CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

The retailer is a one sector that has long been developing with the advance not only in Malaysia but all over the world doing this sector. Retailing is a one place for people to buy their daily needs. A decade ago, the retailing in Asia represents a local business there are mostly conducted by local people themselves. Now it is changing due to the presence of a form of international business, which is dominated by foreigners (The Economist, 01.07.2001). The shop revolution has been increased the facilities of shopping and selection of goods and services to consumers, and also develop opportunities for farmers to obtain the market of spectrum wider food market and can increase their revenues (Lim et al. 2003). However, it has been created the challenges for retailers and suppliers that there are not ready to facing the new competitor caused by moderns shop (Ahmad et al. 2006).

Many are probably mistaken about the retail or retailing which refers to the business in a retail store or mini market only and sundry. This condition may be caused meaning of the word itself, which means retail piecemeal, so retail business only involves small businesses only. Retail activity actually sell goods or services to end users for personal, family or household member or to be given to another individual such as a friend or neighbor. So all types businesses regardless of size, such as hypermarkets,
supermarkets, variety stores department stores, specialty stores, convenience stores, and direct sales business through mail order, telephone, catalog, internet and vending machines are included in the scope retail business.

If viewed in a channel of distribution of goods and services, retail dealer or retailer is the connecting between manufacturers and wholesalers with end users (See Figure 1.1). However, the scope of retail business not only involves the relationship between retailer and purchase and end users only. In contrast, any transaction directly between end users by manufacturers or wholesalers included in the scope retailing as long as the goods purchased are for personal, family, and household or to give to others. For example, the users buy vegetables from farmers or buy fish from fishermen or buy wholesale groceries from the store.

![Diagram of Distribution Channels Goods and Services]

**Figure 1.1: Distribution Channels Goods and Services**

Retail environment in Malaysia currently has changed significantly compared before. These changes include many aspects such as the types and business methods, goods sold, business location, external structures (buildings) and decorative internal. The country's strong economic growth, political stability and income and purchasing power of a growing population have contributed to the development of retail activities in our country. Many foreign retailers interested to invest due to the
factors mentioned above including retailers who embodies the concept of hypermarket business.

Retail business is currently undergoing two major changes. The first change is the change of supermarkets and small shops to hypermarkets. The second change is the invasion companies from developing countries such as they use all the skills, expertise existing technologies, and their culture, to upset our retailers here and bring variations and how business between us and them. Briefly, mostly hypermarkets owned by foreign investors such as Jaya Jusco Stores, Giant, Tmc, Tops Retail Malaysia, Makro Cash and Carry Distribution and Tesco, and others. If it is not controlled wisely, small traders might experience significant losses and had to close their businesses because there is unfair competition to small traders that also depend on the same group of customers.

Supermarkets can be classified into three categories that are small supermarket, medium supermarket and large supermarket. Small supermarket is a supermarket which has an area in the range of 30,000 to 50,000 square feet. Medium supermarket is a supermarket which has an area of 50,000 to 80,000 square feet. While supermarket which has an area of over 80,000 square feet categorized as hypermarkets (hypermarket) (Zainal Abidin, 1992).

The retail industry is the last connectors in the flow of products from producers to consumers. So it is very important in the economy of a country. The economy will not work without retailing and effectiveness retailing of the institutions generally require monitoring of government every time. Retail business is the only business sector that is easiest venture in Malaysia and the type of retail business is the most popular business venture is the supply of food. It is not surprising to us, when we go through any path, we must find and look there some premises small retailers who do business based food preparation. This type of business is very easy to implement because the process is not complicated and capitalize moderate rate. When viewed from the angle of the type of business carried out by small traders mostly business-type food and beverage services (workshops, barber, sewing,