

HYPERMARKET RETAILING EXPANSION AS A HUB OF SOCIO-ECONOMIC DEVELOPMENT IN MALAYSIA

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The majority of Malaysians prefer to go to a hypermarket to purchase the basic necessities for their household. Due to the high acceptance of this modern retailing concept, hypermarket retailing has had an incredible impact with respect to the overall retailing industry in Malaysia. This research explores the advantages of having more hypermarket outlets for the society as a whole. The research is mainly based on general observations and is supported with secondary reviews from previous research scholars. It is expected that those locations that are less developed will experience a positive impact by having more hypermarket outlets within the area. This is because the hypermarket is able to stimulate the overall economic development and, at the same time, improve the socio-economic level of the society.

Keywords: Development, Expansion, Hub, Hypermarket, Malaysia, Retailing, Socio-economic

Introduction

The retail industry in Malaysia has developed from the traditional sundry store to a supermarket and now to the hypermarket. The hypermarket is a modern retailing store concept in which customers are able to purchase almost all their basic necessities under one roof. This concept has made hypermarkets the main attraction for customers in terms of shopping, especially to purchase monthly household groceries ([Hassan & Rahman, 2012](#)). The introduction of the hypermarket retailing concept, which is mainly based on self-service within the modern shopping environment, has gathered considerable momentum for the retailing industry in Malaysia ([Hassan, Sade & Rahman, 2013](#)). This is strongly supported by the Malaysian culture, in which shopping is the main pastime. It is found that 89% of customers in Malaysia prefer to go to a hypermarket to purchase the basic necessities for their household ([Hassan, Rahman & Sade, 2015](#)). The ambience of the hypermarket, which is enhanced by covered parking, air conditioning, music, food and beverage area, as well as a rest area, has become an attraction for the whole family to spend its time together at the hypermarket, not just for shopping but also as a place to strengthen family relationships. Thus, the hypermarket is not just a retail outlet, it also functions as a venue for “retailtainment.” This research looks into how the existence of hypermarkets will assist in development of the overall socio-economic momentum in the Malaysian market.

Hypermarket Retailing Expansion

There are two ways to expand the existing hypermarket retailing operation: extending the operation locally or internationally. The hypermarket can add more outlets within Malaysia through local expansion. International expansion refers to operating new outlets in other countries. Market concentration that

is competitive has led to internationalization ([Uusitalo, 2004](#)), which is due to either scant opportunities or saturation in the domestic market, as well as international opportunities ([Alexander, 1990](#); [Williams, 1992](#)). The internationalization of hypermarket retailing is dependent on leadership, corporate culture, innovation, customer focus, community awareness and people's power ([Arnold, 2002](#)) as an internal corporate strength. To enhance this capability, the hypermarket retailer also requires a self-established subsidiary, direct acquisition, franchising, joint venture ([Lessassy & Jolibert, 2007](#); [Quinn & Alexander, 2002](#)), organic growth and in-store concessions ([Quinn & Alexander, 2002](#)) as a support strategy.

Internationalization is a matter of expanding a business territory into a new place in another country and manipulating that particular place. How business people do this is highly dependent on the available skills and expertise to tackle the particular place. Obviously, it is not an easy task to expand a business into a new place, especially in different countries due to the differences in culture, business practice, legal, political, economic system, industry structure, language, value, attitude, behavior, and general business condition ([Dupuis & Prime, 1996](#); [Evans, Treadgold, & Mavondo, 2000](#)). The mantra of "think globally, act locally" is easier said than done and many retailers have learned this lesson the hard way ([Perkins, 2001](#)). [McGoldrick \(1995\)](#) highlighted four key obstacles to internationalization: 1) culture and language issues, 2) regulatory controls, 3) cost of logistics and communication, and 4) the competitor environment. Hence, the road to success will definitely not be easy. Substantial up-front investment is required and the whole fulfillment conundrum has yet to be satisfactorily resolved ([Perkins, 2001](#)). There are many hypermarket players that are trying to expand their business territory to another country. However, not all international hypermarket retailers are successful. At the moment, retailers from

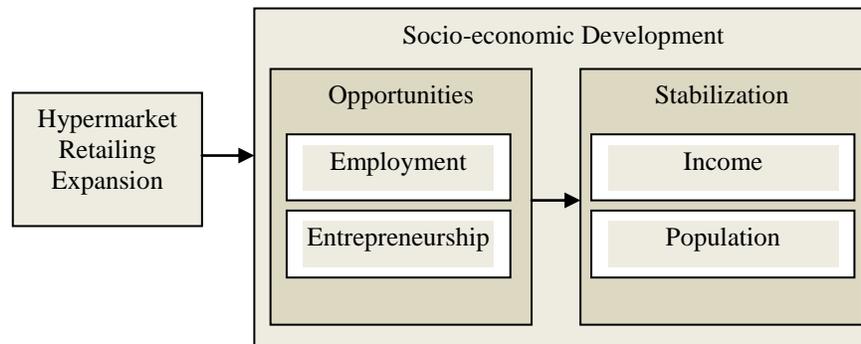
Europe and the United Kingdom are the leaders in internationalization. The first retailer to expand its business operations in an offshore market was Carrefour in 1969 ([Burt, Davies, Dawson & Sparks, 2008](#)). According to research conducted by [Kamath and Godin \(2001\)](#), the restrictions of domestic expansion and legislation forced Carrefour to seek opportunities abroad. The expansion of Carrefour relies on 1) simple and clear ideas, 2) developing ideas, 3) universal ideas, 4) state of mind, and 5) commitment. In Malaysia, there are combinations of international and local hypermarket players that keep on expanding their business operations. Wide experience by international hypermarket players has provided strong pressure for local hypermarket players to compete and sustain in the industry. Regardless of international or local players, this research focuses on the significant of hypermarket retailing expansion as a hub for socio-economic development in the Malaysian market.

Hypermarket Retailing Expansion Opportunities in Malaysia

The development of the hypermarket retailing industry in Malaysia is very impressive. This is because the main products that are sellable in the hypermarket are groceries and basic necessities. In 2013, grocery retailing in Malaysia outgrew non-grocery retailing ([Euromonitor International, 2014](#)). The five main hypermarket players in Malaysia are Aeon, Eonsave, Giant, Mydin and Tesco ([Hassan et al., 2015](#)). As Malaysia is a developing country, even though there is an opportunity to expand the hypermarket retailing operations at the international level, especially in neighboring countries, there is still an opportunity to expand the retailing operations domestically. The existence of a hypermarket outlet in a particular location is able to change the overall socio-economic level of that particular place. This is because the majority of Malaysians have a high tendency to go

shopping at a modern retail facility as part of their modern lifestyle. Parallel to this, it provides more opportunities for local small and medium enterprises, especially new entrepreneurs, to sell their products and offer services through the hypermarket outlets as sub-retailers. In an effort to cater to the demands of shoppers, more employment opportunities are available for those people who are looking for work either with the hypermarket or sub-retailers in the hypermarket premise. As a consequence of the employment and entrepreneurship opportunities, the availability of hypermarket outlets also assists in stabilizing the socio-economic level among different regions in Malaysia. This is by reducing the gap of average monthly household income and population between urban and rural areas. Therefore, hypermarket retailing expansion can be considered as a hub for socio-economic development in Malaysia. The significance of hypermarket retailing expansion, especially in rural areas, to develop and push the positive socio-economic development in Malaysia is represented in [Figure 1](#).

Figure 1: Hypermarket Retailing Expansion as a Hub for Socio-economic Development



Distribution of Hypermarket Outlets and Population in Malaysia

Malaysia comprises 14 states, which are clustered into five main regions: 1) Northern Region, consisting of Perlis, Kedah, Pulau Pinang and Perak; 2) Central Region, consisting of Kuala Lumpur, Putrajaya, Selangor and Negeri Sembilan; 3) Southern Region, consisting of Johor and Melaka; 4) East Coast, consisting of Kelantan, Terengganu and Pahang; and 5) East Malaysia, consisting of Sabah, Sarawak and Labuan. [Table 1](#) shows the distribution of hypermarket outlets and the population in each of the regions. The distribution of hypermarket outlets based on region is obtained from the latest information provided by the main hypermarket players in Malaysia; the percentage of population is based on the latest data from the [Department of Statistics Malaysia \(2013a\)](#).

Since there is a great possibility of gaining ample benefit from local consumers, it would be advisable for the hypermarket retailers to consider local expansion rather than international expansion. Currently, slightly more than half, which is 58.09% (201 hypermarket outlets), of all the hypermarket outlets in Malaysia are located in the Central Region. Parallel to this, the population in the Central Region is the highest, with 28.96% (8,762,700 population), compared to the other regions. This is followed by the Northern Region, in which 15.32% (53 hypermarket outlets) of the hypermarket outlets are located in the area, with 21.23% (6,424,400 population) of the overall Malaysian population staying within the area. Approximately 15.03% (52 hypermarket outlets) of the hypermarket outlets are located in the Southern Region, with a population of 14.52% (4,393,300 population). The distribution of hypermarket outlets in east Malaysia and the East Coast is only 6.65% (23 hypermarket

Table 1: Distribution of Hypermarket Outlets and Population

Regions	Number of Hypermarket Outlets	Percentage of Hypermarket Outlets	Population	Percentage of Population
Northern Region (Perlis, Kedah, Pulau Pinang and Perak)	53	15.32%	6,424,400	21.23%
Central Region (Kuala Lumpur, Putrajaya, Selangor and Negeri Sembilan)	201	58.09%	8,762,700	28.96%
Southern Region (Johor and Melaka)	52	15.03%	4,393,300	14.52%
East Coast (Kelantan, Terengganu and Pahang)	17	4.91%	4,415,300	14.59%
East Malaysia (Sabah, Sarawak and Labuan)	23	6.65%	6,265,900	20.71%
Total	346	100%	30,261,600	100%

outlets) and 4.91% (17 hypermarket outlets) with 20.71% (6,265,900 population) and 14.59% (4,415,300 population) of the total population, respectively. The percentage of population in the Central Region is higher than in any other regions. Many youngsters have migrated from other regions to the Central Region to gain a better standard of living. Due to this, the density of population is expected to be more stabilized if there are more hypermarket outlets in other regions. This is because the hypermarket has the capability to become a hub for the societies to earn more income for living. Parallel with this, hypermarket outlets are also functioning as hubs for the societies to spend their income for their household necessities.

In general, hypermarket retailers are more attracted to locations with a high population and, hence, establish their outlets in these regions. However, the ratio of the distribution of hypermarket outlets to the distribution of the population is not consistent. This shows that there is still an opportunity for the hypermarket retailers to expand their retailing operations to the Northern Region and East Malaysia, because these two regions have a relatively high population. It would also be an added advantage to expand the hypermarket retailing operation to the Southern Region, especially Johor, because its location is close to Singapore, which allows Singaporeans to cross the border to Johor over the weekend to shop for their basic necessities. The addition of Singaporean consumers to the local consumers will definitely contribute positively to the economic benefits of the Southern Region.

Based on [Table 1](#), the majority of the Malaysian population is located in the Central Region. The employment opportunities provided by hypermarkets outside the Central Region will discourage local people from moving to the Central Region and, at

the same time, motivate those people who have migrated to the Central Region to return to their hometowns. Indirectly, this will reduce the population density in the Central Region and stabilize the human resource ratio in the other regions. The continuous effort by the hypermarket retailers as well as the strong support by the government is expected to assist the development of all regions to become more consistent. Although some people might perceive that the existence of hypermarkets will have a negative impact on the surrounding small grocery shops, the positive impact of having a hypermarket in a particular place has constantly overruled the negative impact.

Household Monthly Income in Malaysia

Even though there is a continuous increase in the cost of living, the government has been trying to constantly enhance the disposable income of the people ([Euromonitor International, 2014](#)). The effort is proven by the increase in the average monthly household income in Malaysia from RM 4025 in year 2009 to RM 5000 in year 2012. Parallel to this, the percentage of hardcore poverty in Malaysia has been reduced from 0.7% in 2009 to 0.2% in 2012, while the level of poverty has been reduced from 3.8% in 2009 to 1.7% in 2012 ([Department of Statistics Malaysia, 2013b](#)). With higher average monthly household income, the societies will have more chances to have a better lifestyle through a better purchasing power. The overall economic development in the particular region will definitely be enhanced through higher circulation of money among the societies. This momentum will be further stimulated with the availability of hypermarket retailing outlets as a hub for the societies to spend their money for their daily household necessities.

[Table 2](#) shows the average household monthly income by Malaysians based on the regions as per the latest data from the

[Department of Statistics Malaysia \(2013b\)](#). The highest average household monthly income in 2012 is in the Central Region, with RM 7,071.50 per month. This is followed by East Malaysia (RM 4,874.33), Southern Region (RM 4,708.50), Northern Region (RM 3,891.50), and, finally, the East Coast (RM 3,626.67). In general, the average household monthly income for Malaysians from 2009 to 2012 has increased and it is expected that this momentum will be maintained for the next few years. This will definitely enhance the consumer purchasing power, especially for basic household necessities that can be purchased from a hypermarket.

Table 2: Average of Household Monthly Income

Regions	2009	2012
Northern Region (Perlis, Kedah, Pulau Pinang and Perak)	RM 3,125.00	RM 3,891.50
Central Region (Kuala Lumpur, Putrajaya, Selangor and Negeri Sembilan)	RM 5,434.25	RM 7,071.50
Southern Region (Johor and Melaka)	RM 4,009.50	RM 4,708.50
East Coast (Kelantan, Terengganu and Pahang)	RM 2,944.00	RM 3,626.67
East Malaysia (Sabah, Sarawak and Labuan)	RM 3,696.67	RM 4,874.33
Malaysia	RM 4,025.00	RM 5,000.00

Socio-economic Development through Hypermarket Retailing Expansion

The Central Region has been the most well developed region in Malaysia for the past few years and the momentum of the development is expected to be maintained over the next few years. This is because Kuala Lumpur, which is the capital city of

Malaysia, is located in the Central Region. The momentum of development in the Central Region tends to be more intense, because the center of government administration is located in Putrajaya, which is also within the Central Region. The main development in Kuala Lumpur and Putrajaya has led to Selangor and Negeri Sembilan sharing similar benefits, because the states are located nearby to each other. As a result, the Central Region is the region with highest percentage of hypermarket outlets, 58.09% (201 hypermarket outlets), and highest percentage of population with 28.96% (8,762,700 population). Parallel to this, the average household monthly income in the Central Region is also the highest in 2009 (RM 5,434.25) and 2012 (RM 7,071.50). Due to the rapid economic development, Central Region should become a benchmark for other four regions in Malaysia.

The development of the Northern Region, Southern Region, East Coast and East Malaysia is at a slower pace than the Central Region. This can be seen by the average household monthly income in 2009 and 2012 in which the overall average household income for these four regions is lower than that of the Central Region. The development of the Northern Region and East Coast seems consistent from 2009 to 2012. However, the development in the Southern Region and East Malaysia has fluctuated. Parallel to this, the percentage of hypermarket distribution outlets within these four regions is between 4.91% (17 hypermarket outlets) and 15.32% (53 hypermarket outlets) with a percentage of population between 14.52% (4,393,300 population) to 21.23% (6,424,400 population). It is highly expected with the availability of more hypermarket outlets in these four regions, the number of population throughout the regions in Malaysia will tend to be more consistent since the societies do not have to depending too much on Central Region to have a better socio-economic living.

The overall socio-economic development is expected to be stimulated with the availability of hypermarket outlets within particular locations by providing an ample of employment and entrepreneurship opportunities to the societies. In order to reduce the gap of average household monthly income among regions in Malaysia, more encouragement should be given to the hypermarket retailers to operate their business at East Coast. This is because, East Coast is ranked as the lowest in the average household monthly income than any other regions in Malaysia. The average household monthly income of people in East Coast is just slightly more than half of what people who are staying in Central Region earning in 2009 and 2012. Currently, there are only 17 hypermarket outlets operating at East Coast. The number of hypermarket retailing outlets should be added to provide more opportunity for the societies to enjoy economic development. Following by East Coast, it would also be an advantage to have more hypermarket retailing outlets at Northern Region, Southern Region and East Malaysia to stabilize the existing socio-economic gap with Central Region. In line with this, the ratio of hypermarket retailing outlet distributions should be parallel with the number of population in each region.

The availability of hypermarket outlets in a particular location will stimulate the economic development within that area. This is because, other than offering a variety of basic necessities, the hypermarket also provides opportunities for local small medium entrepreneurs to sell their products in the hypermarket by renting a place or space within the hypermarket as a sub-retailer. It also provides more employment opportunities for people to work either with the hypermarket or with the small medium enterprises. The development of a hypermarket outlet near a tertiary school or university in suburban or rural areas will also assist in enhancing the socio-economic level of the society. The availability of the

hypermarket will provide employment opportunities for students who are seeking part time employment during their college or university trimester breaks and at weekends. Due to this, the availability of hypermarket retailing outlets in particular locations will assist the societies to earn more income for living by providing employment and entrepreneurship opportunity and at the same time will become a main hub for the societies to spend their income to purchase their household necessities.

Most hypermarket retailers will tend to focus on areas where there is high density of population to grab more customers and at the same time it is much easier for the hypermarket to find manpower for their daily operations. Due to this, most hypermarket outlets are usually operating at urban areas. As an alternative for urban areas, there is also a chance to earn high investment return by locating the hypermarket outlets near to tertiary education centre. The high number of students with the surrounding societies will assist to generate a better socio-economic development momentum for long-term. This is further supported with Malaysian culture where the societies tend to spend more time for shopping as a modern lifestyle. Currently, there are 20 government universities, 69 private universities and 8 overseas campus universities operating throughout Malaysia ([Ministry of Education Malaysia, 2012](#)). This gives a positive hint for the hypermarket retailers to grab the opportunities to expand their operation locally.

Conclusion

In summary, there is always an opportunity for hypermarket retailers in Malaysia to expand the business operations either internationally or locally. The hypermarket retailing operation is still not saturated in Malaysia. Hence, it would be an added advantage for the hypermarket retailers to

consider local expansion opportunities. The existence of a hypermarket in a particular place will assist in altering the socio-economic landscape and raising it to a better level. The development of particular areas especially in rural areas will be enhanced through a huge employment and entrepreneurship opportunities that is provided by the hypermarket outlets. As a consequences of this, the expansion of hypermarket retailing to other regions than the Central Region will help to stabilize the population density and human resources for the overall socio-economic development. This will also assist to reduce the huge gap in the household monthly income between the Central Region and other regions. With the stabilization of the socio-economic level, more people will be able to share the benefit together.

As a hub for socio-economic development, hypermarket retailing brings with it a modern and more productive market transaction operating system. Overall, this will eventually influence the standard of hypermarket players within the region in particular the rural regions where markets tend to be largely fragmented. In regions where markets are well established, hypermarket retailing will lead to more innovations such as the introduction of self-service technology ([Hassan, Sade & Rahman, 2014](#)). Although it can be seen that the availability of a hypermarket in a particular place is able to improve the landscape of the local community, empirical research must be undertaken as a path to explore how far a hypermarket can change the socio-economic development within a particular place. Thus, such research is expected to become a path for theoretical development to further enhance the findings on hypermarket retail expansion.

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