The Proximity-Based Retailing Model: Case Studies in Taiwan

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ABSTRACT

As the growing of economy, new businesses have appeared continuously and quickly. After internet technology being universal, E-Commerce has once become a new choice of retailing channels. However, population moves into cities, the proximity-based retailing model responds to the need of more and more urban population, with the mansion management company as the mediate organization.

This study, relying on the understanding of the development of retailing channels in the past, takes consumer shopping orientations as the main subject, to compare the characteristics of different channels. Furthermore, two cases of mansion management companies are taken as examples. As a result, we find that the proximity-based retailing model can satisfy the need of consumers with different shopping orientations. To the consumers, it has the characteristics of convenience, explicitness, trust, and real benefits. This paper could provide scholars with further research on retailing channels.

Keywords: *the proximity-based channel, shopping orientation, retailing channel*

INTRODUCTION

It is very dense in residential areas in Taiwan. The average delivering distance is short, and the retail commerce compared with wholesaling develops fast in the last several decades. As the society changing along with the economy, new businesses have also appeared continuously and quickly. Since internet technology being universal, E-Commerce used to be a new choice of retailing channel. However, because of urbanization, population moved into cities, buildings stood up as a forest, and the population distributed perpendicularly and tended to be denser. Moreover, responding to Act of mansion and apartment management in Taiwan, the **mansion management companies** established one after another. These companies undertake the management of several mansion communities, and also have formed some kind of retailing market. Managing the retail price by common purchase with gathering orders of inhabitants in mansion communities to possess the scale order, this **proximity-based Retailing Model** has taken place as a basal and newly arisen retailing channel.

This purpose of this study attempts to address how this new business model works and why consumers adopt this new retailing channel, by studying the various characteristics of different retailing channels, and by mapping the change of the consumer shopping orientations.

LITERATURE REVIEW

Shopping Orientations

The shopping orientation is the choice of a consumer based on the complex behavior and hobby for a certain shopping type (Hawkins, 1995). Many studies have been made on the adoption of purchasing channels with shopping orientations, for example: retail stores, home shopping, catalog shopping or mail orders, or on-line shopping (Girard et al., 2003), and have found one's shopping orientation plays important role on the choice of its shopping channel (Korgaonkar & Smith, 1985; Li et al, 1999). In 1950's Stone (1954) identified four types of shoppers: the economic shopper, the personalizing shopper, the ethical shopper, and the apathetic shopper. Later on, Stephenson & Willet (1969) aimed at the concentrated degree of visitors of purchase and developed shopping typologies as: the store loyal shopper (high concentration degree, low search degree), the convenience shopper (low concentration degree, low search degree), the recreational shopper (high concentration degree, high search degree), and the price oriented shopper (low concentration degree, high search degree). Swaminathan et al. (1999) and Li et al. (1999) studied the consumer shopping behavior and classified four shopping orientations: convenient orientation, experience orientation, recreation orientation, and price orientation.

Convenience orientation: Morganosky (1986) defined a convenience-oriented consumer as one who seeks to "accomplish a task in the shortest time with the least expenditure of energy". More recent research defined convenience orientation as the value consumers place on goods and services with inherent time- or effort-saving characteristics. Researchers have agreed that convenience orientation has a major impact on consumers' buying decisions. Service convenience bases on consumers' time and effort perceptions of decision convenience, access convenience, transaction convenience, benefit convenience, and post-benefit convenience (Berry et al., 2002).

Experience orientation: Schmitt (1999) considered experience as affairs of an individual to respond to some incitement. Experience is usually not self-moving but inducted, and the experience of a customer can be described in five kinds of forms: sense, emotion, thinking, action, and connection. The store loyalty orientation that Stephenson & Willet (1969) once mentioned also kind of values the store shopping experience. Li et al. (1999), taking on-line shopping as an example, explained the consumer who valued the experience orientation more were more impossible to adopt on-line shopping.

Recreational orientation: A recreation-orientated consumer places the importance on the fun of shopping, emphasizing the recreation and interaction of human relationship. Bellenger and Korgaonkar (1980) in their research of consumer responses have defined the recreation-oriented shoppers as consumers who prefer using recreational time to shop, and meanwhile, have provided some evidence that these consumers are a great power in retailing market, and are most likely impulsive, too. To attract this group of consumers, the

retailers must provide an attractive shopping space, such as of great decoration, and the fine hopping experiences.

Price orientation: It has been recognized that a consumer would become more sensitive to price when the unemployed rate and inflation rate go up (Korgaonkar, 1984). Hence, the low-pricing strategy has been one of the marketing means in order to attract the consumers who are sensitive to price. For those who value price, they would like to do more extensive search activity, to look for the lowest price.

In this paper we represent the conceptual framework of shopping orientations, and with this framework, we will examine the role of these four orientations on the adoption of various retailing channels, including the proximity-based Retailing Model.
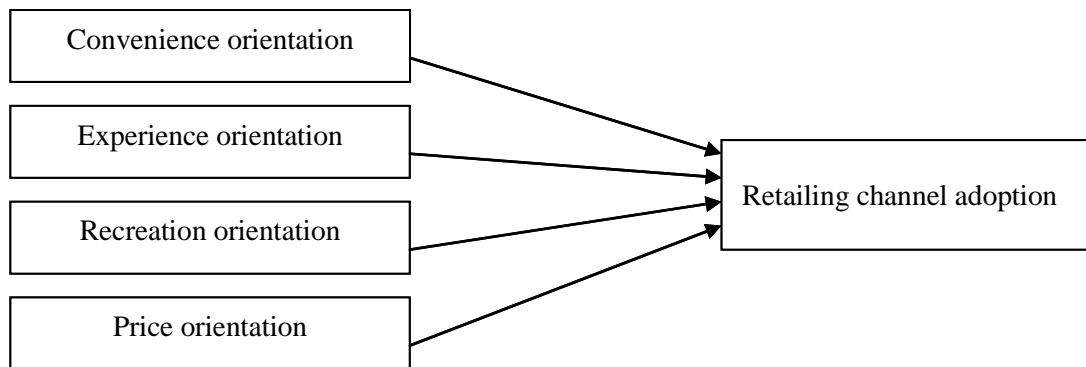

Figure 1. The Conceptual Framework

Physical and Virtual Channels

The progress of retailing, such as department stores, supermarkets, convenience storse, wholesaling stores, shopping centers, reflects the economic changes, and has something to do with the change of the consumer shopping orientations (Xu, 2001). What is in common, however, is that each kind of these physical retailing channels can be described by the distance for a consumer to reach the store. This distance actually is the main factor that impacts the shopping convenience.

On the other hand, the virtual channels, different from physical channels, are so-called non-store retailing. They have no physical shops and product display, and provide the product information to consumers in other way. To complete the trade, these channels are based on trust of both parties of supply and demand. They can be categorized into B2C on-line shopping, direct sales, catalog or mail orders, and television shopping. Due to the blooming of the internet, E-commerce has been discussed mostly in studies on virtual channels (Kalakota & Whinston, 1996). According to Mohamed & Fadlalla (2000) who divided E-Commerce into four types,

B2C E-Commerce which belongs to physical product industry is the virtual retailing channel which will be discussed here. Consumers generally think that on-line shopping can save more time than in physical stores, and that on-line "stores" open 24 hours a day; In addition, some consumers concern that the prices of the products on web are comparatively low, and are also easily to be cross checked with others.

Comparing to the physical channels, however, there are some characteristics that virtual channels can't overcome. Peterson et al. (1997) have pointed out the most difficult is for delivery function. Home delivery in E-Commerce generally, and in the electronic grocery business in particular, is one of the key factors leading to large losses for pioneering companies. The issues of challenging B2C E-grocers are the tightness to the delivery time, preservation of temperature regulation, and the growing number of small orders of delivering directly to customers at home. This is the "last mile issue" of E-Commerce (Punakivi et al., 2001). Kamarainen (2001) has studied on home delivery and found that consumers care about the ratio of the freight charge to total order expense, and the probability of on-time delivery. Obviously, price and delivery time are often the reasons why consumers give up the online purchase on halfway.

Lots of home delivery companies have tried to deal with the last mile problem. Home delivery service somehow also implies high delivery cost, which is usually transferred most as the freightage to consumers. Moreover, the consumers must wait in certain period of the time and at certain location for the delivery. That causes inconvenience to consumers for reducing their controllable time. By solving this problem, E-Commerce dealers co-operate with convenience stores. Through the logistic system and 24 hours service, products are sent to the convenience stores close to consumers, and consumers can pick up at any time. The relationship between B2C E-Commerce channel and consumers is shown as the diagram below:
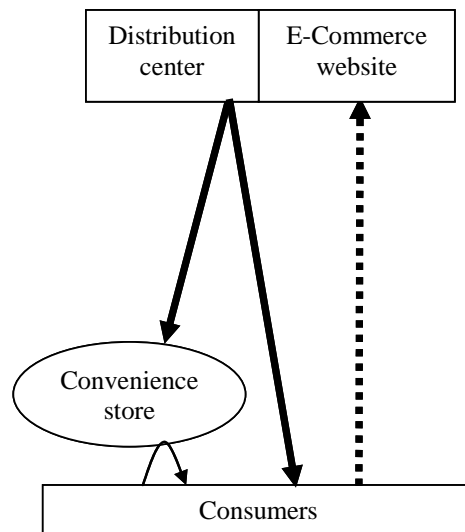

Figure 2. B2C E-Commerce Model

The studies of E-Commerce have also indicated that the price-oriented consumers think that the internet can help reduce the cost of searching product information, and obtain the lower price because of the convenient search (Bakos, 1997). However, Li et al. (1999) found it is not obvious whether price-oriented consumers adopt the on-line shopping. In the aspects of convenience, Gillett (1970) studied home shopping consumers and found they think highly of the convenience of home shopping. The further research of Darian (1987) found the convenience-oriented home shoppers often reduce shopping time, keep flexible time shopping, save energy not to shop in stores, avoid conflict, and more likely purchase because of impulse or advertising.

The recreation-oriented consumers value the fun of shopping and the interaction of the human relations. Therefore, Swaminathan et al. (1999) considered that the more consumers value recreation, the less likely they adopted on-line shopping. Lacking of the chance to face to face with consumers makes the process of the service out of control, and makes lots of consumer complaint (Cho et al., 2003). As for experience orientation, finally, it is difficult to let consumers experience the product on internet. Those who value experience would less likely to adopt on-line shopping. This points out exactly the hot issue of on-line shopping, trust, which doubtlessly becomes the core role of E-Commerce (McCole, 2002).

The Proximity-Based Retailing Model

The proximity-based retailing model is a business type of selling products to community consumers who live close to each other, and who work and stay in office buildings. Responding to Act of mansion and apartment management, the mansion management companies established one after another. They undertake the management of several mansion communities and office buildings, which have become kind of new retailing markets.
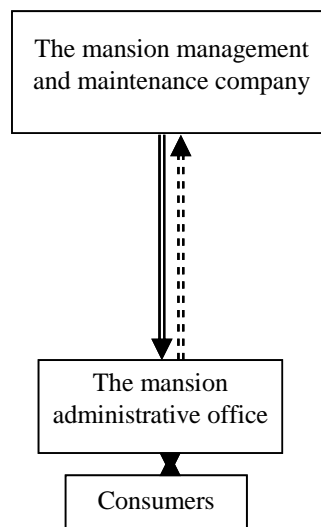

Figure 3. The Proximity-Based Retailing Model

The business of these organizations can be operated very widely, such as brokers, safeguard, machine and electricity maintenance, cleaning, even those life affairs vitally related -- communication, cabled T.V., insurance, non-store grocery, travel agent, laundry, night classes...etc. The proximity-based retailing model, as observed in Figure 3, is to regard this type of companies or organizations as the medium, which gathers mansion inhabitants as a retail market. This newly arisen virtual retailing channel (non-store channel) has worked because this model comes closer to meet the need of consumers. The characteristics of this model are as follows:

It regards the mansion management companies as the organizations of this channel. A mansion management company conducts buildings in several communities and its main business is safeguard and hygiene maintenance. Because the consumers of mansion communities are dense and easy to have the market scale, these companies become the medium to contact manufacturers and consumers as a retailing channel. For example, collecting the demand of the consumers in each mansion community, the mansion management company could provide several kinds of moon cakes as the choices to thousands of inhabitants, and buy directly from the manufacturers at one time. It becomes the agent of information and logistics, and the medium of business flow and cash flow, providing the service to fit consumers' need, and bargaining the lowest price with orders of certain economic scale. Logistic system can be controlled within company. To those consumers who are price- and convenience-oriented, this is the main reason to adopt this channel to purchase.

It regards doorpersons as the service window. The doorpersons taking turns on duty in mansion administrative office are the window of the services. The service quality of retailing transactions is decided in five factors: The physical elements, credibility, human interaction, problem resolving and service policy (Dabholkar, 1996), and the doorperson is the key person of the company, playing a decisive role in service quality. Because they provide service for customers also mainly on the responsibility of protecting the privacy, as the forefront of privacy, the doorpersons are most likely being a role to obtain the inhabitants' trust. Its role characteristic applied in retailing service enhances the consumers' trust feeling for product service, and also helps consumers get enthusiastic, active and instant services and responses. Dislike B2C E-Commerce, this channel provides much more trust feeling for experience-oriented shoppers, and as well, provides warm and dependable services for recreation-oriented consumers. As for convenience-oriented consumers, they can conveniently get what they order at any time in the administrative office which is very much close to their home.

It applies event marketing to run the retailing business. These companies take the inhabitants' security and the safeguard of environment as their main business, and therefore, they have no shop and also no stock. Event marketing is their main strategy to run the retailing business. Base on event marketing, the enterprise integrates its resources, making creative activities and affairs as topics that the public concern, as a result attracting consumers and reaching the purpose of the enterprise image and selling merchandise (Chang,

1996). The mansion management companies can plan with the festival, seasonal, quantity-limited goods for event topics, to sell seasonal fruit (peach, shaddock...etc.), festival food (moon cakes, rice dumpling...etc.), and quantity-limited products of good quality...etc. Because urban people are busy, always lacking of time, they hope to save some more time for their family and even themselves. So in addition to the economic benefit from the scale of gathering orders, to purchase seasonal and festival products through this channel reduces the consumers' purchasing time and physical energy, and even comes close to their life and needs. For consumers of convenience orientation and recreation orientation, it is very much attractive.

CASE STUDIES

Company A established in 1996, in central part of Taiwan, is a mansion management company. Because of great number of the consumers of more than 60 mansion communities managed, and as well of great market scale, Company A applies the digital community management system (DCM) to provide the service of gathering the orders from the community consumers, purchasing directly from the supplier, and bargaining lower prices for consumers.

In the summer of 2003, Company A tried to make the mass purchase for consumers, such as the tickets of swimming pools, health and fitness clubs, theme parks, holiday resorts...etc. The total sales amount added up about 1,160,000 NT dollars in two months. The same year at the Mid-Autumn Festival (the Moon Festival), Company A ran the community common purchase again. It sold totally about 2,100 boxes of moon cakes, for example, and the total sale amount was close to 750,000 NT dollars. Through the event marketing method and the advantage of market scale of mansion communities, the mansion management companies not only provide convenient service and quality products with lower price, but also have gained the great profit because of operating this newly arisen channel.

Company B, at the north part of Taiwan, is a mansion management company too, but has business focusing on office buildings. In 2004, it started to have mass purchase of retailing products, such as stationery, seasoning fruits, specialties of other places, varieties of foods…etc., and sell to thousands of people who works in the office buildings the company takes in charge. Every week, these consumers were informed by Company B with email of "The Big Purchase for This Week". They only needed to order on the website of Company B or on the counter of the doorpersons before Wednesday, and then on Friday, they would have their purchase packed for them to take home.

FINDINGS AND DISCUSSION

Based on the literature review and the case studies, we find the consumers of different orientations will choose retailing channels with different consideration. The comparison is shown in Table 1.

Table 1. Comparison of Retailing Channels with Shopping Orientations

		Convenience Orientation	Experience Orientation	Recreation Orientation	Price Orientation
The Proximity-Based Retailing Model		• Close to consumers, unnecessary to go out. • Likely 24 hours to order and to get goods • Time-saving for the purchase service of seasonal and festival products	• Offer catalogs and samples • Clear product illustration • Reliable or explicit common offering resource	• Nice service • Dealing with familiar doorperson, with similarly house-keeper service	• Lower price from the scale of gathering orders
B2C E-Commerce	Home Delivery	• Unnecessary to go out • Easy to choose and order • Certain time to wait for receiving Products • Computer familiarity	• Limited product illustration • Lack of trust	• Few	• Easy to search and compare • Probably to get lower price • High delivering expense
	Delivering to Convenient Store	• Close to consumers • High density in metropolis • Anytime to get products • Easy to choose and order • Computer familiarity needed	• Limited product illustration • Lack of trust	• Few	• Easy to search and compare • Probably to get lower price • High delivering expense
Convenient Store		• Close to consumers • High density in metropolis • Open 24 hours	• Only contact to the surface of products • Clear product illustration	• Bright and organized space	• Higher price
Supermarket		• Close to residential area • Diversified products • Some open 24 hours	• Only contact to the surface of Products • Clear product illustration	• Comfortable shopping environment	• Lower price
Department Store		• Diversified products • Transportation convenience • Parking lot equipped	• Some for trying on and trying tasting • Clear product illustration	• Fun of shopping • Comfortable shopping environment • Nice service	• Higher price
Wholesaling Store		• Usually located in the suburbs. Inconvenient for transportation. • Needs satisfied for one stop shopping • Parking lot equipped	• Some for trying on and trying tasting • Clear product illustration	• Capacious shopping environment	• Lower price
Shopping Center		• Some in suburbs, some urban • Needs satisfied for one stop shopping • Parking lot equipped	• Some for trying on and trying tasting • Clear product illustration	• Multi-functioned recreation space and facility • Fun of shopping • Family across-the-board satisfaction • Nice service	• Diversified price segments

Figure 4 also shows the shopping distance for the shoppers. From the longest to the shortest by turns, they are the shopping center, the wholesaling store, the department store, the supermarket, the convenient store, and the mansion administrative office of the proximity-based retailing model.

the purchasing route of consumers ; B2C E-Commerce delivery ; The delivery of the proximity-based retailing model; - - - ► information transfer
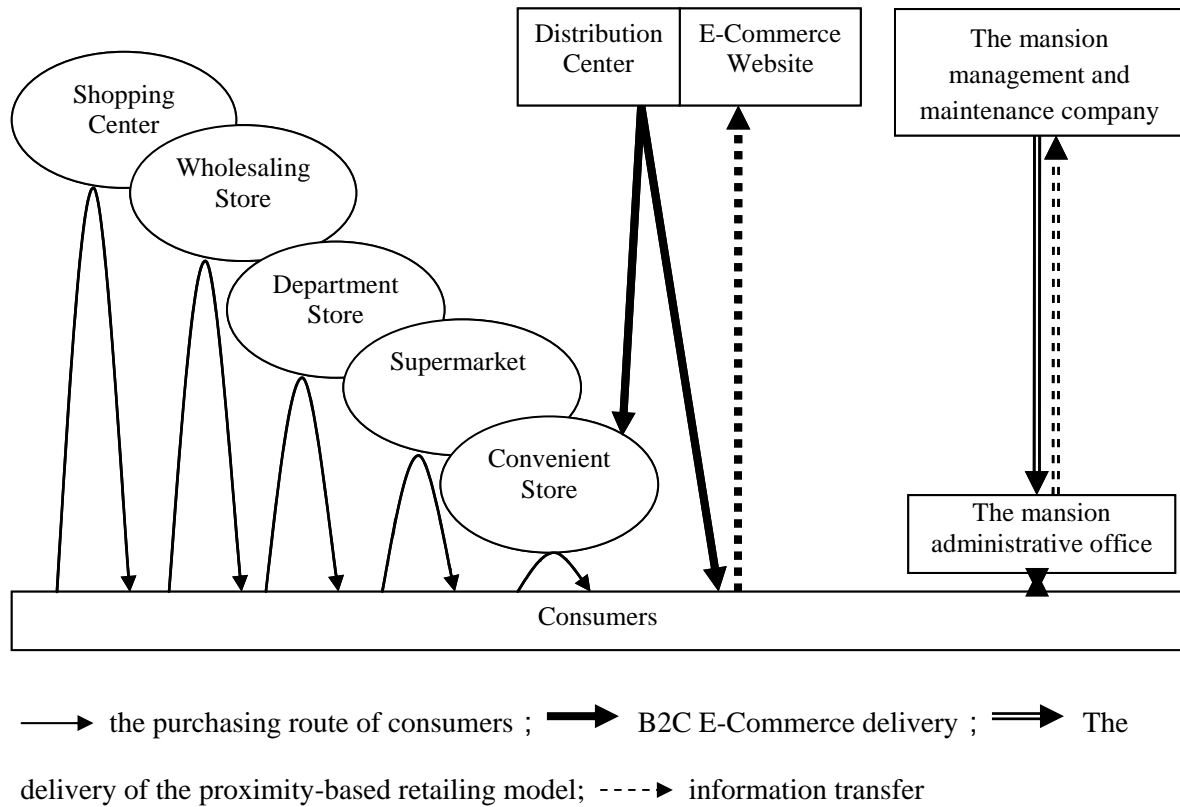
Figure 4. The Retailing Channels

CONCLUSION

The proximity-based retailing model is responding to more and more urban population, with the mansion management companies as the mediate organizations. In these companies, the doorpersons provide the service to the community. This model also connects the consumers' demand to process the mass quantity purchasing. Therefore, it can enhance the buying power to low the purchase cost. Through this model, the companies can provide the community residents the quality products with good price. These companies can apply event marketing and catalog sales as the main method. Through the events which are festival, seasonal, or creative, the companies attract the residents' attention to gather the demand, and to reach the performance of mass purchasing.

It provides convenient purchase for the convenience-oriented. The mansion administrative office is close to consumers who don't need to go out to order or to take goods. While purchasing seasonal and festival

gifts or merchandise, this channel saves the time for consumers to purchases by themselves, and meets the requirement of convenience-oriented consumers.

It provides explicit sources and orders for the experience-oriented. Although purchasing decision made by catalogs, the consumers comprehend that products of the common purchase are directly the clearly explicit source, and also the service person would help with illustration. This process satisfies the need of experience-oriented consumers.

It provides more trust for the recreation-oriented. Dealing with familiar doorpersons is just like being helped by one's own house-keepers. The service penetrates with certain trust, providing the attraction for recreation-oriented consumers.

It provides material benefit for the price-oriented. The common purchase of the scale from gathering orders to bargain the lower price, making the price-oriented consumers willing in this channel.

The doorpersons definitely play an important role in this channel. To train and manage the doorpersons to the persons of affinity and sale skills is becoming important management issue. Moreover, to standardize the process of purchasing and logistics will be the key for this channel to be successful. Because this channel is a newly arisen channel, and the companies participating in the channel are not that many, the follow-up studies can take more effort to identify the characteristic of this channel with more extensive substantial evidence, and to understands more deeply the reason why consumers adopt this channel.

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