

A COMPARISON OF RETAIL PRACTICES IN TAIWAN,  
SINGAPORE, HONG KONG AND THE PRC

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INTRODUCTION

There is evident interest in the Chinese market as indicated by reports in the popular, business, trade, and academic press. A question of major interest to multinational corporations, who are considering their role as importer to these Chinese countries, is: do retailing practices in these countries differ and if they differ to what extent? Such differences must be taken into account when developing the firm's strategy for marketing products to nationals in these countries. The present study is exploratory, and attempts to assess potential differences in retail practices among four Chinese countries. The study uses data collected from over 500 retail outlets in Taiwan, Singapore, Hong Kong and the Peoples' Republic of China (PRC); it demonstrates several, interesting intercountry differences.

METHODOLOGY

Data were collected by sixty American student-researchers who toured the four countries during the spring of 1980. Four descriptors were considered to be independent variables; they were: (1) the country (Taiwan, Singapore, Hong Kong, or the PRC); (2) type of store (department, tourist, high-priced specialty, low-priced specialty, or street vendor); (3) size of store (small or large); and (4) type of merchandise carried (fashion or utility).

Although there were numerous variables that could be used to assess retail practices, this study focuses on several observable tactics. Variables that could be observed were important because of the language barriers between data collectors and foreign retailers. Therefore, five dependent variables were conceptualized to be general descriptors of retail practices; they were: (1) degree of high pressure selling; (2) attractiveness of displays; (3) the presence of impulse items; (4) pricing policy, fixed or bargaining; and (5) service, self versus full. These variables were transformed into operational measures in either dichotomous formats or three-point scales.

The student-researchers were trained to distinguish the varying degrees of each measure and a common set of anchor points were developed for the study. They also were instructed to observe the five operational measures prior to participating in the purchasing process. After the data had been collected, group discussions were conducted by the principal researcher to insure that anchor points remained constant from country to country.

The sample consisted of 244 stores in Taiwan, 147 in Singapore, 100 in Hong Kong, and 29 in the PRC; for a total of 520 outlets. Most of the stores surveyed were located in the respective capitals of commerce in each country. Consequently, this limits the results of the study to urban, or large city retailers in each country.

Since type and size of store are inherently related to retail practices, it was particularly important to control for these independent variables in the analysis of data and to adjust for these differences statistically in order to more fairly compare differences among countries. In addition, the operational measures were all categorical. For these reasons, a log-linear model described by Dixon (1977) was used. All main effects and two-, three-, four-, and five-way interactions were examined and models were chosen through a stepwise procedure for inclusion and deletion of effects.

## RESULTS

Only two operational measures are significant ( $p < .01$ ) with respect to country; pressure tactics and pricing strategy. High-pressure selling is more likely to be used by retailers in Taiwan and Hong Kong, while relatively low-pressure selling is evident in the PRC. Retailers in Singapore are viewed in the middle range. Similarly, bargaining over price is more common in Taiwan and Hong Kong and fixed pricing tends to be the mode in the PRC. Singapore tends slightly toward bargaining.

There are two significant three-way interactions; bargaining by country by type of store, and type of service by country by type of merchandise (both significant at  $p < .02$ ). These interactions indicate a higher than expected presence of bargaining among street vendors in Taiwan, and full-service stores selling fashion merchandising in Hong Kong.

Although there is no significance across the four countries on the three other operational measures, Hong Kong and Singapore merchants appeared to have somewhat neater displays than their Taiwanese and PRC counterparts. Impulse items appear more often in Hong Kong and Taiwan outlets than in Singapore and the PRC.

This exploratory study demonstrates that retail practices do differ among the four countries surveyed. The PRC appears to stand apart on several measures; outlets in mainland China use relative low-pressure selling tactics, have fixed prices, and tend to be self-service operations. These differences are theorized to occur because of the political structure which may hinder more aggressive retailing practices. Under a command economy with state control or ownership of retail outlets, there may be less incentives for retailers to push their merchandise. Conversely, under a relatively free-enterprise system as in Taiwan, retailers use high-pressure selling, bargain over price, and tend to provide a full-service environment.

There appears to be no differences between retail outlets in Hong Kong and Singapore, except for slight differences in impulse items. These city-states are substantially similar to Taiwan, except that their displays tend to be more likely classified as neater than in Taiwan.

There are several implications for multinational corporations planning to sell their products to nationals in these countries. The more aggressive tactics used in Taiwan, Hong Kong and Singapore imply more emphasis on trade dealing and reduced importance on the merchandising aspect of packaging and promotion. These retailers tend to negotiate price, and employ aggressive sales personnel in a full-service atmosphere. In the PRC, however, packaging and promotion would play a more important role due to self-service, low-pressure selling, and fixed-price environment.