

COMPETITIVE STRATEGIES IN TAIWAN HYPERMARKET

A COMPARATIVE STUDY BETWEEN RT-MART AND CARREFOUR

Kemo Badiane 

Doctoral Candidate, PhD Program in Business,

Feng Chia University, Taiwan

didibadiane@gmail.com

Charles S. Chien

Associate Professor, Department of Marketing,

Feng Chia University, Taiwan

scchien@fcu.edu.tw

Abstract

Although the size of Taiwan's marketplace is small, there was an increasing interest in the past three decades of hypermarket businesses by international and local commercial firms. Apparently, it is quite difficult for an unfamiliar shopper to determine the differences in terms of business strategy and product lines between RT-Mart and Carrefour, and there are many commonalities in their business operation. Carrefour is an International French retailer, while RT-MART represents a local firm, but both are operating well in Taiwan in a competitive environment using different market penetration strategies and approaches. The purpose of this study is to examine the differentiation and cost leadership strategy of competition dynamic between RT-Mart and Carrefour. Due to the leading position, long standing experience, and competitive advantage of Carrefour, RT-Mart attempted to use differentiation strategy and cultural mastering to compete and attract more consumers. The data of the study based on in-depth interviews with 10 senior managers and 20 professional sales for each retailing business (in total 20 senior managers and 40 professional sales were interviewed) and direct observations of the hypermarket shelves were analyzed to explore retailing businesses in Taiwan. The findings show the differences in the two organization's cost and differentiation strategies. At last, study proposes limitations and avenues for future studies.

Keywords: *Competitive Strategies, Hypermarket, Comparative Study, RT-Mart, Carrefour*

INTRODUCTION

After being an eating paradise, Taiwan is working and moving too fast to become in the future a shopping paradise as Hong Kong in hypermarket industry. The history has started in the 1980's with the introduction of Makro, a Holland-based retail store in Taiwan. Starting from 1994, the government turned to inspire foreign investment, so the foreign direct investment in retail sector increases rapidly. In the early stage because of the similarity in agricultural productions (small scales but abundant in varieties), the operations of supermarkets were mostly under the Japanese influences.

In 1989, the first hypermarket named Makro (a Holland-based retail store) opened in Taiwan. This was a revolutionary event in Taiwan's retail-wholesale sector. Two years later, the French Carrefour joint-ventured with the Uni-President opened its first outlet store in Taoyuan County, Northern Taiwan. These multinational hypermarkets not only changed consumers' shopping behaviors, but also transformed the retail sector from manufacturer/supplier-oriented towards logistic/consumers-oriented operations (Chang, 2005). These retail outlets provided cheaper prices and convenience for parking. They also provided the convenience of one-stop shopping because of a broad selection of packaged and fresh food items and soon became the most popular shopping choice for consumers. The top five leading retail outlets in Taiwan are exhibited in Table 1. The three leading retail outlets (Carrefour, RT-Mart, and Geant) grew steadily. RT-Mart originally belongs to Ruen-Tai Group, but 67 percent holdings were released in 2000 to Auchan of France. Geant-Mart was the outcome of Taiwan's Far Eastern Group with France's Geant Group.

Previous studies have largely emphasized on studying a single hypermarket company. However, less known to current literature is a comparative study between the two retailers. This article aims at filling out this gap in a new perspective.

The purpose of this study is to examine the differentiation strategy and cost leadership strategy between RT-Mart and Carrefour. The authors also attempt to scrutinize the major trend in product strategy in hypermarket development. This study figures out the strategic maneuvering in retail stores to earn customers' preferences.

While a variety of definitions of the term cost leadership has been suggested, this paper uses the definition by Porter (1985) who saw "In it, a firm sets out to become the low-cost producer in its industry." Throughout this work, the term differentiation strategy takes place when a firm "provides something unique that is valuable to buyer beyond simply offering a low price. Differentiation allows the firm to command a premium price, to sell more of its product at a given price, or to gain equivalent benefits such as greater buyer loyalty during cyclical or seasonal downturns."

According to a definition provided by Aaker (2001), “differentiation strategy is one in which a product offering is different from that of one or more competitors in a way that is valued by the customers”. In view of the definition abovementioned, a firm may decide to sell high expensive product or low-cost product depending on the customers and market they are targeting. Also, a firm can differentiate itself effectively from its competitors in many ways. For instance, a firm can target different segments of customers to sell its products or do something better than its competitors or add special features to its products to differentiate itself from competitors.

It is also important to note that the main objective of the strategic management process is to allow a firm to decide and implement a strategy that generates a competitive advantage. As Barney and Hesterly (2005) put it, “a firm has a competitive advantage when it is able to create more economic value than rival firms.” According to Barney and Hesterly “economic value is simply the difference between the perceived benefits gained by a customer that purchases a firm’s products or services and the full economic cost of their products or services”

With regard to the methodology, we conduct in-depth interviews with 10 senior managers in hypermarket industry and 20 professional sales for each firm regarding their company products and marketing strategies to explore retailing businesses in Taiwan between RT-Mart and Carrefour. However, a similarly extensive consideration of Taiwan hypermarket in the contexts of cost strategy and differentiation strategy is currently lacking in the literature. Thus, this research emphasizes on the latter issues to enable potential investors in the industry to have a deeper comprehension of Taiwan’s hypermarket and how to craft and execute their strategy when penetrating Taiwan’s marketplace and the policymakers to revise rules and regulations related to hypermarket competition. Theoretical and practical implications for future research are discussed and the limitations of the study suggested.

LITERATURE REVIEW

The definition of the hypermarket in the western world and Taiwan’s context has some minor differences. For example, in the United States of America where the size of the hypermarkets is quite large and their business models rely on high volume, low-margin sales. Being “a self-service retailing format that offers a wide assortment of products in a retail area over 2,500m³ (27,777.7 square feet)” (Cataluna, Franco & Ramos, 2005). Also, the space occupied by these stores as well as the number of items within them are quite important and may include “a free and big parking area and other services” (Díez de Castro & Rosa Díaz, 2004). A typical hypermarket in the United States of America can cover between 150,000 square feet to 235,000 square feet (21,800 m²).

In the same vein, a typical Carrefour covers 210,000 square feet (20,000 m²) in the USA. For that purpose, the need for many shoppers to carry large quantities of goods; many hypermarkets choose suburban or out-of-town locations which are easily accessible via automobile. It is also the place where more than 200,000 brands are available, thus giving consumers the possibility to purchase large and various quantities of items.

The United States of America was the first State where hypermarkets started operating in 1962 by Meijer in Michigan called “Thrifty Acres”, while in Europe – France’s Carrefour was the first to open its stores in 1963 at Sainte-Genevieve-des-Bois in France, and in Montreal in 1973 by the Oshawa Group. Stores in the United States tend to be single-level enterprises with long operating hours; many of them, especially Walmart, are continuously open except on major holidays. There is some controversy to hypermarkets in the U.S., with opposition coming primarily from preservationists who argue that they destroy conventional retail districts, including independent grocers and supermarkets and downtowns. Hypermarkets have been most successful in northern States where adverse winter weather conditions make it inconvenient to visit multiple stores. Some examples of hypermarket in the United States of America are the following: KOHL’S, Fred Meyer, Meijer, Super Kmart, Super Target, Macy’s, J.C. Penney, Home Depot and Walmart Supercenter.

When we attempt to study the history of one of the hypermarket included in this investigation, we arrive approximately at the same conclusion as far as its size, discount policy, network development and self-service techniques (Cliquet, 1992) are concerned. The French first hypermarket opened at the beginning of the 1960’s. We can also notice that they were used to proposing a large assortment of food and non-food products in a floor space over 2500 m². This new approach to conducting business has revolutionized the landscape of the whole retail industry and provided them more energy and ambition to win the competition. This situation has given tremendous opportunities to the country to become one of the greatest countries in the retailing business. However, in its strategy to conquer the US market, Carrefour has faced a strong competition (Cliquet, 1992) by American supercenters which started operating in the 1990’s such as Walmart and K-Mart to cite a few. Both Carrefour and Walmart are currently competing worldwide as they are reaching a saturation point in their domestic market (Cliquet, 2000). Cliquet and Perrigot’s (2005) study tried to analyze the precepts and techniques in the burgeoning French Retail Industry as follows: 1. A large floor space for the widest assortment of products associated to a large parking lot, and 2. A discount price policy, linked to networking techniques.

In this model, Huff (1964) came to the conclusion that for many retail stores, increasing the floor space can lead to a huge amount of sales due to the economies of scale even though

he recognized that “trees never grow up to the sky”. As their number become more and more important, hypermarkets also increase their purchasing power to deal with suppliers by enabling the implementation of a discount pricing policy. Thus, there was the development of self-service in lieu and place of sales persons.

In fact, there is a difference between supermarket and hypermarket. The former consists in selling at least 75% food products and is considered in France as self-service retail concept with a floor space over 2,500m³ (over 2,500 square feet); in the latter, all types of products can be sold through self-service techniques. The first Carrefour hypermarket in Europe was opened in the southern suburb of Paris (Sainte-Genevieve-des-Bois in 1963), and the size was 2,500 m³, hence the definition of a hypermarket. Nowadays, France territory has more than 1300 hypermarkets and Carrefour Group has currently more than 10,000 stores in the world in more than 30 countries.

CARREFOUR AND RT-MART DIFFERING STRATEGIES IN TAIWAN

In the past three decades, Asia has become an important market for multinational corporations as its economy was developing exponentially. Many multinational companies decided to grab the opportunity to expand their business in Asian countries in general and Taiwan in particular was able to attract the interest of those multinational corporations. According to the A.C. Nielsen 2004 Report, Taiwan has the highest store density, with 8,000 conveniences stores throughout the country or one store per 2,800 people. According to the same report Taiwan has currently 64 hypermarkets, and 20 RT-Mart stores, and A-Mart 17 stores in 2010 on the Island. This work puts more emphasis on retailing business. More specifically, Carrefour and RT-Mart are the focus of this study. Carrefour has entered Taiwan market for more than 30 years now and has been growing very quickly with many stores opened around the Island. Carrefour represents one of the largest hypermarkets and RT-Mart is the second largest one in Taiwan as displayed in Table 1. However, there are other retailing stores which are part and parcel of the competition such as Far Eastern Geant or Aimai Geant, Costco and so on.

The definition of hypermarket in western concept has followed approximately the same pattern in Asia in terms of size and floor space and number of items sold within the store. It is important to bear in mind that in the definition of hypermarket, we didn't include supermarket, department stores, convenience stores, which volumes are quite smaller and pricing strategies the same as the size of these stores is smaller; they use to charge premium prices.

The main factor that has increased the development of retailing businesses on the Island is the Government policy which decided to encourage foreign investors starting from 1994.

Thus, foreign investments rise quickly three times than before. Taiwan's Government pursues the same policy from 2000 – 2001 before slowing down after 2002 (Chang, 2005).

Table 1: Ranking of the Major Retail Outlets and the Number of Stores
in the Past Years (Billion/NT)

Year	2007		2008		2009		2010		Ranking
	Store Number	Volume							
Carrefour	48	622.53	59	629.04	62		63		1
RT-Mart	23	409.51	24	422.10	24		25		2
A-Mart	14	150.13	15	165.50	16		16		3
Costco	5	147.51	5	220.10	6		7		4
Wholebuy	6		6		6		6		5
Taisco	5	63.52	5	67.35	5		5		6
N-Plasa	2		2		2		1		7
Dollars	3		1		1		1		1
Wonderful	7		Close		–		-		-
Asiago	1		Close		–		-		-
Jasco	Close		–		–		-		-
Tasco	–		–		–		-		-
TTNumber	114		117		121		124		-

Source: 2009 Taiwan's Hypermarket Overview, Distribution News (2009)

The Carrefour Group

Carrefour Group is one of the most successful hypermarkets around the world. It starts operating since 1989 in Taiwan. Carrefour has followed a very aggressive strategy on Taiwan's marketplace. It is well known now by a great deal of Taiwanese customers. In comparison to the market leader representing Makro during the time when Carrefour entered Taiwan's market, it has chosen to establish its stores in Taipei City, e.g., metropolitan area and decided to target "individual customers and household while Makro has positioned itself as warehouse type hypermarket with small retailers and organizational buyers without proximity convenience and sophisticated layout design as it was 30 kilometers away from Taipei" (Huff, 1964). Carrefour knows basically its customer value representing the overall assessment of the utility based on "what is received and what is given" (Chao & Tsuchiya, 2006).

This increase in customer value can result either from enhancing the received-benefit package, lowering the incurred cost package, or targeting both components simultaneously. As far as received benefits are concerned, they include three components such as functional (the

quality of merchandise acquired) (Zeithaml, 1988; Holbrook, 1999), hedonic (emotional pleasure coming from in-store atmosphere) (Zeithaml, 1988; Sweeney & Soutar, 2001; Holbrook, 1999), and social or symbolic (respects received from interactions with salespersons (Zeithaml, 1988; Sweeney & Soutar, 2001; Holbrook, 1999). Concerning the incurred costs component, they are directed towards economical value including both monetary (purchasing prices of merchandise) and non-monetary factors (time, effort, and energy in the overall process of merchandise purchasing) (Sheth, Newman, & Gross, 1991; Chao & Tsuchiya, 2006).

In addition to creating value to customer, Carrefour tries to improve its in-store atmosphere which offers more convenience and pleasure to customers to remain longer in the store, hence increasing the purchasing possibilities of the customers (Huff, 1964). All the above-mentioned factors have contributed to give competitive edge to Carrefour towards Makro, its major competitor during that time. Carrefour also uses strong cooperative strategies to strengthen its presence on the market to understand the consumption patterns of Taiwanese consumers. At the same time, Makro was fighting for its survival on Taiwan's marketplace, a brand new hypermarket, RT-Mart likely to become one of the serious competitors of Carrefour, began its operation in 1996. However, challenges are always on the horizon and the group has no time to rest on its laurels.

The Ruentex Group's RT-Mart

RT-Mart owned by Taiwan-based conglomerate, the Ruentex Group is a domestic hypermarket in Taiwan and represents the supermarket retail investment of the group. It has announced with Auchan Group SA, France's second-largest food retailer (present in more than 13 countries with 243,000 partners), about the listing of their combined Mainland stores on the Hong Kong Stock Exchange, a merging plan in 2010 and launching an Initial Public Offering (IPO) in Hong Kong the same year (May, 1989). The same year, Les Mullyez which belongs to Auchan Group is the second richest fortune in France with 21 billion Euros right after the French Conglomerate LVMH, the largest luxury-products company in the world (Wantchinatimes, 2011).

The Ruentex Group, an international business group across the textiles and clothing, construction, circulation hypermarkets, healthcare, finance industries and education foundation was founded in 1943. But the Group started its hypermarket operation (e.g., RT-Mart) in 1996 in Taiwan. The Ruentex Group is involved in the development of diversified form of foreign capital in China; currently there are a number of investment projects, of which more well-known are: RT-Mart hypermarkets, Shanghai C-Store convenience stores. The group has also sponsored the MBA/EMBA Program in Guanghua School of Management-Peking University, Antai College of Economics & Management-Shanghai Jiao Tong University.

In the future, the Ruentex Group hopes to explore deeply more opportunities in international markets, injecting enthusiasm and investing in research and innovation constantly, to enable the closely link between the various processes of research, development, production and marketing in the use of e-science and technology to achieve the profit-making objectives. It is believed that Ruentex Group could provide the customers worldwide not only the best service but also the splendid business partner whom businesses could gladly work together to develop and expand the market.

Coming to the development of the domestic retailer, RT-Mart starts quickly its expansion from 2 stores in 1997 to 19 stores in 2001. RT-Mart uses mergers and cooperation strategies with several local retailers and very quickly it differentiates itself from major competitors in terms of retail processing, business development and strategic actions. And in a very short time, RT-Mart (NT\$ 24 billion) was even able to replace Makro (NT\$18 billion) as the second retailer in 1999 (Huff, 1964).

Presently, the leader of the hypermarket in Taiwan (Carrefour) is the serious competitor of RT-Mart. RT-Mart relies on cultural knowledge and imitation strategy to keep growing in Taiwan hypermarket industry. As a local-based company, it is more likely to develop a strategy which emphasizes on cultural characteristics using fresh products concept (live fish) to win local customers' trust and loyalty. For its expansion into Mainland China's market, RT-Mart also completely differentiates itself from Carrefour; instead of starting its business in big cities, it starts opening its stores in small cities (where investment costs are lower) contrary to Carrefour which opens stores in the capital cities of the provinces (Child, 2006), such as Shanghai, Beijing, Tianjin, and Shenzhen to name a few.

RESEARCH FRAMEWORK

The important issue about the success and failure of the organization relies on the way the management apprehend the market and the tactics they attempt to implement. According to Penrose (1959), the behavior of the firm truly depends on the behavior of the managers. This question could not be answered accurately "based on a set of largely implicit, but crucial assumptions about the nature of the firms and the environment in which they operate" (Child, 2006). As it has been developed by outstanding scholars and managers, firms can be in the same strategic group but differentiate themselves in many ways including strategy, cost, business process, human capital, financial resources and so on. All these factors play important implications in firm's performance.

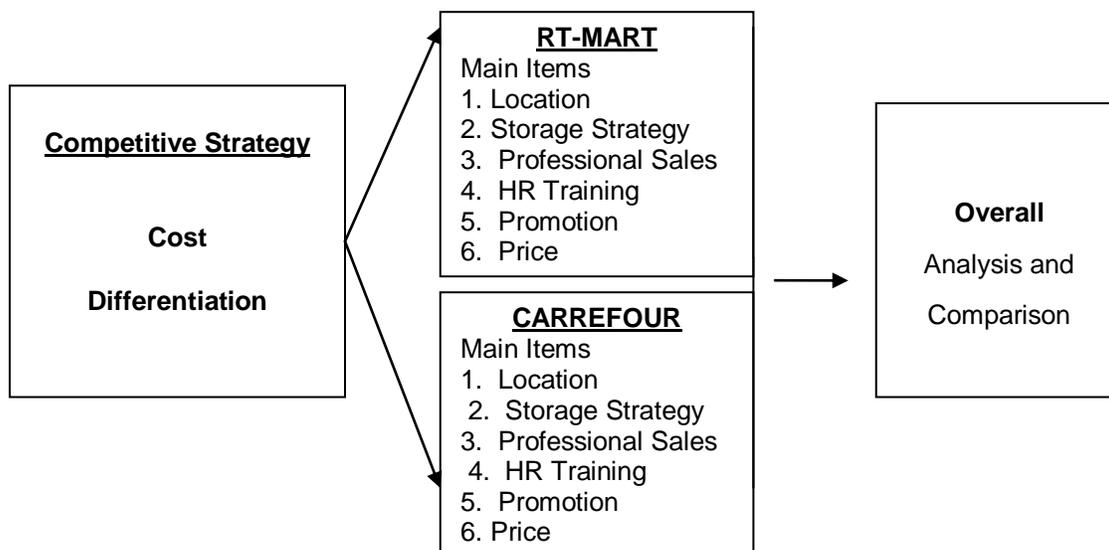
Porter (1985) proposed three essential conditions to explain firm success:

1. A company develops and implements an internally consistent set of goals and functional policies that collectively defined its position in the market.
2. This internally consistent set of goals and policies aligns the firm's strengths and weaknesses with the external (industry) opportunities and threats.
3. A company's strategy is centrally concerned with the creation and exploitation of its so-called "distinctive competences".

In this study, we basically focus on Porter's competitive strategy to shape our research framework based on cost strategy and differentiation strategy between Carrefour and RT-Mart. In our analysis, we examine five (5) major items including Location, Storage Strategy, Professional Sales, Human Resources Training systems, and Promotion between the two hypermarkets as shown in Figure 1.

Differentiation strategy and cost leadership strategy were discussed by Porter (1980; 1991) as important paradigms in firm strategic marketing system. Depending on the situation faced by firm, it will prefer differentiation strategy, cost strategy, or under certain circumstances firm will choose a hybrid strategy (Porter 1985; Hill, 1988). The latter represents a combination of differentiation strategy and cost leadership based on environmental conditions occurring on the market in order to meet "long-range development planning" (Murray, 1988) and identifying clearly the benefits that the strategy will offer (Ansoff, 1957; Reed & Luffman, 1986).

Figure 1: Competitive Strategy



METHODOLOGY

The purpose of this study is to analyze differentiation strategy and cost strategy between RT-Mart and Carrefour and how it relates to the performance of hypermarket in Taiwan's context. Interview is the data collection methodology utilized in the study. Following Goolsby and Hunt (1992), senior managers' group and professional sales' group of the two hypermarkets proposed in the study were targeted as the sampling population for this study. Because of their experience in retail market strategy, familiarity with their firm strategy and daily operations were considered as important aspects leading to their selection to participate in the research study. Moreover, these senior managers and professional sales are considered to be more representative of hypermarket industry than any other category of population in this field.

Before conducting the interview, a cover letter was forwarded to each senior manager of each hypermarket under study, soliciting an interview and the date to conduct it. For that purpose, a postage paid return envelope was included in a mail bearing the address of Feng Chia University's College of Business return address. A senior manager of each hypermarket was informed to explain and encourage their professional sales to participate in the interview. In addition, the researchers also specified in the covering letter forwarded to the management team of each firm to assure them of the confidentiality of their responses and protection of their privacy and identity. We also explained them the ultimate goal of the research project in our mail.

The researchers consider interview as the best method to adopt for this type of investigation because of its practicability and its effectiveness in the study. A week later, a return mail was received, stating the willingness of the senior managers and professional sales to participate in the interview process.

In the first stage, an interview was conducted with a group of 10 senior managers for each hypermarket (six in Taipei City, e.g., Northern Taiwan; eight in Taichung City, e.g., Central Taiwan and six in Kaoshiung City, e.g., Southern Taiwan). The researchers have received the support and cooperation of a marketing expert with more than 25 years of experience in the field, working for a local consulting firm.

In the second stage, an interview was conducted with 20 professional sales (total 40 salespersons) for each hypermarket to receive more information regarding hypermarket business operations using the same sampling strategy (thirteen salespersons in Northern Taiwan, fourteen in Central Taiwan and thirteen in southern Taiwan) across three geographical areas. All professional sales go through a rigorous training allowing them to have a deeper understanding and knowledge of the industry. That's the main reason why they were selected to participate in the interview. Random or probability sampling method was used to choose our

respondents. Through this sampling design, all senior managers and professional sales of the industry contacted accepted to participate in the interview.

All the questionnaires were prepared beforehand and translated from English to Chinese in order to make sure that there will not be any discrepancy between the English version and the Chinese version.

A small sample was chosen because of the expected difficulty to obtain a large sample and the busy working schedule of senior executives and salespersons. Another motive for choosing this methodology is that this study is more interested in the depth of the data rather than breadth and requires the researchers to play an active role in the data collection (Wimmer & Dominick 1997).

The items of the questionnaire develop a four-item measure based on Porter(1980) and Song and Parry (1997) in order to measure differentiation strategy; while the questionnaires related to cost strategy were borrowed from Narver and Slater (1990), and Pelham and Wilson (1995) with four items belonging to the firms' cost-leadership strategy. The questionnaire items are all displayed in Table 2.

Table 2: Measurement Items

Differentiation Strategy
1. Compared to competing products, our products offer superior benefits to customers.
2. Our products are unique and nobody but our company can offer them.
3. We take great efforts in building a strong brand name—nobody can easily copy that.
4. We successfully differentiate ourselves from others through effective advertising and promotion campaigns.
Cost Strategy
1. Our manufacturing costs are lower than our competitors.
2. Our efficient internal operation system has decreased the cost of our products.
3. Our economy of scale enables us to achieve a cost advantage.
4. We have achieved a cost-leadership position in the industry.
Notes: All scales measured on a 7-point-Likert scale (1 = “strongly disagree”; 7 = “strongly agree”)

Source: Differentiation Strategy by Porter (1980) & Song and Parry (1997); Cost Strategy by Narver and Slater (1990) and Pelham and Wilson (1995)

ANALYSIS

Differentiation Strategy

The crucial question about the success and failure of the firms relies on the way the management tries to apprehend the market and the strategy they attempt to implement. Penrose (1959), the pioneer of the resource school stated that the behavior of the firm depends more heavily on the behavior of the executives. This question could not be answered accurately

“based on a set of largely implicit, but crucial assumptions about the nature of the firms and the environment in which they operate” (Penrose, 1959). As it has been developed by outstanding academicians and professionals, firms can be in the same strategic group but differentiate themselves in many ways including culture, business process, human capital, financial resources and so on. All these factors play important implications in firm’s performance. Porter (1980) proposed three essential conditions to explain firm success:

1. “A company develops and implements an internally consistent set of goals and functional policies that collectively defined its position in the market.”
2. “This internally consistent set of goals and policies aligns the firm’s strengths and weaknesses with the external (industry) opportunities and threats.”
3. A company’s strategy is “centrally concerned with the creation and exploitation of its so-called distinctive competences”.

What matters in the firm development process is the “bundle of resources” (Song & Parry, 1997) the firm possesses and which contributes largely to the market when it comes to launch a strategy to differentiate itself from other firms in the industry in order to achieve and sustain favorable competitive positions over-time. There are a number of resources and capabilities which are important to generate competitive advantage including Value, Rarity, Imitability, and Organization (Barney & Hesterly, 2005). A differentiation strategy constitutes “an attempt to create value that consumers perceive as unique, thus enabling the firm to build customer loyalty and command premium prices that exceed the extra cost associated with the strategy” (Wernerfelt, 1984; Porter, 1985). According to Aaker (2001), a differentiation strategy “is one that in which a product offering is different from that of one or more competitors in a way that is valued by the customers”.

Analyzing the two hypermarkets, we can notice that Carrefour with its 64 stores around Taiwan is more likely to have more resources and marketing capabilities and technical experiences in hypermarket business. Carrefour tries to differentiate itself from RT-Mart in many ways such as stores locations, direct mail, branding, logistics systems, store promotion, price strategy, product imitation, and managerial systems as exhibited in Table 3.

In this perspective, through our interview we found that Carrefour chooses metropolitan areas to set up its stores, while RT-Mart chooses suburb area due to the differences in rental cost. Logistics system is also a tool Carrefour utilizes to differentiate itself from RT-Mart. The company has built its own transportation systems; all the products are collected at the warehouses and directly sent to the stores nationwide. Carrefour’s suppliers are only charged 2% being considered lower than RT-Mart which lacks such logistics systems. Carrefour in its

strategic approach uses 10 to 15% discount on holidays and they are aware of their cost leadership because of the economies of scale. Carrefour's greater resources combined with its international experience represent important factors to help the company achieve sustainable competitive advantage on Taiwan's marketplace.

Carrefour has an unprecedented international experience. It started to expand to foreign market very early, at time when competition was less fierce and modern retailing industry was not very widespread. Carrefour was the first foreign retailer to establish a presence in a number of States, such as Spain in 1973, Brazil in 1975, Argentina in 1982, Taiwan in 1989, China in 1995 and Japan in 2000. And the extensive discussion we have with the senior managers and professional sales of the two hypermarkets demonstrates clearly these differences in the management style and market development strategy of the two firms. The two hypermarkets differ in terms of human resources management. Carrefour has set up its own human resource development systems to train its employees while RT-Mart's suppliers send their own professional sales to the store. RT-Mart doesn't have its own training systems contrary to Carrefour. Next, we examine the cost structure strategy between Carrefour and RT-Mart.

Cost Strategy

The issue of cost is of paramount importance in hypermarket business. Carrefour and RT-Mart are the two main leaders of hypermarket in Taiwan's marketplace. However the following cost strategy paradigms were utilized in this study to examine the cost strategy between Carrefour and RT-Mart.

Storage Strategy

Carrefour and RT-Mart are two hypermarkets which have different strategy in terms of storage systems. Carrefour, for example, has developed its own logistics systems for transportation of goods and services to its distribution center located in Northern Taiwan.

For that purpose, suppliers are required to deliver the order at Carrefour's distribution center and Carrefour will take in charge the transportation of all the merchandises stocked in the distribution center to all its stores throughout Taiwan. But the suppliers have to pay 2% charges to Carrefour representing the service fees the supplier should pay to the company.

Contrary to Carrefour, RT-Mart hypermarket does not have its own logistics systems. Thus, their suppliers are responsible for the transportation of all the orders placed by the company. With this in view, in order to increase their bargaining power with suppliers, RT-Mart has put in place a strategic alliance with Save & Safe(a Taiwan-based hypermarket) to raise and enhance their bargaining power with suppliers in order to be able to compete with the major

competitor which bargaining power is much higher with its 64 stores around the Island. This situation helps Carrefour to position itself better than RT-Mart in cost strategy. Besides, in order to strengthen their logistics systems, RT-Mart and Save & Safe implement a similar Enterprise Resource Planning (ERP) system to improve operational efficiency with suppliers for their stock management. ERP system helps the two alliances better monitor their partnership with suppliers and enable them to control and supply the merchandises within the store by knowing exactly the amount of items sold out and those inside the store in order to provide on time items needed.

Promotion

Carrefour and RT-Mart use different strategies to conduct their promotion. Carrefour, for instance, uses tags (e.g., red tag and blue tag) to run its promotions. If a product has a red tag color, this means the profit for that specific item is controlled by the Headquarters; therefore the price of that product cannot be changed or modified. However, if a product bears the blue tag, this means the price of that given product can be changed by professional sales. Furthermore, during the national holidays, Carrefour also proceeds to some major restructuring of its pricing systems to attract more consumers.

RT-Mart also developed the similar strategy based on local Direct Mail (DM) and Headquarters' DM systems. For instance, if a product belongs to the local DM, this means the pricing systems for that product can be modified, while product belonging to the headquarters' DM systems can only be changed by the managers at corporate Headquarters.

Human Resources Management

Human Resources Management represents an important factor for hypermarket business development and profits making strategy. In their major study, Barber and Strack (2005) showed that "The critical resource of most businesses is no longer financial capital, but rather their employees". The way a company trains its employees can be reflected in the assessment and evaluation of the company's financial statement and firm development. Each company tries to set up a program for the training of its human capital. Taking the training of human resources management, during our interview we found that RT-Mart has for each store a computer lab where new employees can go according to the number of hours required for the training to study specific skills related to their job. Besides, RT-Mart's employees can also benefit mentoring systems and coaching from experienced employees and professional sales to increase their work performance and capabilities in order "to satisfy ever more voracious and increasingly sophisticated consumers" (Myers & Harvey, 2001)

Ranking among the top 7 private employers in the world, the Carrefour Group tries to do all what it can to support the development of its human resources, who are regarded as ambassadors in tackling with the company's clients, but also to fulfill "one simple ambition: making Carrefour the preferred retailer wherever it operates". In addition, the Carrefour Group relies on the contribution of employees with highly specific expertise for its back-office activities such as logistics, IT systems, accounting, and finance and so on, and to create an entrepreneurial spirit among its workers as people are one of the company's key assets. The Carrefour Group gives priority to internal promotion and internal mobility as one of the key pillars of its human resource practices, which it combines with an active policy of training and career management. Carrefour Group establishes six month training programs for its employees.

Table 3: Differentiation and Cost Strategy between Carrefour and RT-MART

ITEMS	CARRFOUR	RT-MART
STORAGE STRATEGY	Firstly, Suppliers deliver the goods to discount stores designated customer logistics center (e.g., Distribution Center), also known as system storage. The storage center will forward the goods to each store. Carrefour has set up its own logistics center.	Discount stores set up storage area, large storage volume of consumer goods including food, non-food consumables etc., or promotional merchandise, store shelves on the outside. In addition, it also has a storage function and display.
COMMIDITY PROCUREMENT	Discount-store organizes itself merchandise procurement system.	They build business alliance system between RT-Mart and Save & Safe to conduct similar purchasing methods.
PROFESSIONAL SALES	They have their own professional sales staff.	Suppliers send professional sales personnel to station in the stores (no professional sales staff for home appliances sector)
PROMOTION	They focus on nationwide advertising channels including wired cable TV, wireless TV, newspapers, magazines, DM, radio broadcasting, outdoor advertisement, and in-store POP advertising etc.	Advertisement is relatively low; only on major holidays like Carrefour has advertising practices tied to local needs (DM), based on customer spending, but also through store signage, posters, and decorations mainly every 3 months according to their purchasing habits.
HR TRAINING	The responsible division is very small, very strict management with much authority for decision making. They emphasize on staff training in six months period to train a team leader, before reporting for duty by job rotation	After new recruits finish well training within 3 months, they will receive advanced training to familiarize with merchandize and store services. Well performed employees will follow a training to be promoted to managerial position etc.

Carrefour, additionally, uses commission-based payment to its employees who achieve high performance in their work. That commission-based fee paid to workers constitutes some sort of incentives to encourage employees to become more productive on the job. To make sure, they continually adapt to changes in consumers' lifestyles and behaviors. To develop new services, Carrefour' stores also call on the expert knowledge of specialists in electronics, hi-fi and new technologies. All these aspects help the group differentiate itself from competitors and demonstrate dynamism in its business operation. The group has partnership with a range of external institutions to train workers. The Carrefour group also opens its own corporate universities in countries where it maintains a presence.

Carrefour Group, under certain circumstances, prefers to outsource its human resources management to external companies to efficiently and effectively achieve its targets. For instance, Carrefour Portugal outsourced in 2001 its human and payroll resources management in association with Cap Gemini Ernest and Young (CGE&Y) and Meta4 to obtain software support for its human resource management processes.

CONCLUDING THOUGHTS

Based on the findings of our analysis, we realize that there are many areas of strategy where Carrefour and RT-Mart are different including storage strategy, commodity procurement, sales team, promotions and human resources practices. Moreover, Carrefour with its 64 stores nationwide is incontestably and steadfastly the market leader in hypermarket business in Taiwan's marketplace.

RT-Mart being aware of its position and role in Taiwan's thriving hypermarket business applies different strategies including imitation strategy by setting up its stores in suburb areas in order to lower the renting costs of its stores. RT-Mart also makes use of its good understanding of Chinese culture and customs to provide high quality services to its clients throughout the Island.

Taiwan is a small country and the size of the market is getting more and more crowded to be able to allow establishment of the hypermarket format stores; therefore the two hypermarket businesses under study should foresee the possibility to set up small size stores to share the market segment of the convenience store chains such as 7-Eleven, Family-Mart, OK-Mart, Hi-Life and Niko-Mart if they really aspire to continue growing in Taiwan's marketplace.

Carrefour has established small size stores in Mainland China's market before the 2008 Beijing Olympic Games with the collaboration and support of the Government of China. Those stores have been very successful because they brought more conveniences and were close

enough to their customers to know them intimately. This trend can be strengthened and implemented for future growth of hypermarket in the Republic of China on Taiwan.

LIMITATIONS AND RECOMMENDATIONS FOR FUTURE STUDIES

There are some limitations about the generalizability of the findings in this research. The following section will address the potential limitations and recommendations for future studies:

The first limitation of the study is the sample size of the population which seems smaller to be representative of the study population of the hypermarket industry in Taiwan. Future studies should have an increased sample size to have a greater view and deeper understanding of the whole industry. As a rule, the greater the sample size, the better will be the findings.

Secondly, different methods should also lead to different findings; therefore future studies should attempt to use a quantitative-based approach to collect data and compare results with other methods.

Thirdly, while this research is fully conducted in Taiwan, future studies should include other geographic locations such as China, for example, where RT-Mart and Carrefour are operating to analyze the competitive strategy of each hypermarket in terms of differentiation strategy and cost strategy.

Fourth, one more limitation to this study is related to the fact that this research only compares RT-Mart and Carrefour. Future research should try to compare RT-Mart and Carrefour or Carrefour and Costco etc. or to hypermarkets currently operating in China such as Auchan, China Resources Vanguard, City Super, JUSCO, Lotus Supermarket, Lotte Mart, Parkn Shop, Lianhua Supermarket, Tesco, Walmart, Wellcome and Wumartto learn their differentiation strategy and cost strategy for a better perception of their business operations and performance worldwide.

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