Store-Brand Use and Store Loyalty in an Emerging Market: A Case of Shanghai, China

(Research Proposal)

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Context

In order to gain a thorough understanding of the store-brand strategies developed by retailers, researchers have conducted extensive studies to explore the motivating factors as to why retailers use store-brands (e.g., Omar, 1996; Balabanis and Graven, 1997; Burt, 2000; McGoldrick, 2002; Ailawadi and Harlan, 2004; Consuegra, 2006; Meza and Sudhir, 2008; Groznik and Heese, 2010; Hyman, Kopf and Lee, 2010). Motives for why retailers develop store-brands have been widely discussed; including improving profit margin, increasing bargaining power, creating differentiation and enhancing store loyalty. However, there is an academic debate regarding whether a store-brand strategy could lead to having a higher customer store loyalty. The traditional view is that higher customer loyalty is the key motivating factor for retailers to develop store-brands. However some researchers believe that customer loyalty was relevant in some cases, but not always (Morris, 1979). Other researchers have found that there is no significant association between customer loyalty and store brands (Mills, 1995; Richardson, 1997). A more recent study of the Spanish market by Martos-Partal and Gonzalez-Benito has also supported the contention that correlation between the use of store-brands and store loyalty does not exist (2009). Thus, although extensive studies have been conducted, there appears to be no conclusive answer to the debated question. Adding complexity to the situation, the findings are mainly from Western markets while data from emerging markets are scarce even though these markets are growing significantly. An indication of the rapid growth of emerging markets is shown in the AC Nielson report, 2009, which shows that the China market has more than 3.3 million fast moving consumer-goods (FMCG) stores nationally and the modern trade (i.e., retail distribution) will represent 60% of the total FMCG sales volume by 2015. The growth of the retailer sector encourages Chinese retail chains to differentiate their retail offerings in order to improve the store image and loyalty as the store is the prime contact point for retailers to communicate with its customers. Based on the Western practice and research, developing store-brands could be one of the retailing strategies to build differentiation, but the question is raised as to whether the use of store-brands would result in having better store loyalty in China’s market. Due to a lack of research in this area and the rapid growth in store-brands in this emerging market, an exploratory study of the relationship between the use of store-brands and store loyalty in China’s market is needed. The grocery sector is selected as this sector is one of the fastest growing market sectors in China (Wu and Deng, 2002; Hsu and Lai, 2008).

Methodology

This study will be undertaken using a qualitative approach/method (Blaikie, 2000) based on three sets of considerations: the “exploratory” nature, the experts’ opinions and the previous researchers’ methodology. Using four criteria: The completeness of the hypermarket system; the diversity of the population; availability of connections and the time frame and cost range.

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Shanghai has been selected because of its unique features of having: Three types of retailing systems with nearly a half of the national chain stores' turnover volume; a greatly diversified population from 50 provinces and over 100 countries; the researcher's good connection with the people in Shanghai and a cost-effective approach. The single case design study and triangulation research approaches will be selected for this study. Case study is one of the most powerful research approaches in social science (Hakim, 2000) because it allows the use of multiple methods, i.e., triangulation, and to collect data. Especially, when we address the questions of "WHY", a qualitative approach usually serves well (Yin, 1994) while the statistical model may not be applicable (Omar, 1996). The main data source for this study will be drawn from the semi-structured interviews in Shanghai, China. A total of 15 retail experts will be interviewed; including retailers, consultants, and professors. The interviews with the managers will be conducted in their offices and at local restaurants and these interviews will be undertaken with the individual alone as the executives and senior managers would feel more comfortable when doing an interview alone (Hair, Babin, Money, and Samuel, 2003). The interviews with the consultants and professors will be in their offices. The language employed during the interviews will be mainly Mandarin, the official language in China. Shanghainese, a dialect of China, may be used when conducting an interview with a senior Shanghainese consultant who may prefer to use Shanghainese to express his opinions. English might be also employed during the interviews with the professors when discussing some theoretical concepts. An open coding procedure will be used which would allow the researcher to discover emerging new ideas without any restriction (Strauss and Corbin, 1998). In order to analyze interview notes, content analysis will be implemented by revealing and identifying recurring words, themes and core meaning (Patton, 2002). In order to ensure the quality of the field-note translation, a back-translation method will be implemented via language software translation and consultation with an English professor in Shanghai.

References


