

FRESH FOOD PRODUCT AS A STRATEGY OF SUSTAINING THE HYPERMARKET LIFETIME VALUE: AN EVIDENT FROM SURVEY AND UN-STRUCTURED INTERVIEW'S SESSION

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Abstract: In the rapidly changing of Malaysia hypermarkets business, a retailer's Fresh Food offer is one of the most critical success factors, as well as a key competitive differentiator. Fresh Food product are the critical store visits and shopping frequency drivers that attract consumers to repeat shopping activities as well as create additional opportunities for retailers to engage with their customers in other grocery categories. Over the recent years, the revenue that generated from of Fresh Food section of hypermarket has been quite stable, which are permissions positive growth, both current and future prospect of the business. In context of hypermarket, they have faces double challenges of keeping more consumers supplied, as well as sustaining contribution of each customer especially in long term prospect. However, in context of customer, they have unique taste, unpredictable demand, and variations in selects types of Fresh Food product as well as satisfying their rapidly changing tastes and preferences. The objective of this paper is to identify the types of Fresh Food that influence the consumer to repurchase and spending consistently on the monthly basic. Secondly, this paper is aimed to explore the potential used of Fresh Food as a strategy of sustaining the hypermarket lifetime value as well as long lasting the contributions of customers on the hypermarket revenue. The method used is a combination of survey and un-structured interview, meanwhile hypermarket business in Penang of Malaysia is selected as location of the study. In general, the results show that some category of Fresh

Food product has potential to derive the profitability of hypermarket on the monthly basic. In term of strategy formulation, Fresh Food product can be integrated with some marketing strategy as well as adopted in marketing and customer relationship programs. Furthermore, Fresh Food product with a higher consumer demand has higher revenue for the hypermarket as well as indicated the lifetime value of the business. At the and, suggestion will be made on how to strengthening the capability of Fresh Food usage in spurs the lifetime value of hypermarket as well as attracts huge number of customer to repurchase and revisited the hypermarket in future.

Keywords: Fresh Food Product, Hypermarket Lifetime Value, Strategy of Sustaining

INTRODUCTION

Hypermarket business is the top most segment of retail business in Malaysia where contribute to nation growth. The Ministry of Domestic Trade and Consumer Affairs, Ministry of Entrepreneur and Cooperative Development and International Data Corporation has reported, as cited in the Ninth Malaysia Plan 2006-2010 (RMK9) (2006) had reported International hypermarket (Foreign) has contributed 33.6% growth rate of average annual during the period 2001-2005, while local hypermarket contributes 16.7% on the same period. In addition, hypermarkets contributed to increased inter-and intra-sectoral linkages as well as introduced more comprehensive and innovative supply chain management, incorporating

international networks, outsourcing and branding, thus creating more avenues for local retailers to develop and modernise their businesses.

Historically, since the 1990's, the food retailing industry in Malaysia has experienced tremendous growth. Modern retail outlets such as supermarkets and hypermarkets are dominating the local retail food trade (Shamsudin & Selamat 2005). Growing economy with political stability, market size and the ability to grow of gross domestic product (GDP) in Malaysia has become the reason why most of the hypermarket retailers have selected Malaysia as the next market of entry for most of the food and groceries, as cited in Central Intelligence Agency World Factbook (2008). In addition, with new retail outlets emerging, consumers are reviewing where they will do the majority of their grocery shopping. In 1995, for example, shoppers at hypermarket shoppers have more than doubled (Eight Malaysia Plan 2001 – 2005). The increasing presence of hypermarkets, particularly in the cities and bigger towns, reflected the changing lifestyle of shoppers and preference for the convenience, comfort, product variety and long opening hours offered by these largely one-stop shopping establishments. Overall, there are 81 hypermarkets in Malaysia where 68 international hypermarket and other 13 is local based hypermarket, as cited in the Eight Malaysia Plan (2006). Among the foreign owned retailers are Giant (Hong Kong), Jaya Jusco (Japan), Carrefour (France) and Tesco (UK). Local retail chains include The Store, Parkson, Ngiu Kee Corporation, Ocean Capital, Mydin, Bintang, Billion and EconSave (Chamhuri & Batt, 2009).

In the rapidly changing Asian markets, a retailer's fresh food offer is one of the most critical success factors, and a key competitive differentiator. To get their fresh food offer right, retailers need information and insights into their customers and their markets. There is a need to examine all aspects of fresh food retail operations, from supply chain management through replenishment to assortment and marketing, and benchmark them against the market and consumer preferences (Accenture, 2005). In the past, selecting their preferred retail store was not a problem for most Malaysian shoppers as there were few other stores available beside traditional retail formats. However, with the expansion of modern retail outlets, consumers can choose which retail format to visit depending on various factors that they perceive as important (Chamhuri & Batt, 2009). In addition, the one area the hypermarkets continue to struggle with is fresh food, as reported by Nelson (2007).

With regard to these works, fresh food has relationship with hypermarket performance where

most of hypermarket has been fresh food as a strategy for spur the profitable, as well as increased the lifetime value of customer.

Fresh food and hypermarket lifetime value

Theoretically, fresh food refers to fresh meat of livestock and poultry, including fresh, chilled and frozen meat and edible offal, more specifically, the meat and edible offal of cattle, swine, sheep, goat, horse, donkey, and mule, of poultry such as chicken, duck, goose, turkey and guinea fowl, and of others. To success in fresh food business, fresh food managers as such hypermarket or retailer should do some initiative to maintain the flow-in of customer as well as continuously visits the store. Michael (2007) noted fresh food leader firms do three tasks extremely well. First, they understand the drivers of consumer value for their chosen target market. Second, they identify, develop and control the distinctive capabilities that underpin the value creation process. And third, they assemble the chain or network that brings together all the resources and capabilities to create and deliver value to the consumer.

In the global retailing business, the retailers especially hypermarket and supermarket has a great attention on managing their customer, even until an individually scale. Bowles, Romano, and Srikanth (2009) premised that retail business, as well as hypermarket business, has always been a cyclical business. The change of environment actually not only effecting the retailers performance, but it really influencing their customers, especially Customer Lifetime Value (CLV). This leaves retailers in very uncomfortable and make the top-line revenue too be difficult to maintain. As implication, sales forecasts and outlooks vary by retailer, with some projecting comparable-store sales declines of 5% or less, while others are planning for declines of 10% to 15%, while yet others expect a bloodbath and are gearing up for a 20% plus downturn. In addition, hypermarket retail, as a highly leveraged business, will find lost sales eating directly at its bottom-line profitability. This study has similar with Carminati and Trouvé (2004) that noted although most food retailers understand the buying patterns and preferences of customer, but they do not understand CLV. As implication, the hypermarket needs to strengthen their ability to generate insights the CLV as it individual profitability.

Globally, the issues of CLV have grown rapidly in recent years, with highly consideration on how the hypermarket manages CLV as key assets. Regarding CLV, there are some key challenges that firms and researchers face in understanding, managing, and implementing successful customer management strategies. Kumar, Lemon, and Parasuraman (2006) noted there eight key challenges for managing

customer, such as (1) Managing customers across multiple channels, (2) Achieving customer centricity, (3) Managing brand equity versus managing customer equity, (4) Developing and operationalizing appropriate customer lifetime value (CLV) models, (5) Understanding the link between CLV and shareholder value, (6) Developing forward-looking customer metrics, (7) Successfully implementing customer relationship management (CRM) strategies and (8) Implementing CRM in global environments. Overall, managing customer is one of factors for success in managing retail profitability and it is also important to predict the fresh food as prerequisites for prospecting the hypermarket profitability.

In Malaysia, fresh produce sales in Malaysia are doing remarkably well despite the economic downturn, and the industry is feeling positive (Bicknell, 2009). Trappey and Lai (1997) coined most supermarkets have facilities to process fresh foods. In fact, this is similar to hypermarket business which used fresh food as main strategy for attracting customer to visit them. However, there is question regarding this matter where most of fresh food business is dominating by non hypermarket outlet. As reported by Nielsen (2003), between 80-90% of Asian shoppers still use the wet markets regularly. According to Goldman and Hino (1999) supermarkets in other Asian countries like China, Indonesia, Japan, Singapore, Taiwan and even Malaysia are unable to dominate fresh food lines due to serious problems in handling the fresh food category. In the traditional markets, retailers are able to fulfil consumer's specific requirements such as requesting a specific size, quantity and quality. In terms of fish and meat items, consumers want it 'live and warm'. This situation cannot be experienced in modern retail outlets where most fish and meat items are frozen or chilled.

Hypermarkets continued to gain share in most countries in the region. In urban Taiwan, Korea, Malaysia and Thailand, between 75 and 95 percent of main household shoppers use hypermarkets on a monthly basis, with more than 60 percent of these regular shoppers using this format as their main store. Thailand stands out as the country that has embraced this format to the greatest extent, with four out of five households spending most in hypermarkets (Nelson, 2007). In addition, Nelson (2007) has reported penetration rate (monthly household use) and loyalty (% of regular shoppers using as main store) increasing in the most Asia Pacific country, as shows in Figure 1.

With regard with Figure 1, O'Keefe (2007) discussed fresh food leader firms do three tasks extremely well. First, they understand the drivers of consumer value for their chosen target market.

Second, they identify, develop and control the distinctive capabilities that underpin the value creation process. And third, they assemble the chain or network that brings together all the resources and capabilities to create and deliver value to the consumer. In case of Malaysia, fresh produce sales in Malaysia are doing remarkably well despite the economic downturn, and the industry is feeling positive, as mention by Bicknell (2009). This is similar to a report by The NPD Group (2010) where cited fresh food continues to be a category opportunity for stores which tracks the consumer purchasing behavior of more than 49,000 store shoppers in the United State in the year 2009 (Beilenson, 2010). Therefore, in Malaysia, hypermarkets will continue to perform strongly over in the future. It is very unlikely that independent grocery stores will be able to bridge the pricing advantage and convenient and comfortable shopping environment, as mention by Shamsudin and Selamat (2005).

However, currently, hypermarket has pay more attention to used fresh food as main strategy for spurs their profitability as well ass everlasting the lifetime value of customer. In Malaysia, Giant, Tesco and Carrefour have engaged in a price war to entice consumers to purchase from their stores. Carrefour has cut prices for about 1,200 products and Giant is reported to have sacrificed profits in order to maintain their low-price leader position in the country (Arshad, Mohamed & Latiff, 2006). While price-wars may be advantageous for consumers, according to Chamhuri and Batt (2009) it does put pressure on local retailers to provide a similar price.

Choosing the food and beverages segment, as well as fresh food segment, is important for this study because most of food retailers are really not understand their customer values, especially how the customer value contributes to their profitability and performance, currently or even in future. Carminati and Trouvé (2004) noted that, based on global study conducted by CIES and Accenture shows that although most food retailers understand the buying patterns and preferences of shoppers, but they do not understand buyer values or why customers select what they do. Frankly, without detail information from CLV, retailers cannot effectively allocate marketing spend to maximize the share of wallet of their most valuable customers. To insure return on investment of loyalty programs, and other marketing efforts, it is critical to understand the needs behind customer behavior. From the study conducted by CIES and Accenture found that only a small percentage of respondents were generating customer data to create high-performance customer insight.

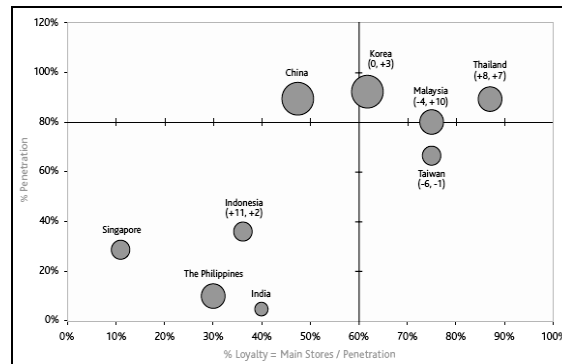


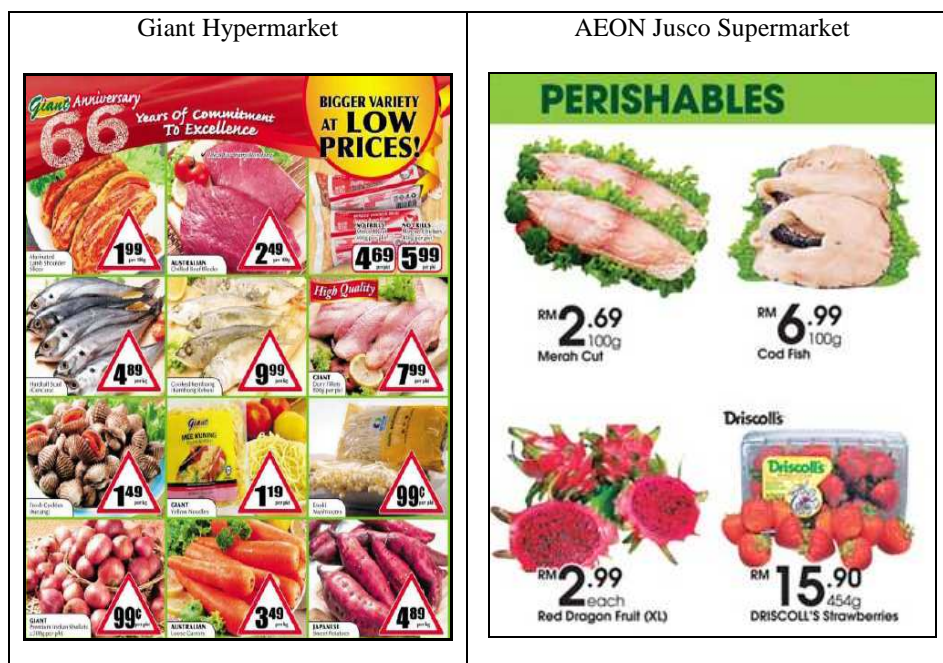
Figure 1: Hypermarket Usage in Urban Asia Pacific.
Sources: Nelson (2007)

Table 1: Reasons of purchasing fresh food from the Hypermarket.

Reason of purchasing fresh food	Percentage
Freshness	98%
Good quality	87%
Lower/Competitive price	92%
Varieties	88%
Halal guaranteed	84%
Completeness	90%
Good environment	87%
Varieties	91%

Tesco Extra Hypermarket

Carrefour Hypermarket

Figure 2: Fresh food as a cover of Hypermarket pamphlets.**Figure 3:** Fresh food as a cover of Hypermarket pamphlets.

Although the food retail sector has changed dramatically over the years, from a mass-market approach to one that is customer-driven it appears that many retailers company still need to strengthen their ability to generate insights.

OBJECTIVE OF THE STUDY

The objective of this paper is to identify the types of fresh food that influence the consumer to repurchase and spending consistently on monthly basic. Secondly, this paper is aimed to explore the potential used of fresh food as a strategy of sustaining the hypermarket lifetime value as well as long lasting the contributions of customers on the hypermarket revenue.

METHOD OF THE STUDY

The method used is a combination of survey and un-structured interview, meanwhile the International Hypermarket at Seberang Perai of Pulau Pinang, Malaysia is selected as a study setting for applied the survey as well as un-structured interview session. There are four International Hypermarkets operating at the Seberang Perai of Penang of Malaysia that will be selected as target sample of the study. The survey is aimed to apply on 100 respondents among regular

customer of Hypermarket as well as Tesco Extra, Giant Hypermarket, Carrefour and EAON Jusco Supermarket.

The un-structured interview session will conduct among key persons of hypermarket to get more detail about the strategy of used the fresh food, as well as issues and challenge related to fresh food business. The potential key persons to for the interview session are Manager, Supervisor, Head of Department as well as Marketing, Purchasing, and Customer Services, Account Manager, and anybody who's responsible in profitability estimation, customer relationship, investment, consumer research, and so on. Totally, there are 20 key persons of hypermarket will be interviewed.

FINDINGS

Types of Fresh Food that influence consumer to repurchase and spending

Fresh food categories, specifically Vegetables, Fruits, Poultry, Fish and Meat are the critical store traffic and shopping frequency drivers that attract consumers and create additional opportunities for retailers to engage with their customers in other grocery categories. The results indicate that most of

the respondents like to purchase vegetables and fruits (98%), then followed poultry (87%), fish (85%), and meat (71%).

Most of the respondents were strongly agreed (85%) that hypermarket provides good quality food products. In term of price, most of the respondents strongly agreed (87%) that food products provided by the hypermarket are cheaper than convenient and traditional store. In addition, freshness was mentioned by almost 98% of respondents when respondents were asked why they selected hypermarket as a place of purchasing fresh food. This is similar to what as studied by Munoz (1998) and Verbeke and Viane (1999) where freshness is often cited as one of the most influential variables impacting on the consumers' decision to purchase fresh meat. However, there are eight major reasons why the respondents purchase fresh food at the hypermarket, as shows in Table 1.

Fresh Food as a strategy of sustaining the hypermarket lifetime value

Theoretically, fresh food has potential to be a strategy of sustaining the hypermarket lifetime value, as well as increased their profitability. In practice, most of hypermarket had been used fresh food as a strategy for spurs customer to revisited and repurchased in their store. Thus, the hypermarket used fresh food as a main advertisement strategy as printed in the first cover of pamphlets, as exemplified in Figure 2 and Figure.

Here, some suggestion will be made on how to strengthening the capability of fresh food usage in spurs the lifetime value of hypermarket as well as attracts huge number of customer to repurchase and revisited the hypermarket in future.

To strengthening the uses o fresh food, the strategy that has recommended is: (a) By distinguishing characteristics of fresh food, either by quality, feature and branding, it will create a number of strategic options for agile retailers and suppliers where is difficult for competitors to replicate by any competitor. In addition, competition based on new ways of doing business also encourages product diversity. These ideas were agreed by 18 of 20 respondents. (b) Most of respondents (17 of 20 respondents) had mentions that the hypermarket strategic emphasis on 'own label' where requires strategic approach to supply chain. This is important where in Malaysia some consumer are highly considers on the issues of where is the fresh food sources from. (c) Developing strong linkages between the hypermarkets and suppliers of fresh food has to be made an important strategy, especially with the Small and Medium (SME) Suppliers. The government of Malaysia has emphasized the

hypermarket should be able to market local fresh food product. To achieve strategy, support facilities such as transport, storage, quality control and financial assistances need to be enhanced to facilitate better linkages. These ideas were agreed by 17 of 20 respondents.

CONCLUSION

In general, the results show that some category of fresh food product has potential to derive the profitability of hypermarket on the monthly basic as recorded by Vegetables, Fruits, Poultry, Fish and Meat. In term of strategy formulation, fresh food product can be integrated with some marketing strategy as well as adopted in marketing and customer relationship programs.

Overall, CLV of fresh food can guide the hypermarket business in their strategic and daily decisions, which is why it's imperative to have a standardized, company-wide method to define customer value as mention by Hamit (2011). Customers with higher CLV, in general, buy more often, spend more and have fewer returns. So businesses that have a higher percentage of their customer base with high value and relationships have more stable growing revenue (Mark, 2011). Furthermore, fresh food product with a higher consumer demand has potential to be higher revenue for the hypermarket as well as indicated the lifetime value of the business. In future, the performance of hypermarket should be based on how good there are in managing the CLV of fresh food product.

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