's top designers, Mr. Kenneth Ko for shops' external design and logo design. Ultimately, the logo looked great and gained lots of positive feedback from the public. The new logo was featured in green and white color, with "green" referred to ocean and "white" meant wave. The shape of the white portion was the shape of a dragon and this reflected the Chinese heart and its origin. "Wave" by its own meant the intention for revolution and CRC's determination for change. Besides, the shape of the "wave" was actually the symbolic pattern of the alphabet "C" referring to CRC and the irregularity of wave represented the creativity and flexibility (Please refer to Appendix 1 to see the logo).

Coupled with the miraculous logo, the next thing for CRC to do was to change the sign of the store at the entrances of each shop. However, due to the unavailability of funds at that time, new signs were only hung at two stores, one in Causeway Bay branch, another in Central branch. With the other three stores still using the old signs of CPC and CME.

3.1.2 Merchandise Selection

In the past, CPC and CME only served the "Made-in-China" products. Today for CRC, in order to keep in line with the demand of its target customers (aged 25-40), it introduced a great variety of products, like bedding, ladies and men's wear, socks,

umbrella, electrical appliances, furniture..... from other sources such as Japan, Australia, Europe and America.

Furthermore, to increase the uniqueness and strengthen its competitive position, CRC developed its own brands by hiring local professional designers and manufactured in a low cost centre - China. These private brands were L' image for ladies' wear, Condiairi for men's wear and softender for cashmere products.

3.1.3 Merchandise Buying

Localized buying responsible by each individual shop was the strategy used by CPC and CME. Gradually, CRC changed such a decentralized strategy to a central buying system handled by a team of professional buyers in order to maintain a consistent image for CRC and to provide customers with convenience e.g. for merchandise exchange at any of the stores.

3.1.4 Store Layout

The stores were modernized with the installation of escalators and elevator. However, for the internal decoration of the stores and the floor plans, they were kept constant with minimum changes. The purpose of keeping the store layout unchanged was to avoid the ill-feelings of old customers of CPC and CME and to help them maintain their familiarity towards the renamed stores. The ideal result was to keep the old loyal customers of CPC and CME but at the same time to capture a group of new

customers for CRC. As Mr. Huang stated that changes would be an on-going process because they believed that a revolution (merger) should be supported by continuous improvement, step by step, they favored "gradualism for change" rather than a series of "shocks and surprises" for their customers.

3.1.5 Sales Personnel

No staff had been laid off under the merging, Mr. Huang indicated that it was the company's policy to retrain and reallocate the human resources rather than firing them even if there was idle resources. The major concern for laying off the staff was the possibility of company instability and social unacceptance. And since CRC was a Chinese company, any mismanagement towards their staff in Hong Kong would contribute to sensitive outcomes, especially when 1997 was approaching.

In view of this, a retraining program was organized for all staff to inform them about the new store image and inject a more modernized management concept to them.

For the recruitment system, the qualification of those newly hired salespeople were upgraded to have at least Form Five standard with an age similar to the target segment (age 25-40) in order to close the communication gap between the service provider and service receiver. In addition, to cure the common headache in the retail business - high turnover rate of salespeople, CRC adopted a policy of staff localization, what it meant was to hire those who lived in the Eastern District to serve the Causeway Bay shop, and those lived at Kowloon side for Mongkok branch.

Besides, a "Staff Club" was formed to organize some cultural and recreational activities for staffs aiming to cultivate a relaxed and nice working environment and consolidate a family-liked network.

3.1.6 Promotional Tactics

CRC Department Store had advertised on television and radio occasionally. In terms of print media, it selected a few official newspapers (e.g. Ta Kung Pao and Wen Wei Po) and some unofficial newspapers (e.g. Sun Pao, Tin Tin Daily and Sing Pao). For the most efficient and recordable advertisement, it should be the light box advertisement at MTR stations.

Apart from these formal channels, CRC did organize Autumn/Winter fashion show in October 1994 at the Causeway Bay store. It aroused the interest of the press to help delivering the free publicity effect and also attract the general public's interest to visit the stores.

In cooperation with East Asia bank, CRC Department Store had launched the CRC credit card for their shoppers. The application process was simple and the holder should fulfil the requirement of reaching an annual salary of HK\$40,000 and submit an annual fee of HK\$50 only.

3.2 Evaluation Criteria for the Market Repositioning Program

Having reviewed the elements of the Market Repositioning program of CRC in the former section, here came to the question of how to determine whether the program was successful or not.

Firstly, to know whether the program was effective or not, one could evaluate the performance of the company by assessing the image perceived by its customers. Thus, if the program was effective, then (i) for the existing old customers (both CRC customers and former CPC and /or CME customers), the perceived store image towards CRC should be improved when compared to the perceived image towards the old shops (CPC and/or CME). This was because perceived image was an indicator of the asset value of the "retail brand"³. Therefore, with the repositioning program of CRC, the asset value of the store should be increased. (ii) For the potential customers aged 25-40, their perceived image towards CRC Department Store should matched with what CRC was trying to project.

In short, the perceived store image by both the existing customers and potential customers could be regarded as one of the criteria in judging the effectiveness of the repositioning program.

Secondly, the purpose of this repositioning program was actually to escape from the image of a traditional Chinese store and to be able to attract a new group of

³ McGoldrick, Peter J., Retail Marketing, McGraw Hill, 1990, p.122-125

youngster aged from 25 to 40. Hence, to check if the repositioning program was workable at this group, their (i) awareness towards CRC and their (ii) intention to buy there should be looked into.

Briefly summarizing the above discussion, (i) the perceived store image by both the existing and potential customers; (ii) the awareness towards CRC Department Store of the potential customers, and (iii) the potential customers' intention to buy in CRC were used in evaluating the effectiveness of the Market Repositioning program.

3.3 Factors Affecting the Effectiveness of the Market Repositioning Program

Factors that would affect the effectiveness of the repositioning program were directly related to the criteria used for assessing the program. For instance, factors affecting the perceived store image and customers' intention to buy from a particular store included, the price and quality of merchandise, the store layout, selling environment, salespeople's services so on and so forth. For factors influencing the awareness of the potential customers could be the store location, promotional campaigns and

Summarizing all these factors that affect directly the evaluation criteria (i.perceived store image, ii.awareness, and iii.intention to buy), they were at the same time the key components in determining the success and failure of the Market

Repositioning program for CRC. The list of these key components was shown as the follows⁴:

Merchandise

- price of merchandise
- quality of merchandise
- assortment of merchandise (breadth and depth)

Store Layout and Atmosphere

- layout and floor plan of store
- external and internal decor of store
- merchandise display
- congestion

Convenience

- location from home and work
- accessibility
- hours the store was open

Services (Sales Personnel and Store)

- attitude of sales personnel
- knowledgeability of sales personnel
- returns
- exchange

Promotions

- special sales
- fashion shows and other special events
- style and quality of advertising
- media and vehicles used

Institutional

- conservative/modern
- reputation
- satisfaction level of customers

3.4 Summary of the Chapter

With an overview of the Market Repositioning program launched by CRC Department Store, it could be described as a revolution followed by gradual evolution

⁴ Ibid 3, p.126-129

process because the merging activities characterized by the new logo design has coupled by some minimum modification, like increasing merchandise variety and retraining of salespeople. Moreover, there were some elements, like store layout and salespeople, maintained without much changes so as to release the shocks to the old customers of CPC and CME.

Referring to this repositioning program, three criteria used for evaluating the overall effectiveness of the program were selected. They were, (i) the perceived image towards CRC Store by both the existing and potential customers; (ii) current awareness of potential customers towards CRC; (iii) intention to buy from CRC by those potential customers. With this set of criteria, the factors that affect the effectiveness of the repositioning program were also determined, because factors influencing the above mentioned criteria would also contribute to the success or failure of the program too. These factors were mainly categorized into six areas, namely, merchandise, store layout and atmosphere, convenience, services, promotional and institutional factors. In the next chapter, the details of the consumer survey would be discussed and actually, the two sets of questionnaire were structured in the sense to know the perceived image of CRC, current awareness of CRC and customers' intention to buy there. Furthermore, the key factors affecting the effectiveness of the repositioning program that had been discussed in this chapter was applied in the questionnaire too as components affecting the store image and customers' choice of buying in a particular store.

CHAPTER IV

CUSTOMER SURVEY OBJECTIVES AND METHODOLOGY

According to the management objective of CRC which was to evaluate the effectiveness of the currently undertaking market repositioning program, customer survey objectives and methodology used will be discussed in this chapter. Limitations of this customer survey will also be discussed afterwards.

4.1 Customer Survey Objectives

The aim of this customer survey are:

1. To evaluate the perceived image of CRC store by her EXISTING customers (both old and new customers).
2. To assess the POTENTIAL customers' awareness towards CRC store and their intention to buy.

4.1.1 Definitions of Specific Terms

Certain terms are defined specifically for this customer survey as below:

1. Existing old customers:
customers who had ever bought in China Product Co. (HK) Ltd. (CPC) and/or, Chinese Merchandise Emporium (CME) in the past, and had also bought from CRC now.
2. Existing new customers:
customers who had never bought in CPC and/or CME in the past, but had bought from CRC now.
3. Potential customers:
people aged between 25-40 (as defined by CRC) and had never bought in CRC.
4. Awareness:
had heard of CRC Department Store.

4.2 Customer Survey Methodology

The descriptive research part of this project was done through a customer survey. Questionnaire design, field work, and sampling design will be discussed in detail in the following paragraphs.

4.2.1 Questionnaire Design

Two sets of questionnaire had been designed to achieve each of the customer survey objectives. One questionnaire was designed to survey on the existing customers while another was designed to survey on the potential customers. Both close-ended questions and open-ended questions were used in the two sets of questionnaires. The close-ended questions were included in order to get quantitative information from the respondents; while the open-ended questions were included in order to get qualitative information from the respondents as open-ended questions can give respondents freedom in answering the questions and, therefore, more true feelings of the respondents could be got from the open-ended questions.

4.2.1.1 Questionnaire for Existing Customers

The aim of this questionnaire was to achieve the first objective of this customer survey which was to evaluate the perceived image of CRC store by her existing customers (both old and new customers). Five sections were included in this questionnaire. Section I was used to identify the customer status of the respondents; Section II was used to get information on the impression difference between CPC/CME and CRC from old customers; Section III was for new customers solely which was used to identify their reasons for not buying from CPC/CME and their reasons for buying from CRC; Section IV was for all existing customers which was included in the questionnaire in order to know their particular impression on CRC; and

the last section, Section V, was asked to get personal details of the respondents. A sample of this questionnaire was shown in Appendix 2.

4.2.1.2 Questionnaire for Potential Customers

The aim of this questionnaire was to achieve the second objective of this customer survey which was to assess the potential customers' awareness towards CRC store and their intention to buy. A screening question asking if the respondents were in the age range of 25-40 was included to ensure that correct respondents were chosen for the sample. After this screening question, three sections were included in this questionnaire. Section I was included to get information on the current awareness towards CRC; Section II was included to get information on respondents' intention to buy from CRC; and the last section, Section III, was asked to get personal details of the respondents. A sample of this questionnaire was included in Appendix 3.

4.2.2 Field Work

The field work for the survey on existing customers was taken place in two places: outside the Causeway Bay shop and outside the Hennessy shop. The reason for choosing these two shops was to figure out if there would be any differences on respondents' responses with the presence and the absence of the CRC's shop sign. The survey was done on both weekdays and weekends in the hope to capture more diverse respondents for the survey and it was done between March 1 to March 15, 1996.

On the other hand, the field work for the survey on potential customers was taken place in two shopping areas in Hong Kong: Causeway Bay and Tsim Sha Tsui. These two areas had very high traffic of shoppers and thereby could facilitate in catching the target respondents who were people aged between 25 to 40. Besides this, CRC has shops in Causeway Bay but not in Tsim Sha Tsui. The carrying out of the survey in Tsim Sha Tsui could then help to get more diverse views from the potential customers and help to single out the effect of the presence of the CRC shops in affecting the respondents' responses. The survey was done between March 1 to March 15, 1996, as in the case of the survey on existing customers.

The details of the field works is summarized in the following table:

	Existing Customers	Potential Customers
Location	1. Causeway Bay shop (with sign) 2. Hennessy shop (without sign)	1. Causeway Bay shop (District with CRC shop) 2. TST MTR station (District without CRC shop)
Time	1. Weekday 2. Weekend	--

4.2.3 Sampling Design

Convenience and judgment sampling methods were used in the survey on existing customers. Shoppers coming out from the two CRC shops with the CRC shopping bags were interviewed. 95 people were approached. 30 respondents were

finally interviewed outside each shop. In total, 60 respondents had been interviewed who were regarded as existing customers. The response rate for this questionnaire was 63.2% which was quite acceptable as regards to personal interview.

On the other hand, quota and judgment sampling methods were used in carrying out the survey on potential customers. 87 people were approached and 60 respondents were finally interviewed. The response rate for this set of questionnaire was 69% which was also quite acceptable. The detail sampling plan was as follows:

Sex	Age range	Causeway Bay	Tsim Sha Tsui	Total
Male	25-29	5	5	10
	30-34	5	5	10
	35-40	5	5	10
Female	25-29	5	5	10
	30-34	5	5	10
	35-40	5	5	10
Total		30	30	60

4.3 Limitations

No research can be a “perfect” one, the same for this customer survey. This customer survey is subjected to the following limitations:

- (1) As a complete list of sampling frame was not available for this survey, convenience, quota, and judgment sampling methods were used in selecting respondents. Therefore, non-probabilistic samples were resulted.

- (2) The survey may have suffered from the problem of interviewer bias as personal interview was used for the whole survey. There may have a threat of misinterpretations on the opinions given by respondents. Besides this, as the survey was conducted by two researchers, different interpretations may be resulted even on the same question or same response.
- (3) Two locations were selected for the field work of each questionnaire. This was done to improve the reliability of the instrument, i.e. the two sets of questionnaire.
- (4) This survey may suffered from the problem of non-respondents. The response rate were 60/95 (63.2%) and 60/87 (69%) for the survey on existing customers and the survey on potential customers respectively. The people who turned down the interview may have different opinions with that of the respondents. This may have a threat on the generalizability of the results of the survey.
- (5) The survey may also suffered from the problems of non-coverage and over-coverage. Opinions from potential respondents in locations other than those selected for the field work were not covered. On the other hand, people who shop frequently in locations selected would have a higher possibility of being chosen for interview.
- (6) This survey may suffered from a threat of low external validity as the sample selected may not be representative enough to reflect the opinions of the whole population.

4.4 Summary of the Chapter

In this chapter, customer survey objectives and methodology used had been discussed. To achieve the two objectives mentioned at the beginning of this chapter, two questionnaires had been designed. One for the existing customers and another for the potential customers. Different locations and timing were assigned for the two questionnaires. The sampling methods used were also different for the two surveys. As no survey is a perfect one, this survey is no exception and the limitations encountered had been discussed. In the next chapter, findings gathered from these two questionnaires will be discussed.

CHAPTER V

CUSTOMER SURVEY FINDINGS

After carrying out the customer survey, findings were gathered with which it was hoped that some insights could be got for the existing repositioning program. In this chapter, findings from the two questionnaires, one for existing customers and another for potential customers, were summarized.

5.1 Findings from Survey on Existing Customers

The results gathered from the survey on existing customers were summarized in the following sections.

5.1.1 Demographic Profile of Respondents

The demographic profile of respondents for the survey on existing customers could be used as a reference on the demographic profile of existing customers of CRC. It was found out that majority of the respondents were females who accounted for 63.3% of all respondents (Figure 1 in Appendix 4). Most respondents were in the older age groups with the age ranges of 30-34, 35-40, and above 40 accounted for

16.7%, 25%, and 41.7% respectively (Figure 2 in Appendix 4). As CRC defined its target customers as people aged between 25-40, respondents were then classified into three different age groups in the following analysis, i.e. 24 or below, 25-40, and above 40. Furthermore, most respondents were under the occupations of 'Professional/Managerial', 'White collar/clerk', and 'Housewife' with 18.3%, 20%, and 26.7% of all respondents respectively (Figure 3 in Appendix 4). In addition, most respondents were in the income ranges of '\$20,000 or above', 'below \$3,000', and '\$12,000-\$14,999' with 18.3%, 16.7%, and 15% of all respondents respectively (Figure 4 in Appendix 4). Finally, majority of the respondents were under the education levels of 'Matriculation level', 'University level/Degree holder', and 'Senior secondary level' with 25%, 18.3%, and 15% of all respondents respectively (Figure 5 in Appendix 4).

5.1.2 Identify Customer Status

It was found out that 88.3% of the respondents had bought from CPC/CME before which means that majority of the respondents were old customers of CRC (Figure 6 in Appendix 4).

5.1.3 Impression Difference on CPC/CME and CRC among Old Customers

Among those old customers, less than half of them felt that there were differences between CPC/CME and CRC (Figure 7 in Appendix 4). The areas where

they felt the differences were product, price, and image with most of them felt the difference was on image (Figure 8 in Appendix 4).

Comparing the impression on CPC/CME and that on CRC, it was found that the general impression on CRC had slight improvement and was more favorable than that on CPC/CME. However, these old customers still had a negative feeling on the aspects of customer service, product quality, and product varieties (Figure 9 in Appendix 4).

5.1.4 Reasons for Buying from CRC from New Customers

'Not suitable products' was the major reason why new customers did not purchase in CPC/CME (Figure 10 in Appendix 4). On the other hand, 'location' was the major factor that led most of the new customers to buy from CRC (Figure 11 in Appendix 4). However, it should be noted that there were only seven new customers among the respondents. So, the representativeness of the findings from this section was questionable.

5.1.5 Impression on CRC from All Existing Customers

75% of all the respondents regarded CRC as 'traditional Chinese store' rather than 'department store' (Figure 12 in Appendix 4). This was the same for both male respondents and female respondents (Figure 13 in Appendix 4), and the same regardless of the customer status (Figure 14 in Appendix 4). In addition, it was

interesting to note that the portion of respondents who regarded CRC as 'traditional Chinese store' was highest among its target customers who were people aged between 25-40 (Figure 15 in Appendix 4). This portion was also highest among 'white collar/clerk' and 'housewife' (Figure 16 in Appendix 4).

When respondents were asked to use some words to describe CRC, most of them (27 out of 60) used the words 'traditional Chinese' to describe it (Figure 17 in Appendix 4). For male respondents, the next common phrase that was used was 'stuck in the middle'; while for female respondents, this was 'improved' (Figure 18 in Appendix 4). Again, most of the target customers of CRC, who were people aged between 25-40, used the phrase 'traditional Chinese' to describe CRC (Figure 19 in Appendix 4). Furthermore, 60% of respondents interviewed outside the Hennessy store (i.e. the store without CRC sign) described it as 'traditional Chinese', too. On the other hand, most respondents interviewed outside the Causeway Bay store (i.e. the store with CRC sign) described CRC as 'traditional Chinese', 'modern Chinese', or 'stuck in the middle' (Figure 20 in Appendix 4).

5.2 Findings from Survey on Potential Customers

The results gathered from the survey on potential customers were summarized in the following sections.

5.2.1 Current Awareness Towards CRC

It was found out that majority of the respondents (50 out of 60 respondents) had heard of CRC before (Figure 1 in Appendix 5). Of which, 38%, 28%, and 34% were within the age ranges of 25-29, 30-34, and 35-40 respectively (Figure 2 in Appendix 5). For all the age groups, 'passing or visiting the stores' was the major communication channel from which they got known of CRC (Figure 3 in Appendix 5). 'Relatives and friends' was another major channel from which the respondents got known of CRC especially for the respondents within the age group of 35 to 40.

5.2.2 Intention to Buy from CRC

Among those who had heard of CRC (50 respondents), 35 of them had ever visited CRC (Figure 4 in Appendix 5) and the majority was female (22 out of 35) (Figure 5 in Appendix 5). Of all those who had visited CRC, 31.4%, 28.6%, and 40% were within the age ranges of 25-29, 30-34, and 35-40 respectively (Figure 6 in Appendix 5). The reasons for not visiting CRC from the rest of the respondents (14 out of 50 with one missing) were mainly 'no such need' and 'not convenient' (Figure 7 in Appendix 5).

Although many of the respondents had visited CRC before, they had never bought from CRC. The reason for not buying from CRC was mainly 'not suitable products' (Figure 8 in Appendix 5).

The mean of the intention to buy from CRC among respondents was 3.483 with '1' being 'certainly yes', '3' being 'don't know' and '5' being 'certainly no'. 3.483 implied that the intention to buy from CRC was rather negative. It was biased towards 'not likely'.

3.483				
X				
Certainly	Likely	Don't	Not	Certainly
Yes	(2)	Know	Likely	No
(1)		(3)	(4)	(5)

It was interesting that respondents who gave the response of 'certainly yes' were all females. On the contrary, respondents who gave the response of 'certainly no' were all males. Generally speaking, the intention to buy from CRC were more favorable among the females (Figure 9 in Appendix 5). Besides that, no respondent within the age range of 25-29 would give the response of 'certainly yes' and no respondent within the age ranges of 30-34 and 35-40 would give the response of 'certainly no' (Figure 10 in Appendix 5).

Among those who gave the responses of either 'not likely' or 'certainly no', the reasons were mainly 'not suitable products' or 'don't know CRC' (Figure 11 in Appendix 5). Apart from these two reasons, 'price' and 'layout' were also reasons for female respondents having negative intention to buy from CRC (Figure 12 in Appendix 5). For respondents within the age range of 25-29, 'don't know CRC', 'not suitable products', and 'substitutes' were the major reasons for having the negative intention to buy from CRC; while for respondents within the age range of 30-34, 'price' and 'layout' were the major reasons; and for respondents between 35-40, 'not

suitable products', 'traditional image', 'price', and 'don't know CRC' were the major reasons (Figure 13 in Appendix 5).

5.3 Summary of the Chapter

In this chapter, findings from the customer survey were summarized. As two questionnaires were used in the customer survey, findings from the survey on existing customers and findings from the survey on potential customers were discussed separately.

For survey on existing customers, the demographic profile of the respondents were summarized first. Then, customer status of the respondents were identified. The impression difference on CPC/CME and CRC among old customers were also figured out. Moreover, the reasons for not buying from CPC/CME and the reasons for buying from CRC were summarized. Finally, impression on CRC were drawn from all existing customers.

For survey on potential customers, the current awareness towards CRC was first summarized, followed by a summary of the intention to buy from CRC among those potential customers.

With all these findings got from the two questionnaires, and the result from observation, significant issues that CRC was facing will be identified in the next chapter.

CHAPTER VI

ISSUES & DISCUSSIONS

After reviewing the customer survey findings and the result of observation, a variety of issues are identified under different areas.

6.1 Merchandise

Although there was high awareness of CRC mainly through passing/visiting the store, the intention to buy from CRC was rather low. The major reason was often quoted as “not suitable products”. This implied that there were some weaknesses in the merchandising system of CRC.

6.1.1 Price and Quality

As CRC changed its position from low class in the age of CPC/CME to the low/middle class at present, it set its price higher than before. With the price increase, customers had a higher expectation on product quality. However, the problem was that the product quality had not been improved with that price increase, even though CRC had already included some imported goods and its own branded products. This

led customers to believe that the products were not value for money. This affected their intention to buy from CRC.

Besides that, it is revealed in the survey findings that a portion of the target group, aged between 30 to 40, are price conscious. This was another factor that lead to the low intention to buy from CRC.

6.1.2 Assortment and Fashion

Although the assortment of the merchandise in CRC had been increased with the introduction of imported goods and own branded labels, the intention to buy and the actual purchased rate were still low. As mentioned before, the major reason is “not suitable product”.

There were only limited varieties of imported goods which could not satisfy the customers fully. On the other hand, its own branded labels were local design but not trendy enough. These attributed to the feeling of “Chinese” products as a whole on CRC, which did not match the intended image that should be created by the repositioning program. Therefore, CRC could not attract the young new customers to its stores.

6.2 Store Layout and Atmosphere

6.2.1 Layout and Floor Plan of Store

The store layout of CRC Department Stores were not much different from the old CPC and CME stores. These stores were applying a free-flow layout⁵. Shoppers were allowed considerably more freedom to move in any direction between fixtures, which were arranged in more irregular patterns. This kind of layout encouraged browsing and could be visually appealing. On the other side of the coin, it consumed a lot of floor space with narrower aisles that led to congestion, like the case at Hennessey Road branch.

Apart from the congestion problem, lack of coordination for this free-flow layout would cause “confusion” for shoppers. What “confusion” here meant was, firstly, related items of merchandises were not located at the same floor, e.g. in Causeway Bay store, dictionary, novels and books were placed at 3rd floor, whereas, other stationaries were located at 2nd floor. (For detail floor plan of Causeway Bay shop, please refer to Appendix 8)

The second type of “confusion” was that, same type of merchandises were diversely scattered around the store. Again, using Causeway Bay store as example, ladies’ wear appeared at Ground floor but at the same time, showed up at 1st floor; for jewelleries, they had been displayed at Ground floor as well as at the 2nd floor too.

⁵ Ibid 3, p.301

The problems here were rooted by the lack of a main theme for each floor and inadequate coordination between floors.

6.2.2 External and Internal Decor of Store

There was a great problem concerning the external decoration of the stores. As mentioned in the chapter three, only two of CRC's stores had hung the new sign of CRC at the entrances of the stores. Unfortunately, due to certain degree of unavailability of funds, the remaining three stores were still using the old signs of CPC and CME.

Undoubtedly, this posed a great hurdle for CRC to reborn because shoppers even didn't know at where they were shopping. During the fieldwork for the consumer survey, the authors interviewed a few customers came out from CRC Hennessey Road Store carrying with CRC plastic bags, and asked what was the store that they'd just visited. Their answers surprised themselves too because they thought that they were in CPC but then by looking at the plastic bags, they discovered that it was a CRC store.

Through the stores visit, it was proven that all the internal decorations, like price tag, posters, salespeople's uniform.... were all changed to a totally new sets. However, it was the external sign of the store that brought about the trouble for identity confusion. Furthermore, this might help to explain why so many respondents (60%) from the Hennessey Road Store described CRC as a traditional Chinese store.

For the internal decor of the stores, it remained conservative and the style of decoration was similar to the old stores, for instances, sales items were promoted through in-store announcements and posters, price tags were written by hand and the lighting was a bit dim. All these features created a tense, uncomfortable feeling and shoppers were usually planned shoppers but not the leisure or impulse type. Thus, it seemed to reflect the fact that why so many potential customers had heard of the store, visited the store, but without the intention to buy from CRC.

6.2.3 Merchandise Display

Trolley displays had been abused by CRC because regular items were frequently displayed in the trolleys. The common practice of the industry was to use trolleys for displaying discount items only, it facilitated the customers to select their own favourite products, but the disadvantage was that all the merchandises would be dislocated in a mess.

As far as the visual factor was concerned, there was a psychological problem also. Owing to the trolley display technique, consumers would have a mind-set about the price for these merchandise. Thus, once they realized that the price of these items were not as low as what they expected (discounted price), a kind of negative feeling would be developed. So, CRC had to think carefully about all these display issues, or else, consequences would be a huge and far reaching one.

6.3 Sales Personnel

Sales personnel are the front-line staff who interact directly with the customers. They represent the company. Thus, they play a major role in communicating the company image. For better communication, the image of the salespeople should also match with the company image.

The repositioned image of CRC should be young and energetic. However, the salespeople of CRC could only convey the style of a traditional Chinese store salesman, i.e. not self-motivated and not energetic. They did not have any selling courtesy. They were not friendly, not helpful, and too passive. This affected the perceived image of the store by the customers. In addition, they were not knowledgeable about the products, and the repositioning objectives. These hindered the progress of the repositioning program, particularly on the development of the new image.

6.4 Summary of the Chapter

After reviewing the results from customer survey and observation, significant issues of CRC had been identified in this chapter. Basically, they could be classified under the areas of merchandise, store atmosphere, and sales personnel. In the next chapter, recommendations will be made in response to these issues identified so as to increase the effectiveness of the repositioning program of CRC.

CHAPTER VII

RECOMMENDATIONS AND CONCLUSIONS

With reference to the issues identified, recommendations are made so as to increase the effectiveness of the repositioning program of CRC. Finally, conclusions are to be drawn.

7.1 Recommendations

7.1.1 Merchandise

CRC should understand its target customers, i.e. customers between 25 to 40 years of age. It should identify the potential customer needs and then try to satisfy them. CRC could do this by better merchandise selection. The merchandise should share the image of young, energetic, and fashionable. This was what the target customers want and what the repositioning image was.

In addition, although CRC had already had its own branded labels, their image was not young and fashion enough to attract the target customers. Therefore, CRC

should design a much younger look fashion in order to match the ideal image of the potential target customers better.

Besides these, the quality of the products should also be improved. With price higher than that before the repositioning program, the quality of the products should also be improved so as to satisfy the customers' need for value for money.

Apart from product quality, the breadth or the depth of the product mix of the company would also affect the interest of the customers in purchasing the products after they have been attracted to the store. Therefore, CRC should either increase its depth of product line (like for the beddings, it should include all possible sizes that are suitable for the HK families, e.g. double bed, single bed and baby bed) or expand the width of its product assortments (again using the example of beddings, it should include as many styles, colours and lining materials as possible for customers to select, or another way is to source as many assortments from a limited number of country e.g. Australia and be a specialist to provide a full range of bedding product from this/these particular origin(s) rather than providing some from Japan, a few from Europe and others from elsewhere), so as to better satisfy the customers and result in higher sales.

On the other hand, CRC should keep its existing product price level instead of decreasing the price in the hope to attract more customers. As CRC would like to develop an image of a department store and differentiate from traditional Chinese stores, it should not decrease its price level as comparable to that of the Chinese department stores like Chung Kiu Chinese Products Emporium Limited. This would

only lead to direct competition with those Chinese department stores and confused its repositioning image with that of those Chinese stores. It should keep a little higher price, say 10% to 20% but not as high as that from Japanese department store, in order to differentiate itself from them and get away from the traditional Chinese store image.

7.1.2 Store Layout and Atmosphere

7.1.2.1 Layout and Floor Plan of Store

A free flow layout should be maintained at CRC Department Store because it encouraged the shoppers to travel in any directions and gave them a sense of freedom when shopping around. However, related merchandise items should be located closely together in order to provide convenience for the shoppers and in turns, built up their familiarity and loyalty to a specific store. Taking the example of Causeway Bay store, the ladies' wear, leather bags and jewellery could be arranged on the same floor; while children's wear and toys could be located closely together.

When adopting the free-floor layout, the consumption rate of the floor space should be closely monitored. Even though this kind of layout required intensive use of space, sufficient aisles space should be provided to reduce the "congestion" and ensure a more spacious shopping environment so as to attract leisure shoppers too. In addition, CRC Department Store should think of arranging the food and cosmetics counters at the prime locations near the entrances for the sake of creating an elegant ambiance. For its most salesable products like Chinese herbs and medicines, these

products should be situated at the upper floor which took customers to shop around the lower floors first before reaching these “sure buy” products. Thus, the possibility of impulse purchases would be rocketed.

7.1.2.2. External and Internal Decor of Store

The most efficient way to solve the “identity confusion” problem for the stores was to change the old signs at the three remaining stores to the new “CRC” sign. This was the most direct and crucial solution for CRC to get rid of the traditional Chinese store image.

For the internal decoration of the store, more modern, colorful, fancy and lively materials should be used in order to enrich the visual sense. Moreover, slow music could be tried in the stores in order to reduce the pace of the traffic flow in-store and achieved the best effect upon sales volume.

7.1.2.3 Merchandise Display

If CRC Department Store insisted to use trolley display, then, merchandises should be piled up or placed neatly and systematically. Despite only considering the display of merchandise, some augmented materials which could add value to the display pattern should be taken into account. For instances, some catalogs of the season could be placed along side with the ladies’ fashion. At children’s wear counter,

some toys could be displayed together with shoes so as to keep the kids patiently staying at the counter and to try on pairs of shoes.

Whenever possible, sample display models should be applied in order to draw shoppers' attention and stimulate their needs to purchase. At the same time, the sample model being displayed should be altered frequently according to the fashion trend.

7.1.3 Sales Personnel

To increase the effectiveness of the repositioning program, CRC should pay more attention on its sales personnel, particularly on the areas of training, recruitment, and morale of the salespeople.

A comprehensive training program should be conducted on the salespeople. They should be trained on the objectives of the company as well as the objectives of the repositioning program. Product knowledge should also be included in the training program. Moreover, the salespeople should be trained on selling techniques, selling courtesy, and how to understand the customers. They need to be efficient, smart, helpful, and friendly to the customers as they represent a great part of the company's image in the eyes of the shoppers. They should be able to help the customers on every aspects, be able to locate the products which customers want, and be able to describe the products to the customers. More important, CRC should carefully consider the

duration, frequency, and the timing (during working hours or after working hours) for a more effective and efficient training program.

A well-planned recruitment program should also be developed in CRC. For effective repositioning program, the personality of the new salespeople recruited should fit the image of the repositioning program, i.e. the new salespeople recruited should be young and energetic. As the target customers of CRC under the repositioning program were those who were young and energetic, salespeople should also be with that image which could then provide a more comfortable atmosphere to the customers. In general, the personalities of CRC, salespeople, and customers should fit with each other for more effective repositioning program.

Finally, CRC should increase the morale of the salespeople. This could be achieved through more recognition on the performance of the salespeople. For example, CRC could give some recognition awards like "Employee of the Month" or "Good Service Award" to recognize those salespeople who have good performance and good selling courtesy. In addition, CRC should increase the bottom-up communication channel in the form of regular meeting or suggestion box so that the lower level employees could feel that their views and opinions were being respected. These could all help to increase the morale of the salespeople which in turn would lead to their better performance.

7.1.4 Ways of Communication

7.4.1.1 Communication to Increase Store Visit

With reference to the survey towards the potential customers who were aged 25 to 40, most of them first learnt about CRC store by passing/visiting the store and through relatives and friends. Therefore, to increase the store visit, CRC had firstly to increase the attractiveness of the store as suggested in the above section e.g. store layout, external and internal decor and merchandise display. The second method was to identify the opinion leaders among the customers' friends and relatives. Then, in the next stage, CRC should try to learn the media habit of this group of opinion leaders and directed some of their promotional effort towards them.

7.1.4.2 Communication to Raise Customers' Intention to Buy

Facing the problem that the intention to buy of the visitors is really low, what CRC can do is worth discussing. Of course, the merchandise mix should be selected more carefully and matched with the needs of the potential customers. More important, some special tactics should be supplement with the merchandises. For instances, special sales should be promoted occasionally, say once a week or once two weeks. At each special sales period, one or two items should be focused. However, one should bear in mind that these discount items shouldn't be located near the entrances, they should be placed at the 2nd or 3rd floor so as to increase the exposure of other merchandise to these visitors and induce impulse buying.

7.1.4.3 Communication to Enhance the Store Image

For the Market Repositioning program, the most primary goal should be the communication of the new image to both the existing and potential customers. In the long term, printed advertisement in the MTR light box should continue to be launched. Since, the ad was quite unique and impressive in using celebrity-Mr. Chang Chi Kwong, a famous actor, CRC should keep on using the actor to project a consistent “family store” image for the company.

In the near future, CRC should consider to extend the MTR light box ad to other stations other than solely at stations where stores were located, such as the shopping and commercial districts - Tsimshatsui and Jordan.

Apart from the printed media, electronic media such as television should be chosen as a kind of media vehicle too. Television, both in terms of effectiveness and efficiency in transmitting the “image” message would be the most ideal channel disregarding its high cost. As a conclusion, TV advertisements should be launched intensively within a short period of time so as to maximize the impact of “frequency”-audience’s memory towards the ad would be “deep and fresh”. More detailly, the TV ad should be appeared in the Chinese channel targeting mainly at local Chinese. It would be wiser to schedule the ad at TVB channel attributed by its wider coverage of the Hong Kong audiences. Also, this TV ad should be arranged to be broadcasted during the off-office hours when the CRC target customers were back home from

office. Moreover, to couple with the special sales period, the frequency of the TV ad should be higher during the sales periods.

Just like sponsoring the “Miss Hong Kong Paegent” in 1994, CRC should also consider to sponsor some game-shows at the TV channels, e.g. TVB, because for these programs, the group of audiences would be the same as the target customers of CRC. If possible, a special “CRC” show introducing the repositioning program, should be produced and launched at TVB channel. The impact of this kind of special program would be greatest, and the message of repositioning would be transmitted clearly and directly to the targets.

7.2 Conclusions

In order to minimize cost in carrying out the recommended actions and to avoid shock encountered due to sudden changes, CRC should prioritize them and change the existing practice gradually for better performance.

It is suggested that CRC should change the sign of all CRC stores first. They should put the “CRC” sign on all four stores. This could help to create a consistent image and avoid the confusion of the ownership of the store with CPC or CME.

The next actions that CRC should do would be the improvement on merchandise selection and sales training. These actions could help in increasing customers' intention to buy from CRC.

Further, CRC should change the store layout for better merchandise display and increase the salespeople's morale.

Last, CRC should put its effort on advertising, be advertised on TV first and then in MTR stations.

Despite this sequence of actions, CRC should carry out some on-going activities for better effect on its repositioning program. These activities were occasional discount and improved recruitment process.

7.3 Summary of the Chapter

With the issues identified in last chapter, several recommendations were made to (i) communicate the new store image to the customers; (ii) to attract the customers to visit the stores; and (iii) to increase customers' intention to buy from the store. To achieve these three objectives, a list of changes had to be realized first, they are: careful selection of merchandise; more "coordinated" store layout, a change of external store sign, more well-trained and motivated sales personnel and a better selection of communication channels in both long run and short run. Finally, conclusions were

drawn which mainly provided a prioritization on the recommended actions for CRC in order to improve its existing program more effectively and efficiently.

APPENDIX

APPENDIX 1

LOGO OF CRC DEPARTMENT STORE



APPENDIX 2

QUESTIONNAIRE FOR EXISTING CUSTOMERS

Section I (Identify customer status)

1. Have you ever bought from China Products Co. (CPC) and / or Chinese Merchandise Emporium (CME) before?

- Yes (go to Section II)
- No (go to Section III)

Section II (For old customers)

2. Do you feel any differences between the impression you have on CPC / CME and that of CRC?

- Yes
- No (go to Q4)

3. What are the differences on the impression?

4. How do you feel about CPC / CME?

	1	2	3	4	5	6	7	
High price	-	-	-	-	-	-	-	Low price
Good customer service	-	-	-	-	-	-	-	Poor customer service
High product quality	-	-	-	-	-	-	-	Poor product quality
For old people	-	-	-	-	-	-	-	For young people
Many product varieties	-	-	-	-	-	-	-	Limited product varieties
Traditional	-	-	-	-	-	-	-	Modern
Dim	-	-	-	-	-	-	-	Bright
Uncomfortable	-	-	-	-	-	-	-	Comfortable

5. How do you feel about CRC?

	1	2	3	4	5	6	7	
High price	-	-	-	-	-	-	-	Low price
Good customer service	-	-	-	-	-	-	-	Poor customer service
High product quality	-	-	-	-	-	-	-	Poor product quality
For old people	-	-	-	-	-	-	-	For young people
Many product varieties	-	-	-	-	-	-	-	Limited product varieties
Traditional	-	-	-	-	-	-	-	Modern
Dim	-	-	-	-	-	-	-	Bright
Uncomfortable	-	-	-	-	-	-	-	Comfortable

(Go to Section IV)

Section III (For new customers)

6. Why didn't you purchase in CPC / CME?

7. What are the factors that lead you to purchase in CRC?
(can choose more than one)

- price
- product quality
- service
- location
- product varieties
- atmosphere
- others, please specify: _____

Section IV (For all customers)

8. You regard CRC as a :
 Department store
 Traditional Chinese store

9. Please use some words to describe CRC.

Section V (Personal Details)

What is your:

10. Sex: Male
 Female

11. Age: 25-29
 30-34
 35-40

12. Occupation: Professional / Managerial
 Secretary / executive
 White collar / clerk
 Blue collar
 Housewife
 Students
 Retired / underemployed
 Others, please specify: _____

13. Personal income level: _ below \$3,000
(or monthly money received) _ \$3,000 - \$4,999
 _ \$5,000 - \$6,999
 _ \$7,000 - \$8,999
 _ \$9,000 - \$9,999
 _ \$10,000 - \$11,999
 _ \$12,000 - \$14,999
 _ \$15,000 - \$19,999
 _ \$20,000 or above
14. Education level: _ No formal education
 _ Primary school
 _ Junior secondary level
 _ Senior secondary level
 _ Matriculation level
 _ Technical Institution / Dip / Higher Dip
 _ University level / Degree holder
 _ Postgraduate

~ END OF QUESTIONNAIRE ~
Thank you!

APPENDIX 3

QUESTIONNAIRE FOR POTENTIAL CUSTOMERS

Screening Question:

Is your age within the range of 25-40?

- Yes (continue)
- No (Thank you!)

Section I (Current Awareness Towards CRC)

1. Have you ever heard of CRC department store?
 - Yes (go to Q2)
 - No (go to Q7)

2. If yes, from which channel did you get the message? (can tick more than one)
 - Relatives & friends
 - Passing / visiting the store
 - TV advertisement
 - Radio advertisement
 - Newspaper / magazines
 - MTR / KCR light box
 - Others, please specify: _____

Section II (Intention to buy)

3. Have you ever visited any of the CRC department stores?
 - Yes (go to Q5)
 - No

4. If no, why? _____
(go to Q7)

5. Have you ever bought from any of the CRC department stores?
(screening question)
 - Yes (Thank you)
 - No

6. If no, why? _____

7. Do you have intention to buy from any of the CRC department stores in the future? And how likely?

Certainly Yes	Likely	Don't know	Not likely	Certainly Not (Go to Q8)
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8. If not likely or certainly not, why?

Section III (Personal Details)

What is your:

9. Sex: Male
 Female

10. Age: 25-29
 30-34
 35-40

11. Occupation: Professional / Managerial
 Secretary / executive
 White collar / clerk
 Blue collar
 Housewife
 Students
 Retired / underemployed
 Others, please specify: _____

12. Personal income level: below \$3,000
(or monthly money received) \$3,000 - \$4,999
 \$5,000 - \$6,999
 \$7,000 - \$8,999
 \$9,000 - \$9,999
 \$10,000 - \$11,999
 \$12,000 - \$14,999
 \$15,000 - \$19,999
 \$20,000 or above

13. Education level:
- No formal education
 - Primary school
 - Junior secondary level
 - Senior secondary level
 - Matriculation level
 - Technical Institution / Dip / Higher Dip
 - University level / Degree holder
 - Postgraduate

~ END OF QUESTIONNAIRE ~

Thank you!

APPENDIX 4

FINDINGS FROM SURVEY ON EXISTING CUSTOMERS

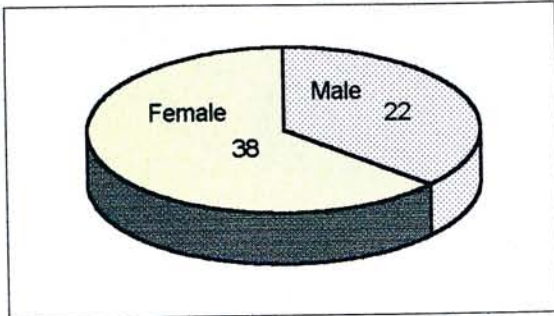


Figure 1 Sex Ratio of Respondents

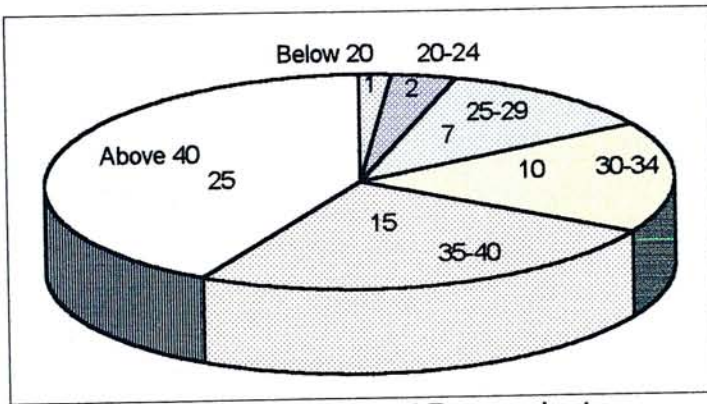


Figure 2 Age Group Ratio of Respondents

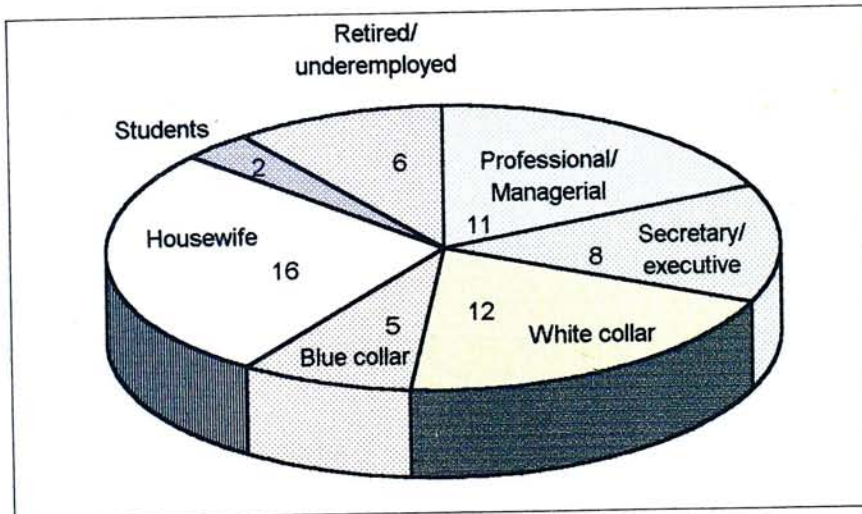


Figure 3 Occupation Ratio of Respondents

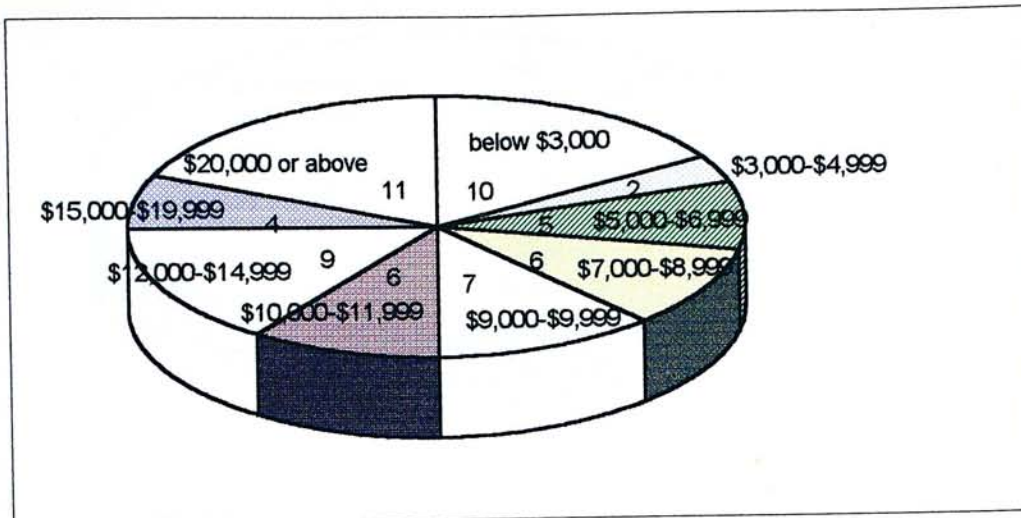


Figure 4 Income Ratio of Respondents

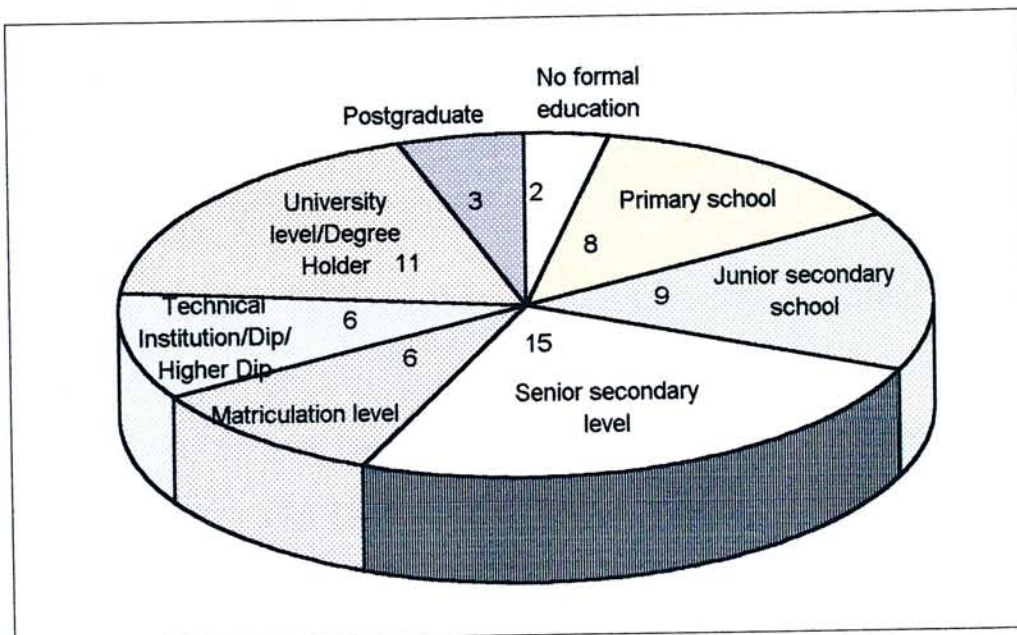


Figure 5 Education Ratio of Respondents

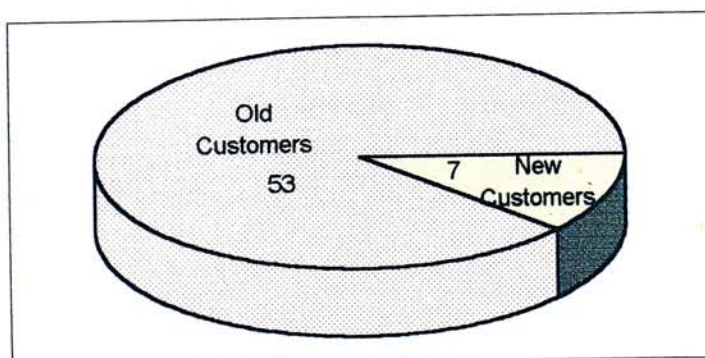


Figure 6 Old Customers vs New Customers

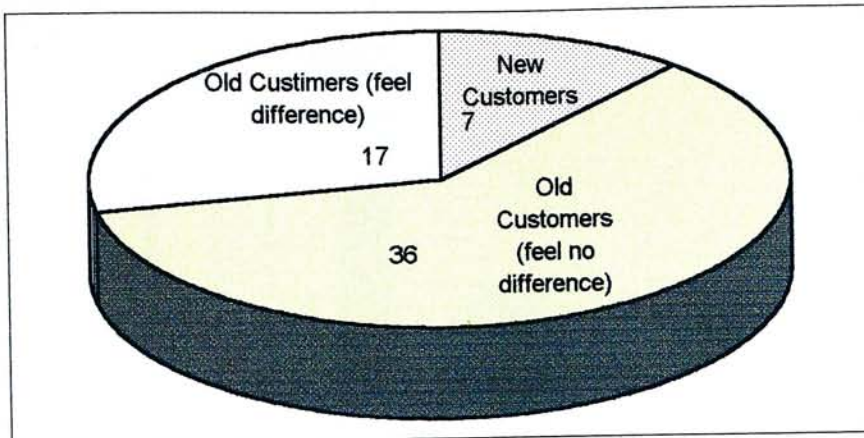


Figure 7 Impression Difference on CPC/CME and CRC

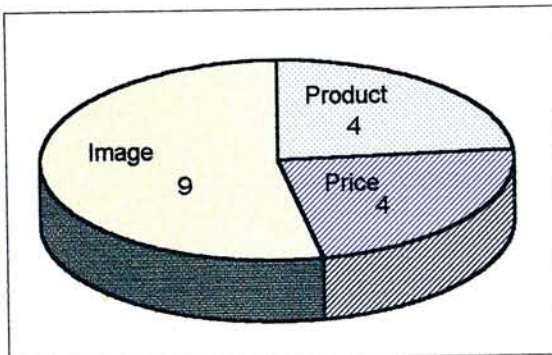


Figure 8 Areas of Impression Difference on CPC/CME and CRC

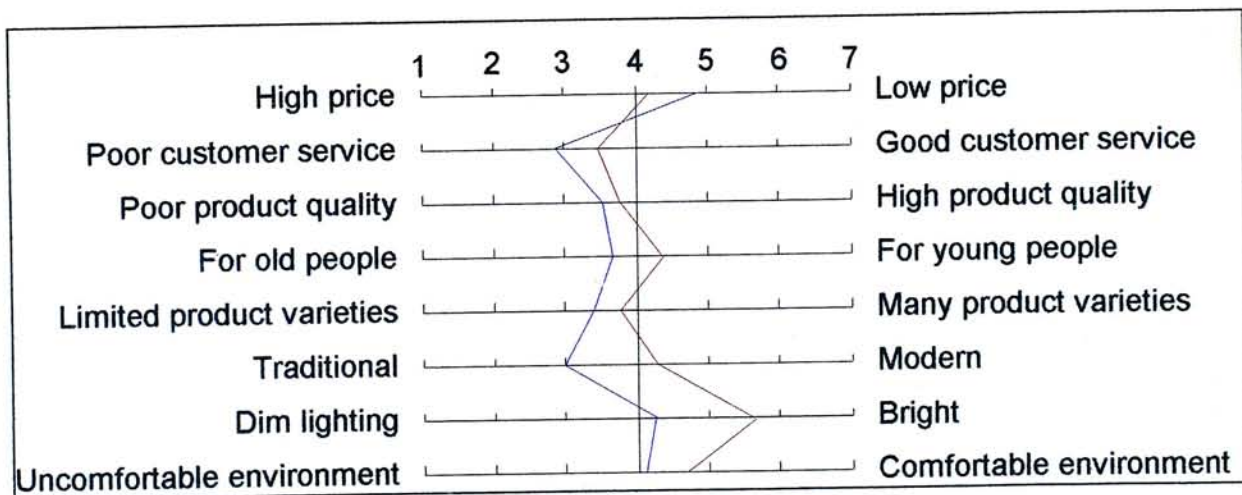


Figure 9 Impression on CPC/CME and CRC

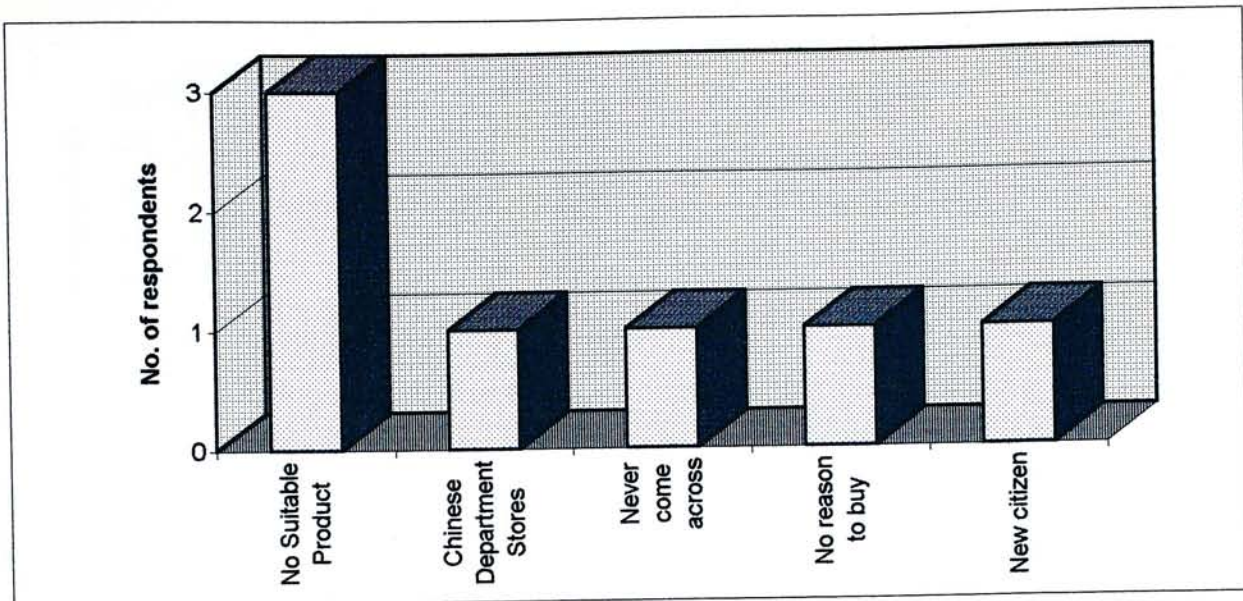


Figure 10 Factors for Not Buying from CPC/CME

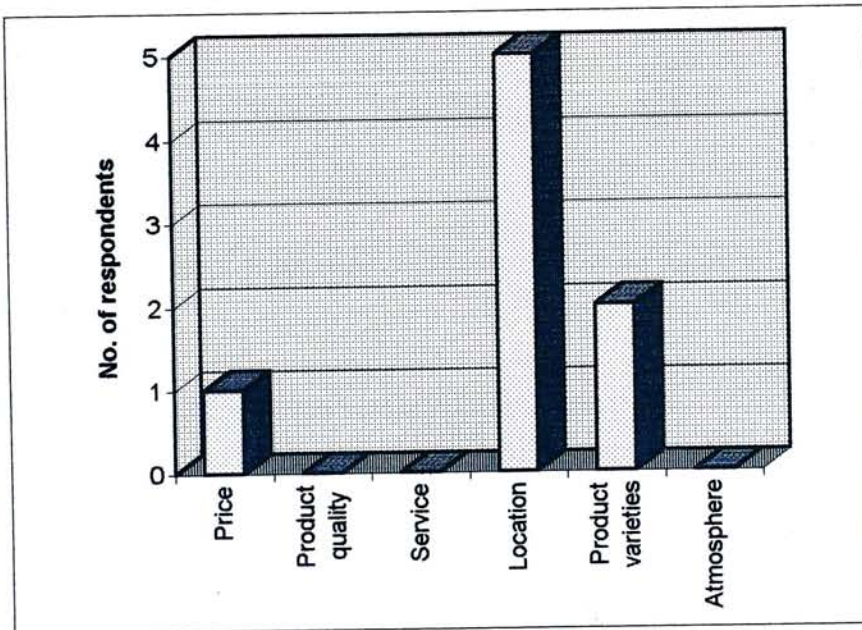


Figure 11 Factors for Buying from CRC

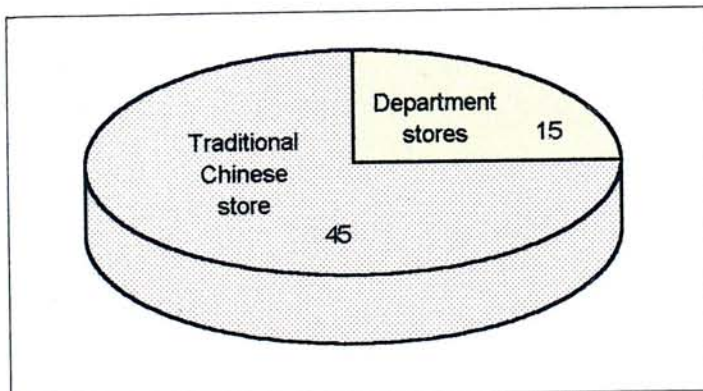


Figure 12 What Respondents Regard CRC As

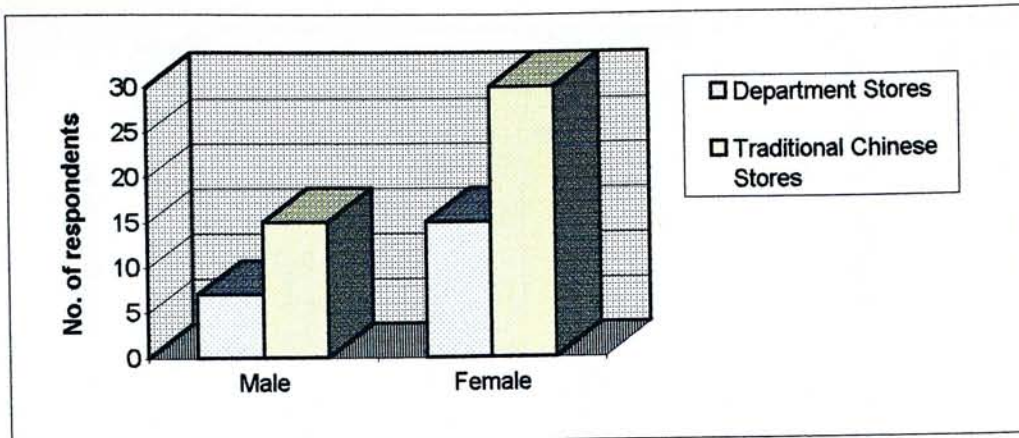


Figure 13 What Respondents Regard CRC As Across Sex

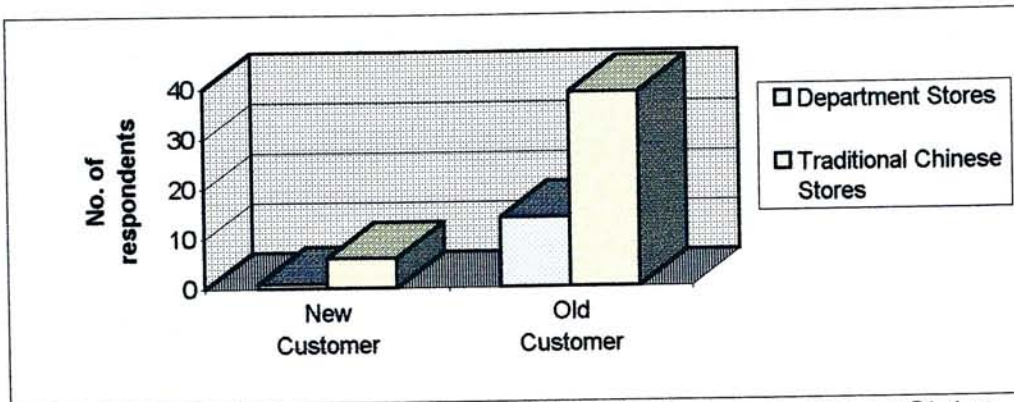


Figure 14 What Respondents Regard CRC As Across Customer Status

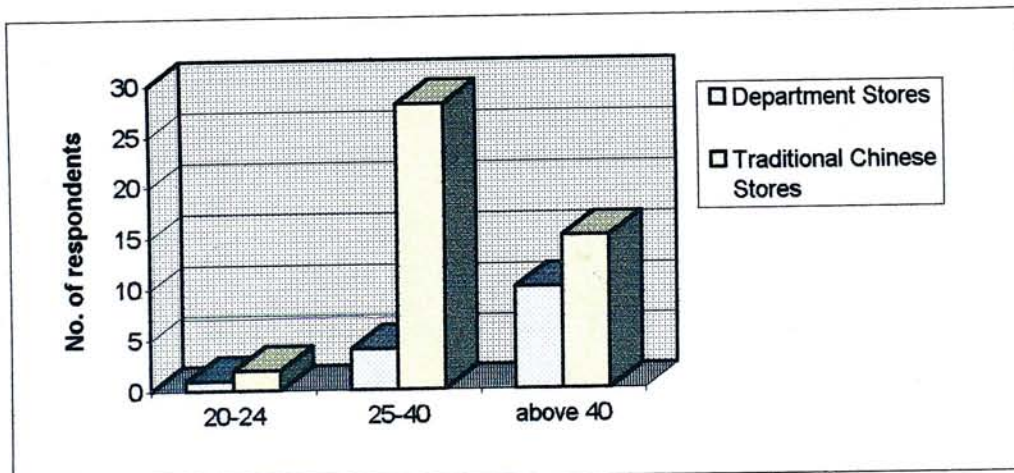


Figure 15 What Respondents Regard CRC As Across Age Group

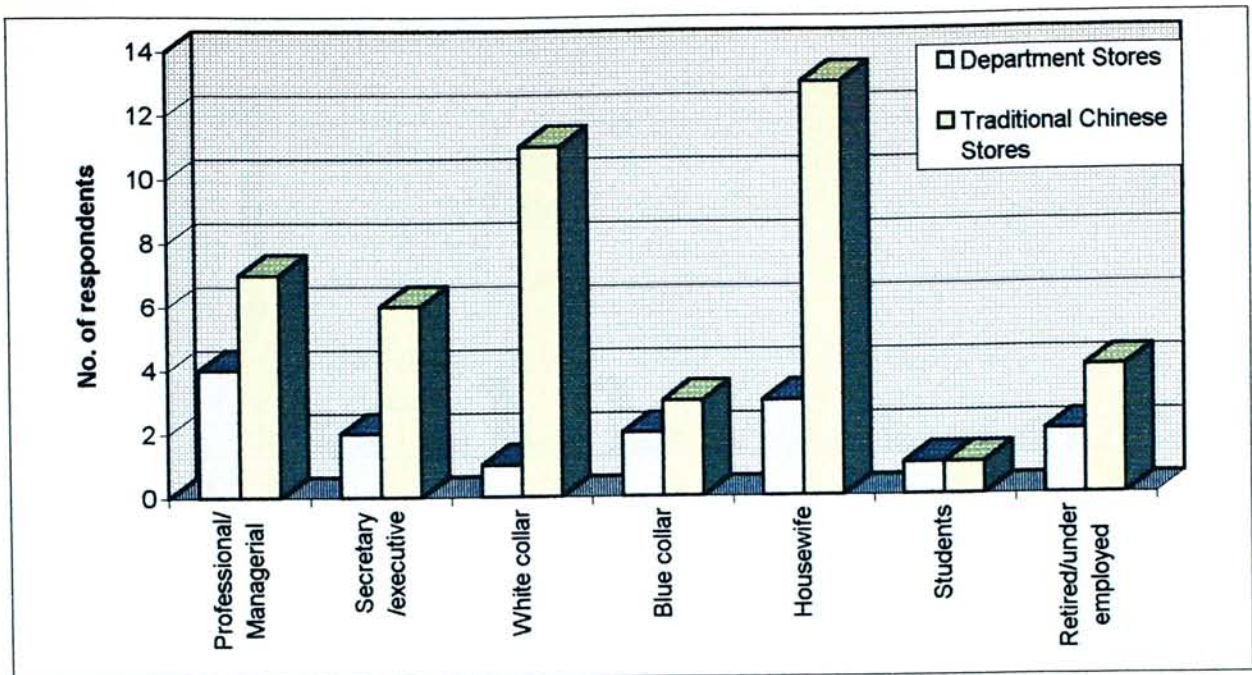


Figure 16 What Respondents Regard CRC As Across Occupations

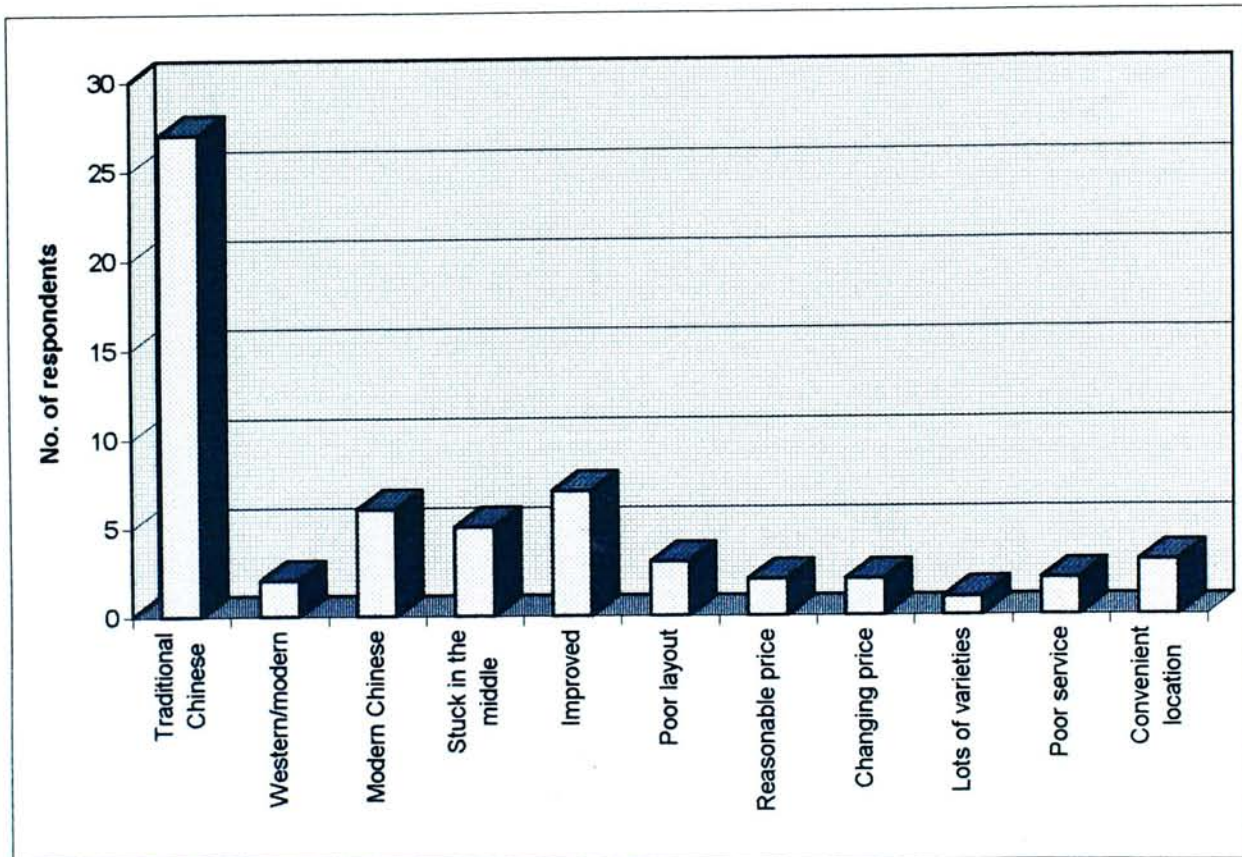


Figure 17 Respondents' Description on CRC

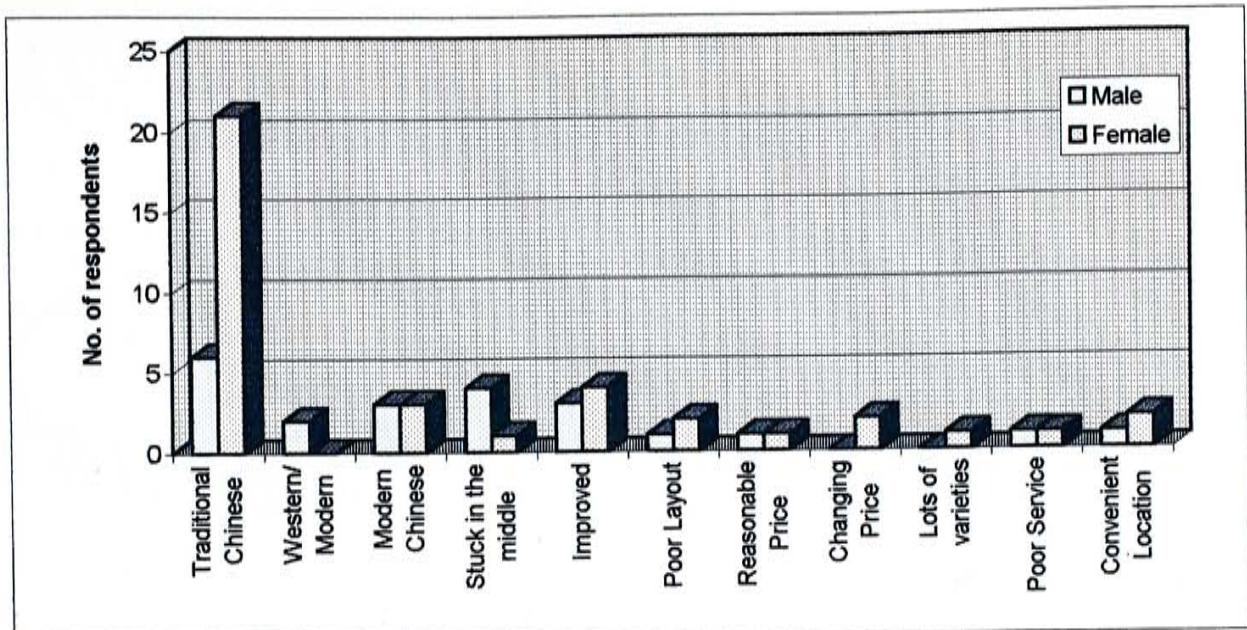


Figure 18 Description of CRC across Sex

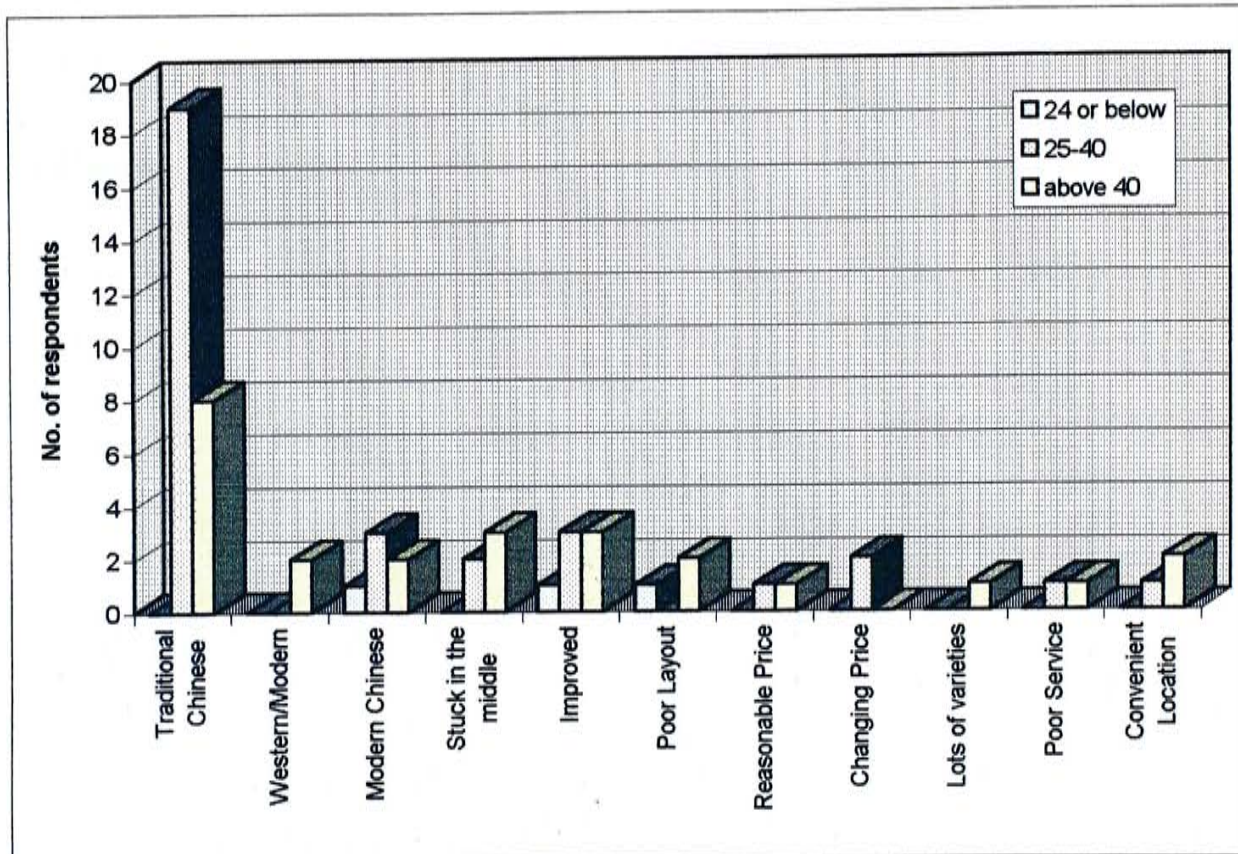


Figure 19 Description of CRC across Age

APPENDIX 5

FINDINGS FROM SURVEY ON POTENTIAL CUSTOMERS

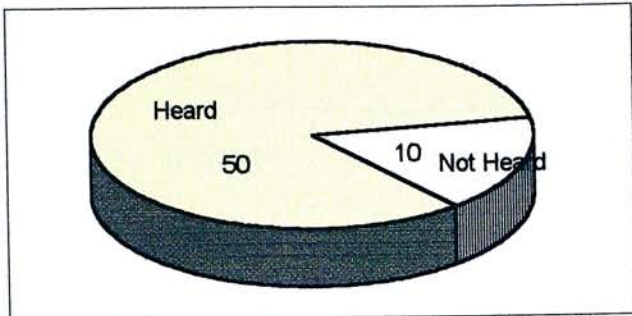


Figure 1 Current Awareness towards CRC

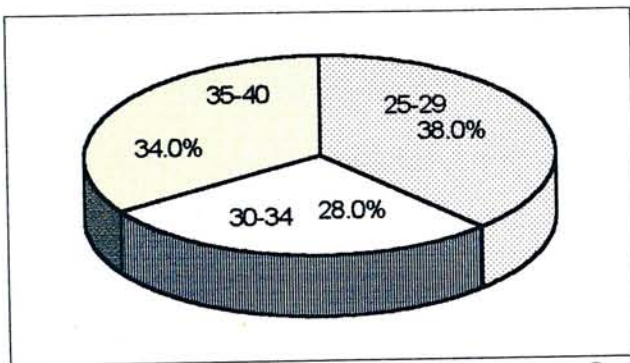


Figure 2 Awareness of CRC across Age Groups

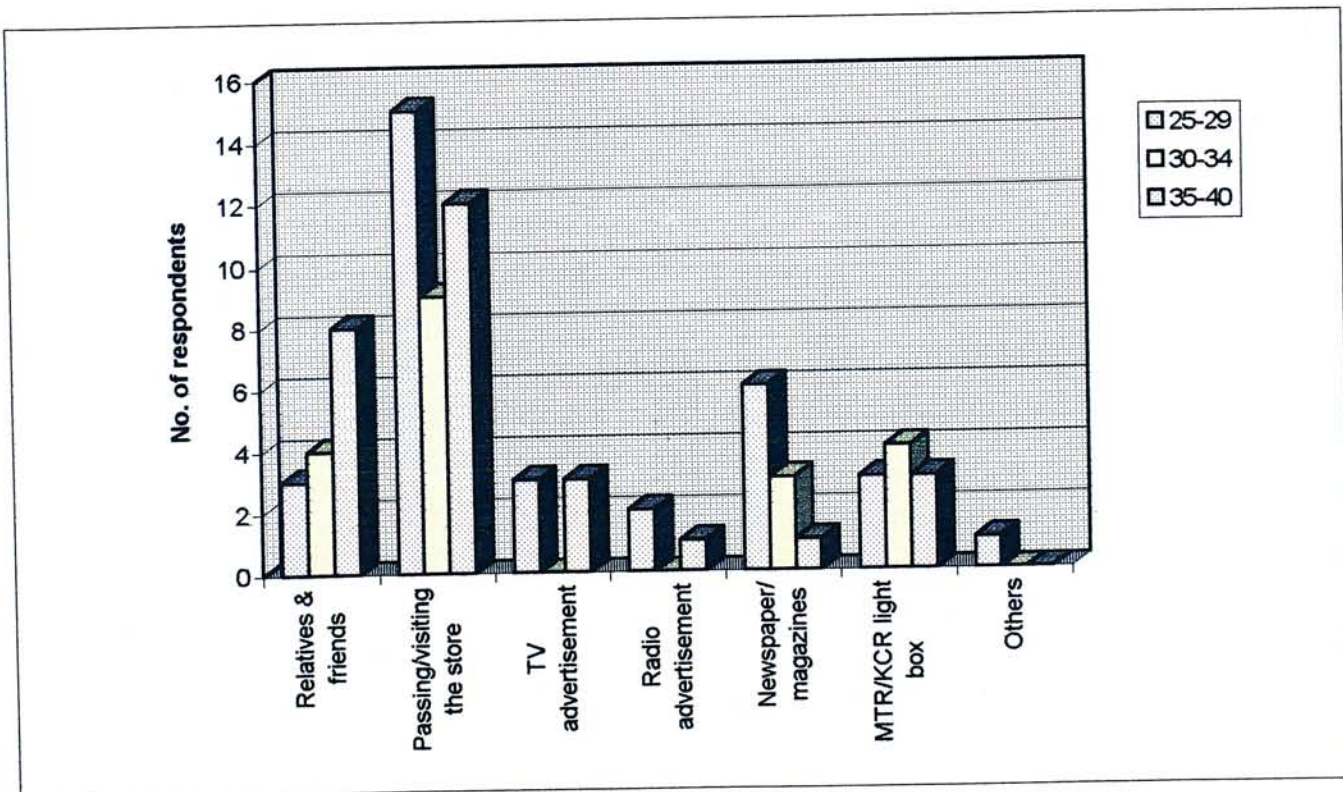


Figure 3 Channels of Knowing CRC among Potential Customers

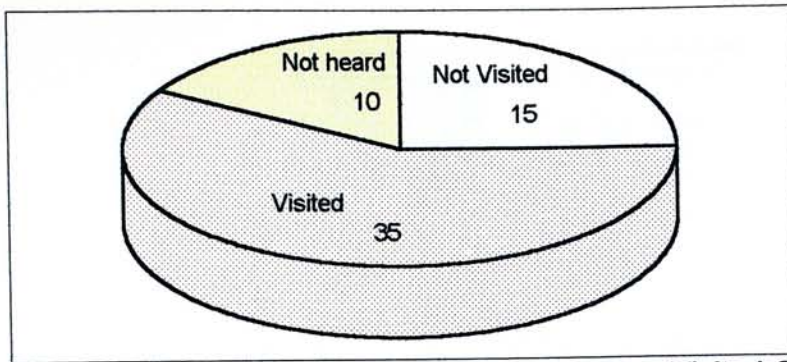


Figure 4 Potential Customers Who Have Ever Visited CRC

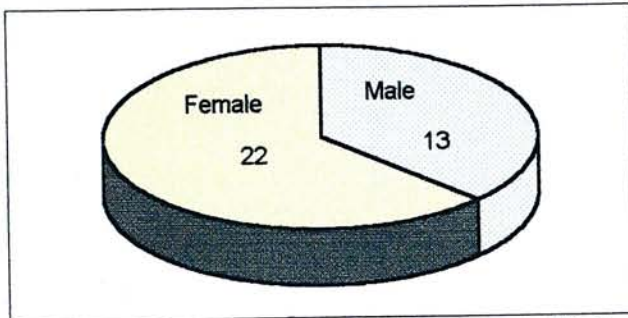


Figure 5 Respondents who have ever Visited CRC across Sex

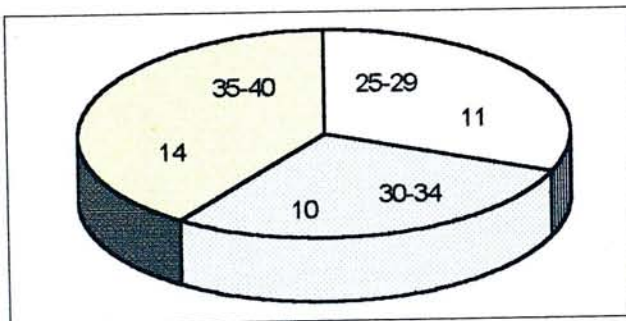


Figure 6 Respondents who have ever Visited CRC across Age

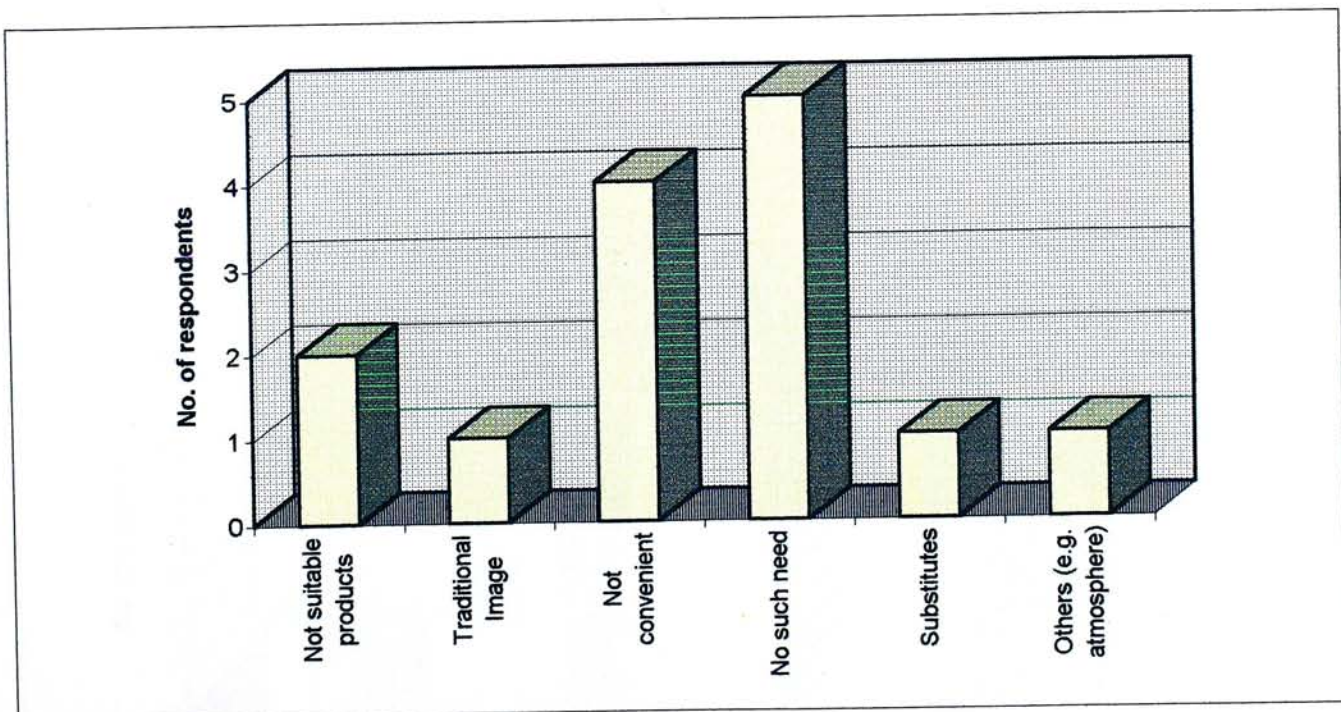


Figure 7 Reasons for not Visiting CRC

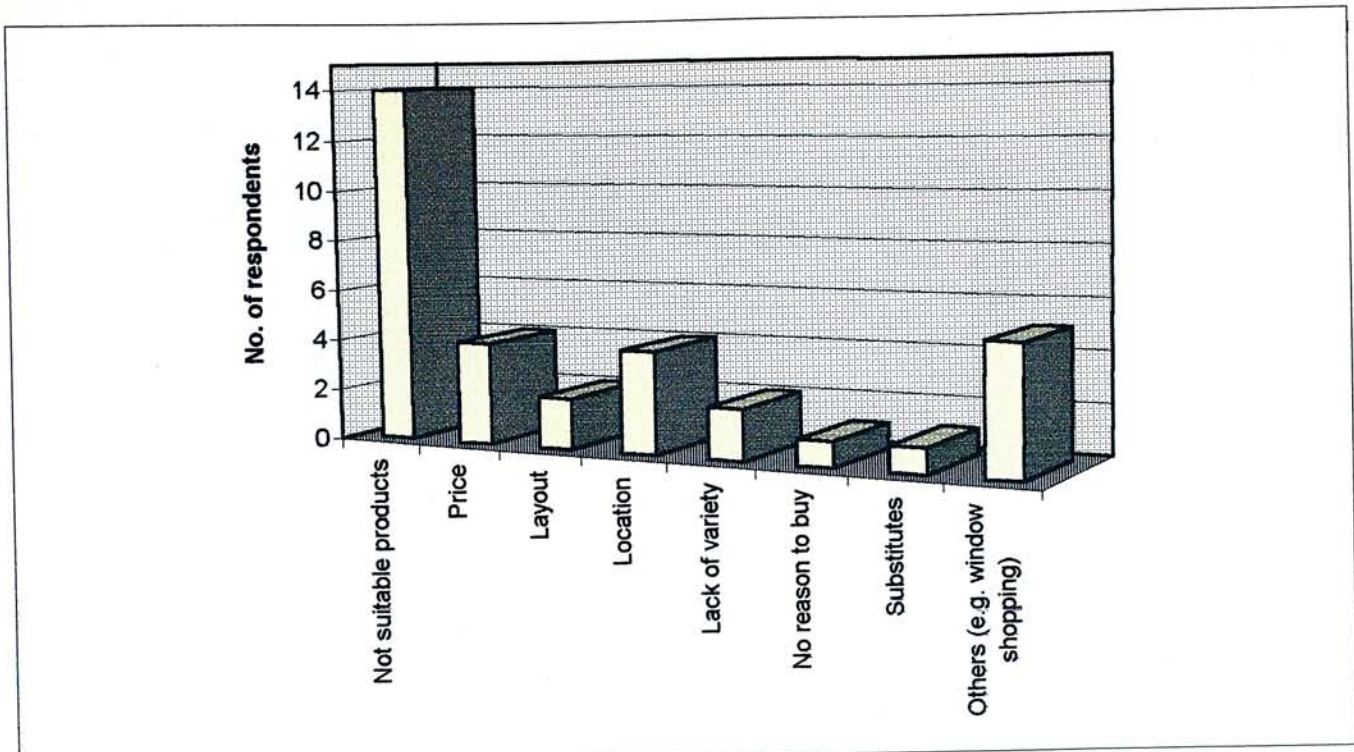


Figure 8 Reasons for not Buying from CRC

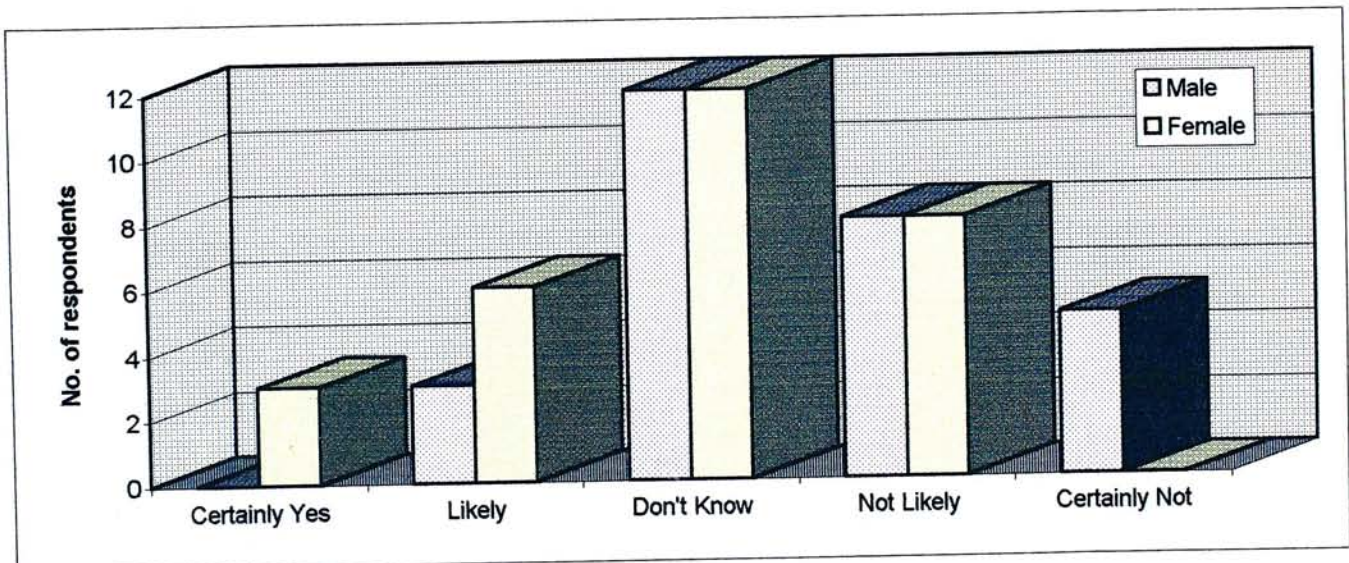


Figure 9 Intention to Buy across Sex

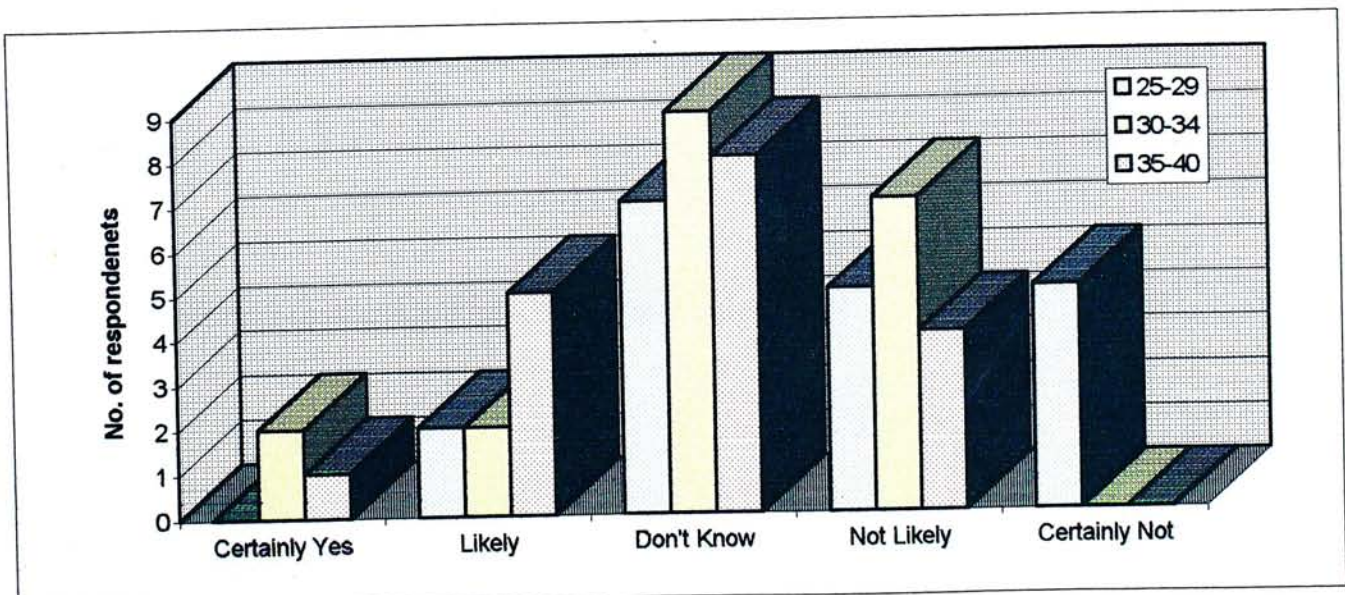


Figure 10 Intention to Buy across Age

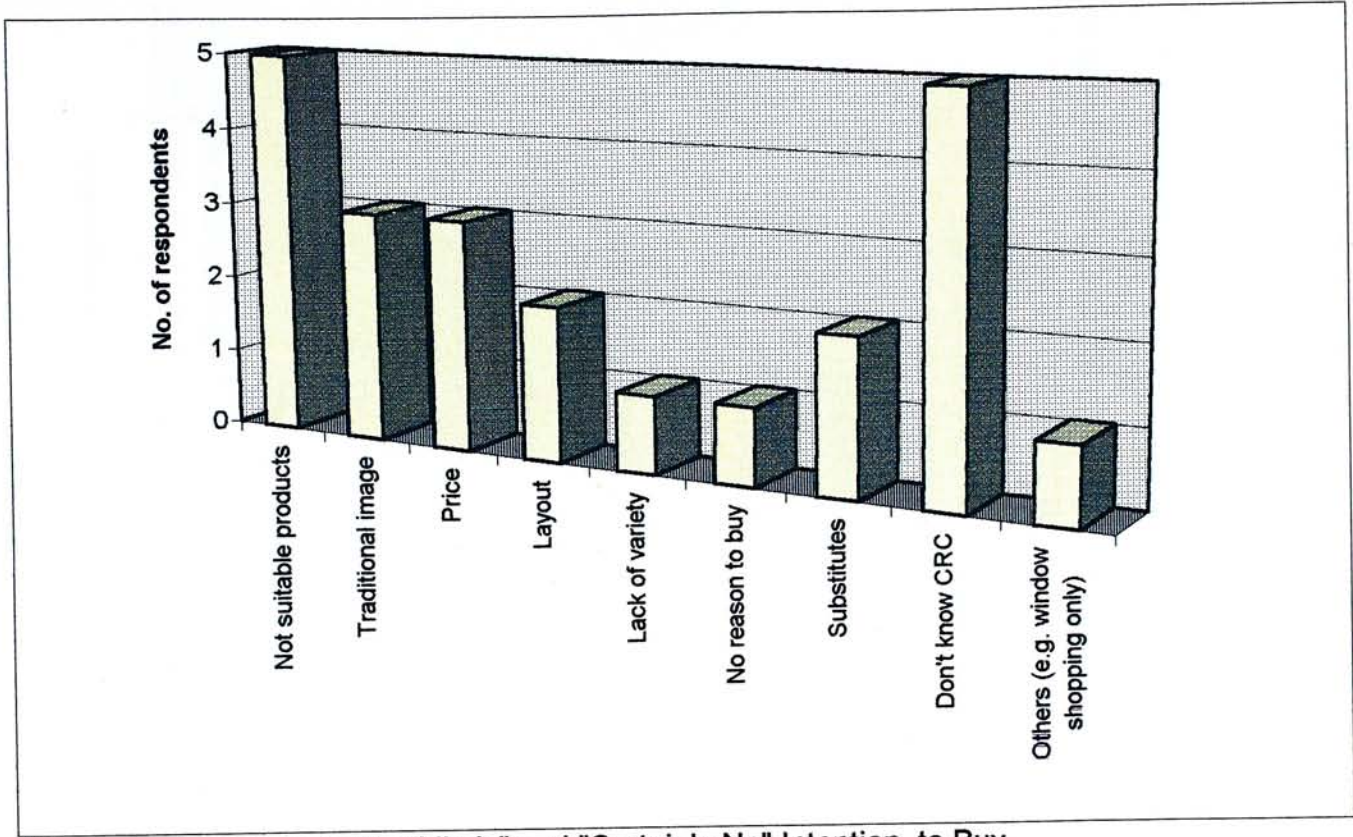


Figure 11 Reasons for "Not Likely" and "Certainly No" Intention to Buy

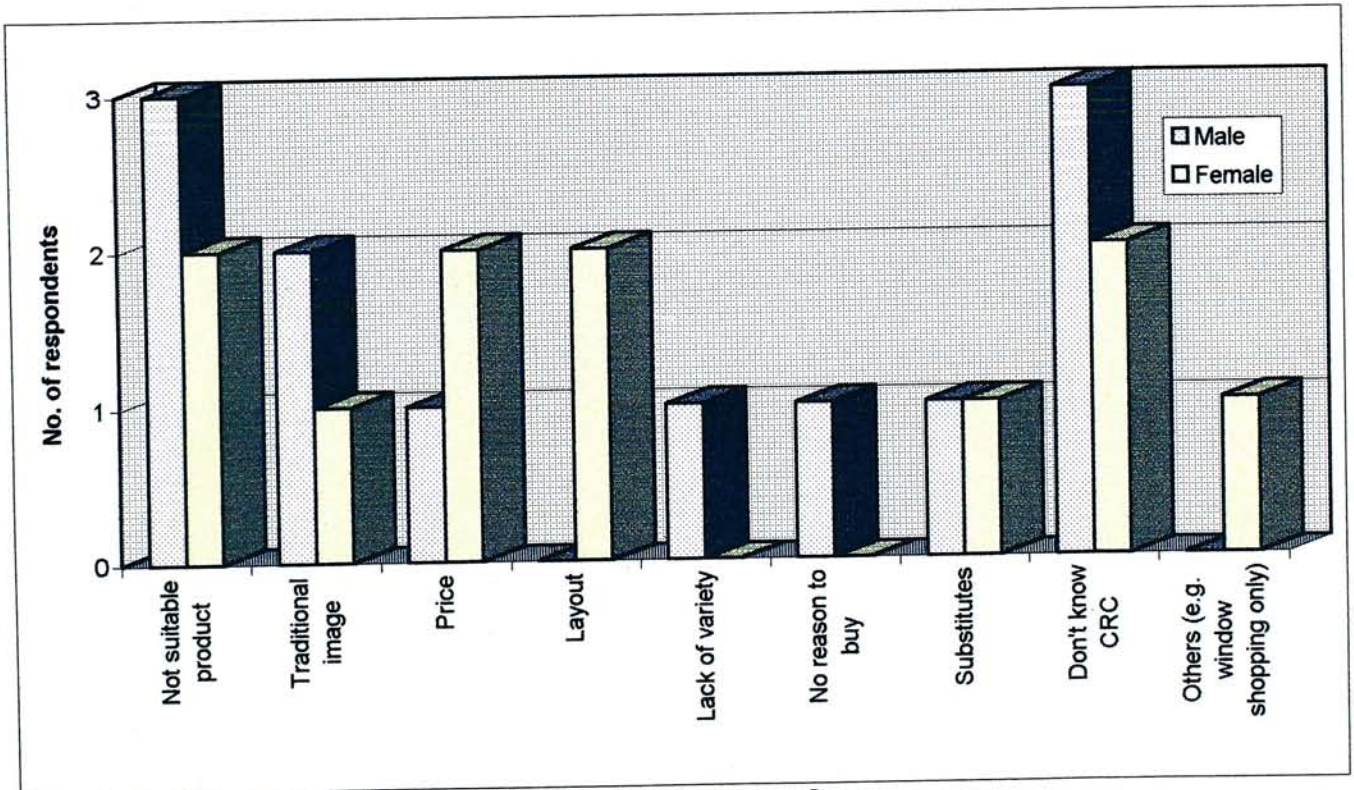


Figure 12 Reasons for Negative Intention to Buy across Sex

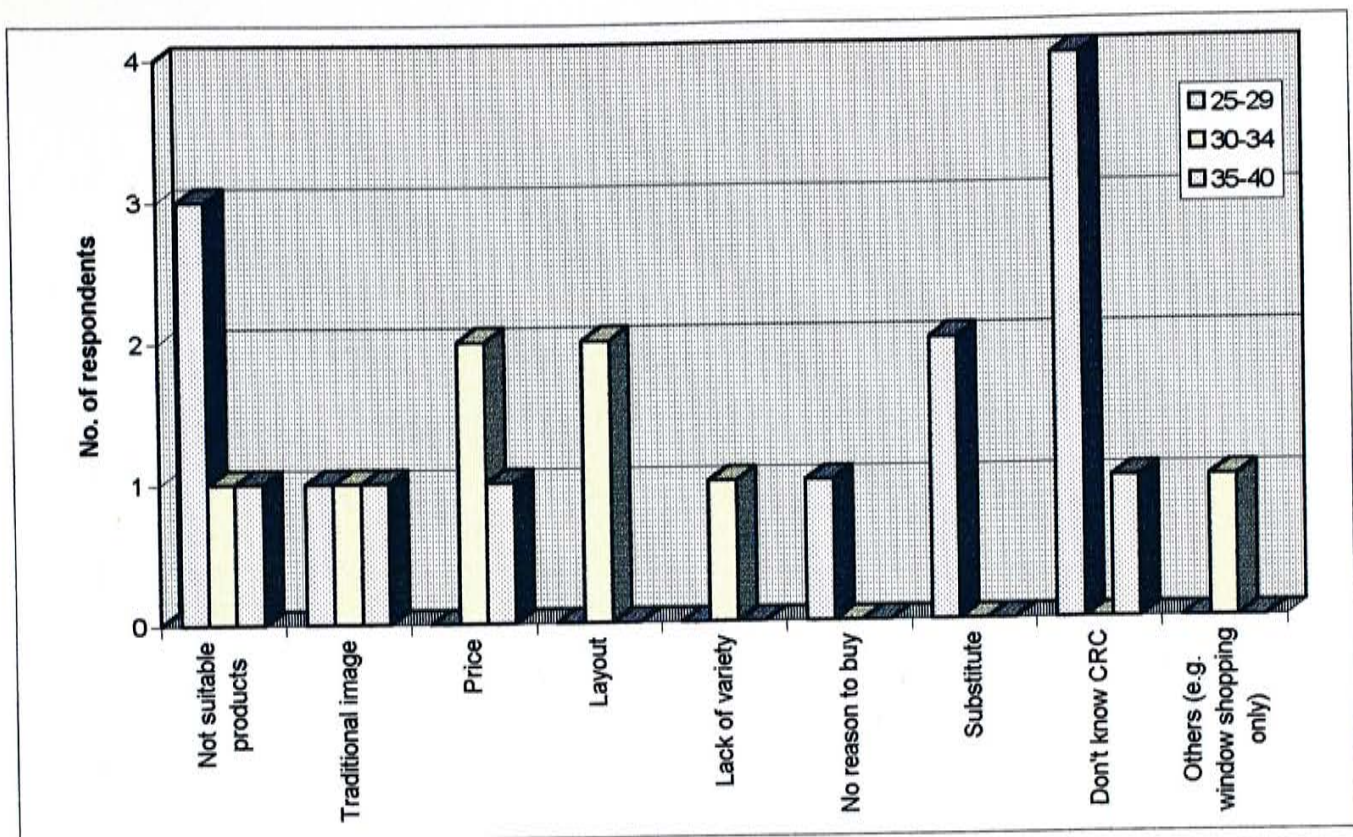
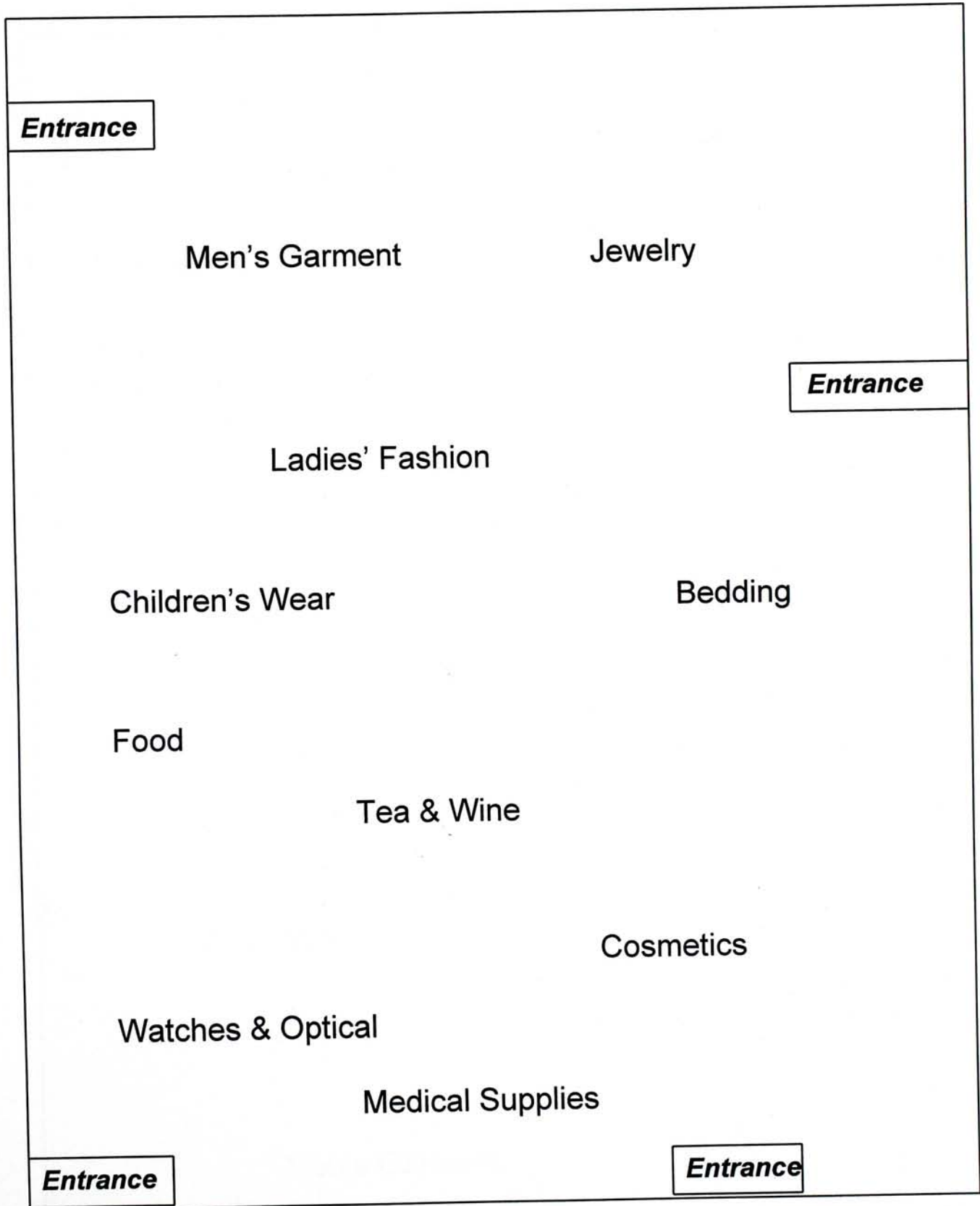


Figure 13 Reasons for Negative Intention to Buy across Age

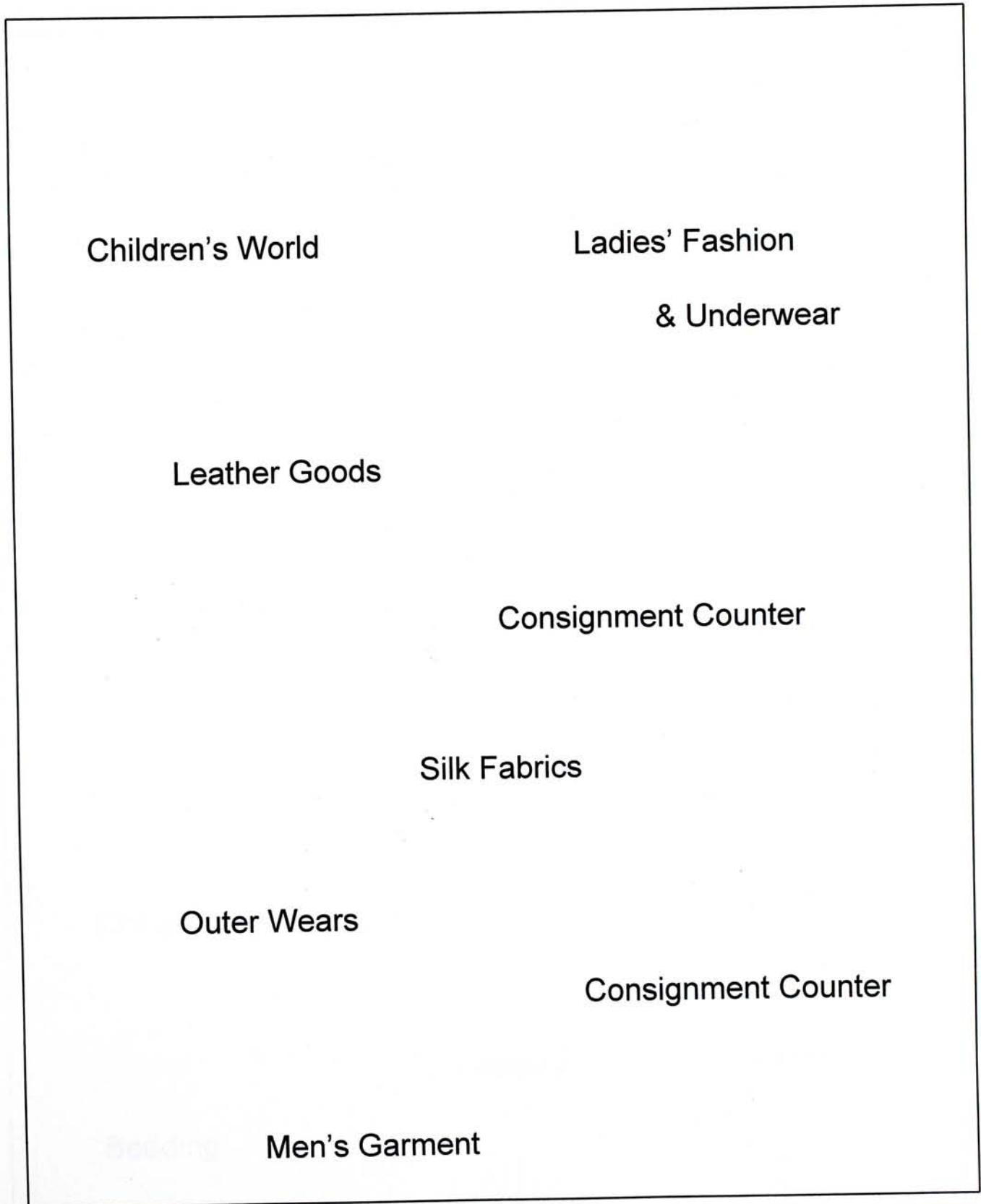
APPENDIX 6

FLOOR PLAN OF CRC DEPARTMENT STORE - GROUND/FLOOR
(CAUSEWAY BAY SHOP)



APPENDIX 6 (Cont'd)

FLOOR PLAN OF CRC DEPARTMENT STORE - 1ST FLOOR
(CAUSEWAY BAY SHOP)



APPENDIX 6 (Cont'd)

FLOOR PLAN OF CRC DEPARTMENT STORE - 2ND FLOOR
(CAUSEWAY BAY SHOP)

Household Utensils

Jewelry

Electrical Appliances

Chinese Arts & Crafts

CD, LD and Tapes

Gifts

Sports Supplies

Drawn Work & Embroidery

Stationery

Toys

Bedding

APPENDIX 6 (Cont'd)

FLOOR PLAN OF CRC DEPARTMENT STORE - 3RD FLOOR
(CAUSEWAY BAY SHOP)

Tai Lin Radio Service Ltd.

(Consignment)

Athletic Equipment

Chinese Furniture

Carpets

Books and Dictionary

Travelling Cases & Bags

Home & Office

(Imported Furniture)

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BIBLIOGRAPHY

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