Received February 2009
Revised July 2009
Accepted October 2009

Chinese food retailers' positioning strategies and the influence on their buying behaviour

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Abstract

Purpose – The purpose of this paper is to investigate Chinese food retailers' positioning strategies. Specifically, retail segments and critical factors related to the nature of the food supplier relationships that may be influenced by the positioning strategies are investigated.

Design/methodology/approach – The retail markets in Guangzou and Chengdu are investigated. Data are collected by means of observation and survey and then combined in the analyses. Observational research (i.e. expert assessments) is conducted in 152 retail outlets in order to assess their positioning strategies. The purchasing managers in the same retail outlets are personally interviewed by means of structured questionnaires.

Findings – A three-cluster solution for the positioning strategies is revealed: down-market stores, middle-range stores, and up-market stores. The annual sales and the number of self-service counters are highest among up-market retailers. They are also typically joint ventures, supermarkets and department stores, and members of a retail chain. A broad range of brands and products and also marketing support from the suppliers are most important for the up-market stores.

Research limitations/implications – The study is limited to two regional retail markets and should therefore be cross-validated with other retail sectors and markets. Thumbnail sketches of the retailer segments enable food suppliers to make better and more informed decisions about how to position their product offer and marketing mix.

Originality/value – Although positioning strategies are at the core of modern marketing, relatively little research has been conducted addressing how retailers in general and Chinese retailers specifically include their retail buying behaviour and structural characteristics in the positioning strategy. This study contributes to filling this gap in knowledge.

Keywords Food products, Retailing, Product positioning, Buying behaviour, China

Paper type Research paper

1. Introduction

China's food retail market has become increasingly attractive to foreign food suppliers due to the growing number of consumers attracted to high-quality foreign food (Kwok *et al.*, 2006; Tai, 2008). The potential of this market is even greater when taking into account that China has become a member of the World Trade Organization (WTO). This should give surety that foreign food suppliers gain right of entry to this market. However, the food retailing industry in China is changing rapidly. Since the first supermarket was opened in Shanghai in the early 1990s, China's retailing has boomed. Global players have rolled out their supermarket chains, often in joint ventures with local Chinese counterparts. Domestic supermarkets are being organized into chains to compete with foreign chains (Sternquist and Chen, 2006). Traditional Chinese food outlets are put under pressure by new store formats and changing consumer preferences (Cui and Liu, 2000). Nevertheless, what all the food retailers have in

Asia Pacific Journal of Marketing and Logistics
Vol. 22 No. 2, 2010
pp. 196-209

1355-5855
DOI 10.1108/13555851011026944

common is that they try to position their stores in such a way that they obtain a defendable and sustainable market position in this competitive environment. Retailers in general know that their positioning strategy has an effect on the image of their store or outlet. This knowledge enables the retailers to differentiate their stores in terms of their prices, their products, or the services they offer (Wortzel, 1987; Oppewal and Timmermans, 1997; Levy and Weitz, 2001). However, the way Chinese retailers try to position their outlets based on a combination of store characteristics, price, and product differentiation has only been modestly addressed in past research. Thus, the purpose of this study is to investigate Chinese food retailers' positioning strategies. Specifically, we investigate retail segments and identify critical factors related to the nature of the food supplier relationships that may be influenced by the positioning strategies. By identifying Chinese retailers' positioning strategies and the consequences for their suppliers, we will provide a stepping stone for understanding the nature of retail buying behaviour in a Chinese context. First, the retailers' purchasing behaviour and their supplier selection criteria are very important to food suppliers trying to capitalize on increased consumer demands for their products. Knowledge about the behaviour and criteria used in different segments of the retail market is a prerequisite for developing and implementing effective marketing programmes (Katsikeas and Leonidou, 1996). Second, Chinese consumers are increasingly searching for new food products, often imported ones (Yan, 1994; Cui, 1999; Tai, 2008). As Chinese incomes have risen, so has spending on food, which now accounts for about half of all consumer expenditures. New product imports into the Chinese market have increased substantially in the past decade. Third, specific information about food retailing in China in general, and especially retail buyer behaviour, is still not accessible to foreign food suppliers. Only a few studies exist that discuss Chinese retail buying behaviour (Hansen, 2001; Dickson and Zhang, 2004; Sternquist and Chen, 2006). More research that is application-oriented and predictive in nature is therefore needed.

The Chinese retail market has been the setting of far fewer examinations than Western retail markets. Thus, a significant gap in the literature exists in that we know less about how Chinese retail outlet segments, formed based on a common set of retail mix features, differ in their positioning strategies. There is therefore a need for this kind of study based on the idea that food suppliers' strategies for one country cannot necessarily be broadened effectively to other countries without adaptation (DeMooij and Hofstede, 2002). The current study seeks to fill the gap in the literature by profiling food retailers using identical retail mix measures to position their food retail outlet. Similarities and differences between the food retail outlet segments will be identified and guidelines for food suppliers' retail-strategy formulation will be provided.

2. Literature review

2.1 Retailers' positioning strategies

Retailers try to position their stores in such a way that they obtain a defendable and sustainable market position (Oppewal and Timmermans, 1997). Levy and Weitz (2001) define retail positioning as the decision and implementation of a retail mix to create an image of the retailer in the customer's mind relative to its competitors. Morschett *et al.* (2006) applied Porter's framework to develop competitive strategies in retailing (i.e. cost leadership and differentiation strategies). A part of the cost leadership strategy is to minimize investment in store design and ambience, and reduce customer service. Another part is economies of scale and related negotiation power over suppliers of products (Ellis and Kelly, 1992; Anderer, 1997). A differentiation strategy implies

differentiating the retail offer from its competitors (Davis, 1992). A part of this strategy is to adjust certain features more directly to the specific needs of the chosen customer segments. In a similar vein, two generic strategies for retail positioning are proposed by Wortzel (1987). One is a differentiation strategy through offering a different assortment compared with those of competitors, and a different service strategy based on unique service attributes. The second strategy is a pure price leadership strategy.

The retail mix is also discussed by Walters and Laffy (1996) and they identify four specific activities that are integrated and parts of the retail mix. The first activity is related to merchandise decisions (i.e. the core merchandise policy, branding, assortment profiles, and merchandise extension). The second activity is related to store format and environment (i.e. profile of the outlet, space allocation, visual merchandising, design, and atmosphere). The third activity is related to customer service (i.e. product services, service products, and personnel services). The fourth and last activity is related to customer communications (i.e. advertising, PR, in-store displays, and visual merchandising). Competent management of each activity is required to create a retail offer that fits with the expectations of the targeted customer segments (Darling, 2001). By combining the retail mix activities, an effective overall positioning of the retail offer may be achieved.

A catalogue of retail mix activities was identified in the literature review above in order to tap Walters and Laffy's (1996) four groups of activities. The activities are listed in the Method section and in Table I. The implementation of such activities as manifested in the stores is considered as a positioning strategy in this study (Blankson and Kalafatis, 1999; Morschett *et al.*, 2006).

Descriptors[a]	Mean (SD)	Cluster 1 Down-market stores	Cluster 2 Middle-range stores	Cluster 3 Up-market stores
The products				
The store has a wide range of products	4.7 (1.7)	−1.10	0.18	0.59
The store sells high-quality products	4.4 (1.7)	−1.08	0.17	0.58
The store sells high-quality seafood products	4.0 (1.9)	−1.20	0.12	0.72
The store format and environment				
It is a high-quality store:	4.9 (1.6)	−1.03	−0.19	0.96
The store attracts upper-class consumers	4.9 (1.7)	−1.07	0.00	0.73
Customer service				
It is pleasant to shop in the store	5.0 (1.6)	−1.07	−0.15	0.94
The store has a good atmosphere	3.9 (1.8)	−1.09	−0.08	0.89
Customer communication				
The store sells well-known local (Chinese) brands	4.5 (1.8)	−0.96	0.13	0.54
The store sells well-known foreign brands	4.6 (1.7)	−1.09	0.18	0.59
Number of cases	$n = 38$	$n = 61$	$n = 53$	
Percentage of respondents	25	40	35	

Table I. Positioning strategy characteristics'

Notes: 1 = totally disagree, 7 = totally agree; [a]the cluster descriptors are based on standardized scores that have a mean of zero and standard deviation of one. For instance: 0.00 (see cluster 2, fifth row) indicates an average evaluation on a particular item

2.2 Chinese retailers' buying behaviour

In this section, we discuss research that focuses on the Chinese retail industry in general and retail buying behaviour specifically. The research on the Chinese retail industry has mainly followed three different streams. One stream of research has a macro or industry perspective such as Chinese distribution reforms in general (Luk and Li, 1997; Yi and Jaffe, 2007), characteristics of the wholesale sector (Chow, 1995; Luk *et al.*, 1998), and the development of the supermarket format in China (Lo *et al.*, 2001). Luo (2000) and Wilson and Brennan (2003) discusses merits and limitations of various entry modes available for foreign companies entering China, and Goldman (2001) more specifically analyses the transfer of retail formats into Chinese retail markets. More recently Hingley *et al.* (2009), Liu (2007), and Samiee *et al.* (2004) have investigated the competitive situation and highlights recent developments and opportunities in the retail industry.

Another stream of research has a consumer perspective such as the shopping patterns of supermarket customers (Li *et al.*, 2003; Mai and Zhao, 2004), the consumption habits and retail outlet choices of Shanghai consumers (Samuel *et al.*, 1997; Zhang, 2002), and the diversity of consumers across regional markets with regards to brand preferences, purchasing power, lifestyles, shopping orientation, and consumption patterns (Cui and Liu, 2000; Kwok *et al.*, 2006; Tai, 2008).

The third research stream focuses on the retailer's buying behaviour more specifically. We draw upon this research to propose Chinese retailer-specific activities that may contribute to the retailers' positioning strategies. The strategic elements used in the study by Fiorito and Laforge (1986) and Oppewal and Timmermans (1997) were adapted to a Chinese setting and used to measure the retailers' integrated marketing strategies. These elements can be categorized as

- supplier selection criteria – including both product offer variables and services offered by the suppliers; and
- structural characteristics of the retailers. In the following, the two categories of strategic elements are further discussed and adapted to a Chinese setting.

In the stream of literature focusing on retail buying behaviour, three studies on Chinese retailers' supplier selection criteria were identified. Dickson and Zhang (2004) investigated how retailers in Bejing perceived their foreign brand apparel suppliers and used power theory for explaining these relationships. They found that referent power reduced channel conflict and positively influenced non-economic and economic satisfaction and attitudes towards their suppliers. Coercive power increased channel conflicts. Hansen (2001) reported on a study of retail buying behaviour in 192 supermarkets in four large Chinese cities. The buyers considered high product quality, the suppliers' reliability, the policy regarding returns and handling of complaints, and the service level to be the most important factors in their purchase decisions. Sternquist and Chen (2006) studied food retail buyer behaviour using a grounded theory approach. They concluded that Chinese food retailers make new product decisions based on criteria similar to those of food retailers reported in research focusing on Western markets and retailers. Supplier role performance (i.e. product quality and uniqueness, brand awareness and demand, market share and package), price, marketing support and supplier relationships are primary criteria.

A list of supplier selection criteria relevant to food retail buyers was compiled from the literature review above. Following Kraft and Chung (1993) and Katsikeas and Leonidou (1996), the criteria were categorized into two broad groups:

(1) product offer variables; and
(2) service offer variables.

The variables are operationalized in the Method section. The relationship between retailers' positioning strategies and their supplier selection criteria will be further investigated in the empirical section.

2.3 Chinese retailers' structural characteristics

The retailers may also use other strategies to achieve an overall positioning of the retail offer. Based on the strategic elements used in the study by Fiorito and Laforge (1986), Hansen and Skytte (1998), Oppewal and Timmermans (1997), and Sheth (1981), we have included structural characteristics such as retailer size, store format, store configuration, and ownership structure in our study.

3. Method

3.1 Research setting

Guangzou in the province of Guangdong and Chengdu in the province of Sichuan are selected as appropriate regional retail markets for our study. There are several types of retail outlets in Guangzhou and Chengdu, ranging from traditional markets to modern supermarkets and department stores. Traditional, open marketplaces, small independent grocery stores, and wet markets are still popular among the local consumers (Goldman, 2000). Wet markets (i.e. covered marketplaces), for example, remain one of the main sources for their meat, fish, and produce. Also, increasing volumes of imported products find their way into these stores. As a consequence, these store formats are included in the study. We categorize them as traditional retail outlets. The development of supermarkets and department stores has boomed since the early 1990s (Wong, 1999). They are therefore included in our study in order to cover the entire retail segment of relevance for suppliers and marketers of food products. Street markets, staple food ("rice and oil") stores, and kiosks are excluded as they are decreasing in importance for consumers and are therefore of very little relevance to our study.

3.2 Data collection

The data for this study were collected in two stages, by means of observation and survey. The data from the two data collection methods are combined in the analyses. In the first stage, multiple stores of all types were identified and recruited for the study in both cities. A highly reputable and experienced market research agency with branches in all major Chinese cities and throughout Southeast Asia was employed for the data collection. Observational research was conducted of the retail outlets in order to assess their positioning strategies. Expert assessments are considered as the most efficient way to cover a larger sample of retail outlets (Mendes and Cardoso, 2006) and the use of expert knowledge is suggested in the literature for external validation (Moutinho and Brownlie, 1994; Pasa, 1996; Sinha and Uniyal, 2005; Mendes and Cardoso, 2006). Experienced employees from the market research agency are considered as experts in our study. They had been trained by the authors about the content of the positioning characteristics beforehand and they had assessed the position of five retail outlets in Guangzhou and Chengdu, respectively, in order to calibrate the measurement instrument. The retailers' positioning assessments were carried out by a group of two experts. Three groups were employed in Guangzhou and Chengdu, respectively, and each group carried out about 25 positioning assessments of about equal quotas of the

retail categories included in the study. The assessments were compared between the groups and the cities in order to check for group bias. No significant differences in the positioning strategy items were found between the two cities ($t \leq 1.38$, $p \geq 0.16$) nor between the three groups in each city (pair-wise t-tests: $t \leq 1.84$, $p \geq 0.07$ in Chengdu and $t \leq -1.73$, $p \geq 0.09$ in Guangzhou).

In the second stage, the purchasing managers in the same retail outlets were interviewed by means of structured questionnaires. A total of 152 personal interviews with purchasing managers at each retail outlet were carried out in Guangzhou ($n = 82$) and Chengdu ($n = 70$). The distribution of store type was: 104 traditional retailers (68 per cent), 27 supermarkets (18 per cent), and 21 food outlets in department stores (14 per cent). Chi-square analysis indicates non-significant association between the store formats and cities (chi-square = 5.43, d.f. = 2, $p = 0.06$). The responses were therefore pooled for the two cities and the three categories of outlets because we wanted to obtain a wide range of responses in creating the clusters.

3.3 Operationalization and measurements

Positioning strategies. The list of retailer positioning characteristics was developed based on the review of the retailer positioning literature and categorized based on Walters and Laffy (1996). The following positioning elements are assessed by the experts in the observational research: the products (i.e. product range, quality of products, quality of fresh products); the store format and environment (i.e. the attractiveness of the store layout, the store quality in general); customer service (i.e. the atmosphere, the shopping pleasantness); and customer communication (i.e. the existence of well-known local (Chinese) brands, the existence of well-known foreign brands). The elements are rated on a seven-point Likert-type scale (1 = totally disagree, 7 = totally agree).

Cluster analysis is used to develop the positioning strategy segments. The ten positioning variables are used as the input to the cluster analysis. The initial Ward's cluster analysis suggested between two and four clusters based on the agglomeration coefficients and the dendogram. Thus, a K-means cluster analysis was performed using two-, three-, and four-cluster solutions from the Ward's analysis. The intermediate three-cluster solution was chosen based on the Kappa value criterion (see Table I). Also, a comparison of the two- and four-cluster solutions using the full data set provided face value validity for the three-cluster derivation.

Retailers' supplier selection criteria. According to the RBB literature (e.g. Hansen and Skytte, 1998; Sheth, 1981), a number of factors influence the supplier selection criteria, making them different from one retailer to another. The merchandise requirements will also vary from one product line to another within the same retail establishment (Sheth, 1981). Food products were selected because the product category is of increasing importance to the consumers in the growing Chinese economy (Saulnier, 1996).

A list of 20 supplier selection criteria is included in the survey questionnaire to the purchasing managers. The criteria are measured on a seven-point importance-scale (1 = not important, 7 = very important). Eight items are related to product offer and 12 items concern supplier characteristics. Following Kraft and Chung (1993) and Katsikeas and Leonidou (1996), the two sets of items are factor analysed separately to enhance the conceptual clarity in the resulting factor structure. Upon factor analysing the correlation matrix of the eight items of product offer, a two-factor solution appears tenable (see Table II). The first factor is labelled *Product Value* (alpha = 0.74). The second factor is labelled *Brand & Product Portfolio* (alpha = 0.65). The second factor analysis indicated that three factors underlie the twelve supplier characteristics. The

Construct/dimension	No. of items	Coeff. alpha	Factor loadings
Supplier selection criteria – product offer			
Perceived product value	4	0.74	
Products with high profit potential			0.81
Products with high sales potential			0.78
Products of high quality			0.63
Competitive prices			0.57
Brand and product portfolio	4	0.65	
Famous Chinese (local) brands			0.66
New food products			0.60
Famous foreign brands			0.53
Variety of food products			0.45
Supplier selection criteria – service offer			
Marketing support	5	0.84	
In-store product demonstrations			0.86
Launch cooperative advertisement			0.80
Marketing support (pamphlets, recipes, etc.)			0.73
Financial support (funding of campaigns, etc.)			0.59
Product packing as requested			0.52
Reliable suppliers	4	0.77	
Reliability (keeping promises)			0.83
Credibility and trustworthiness			0.83
Ability to supply products			0.71
High level of services			0.58
Supplier responsiveness	3	0.64	
Frequent contact with the supplier			0.74
The supplier listens to our advice/wishes			0.63
Return policy/handling of complaints			0.59

Table II. Measurement summary of the supplier selection criteria

first factor is labelled Marketing Support (alpha = 0.84), the second factor is labelled Reliable Supplier (alpha = 0.77) and the third factor is labelled Supplier Responsiveness (alpha = 0.64). The Cronbach alpha values for two factors do not exceed the preferred level of 0.70. However, the values exceed the minimum level of 0.60 accepted in exploratory research (Nunally, 1978; Bagozzi, 1994). Summated scales are made from the factors and used in the subsequent analyses.

Retailers' structural characteristics. The measures used in this study are retailer size (i.e. store's annual sales volume), retailer type (i.e. traditional retailers, supermarkets, and department stores), ownership structure (i.e. individual/private, state-owned, collectively owned, and joint venture), and store layout (i.e. the number of self-service and service counters).

4. Findings

4.1 Retailer positioning strategies

The cluster analyses revealed a three-cluster solution for the retailers' positioning strategies. Based on the cluster means for the derived variable scores and the cluster sizes (see Table I), the clusters are labelled and described as follows. Down-market stores: classifying 25 per cent of the sample and characterizing stores below average on all positioning items. In particular, the quality of the food products is lower, the product range is limited, and the number of well-known foreign brands is small. Middle-range

stores: classifying 40 per cent of the sample and representing stores whose position is about average on all ten positioning items. In particular, there is a tendency towards above-average on tangible, product-related positioning elements and a tendency towards below-average on store ambience-related elements. Up-market stores: classifying 35 per cent of the sample and representing stores whose position is above average on all positioning items. In particular, the ambience-related criteria are above average. The positioning items related to more tangible product-related elements are closer to the average, but are still above average.

Corresponding to each of the preceding clusters, positioning strategies can be identified that characterize how food retailing outlets mix their retail offer with regard to product-related and ambiance-related positioning variables. In all, three unique store positioning strategies are posited:

(1) a position above average on all positioning variables;

(2) a position slightly above average on product-related variables and slightly below average on ambience variables; and

(3) a position below average on all positioning variables, corresponding to up-market, middle-range, and down-market store clusters.

4.2 Positioning strategy and retail mix activities' congruence

How do the retailers differentiate their stores in terms of products, services, and store characteristics? Is there congruence between the retailers' positioning strategies and the retail mix activities and buying behaviour? Variability in the way retailers mix their activities (i.e. retail buying behaviour) and structural characteristics are explored in this section. Based on the discussion of retailers' supplier selection criteria and their structural characteristics, it is expected that these factors will vary across the identified positioning clusters. The responses to the various retailers' supplier selection criteria vary significantly between clusters for three of the five factors tested. ANOVA results and post hoc comparisons using Scheffe's test are shown in Table III.

Product value is evaluated by the store managers as a very important factor in all clusters, ranging from 5.9 in the down-market stores to 6.3 in the up-market stores. The brand and product portfolio factor is also evaluated as important across clusters, but there is a significant difference between the up-market stores (mean = 5.7) and the down-market and middle-range stores (means = 5.0 and 5.1, respectively).

	(1) Down-market stores	(2) Middle-range stores	(3) Up-market stores	*F*-value (sig.)
Product offer				
Product value	5.9	6.3	6.2	0.93 (0.39)
Brand and product portfolio	5.0	5.1	5.7	4.76 (0.01), 3 > 2, 1
Supplier characteristics				
Marketing support	4.1	4.7	5.6	11.52 (0.00), 3 > 2 > 1
Reliable suppliers	6.2	6.3	6.5	1.81 (0.16)
Suppliers' responsiveness	6.1	6.3	6.5	2.88 (0.05)

Table III. Differentiating product offer and service offer characteristics

Also, the marketing support factor shows significant differences between the clusters. First, the middle-range stores evaluate this factor as significantly more important (mean = 4.7) compared with the down-market stores (mean = 4.1). Second, the up-market stores evaluate marketing support as significantly more important (mean =5.6) compared with the other two store segments. A significant difference (at the 6 per cent level) between the store segments with regard to the importance of suppliers' responsiveness exists. Even though the post hoc test did not reveal which clusters are different, Table IV shows that this factor is important across clusters, and the main difference in means is between the down-market (mean = 6.1) and up-market stores (mean = 6.5). The *reliable supplier* factor is, however, evaluated as equally important between the clusters (means ranging from 6.2 to 6.5).

All store characteristic measures differ significantly across the clusters, except the number of service counters. Annual sales differ significantly ($F = 7.36$, $p > 0.001$), with the lowest sales in the down-market cluster (mean = 231 thousand yuan), mean sales of 6.4 million yuan in the middle-range cluster, and highest sales in the up-market cluster (mean = 16 million yuan). The number of self-service counters is significantly higher in up-market stores (mean = 1.8) compared with middle-range and down-market stores (mean = 0.5 and 0, respectively). The number of manual counters is not, however, significantly different across the store segments, where the average numbers range from 1.3 to 1.6.

Chi-square analysis indicates a significant association between the store formats and segments (chi-square = 60.06, d.f. = 4, $p = 0.000$). The down-market cluster is made up exclusively of traditional Chinese retail outlets; the middle-range cluster consists of 82 per cent of traditional Chinese stores, 13 per cent are supermarkets, and 5 per cent are department stores. The store formats in the up-market cluster are more equally distributed between the categories (supermarkets = 36 per cent, traditional retail outlets = 30 per cent, and department stores = 34 per cent of the cluster). A significant association between chain membership and the segments is also found (chi-square = 24.54, d.f. = 2, $p = 0.000$). Three and fifteen per cent are members of a store chain in the down-market and middle-range clusters, respectively. Almost half

Store demographics	(1) Down-market stores	(2) Middle-range stores	(3) Up-market stores	*F*-value (sig.)
Annual sales (yuan ∗ 1.000)	231	6.365	16.000	7.36 (0.001) 3 > 2 > 1
Number of self-service counters	0	0.54	1.77	17.05 (0.000) 3 > 2, 1
Number of manual counters	1.3	1.6	1.5	0.224 (0.799)
Store format				
Supermarket	0%	13%	36%	$\chi^2 = 60.06$ (0.000)
Retail outlet	100%	82%	30%	
Department store	0%	5%	34%	
Chain member	3%	15%	43%	$\chi^2 = 24.54$ (0.000)
Ownership				
Individual/private	95%	84%	38%	$\chi^2 = 52.36$ (0.000)
State-owned	0%	7%	32%	
Collectively owned	5%	9%	7%	
Joint venture	0%	0%	22%	

Table IV. Differentiating store characteristics

(43 per cent) of the stores in the up-market cluster are members of a store chain. The ownership structure shows a significant association across the segments (chi-square = 52.36, d.f. = 6, $p = 0.000$). Individual or private ownership is the highest by far for the down-market (95 per cent) and middle-range stores (84 per cent). Only 38 per cent of the up-market stores are individually or privately owned. Seven per cent of middle-range stores and 32 per cent of up-market stores are state-owned. Between 5 and 8 per cent of the stores across the clusters are collectively owned. The up-market stores are also characterized by joint ventures. This is typically a foreign retailer established in the Chinese market through joint ventures with local authorities or companies controlled by the authorities. They have brought their established supermarket format to the emerging Chinese retail market and are categorized as up-market stores by the Chinese.

The differences found across the clusters for the differentiating variables can provide the basis for developing marketing strategies to target the segments differentially. Table V provides thumbnail sketches of the three clusters based on the above differences.

Cluster 1: down-market stores
Below average on all positioning variables
Very small stores with regard to annual sales
No self-service counters, only service counters
Traditional Chinese outlets (independent grocery stores or wet markets)
Individually and privately owned

Supplier selection criteria

- Product quality is of moderate importance
- Product novelty is of moderate importance
- Marketing support is not important
- Reliable and responsive suppliers are important

Cluster 2: middle-range stores
About average on all positioning variables
Total annual sales around 6-7 million yuan; annual seafood sales around 200 thousand yuan
Self-service counters are limited
Eight out of ten stores are traditional Chinese outlets; two out of ten are supermarkets or department stores
Eight out of ten stores are individually or privately owned

Supplier selection criteria

- Product quality and product novelty is important
- Marketing support is of moderate importance
- Reliable and responsive suppliers are important

Cluster 3: up-market stores
Above average on all positioning variables
Total annual sales 16 million yuan; annual seafood sales around 600-700 thousands yuan
On average, two self-service counters in each store
Seven out of ten stores are supermarkets or department stores
Four out of ten stores are members of a retail chain
Ownership structure is diverse (individual, private, state, collective, or joint venture)
Foreign retail chains only in this segment

Supplier selection criteria

- Product quality and novelty are important
- Marketing support is important
- Reliable and responsive suppliers are important

Table V. Thumbnail sketches of the three clusters

5. Conclusions and implications

Understanding retailers' positioning strategies in emerging markets such as the Chinese food retail market is of major importance to marketers, both academic and practical. However, the research in emerging markets is scarce. The research reported here investigates the positioning strategies and the influencing effect on the retailers' buying behaviour in an important future market for suppliers and marketers of food products. The findings showed that Chinese retailers can be clustered in three groups, i.e. down-market, middle-range, and up-market stores. First, even though the three-group solution appears to be obvious, the detailed description of the retail mix activities used as a segmentation base and the profiling of the segments will provide food suppliers with specific knowledge of the retailers' positioning strategies. Second, the findings also showed how different positioning strategies consequently influence the retailers' buying behaviour. Knowledge of the retailers' buying behaviour is paramount for developing effective marketing strategies in order to become a successful food supplier to the chosen segment of retailers. Third, this is one of the first attempts to derive Chinese food retail segments and profile them according to retail buying behaviour. This study also offers some promising features for future studies of positioning strategies and its antecedents by combining observational research (i.e. expert assessments) and survey research. This approach allows for the assessment of retailer positioning strategies of entire retail segments – not only limited to one or a few competing stores.

5.1 Managerial implications

Marketers must thoroughly evaluate new target markets, especially when they are culturally distant and unfamiliar. The present study indicates that Chinese retailers are positioning their stores differently with regard to buying behaviour, depending on the type of customers they want to attract. Food suppliers can use this knowledge to identify the retailer segments most likely to be attracted to their product offerings, as well as for strategic activities to adjust their image, including decisions about assortment and service to suit the various identified retailer segments. Food suppliers can also use the approach proposed here as a screening tool for retail companies in new markets. The supermarket format in the Chinese retail segments studied here seems to be very promising for foreign food suppliers. The thumbnail sketch of the retailer segments helps food suppliers position their product offer and marketing mix. Suppliers will be provided with deeper insight into retailers' buying behaviour, enabling them to make better and more informed marketing decisions. For example, a food supplier that wants to market its products to up-market stores should approach supermarkets and department stores (i.e. 70 per cent of the segment). In order to meet the retailer's selection criteria, the supplier must be able to supply novel food products that provide value both to the customers and the retailers. In addition to showing the retailers convincingly that it is a reliable and responsive supplier, providing marketing support (i.e. in-store demonstrations, recipes, funding of marketing campaigns) is also an important supplier criterion in this segment. The obvious benefit from this effort is that suppliers could earn better returns from their investments in these markets.

5.2 Limitations and research implications

Some limitations, as well as research implications, emerged from our study. First, the study is limited to examining only one retail segment in two Chinese cities. The relevance of the suggested approach should be cross-validated in future research with other retail sectors and markets, thus testing the extent to which the approach can be

applied across multiple sectors and markets. Future studies also need to update and fine-tune the key characteristics of retailers' positioning strategies in various segments and markets, and to modify the profiles and descriptors of the retailers' buying behaviour. Second, the importance of retailers' positioning strategies is likely to show an upward movement. To capture changes in the positioning strategies and consequently the retailers' buying behaviour, it would be necessary to repeat the study at appropriate intervals. Third, this is a descriptive study that should be followed up with a causal research design in future studies. The empirical findings indicate a causal relationship between retailers' positioning strategies and their retail buying behaviour. The two streams of literature (i.e. retail positioning and retail buying behaviour) have not been linked at a theoretical level in previous studies. Future studies should therefore link this literature in a more unified theoretical framework and empirically test the framework using semi-experimental survey designs.

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Further reading

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Fonte: Asia Pacific Journal of Marketing and Logistics, v. 22, n. 2, p. 196-209, 2010. [Base de Dados]. Disponível em: http://www.emeraldinsight.com. Acesso em: 14 maio 2010.