Impact of the Establishment of a Hypermarket on Micro Enterprises of Isabel, Leyte, Philippines

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Abstract: **Micro, Small and Medium Enterprises (MSMEs) had been a major source of employment. However, medium and large enterprises have gradually mushroomed in the market. This study was conducted to determine the effects of the establishment of a hypermarket on the micro enterprises of Isabel, Leyte, Philippines. The study used the descriptive survey method supplemented by documentary inspection, viz.: financial statements of microenterprises. The respondents were store owners and managers. The comparative performance data of the micro enterprises before and after the establishment of the hypermarket revealed a decreasing trend on the following key indicators: sales, profit and customers. It was also discovered that virtually no effort has been exerted by the management to reverse the decreasing trend. Micro enterprises also have no participation in business networks and have not availed of government support services. The study concluded that establishment of a hypermarket has unfavorable effects on the micro enterprises. It is recommended that: 1) micro enterprises organize themselves into a business group to share and hone innovative ideas, 2) avail of government support available in the locality and 3) explore the viability of business combinations such as retailer's cooperative, thus pooling the micro enterprises' meager resources and making them more competitive.**

Keywords: **Business, small business management, descriptive survey method, business performance, micro enterprises, hypermarkets, Philippines.**

I.   INTRODUCTION

1.1. Background of the Study

Cheungsuvadee (2006) stated that MSMEs is the backbone of the economy as cited from Storey in 1994. MSMEs had been a major source of employment, innovation and technological changes (Cheungsuvadee, 2006). In the Philippines, the micro, small and medium enterprises (MSMEs) accounted for 99.6 percent of the total establishment according to the data released by the Department of Trade and Industry (DTI) as cited from the Philippine Statistics Authority (PSA) on 2014. Of the total jobs generated, MSMEs contributed almost 62.8 percent by all types of business establishments in 2014. Thirty point five or 2,372,678 jobs by micro enterprises; 25.5 percent or 1,986,823 by small enterprises; and 6.8 percent or 532,335 by medium enterprises (DTI, 2014).

According to the Magna Carta for Small Enterprises (RA 8289), micro enterprises have total assets less than PhP 1,500,001, small enterprises have total assets of PhP 1,500,001 to PhP 15,000,000.00 and medium enterprises have total assets of PhP 15,000,000.00 to PhP 60,000,000.00. SMEs in the Philippines contributed 32 per cent of the Gross Domestic Product (Camposano, 2014).

Micro enterprises are operating in a perfectly competitive market. This type of market structure has weak entry and exit barriers, selling homogenous products and is price takers since no single buyer or seller is large enough to influence the market price.

Market transitions from a perfect competition to oligopoly especially that perfectly competitive markets have low barriers to entry or has freedom for new entrants at all (economics.help). Large numbers of micro enterprises are replaced with a few numbers of hypermarkets dominating the area. One of the many municipalities of the Philippines that have been in the transition is Isabel, Leyte since the establishment of a hypermarket last November 2014. Initial survey revealed that a number of establishments had already been closed and some were expressing difficulty in raising profits. Thus, this study was conducted to assess the impact of the establishment of the said hypermarket in the area.

The business environment is the external forces that are beyond the control of the micro enterprises including the competitors. Entry of the hypermarket in Isabel, Leyte affected the operations of the micro enterprises. Interventions may be made by the micro enterprises to lessen the possible unfavourable effects of the entry of a large player in the market. Strategies focusing on the four functional areas of management that include the human resource management, marketing/promotion, finance and accounting and production (Sevilla, 2014) may be implemented. Micro enterprises may also use of government support like credit services for financing and business networks and groups available in the locality or nearby cities.

1.2. Objectives of the Study:

Thus, this study was conducted to determine the effects of the establishment of a hypermarket on the micro enterprises of Isabel, Leyte. The study also sought to 1) determine the business profile of the micro enterprises in Isabel, Leyte, 2) determine the changes involve in the business profitability and c) identify the coping strategies of the micro enterprises and other interventions.

II. METHODOLOGY

This study used a descriptive survey method. Primary data were gathered using a survey instrument. Financial statements of the enterprises were also inspectioned. A z-test was also used to compare the means of the success indicators: sales, profit and the number of customers before and after the establishment of the hypermarket (year 2013 and 2015).

The study was conducted at Isabel, Leyte, a first class municipality located in the western part of Leyte Province, Philippines. The respondents of the study micro-enterprises within the Brgy. Marvel (Poblacion), Sto. Niño and Mahayag, Isabel, Leyte that were established before 2009 and are currently operating in the locality are all included be the study. There were a total of 75 micro enterprises who qualified for the study based on the list given by LGU-Isabel however, only 67 respondents were surveyed because eight micro enterprises have been closed in early 2016.

The survey questionnaire that was used in the study is composed of four parts adapted and modified from the survey question used by Cheungsuvadee in 2006. These parts include the profile of the respondents, business profile and the coping strategies used by the MSMEs.

III. RESULTS AND DISCUSSION

Table 1 reveals that majority (68.66%) of the respondents are the store owners, many (26.87%) were cashiers and few (4.48%) were managers. Most (32.84%) of the respondents have ages 46 to 55 years old followed by ages 36 to 45 years old (22.88%).

According to Global Entrepreneurship Monitor (GEM), more than half (52%) of Filipino entrepreneurs are in the age group 18-44 years. Notably, there are more females (68.88%) involve in running and owning a micro enterprises compared to males.

Lastly, most of the respondents were college graduate (33.34%), many were high school graduate (29.85%), some were elementary level (7.46%), elementary graduate (10.45%) and high school level (13.43%) and few were college level (4.48%).

Related study of Ganyaupfu in 2013 disclosed that education has the highest statistically significant positive effects on success of the enterprises.

Table 1: Demographic characteristics of the respondents

Demographic characteristics	Frequency	Percentage
Position in the store/enterprise		
Owner	46	68.66
Cashier	18	26.87
Manager	3	4.48
Total	67	100.00
Age		
15 – 25	8	11.94
26 – 35	10	14.93
36 – 45	16	23.88
46 – 55	22	32.84
56 – 65	10	14.93
65 – 75	1	1.49
Total	67	100.00
Gender		
Female	46	68.66
Male	21	31.34
Total	67	100.00
Educational Attainment		
College Graduate	23	34.33
High School Graduate	20	29.85
High School Level	9	13.43
Elementary Graduate	7	10.45
Elementary Level	5	7.46
College Level	3	4.48
Total	67	100.00

Many (26.87%) of the enterprises have been operating for 6 to ten years, followed by 21 to 25 years (23.88%), then 1 to 5 years (19.40%). Very few were operating for 11 to 15 years, 21 to 25 years, 26 to 30 years, 31 to 35 years and 36 to 40 years (Table 2).

Enterprises that have been operating for longer period of years have been more successful that those operating for a short period of time (Islam et al, 2011).

Table 2: Number of years of operation of the enterprises

Years in operation	Frequency	Percentage
1 to 5	13	19.40
6 to 10	18	26.87
11 to 15	5	7.46
16 to 20	16	23.88
21 to 25	4	5.97
26 to 30	6	8.96
31 to 35	4	5.97
36 to 40	1	1.49
Total	67	100.00

Many of the respondents are selling alcohol and beverages (11.71%) and grocery items (11.22%). Some are selling men's and women's clothing (8.78%), shoe and leather (8.78%), food products (7.32%), toys and video games (6.83%), electronic supplies (6.34%), electric equipment (5.37%) and plastic, utensils and kitchenware (5.85%).

There are also few who are selling books, stationaries and school supplies, cosmetic and beauty accessories, pictures and frames, sport products, furniture and appliances and gift items (Table 3).

Table 3: Kinds of goods being sold by the enterprises

Kinds of goods/products*	Frequency	Percent	Percent of cases
Alcohol and beverage	24	11.71	35.82
Groceries	23	11.22	34.33
Men's and women's clothing	18	8.78	26.87
Shoe and leather	18	8.78	26.87
Food products	15	7.32	22.39
Toys, games and video games	14	6.83	20.90
Electric equipment	11	5.37	16.42
Electronic	13	6.34	19.40
Plastic, utensils and kitchenware	12	5.85	17.91
Books, stationaries and school supplies	9	4.39	13.43
Pictures and frames	8	3.90	11.94
Sport products/athletic equipment	7	3.41	10.45
Meat	6	2.93	8.96
Rice and animal feeds	6	2.93	8.96
Gift items	5	2.44	7.46
Furniture and appliances	5	2.44	7.46
Dried fish	3	1.46	4.48
Total	205	100	305.97

multiple responses

Table 4 discloses that most of the stores are located near fresh market (41.79%) and on the main street (34.33). There were also few located in the crowded community (13.43%), in the terminal (8.96%) and near the school (1.49%). It can be observed that enterprises are located in area where people are concentrated.

Table 4: Location of the enterprises

Location	Frequency	Percentage
Near fresh market	28	41.79
On the main street	23	34.33
In the crowded community	9	13.43
Terminal	6	8.96
Near school	1	1.49
Total	67	100.00

Many (37.31%) of the enterprises occupy an area of 11 to 20m^2, some (20.90%) occupy an area of 1 to 100m^2 and very few occupy an area above 21m^2 (Table 5.)

Table 5: Distribution of the enterprises by floor space

Floor size (m2)	Frequency	Percentage
1 to 10	14	20.90
11 to 20	25	37.31
21 to 30	4	5.97
31 to 40	2	2.99
41 to 50	1	1.49
51 to 60	5	7.46
61 to 70	2	2.99
71 to 80	3	4.48
81 to 90	1	1.49
91 to 100	2	2.99
111 to 120	2	2.99
131 to 140	1	1.49

171 to 180	1	1.49
191 to 200	1	1.49
200 and above	3	4.48
Total	67	100.00

Most of the micro enterprises have one (34.33%) and two (38.81%) employees to assist in their business. There are also some who have three (8.96%), four (10.45%) and five (5.97%) employees and only one (1.49%) enterprise hires 11 employees (Table 6).

Table 6: Number of workers employed by the enterprises

Number of employees	Frequency	Percentage
1	23	34.33
2	26	38.81
3	6	8.96
4	7	10.45
5	4	5.97
11	1	1.49
Total	67	100.0

Table 7 reveals that at 95 per cent level of confidence, business success indicators have decreased following the establishment of the hypermarket. There is a significant difference between before and after the establishment of the hypermarket on the sales, profit and number of customers for year 2013 and 2015, respectively.

Table 7: Differences based on the indicators

Success Indicators	Z-Computed	Z-Critical	Remarks
Sales	-2.42	1.64	Significantly different
Profit	-2.33	1.64	Significantly different
Number of customers	-5.05	1.64	Significantly different

*α = 0.05

The rated rated the strategies according to their degrees of practice before and after the establishment of the hypermarket using a five-point Likert scale, 5 is always or continuously, 4 is often, 3 is sometimes, 2 is rarely and 1 is never. Table 8 reveals that enterprises are using the same marketing strategies before and after the establishment of a hypermarket with a negligible weighted mean difference between strategies. Polite service and good relationship to customers are often practiced this is because most entrepreneurs really value customer relationship and use it to retain market share (Mapila et al., 2014). Good customer relationship may increase customer satisfaction that could improve profitability of the enterprise (Hallowell, 1996). On the other hand, customer order by phone, local advertising and presentation goods at home or at offices are almost never practiced by many.

Table 8: Marketing strategies used by the enterprises before and after the establishment of Hypermarkets

Strategies	2013						2015					
	Degrees of practice					Weighted mean						Weighted mean
	5	4	3	2	1		5	4	3	2	1	
Additional goods	8	7	15	8	21	2.54	4	7	15	12	21	2.34
Lower price than competitors	7	5	24	15	12	2.68	7	1	20	23	12	2.49
Negotiable price of goods	13	11	20	8	7	3.25	15	8	19	9	8	3.22
Consumer credit	3	7	33	12	8	2.76	3	3	25	19	13	2.43
Customer order by phone	8	3	5	5	44	1.86	9	3	4	3	46	1.86
Good customer	56	5	1	1	0	4.84	57	5	0	1	0	4.87

relationship												
Local advertising	1	0	1	3	60	1.14	1	0	4	1	59	1.20
Rearrange display	2	2	20	21	21	2.14	0	5	13	23	25	1.97
Promote discount, bonus, free gifts	5	6	25	19	10	2.65	3	8	18	26	10	2.51
Present good at home or office	1	2	0	0	61	1.16	0	2	0	2	60	1.13
Polite service	54	5	2	0	0	4.85	56	4	1	0	0	4.90

Enterprises are also using the same finance and accounting strategies and there is also an insignificant difference between the weighted means of the degree of practice before and after the establishment of the hypermarket. Using of trade credits from suppliers, proper record and inventory management and monitoring of accounts receivables are only practiced sometimes. Consultation or hiring of accountant and using of accounting technology are never practiced by many enterprises (Table 9).

Table 9: Finance and accounting strategies used by the enterprises before and after the establishment of hypermarkets

Strategies	2013 Degrees of practice						2015					
	5	4	3	2	1	Weighted mean	5	4	3	2	1	Weighted mean
Trade credit from suppliers	21	14	11	4	14	3.38	23	15	7	4	15	3.42
Consult/employ accountant	1	1	1	2	59	1.17	1	0	1	1	61	1.11
Record and inventory management	24	20	13	6	1	3.94	26	17	11	7	3	3.88
Monitor receivable	18	18	18	7	5	3.56	18	17	14	12	5	3.47
Use accounting technology	4	0	1	3	60	1.31	8	0	0	2	58	1.50

Human resource management (HRM) strategy has positive effects on increasing the probability of business success (Rauch et al., 2000) however, HRM strategies are rarely or never practiced by the micro enterprises of Isabel, Leyte since most of the employees are members of the family (Table 10).

Table 10: HRM strategies used by the enterprises before and after the establishment of hypermarkets

Strategies	2013 Degrees of practice						2015					
	5	4	3	2	1	Weighted mean	5	4	3	2	1	Weighted mean
Qualified staff	2	3	11	17	33	1.85	1	3	5	18	39	1.62
Staff training (e.g. accounting and marketing)	1	3	10	20	33	1.79	1	4	5	17	40	1.64
Performance appraisal	1	6	11	24	24	2.03	1	4	14	18	29	1.94
Rewards and discipline system	8	6	14	10	28	2.33	6	4	14	11	31	2.14
Involvement of employees in making decisions	1	2	0	4	60	1.21	1	2	1	6	57	1.27

Table 11 discloses that production strategies employed by the enterprises before and after the establishment of a hypermarket are the same. Mean differences on the degree of practice are also insignificant. Sometimes, enterprises would look for cheaper suppliers and they rarely monitor the inventories, add goods and differentiate the products.

Table 11: Production strategies used by the enterprises before and after the establishment of hypermarkets

Strategies	Before 2014						After 2014					
	Degrees of Practice											
	5	4	3	2	1	Weighted mean	5	4	3	2	1	Weighted mean
Cheaper suppliers	15	9	15	11	10	3.13	13	11	11	15	10	3.03
Monitoring of inventory	8	9	27	16	3	3.05	6	10	27	15	5	2.95
Additional goods	11	5	23	9	18	2.73	6	8	13	17	22	2.38
Provide differentiated products	6	9	23	12	16	2.65	3	7	14	20	22	2.23

Eighty per cent of the businesses fail within the first eighteen months of the operation according to Bloomberg because of poor management and few customers (Wagner, 2013). In order to reduce failure, business owners joined business groups to generate referrals and new business, get professional advice and market goods and services (Hani, 2014).

Government support services also helped MSMEs for example in fund generation through offering low interest loan and grants to enterprises since access to capital and financing are two of the most problematic issues for enterprises (Evangelista, 2013).

However, micro enterprises in Isabel, Leyte do not join in business networks and have not use any government support services available in the locality as revealed on the study (Table 12). Micro enterprises are operating individually and independently.

Table 12: Enterprises' participation in business network and usage of government support services

Participation and usage	Frequency	Percentage
Business network		
Yes	0	0.00
No	67	100.00
Total	67	100.00
Government Support services		
Yes	0	0.00
No	67	100.00
Total	67	100.00

IV. CONCLUSION

The study concluded that establishment of a hypermarket has unfavourable effects on the micro enterprises. There has been a significant difference of the success indicators of the enterprises: sales, profit and the number of customers per day. Sales, profit and the number of customers has been decreasing however, data revealed that micro enterprises took no effort to reverse the decreasing trend of the success indicators. Micro enterprises also have no participation in business networks and have not availed of government support services available in the locality.

It is recommended that micro enterprises organize themselves into a business group to share and hone innovative ideas. These ideas maybe used the by enterprises to compete with the emerging hypermarkets. Government support accessible in the locality like information on service about business through various media, seminars and trainings, low interest loans and low rate of income tax may be availed by the enterprises to be managerially and financially equipped to run the business. Lastly, micro enterprises may explore the viability of business combinations such as retailer's cooperative, thus pooling the micro enterprises' meager resources and making them more competitive

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