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## **Geographical analysis on the development of chain tea shops in Mandalay City**

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### **Abstract**

Since practicing of market oriented economy after 1988, private entrepreneurs have been participating in some formerly state controlled economic activities of Myanmar. Existing small scale economic activities have been also transforming into the form that is more competitive in market economy. Among them, some kinds of spatial and functional transformation patterns of tea shop are witnessing in Mandalay City. Thus, this paper studies chain tea shops with followings research questions. (1) How do chain tea shops emerge in spatial context of Mandalay City? (2) How do locational and business strategies of chain tea shop differ in urban spatial context? (3) What are the major forces that cause the development of chain tea shops in Mandalay City? To answer above questions, chain tea shops were verified based on Mandalay City Directory 2009 and field surveys. Then, both spatial (location) and attribute (function) data of chain tea shops were collected by field surveys and structured interviews conducted to owners of chain tea shops in 2009. Then, their spatial transformation pattern was analysed by using ArcMap 9.2 software. The results revealed that chain tea shops were emerged in Mandalay City (1) as a practice of spatial expansion based on the market strategy of parent tea shop, (2) as a systematic development of family business system, and (3) vertical integration of tea shop related businesses under market oriented economy.

**Key words:** ground water, water table, Aquifer, water quality

### **Introduction**

Since practicing of market oriented economy after 1988, private entrepreneurs have been participating in some formerly state controlled economic activities of Myanmar. Existing small scale economic activities have been also transforming into the form that is more competitive in market economy. Economic policy measures take effects in many sectors of the economy. In urban context, changes of gold and jewellery business were reported in both spatial and cultural terms from the case study of downtown Yangon (Aung Kyaw et al., 2006). Similar changes are also witnessing in all major cities and in all economic sectors. Cho Cho San (2009) and Cho Mar Sein (2009), for example, reported spatial development and spatial shift of

retail fruit shops and retail purified drinking water shops from the case study of Mandalay City. In addition to above economic activities, some kinds of spatial and functional transformation patterns of tea shop are recently witnessing in Mandalay City. Thus, this paper tried to analyze the development of chain tea shops in the spatial context of Mandalay City from a geographical point of view with the following research questions.

### **Research Questions**

Following research questions tried to answer in this paper.

- (1) How do chain tea shops emerge in spatial context of Mandalay City?
- (2) How do locational and business strategies of chain tea shop differ in urban spatial context?
- (3) What are the major forces that cause the development of chain tea shops in Mandalay City?

### **Data and Methods**

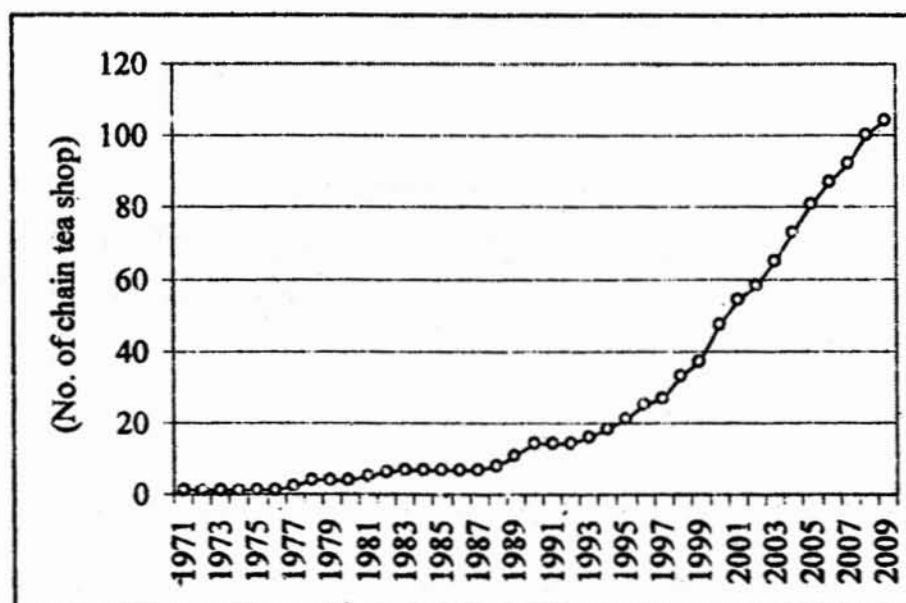
To be able to answer the first research question, chain tea shops were recorded from the Directory of Mandalay City (2009) and information were collected from other personal sources. Tea shop that opened at least in two different locations with same name and having actual relationship among the tea shops of same name is considered as chain tea shop. In 2009 (June), 30 chain tea shops were recorded in Mandalay City. Each chain has 2 to 10 tea shops with the same name. Thus, the above 30 chain tea shops were distributed as 104 tea shops in Mandalay City area. To get the overview of the development pattern and process of chain tea shop, open interviews were conducted to the owners of 7 chain tea shops in January. Then, quantitative data of 104 tea shops included in the 30 chain tea shops were collected by structured interviews conducted to all tea shops during January and June 2009.

### **Development of Chain Tea Shops in Mandalay City**

According to Concise Oxford English Dictionary (11<sup>th</sup> Edition), two or more retail stores dealing in the same general kind of merchandise and operated by the same firm means "chain store". Their outlets (shops) has multiunit and is generally operated by an employee-manager rather than an individual owner. Accordingly, different from independent retailers, the

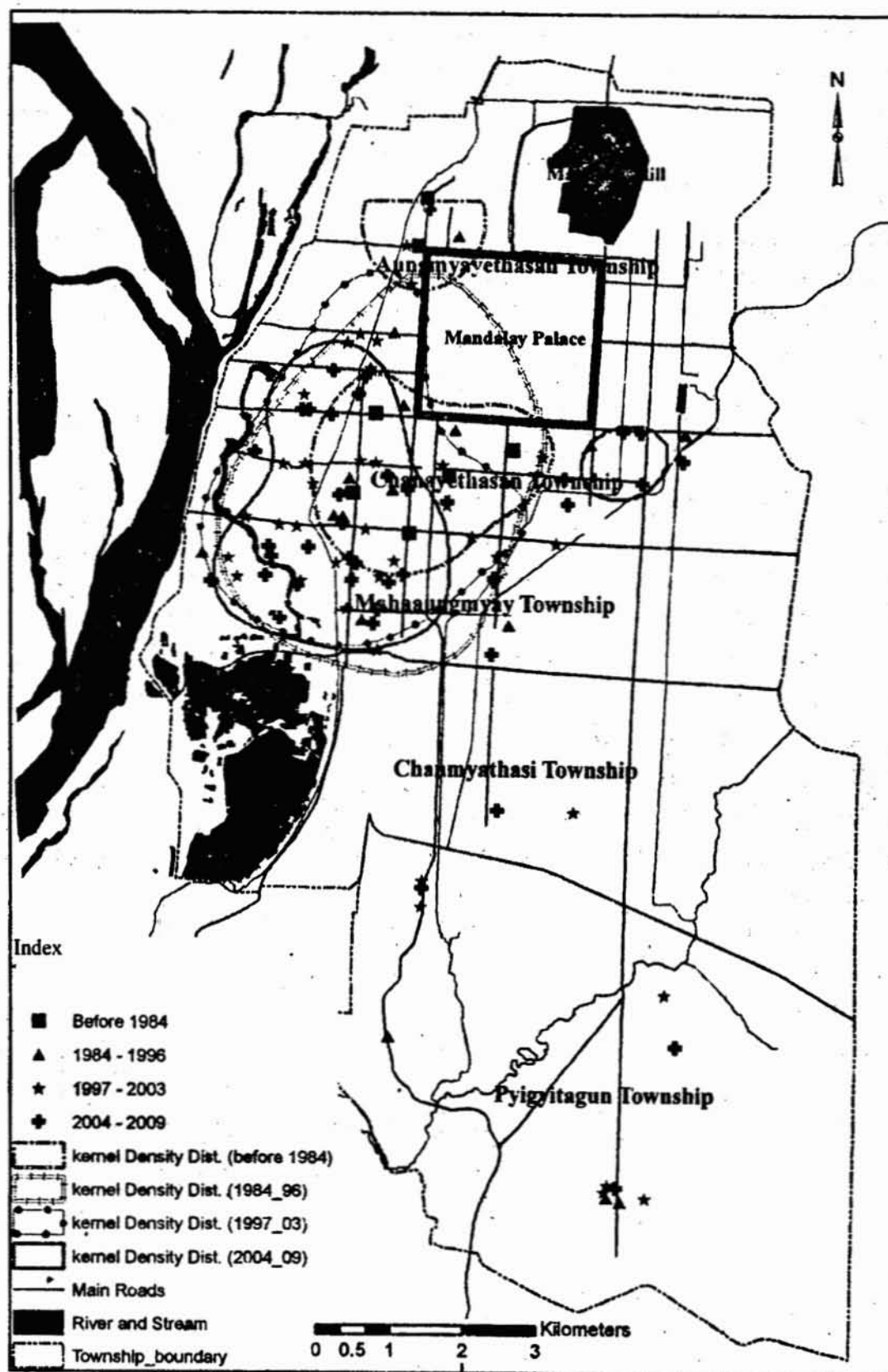
manager of a chain store does not make policy decisions. Important decision is responsible to the individual or company that owns the store. Convenience stores, supermarkets, department stores, and household stores are among the most important chain store. It also found in dealing of food, drugs, and shoes. Chain stores are generally concentrated in large urban area to take the advantage of mass markets. Increasingly, chain stores are becoming parts of the holdings of firms that conduct business internationally. Chain stores, however, differ from franchise operations which involve individual ownership of many units carrying a single trade name (Encarta, 2006).

Some tea shops are doing business in the same manner as mentioned in the case of chain store in Mandalay City. According to structured interview results, the earliest chain tea shop was started with the opening of second Letywaysin tea shop on 80<sup>th</sup> Street, between 8<sup>th</sup> and 9<sup>th</sup> Streets, in Aungmyaethasan Township in 1978. Its first tea shop was established in 1977 on the 12<sup>th</sup> Street between 80<sup>th</sup> and 81<sup>st</sup> Streets in the same township. Although first Sein Myint Moh tea shop was opened in 1971, its second tea shop was opened in 1995 and become a chain tea shop of Mandalay in that year. Sequential developments of tea shops including in the chain are shown in figure (1). The number of tea shops running in chain was less than 10 until 1988 in Mandalay City. After 1988, the number of tea shop gradually increased and 104 tea shops are doing business in term of chain tea shop in study area in 2009.



Source: Structured interview, 2009.

Figure (1) Development of chain tea shop in Mandalay City



Source: Depicted based on data derived from author's field survey (June, 2009).

Figure (2) Spatial development pattern of chain tea shops in Mandalay City



To trace the development pattern of tea shops including in chain, 4 periods of development (before 1984, between 1984-1996, between 1997 and 2003, between 2004 and 2009) are divided by using Jank's Method (by minimizing the sum of intra-group standard deviation) (See Mitchell, 1999 for detail). There are 7 tea shops developed in chain before 1984. During 1984 and 1996, 18 additional tea shops were participated in the business. The newly established tea shop number (as chain) increased to 39 during 1997 and 2003 period. Another 40 tea shops were newly established during 2004 and 2009. Thus, it altogether becomes 104 in 2009. From the grouping of tea shop development it could be considered that *chain tea shops are established before 1984. Although state policy changed to market oriented system after 1988 its development is not too distinguished until 1996. Since 1997, the number of tea shops opened in the form of chain is greatly increased. Another drastic increase is recorded after 2003.*

Their distribution pattern was depicted by using Kernel Density Distribution Analysis (65%) to examine the spatial development pattern of tea shops included in chain business (Figure 2). In the first period (before 1984) tea shops were mainly distributed in Chanayethasan Township (Central area of City having large number of daytime population) and Aungmyaethasan Township where relatively large number of people are living. In the second period, the developments of chain tea shops occurred in both Chanayethasan and Mahaaungmyay Township. One development pattern revealed as a continuation of chain tea shop from central area to Mahaaungmyay Township while the other development is recorded in the southeastern part of Mandalay Moat. In the third (between 1996 and 2003) and fourth (between 2004 and 2009) periods, their distribution pattern mainly expanded in three townships namely Chanayethasan, Aungmyaethasan and Mahaaungmyay Townships. In general, *the development pattern of chain tea shops revealed continuous expansion and accumulation in the three townships: centrally located Chanayethasan Township and its two neighbours of Aungmyaethasan and Mahaaungmyay Townships.*

### **Different Marketing Strategy and Spatial Expansion of Chain Tea Shops**

Spatial expansion of tea shops by opening its branch shop with the same name is assumed to be related to the competition conditions and marketing strategy of each business. In addition, way of business

management, customer preference and ownership system are revealing the development process of a business.

**Local and regional competition-** Distribution pattern of each chain tea shop revealing its marketing strategy. Based on their spatial marketing strategy chain tea shop could be divided into four types. Type I shops opened both their parents and branch tea shops in the same township. In that case, some more competitive tea shops opened their shops in the central area of Mandalay where rental cost is relatively high. Market potential of central area is also high due to large number of daytime population. Other less competitive and localized tea shops opened in township that is remote from central area (Appendix 1). There are 13 chain tea shops in this type.

Type II chain tea shops opened both in central area (Chanayethasan Township) and any another township of Mandalay City. This pattern can be assumed that they have tried to compete both in the most competitive central area and in less competitive periphery area. Ten chain tea shops fall in this category.

Type III chain tea shops avoided the most competitive area and are opened in the two townships adjacent to central area. Competition in these two townships is relatively weaker than central area. In addition, large populations are residing there. Thus, it can occupy large market share in those townships. There are three chain tea shops in this type.

Type IV chain tea shops opened their branch tea shops in at least three townships. They compete with different strategy in two areas: strong competition and weak competition areas. Four chain tea shops are included in this type.

*Thus, it can be considered that chain tea shops opened their branch tea shops based on their competitive power at local and regional area and different economic strategy of the parent tea shops.*

**Systematic development of business-** Spatial expansion of tea shops is not just simply opening of tea shop with same name in spatial context of Mandalay City, but it is a systematic development of business in a company style. Except for three tea shops that have some daily wages earners, all tea shops included in each chain use permanent workers. Only 1 out of 104

interviewed tea shops employed 100 percents workers from Mandalay City. Sixteen tea shops employed from 10 to 50 percents of workers from Mandalay City. The rest of 87 tea shops employed all their workers from other towns or rural areas. They usually used personal network of existing workers to get new workers. Thus, people working in one chain tea shop generally come from one or two regional areas.

Wherever the workers come from, all tea shops have arrangements for accommodation, food, and welfare services for workers. More than half (56 out of 104) tea shop have their own uniforms for the waiters to wear during the service hours. Seventy tea shops have assigned supervisors for each job while the rest of the tea shops (34) are directly managed by the owners.

In addition, tea shop owners systematically train their workers. All tea shops have their training courses for the waiter concerned with customer relations. Tea master is a key actor for the success of a tea shop. Of the 104 tea shops, 54 (51.92 percent) train tea masters in their own shop, 31 (29.81 percent) trained tea master at their parent tea shops and the rests 19 (18.27 percent) directly assigned skilled tea master rather than train in-house. Similarly, food making techniques and process are generally managed by mother or wife or sister of the chain tea shop owners. Among the tea shops, 67 (64.42 percent) shops was trained food makers in their own tea shop, 21 (20.19 percent) shops used parent tea shop to train their food makers, and the rest 16 (15.38 percent) shops directly employed skilled food makers.

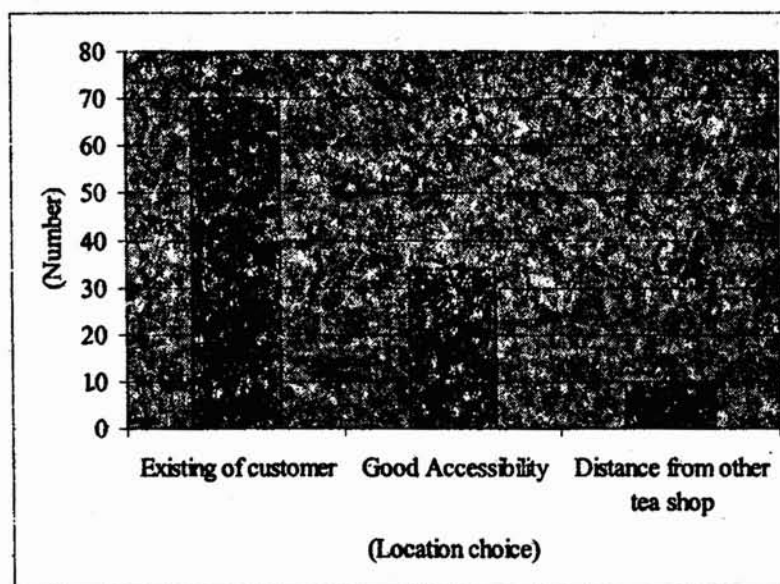
*Therefore, it is clear that development of chain tea shop occurred in systematic ways found in the formation of a company under market economy.*

**Customer preference and spatial expansion-** Chain tea shop owners give priority on the existing of their customer when selecting of a site for new tea shop. From the interviews it is understood that they mainly think for the convenience of their customer. When a tea shop gradually gets a name, car and motorcycle parking space becomes a problem. Thus, owners of tea shop tried to solve this problem by means of opening new tea shop in the place where many of their customers are living. Figure (3) shows major factors that chain tea shop owners considered as the most important factor in opening of a new tea shop. Majority mentioned that they choose the location where their customers resided. Second most important factor is good accessibility of new tea shop. The third factor is related to competition with other tea shops.



Actually, accessibility and competition are most important factors in considering new service location under market economy. The fact many tea shop owners considered about the existence of customer is a salient contribution of tea shop owners to their customers. On the other hand, preference and choice of customers on the particular name of tea shop is reward of customer to the tea shops. This point is an evidence in the case of three tea shops (Unison, Panthakhin and Aung Thu) locating very close to each other on the Yangon-Mandalay Highway near the highway terminal. They answered that the close location to other tea shop do not effect on the selling amount of their shops since major customers already determined which one to choose based on their own preference.

Kind of food selling in each chain tea shop varied from one chain to another. Majority of chain tea shops sell Myanmar foods (steamed sticky rice, fried rice, fried cake, etc.), Shan foods (Shan noodles), and India foods (Indian pancake, fried dough sticks, etc.). Some chain tea shop, however, emphasizes on particular food from their nationality and religion. The owner of Panthakhin chain tea shop, for example, is a Moslem and Indian and Myanmar foods are sold in this shop. The owner of Manmyodaw chain tea shop is Chinese and only Chinese light foods (such as oily noodle, Chinese dumpling) and Shan foods are available in their shops.



Source: Structured interview result (2009).

Figure (3) Major factors considering in opening of new chain tea shop

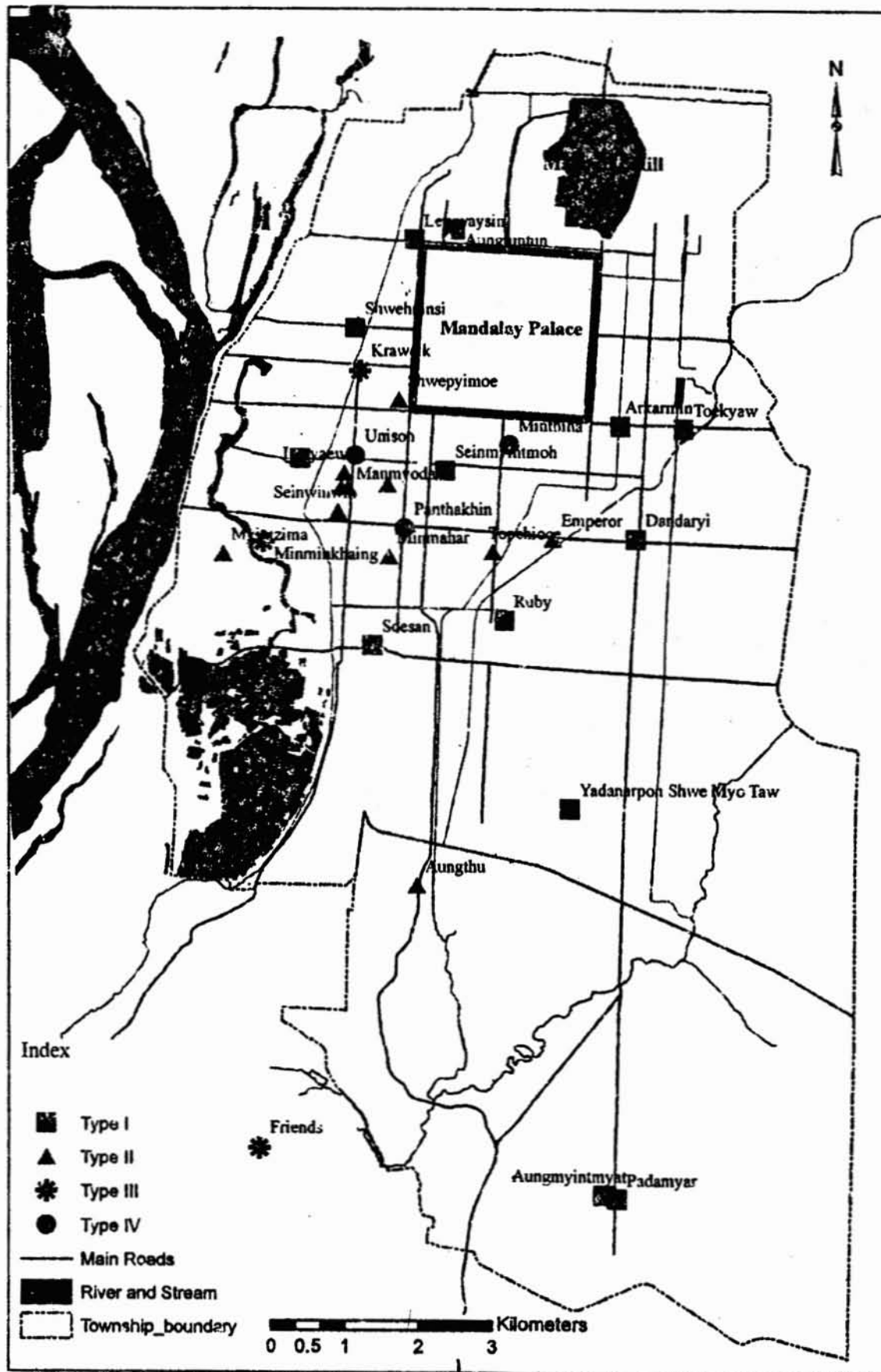
Note: Answers are given as multiple choices. (N=104)

Eleven out of 30 chain tea shops have different selling specialties among their chain shops. Most of the tea shop owners answered that they expanded the chain tea shop business to make their customer more convenience. In addition, each tea shop included in one chain adjusts to the taste of local demand. Manmyodaw, for example, have three chain tea shops in Mandalay. Of them, one chain shop located on 29<sup>th</sup> Street between 89<sup>th</sup> and 90<sup>th</sup> Streets specialized both on tea and light Chinese foods while other two (including headquarter shop) specialized only in food.

Minthiha chain tea shop has 6 tea shops in Mandalay and emphasize on tea, food, cleanliness and services. However, emphasize of each shop on above emphasize differs among the tea shops. Headquarter shop located at the corner of 28<sup>th</sup> and 72<sup>nd</sup> Streets emphasizes on tea while 19<sup>th</sup> Street and 42<sup>nd</sup> Street shops emphasized tea and cleanliness, and tea and food, respectively. On the other hand, 31<sup>st</sup> Street shop emphasized on tea. In addition, 85<sup>th</sup> Street shop and 77<sup>th</sup> Street shop emphasize on foods and services, respectively.

In terms of customer, 64 tea shops answered that their main customers are all nationals. There are, however, some shops that depend on other particular national or religion as their major customers. Five shops answered that their major customers are Moslems and 38 shops answered as *Bhamar*. In addition, majority of shops (74) answered that main customers of their tea shop comes from all age. Some tea shops, on the other hand, depend on middle age customers (28) and senior citizen customers (4).





Source: Field observation, 2009.

Figure (4) Spatial distribution pattern of parent chain tea shops in Mandalay City

*Thus, it can be concluded that development of chain tea shop is occurred in a way that business owner and customer are interdependent each other. The share of market, therefore, is not strongly related to the traditional location factors of accessibility and competition from other tea shops, but depend on the present of their old customer. Customers also choice the tea shop based on their preference rather than accessibility.*

**Ownership and spatial expansion-** All chain tea shops running with the same name (except one tea shop of Minthiha) are owned by the relatives of the parent tea shop that taking the main function of the chain. Thus, it can be assumed that spatial expansion is developed with the system of family business. However, only 81.73% of tea shops (85) including in the chain tea shops were established by their own capital of each tea shop and the rest 18.27% (19) were doing business with capital investment of parent tea shop. Of the 19 tea shops doing business with the investment of parent tea shop, 3 have to payback for the investment in terms of percent of income to the parent tea shop. Another 3 have to payback only the interest rate of capital investment. Another 13 shops do not need to pay back money in any terms because they are sibling with the owner of parent shop.

*Therefore, the ownership system of chain tea shop is generally individual but in the form of family business.*

### **Vertical Integration as a Strategy of Business Extension**

Not only spatial expansion but also vertical integrations of business were observed with the development of chain tea shops in Mandalay City. Vertical integration is a process which refers to the extent to which successive stages in production and distribution are placed under the control of single firm, shaped by internal economic of scope (Johnston, et. al, 1995). Condensed milk production, milk production, coffee or/and tea production are related to tea shop as backward integrations. Bakery works and production of other foods and butter are related to tea shop as forward linkages.



**Table (1) Previous job of present chain tea shop owners**

<b>Job Type</b>	<b>No.</b>
Condensed milk	20
Milk trader	4
Snack deliverer	2
Restaurant	1
Dry tea leave trader	1
Bakery	1
Tea master	1
<b>Total</b>	<b>30</b>

Source: Structured interview, 2009.

To understand the vertical integration of tea shop both previous business (only relating to tea shop) before opening the present tea shop and extended business after opening the tea shop were asked to the owners of chain tea shop. All chain tea shop owners conducted a business that was related to the tea shop before opening the present tea shop (Table 1). Majority of them (20) are conducted in production of condensed milk. Four owners were formerly milk traders. Some are dry tea leave trader, bakery shop and restaurant owners. Other owners were former workers in tea shop related business such as snack deliverer and tea master. In general, they open chain tea shop from their tea shop related business in Mandalay City after practicing market oriented economic system.

Answer related to new business development after opening of present chain tea shop are shown in Table (2). Six out of 30 chain tea shops extended their business into the tea shop related business area. Of them, some are extended to backward linkages while others to the forward linkage business areas. Friend tea shop extended to dairy cow breeding in 2005. Letywaysin that is the first chain tea shop emerged in Mandalay City extended to butter production. Manmyodaw, Minthiha, and Unison extended their business to bakery. Sein Win Win and Unison extended to production of condensed milk.

**Table (2) Business extension of chain tea shop owners**

Chain tea shop name	Extend business	Year
Friend	Dairy cow breeding	2005
Letywaysin	Butter	2004
Manmyodaw	Bakery	2006
Min Thiha	Bakery	2000
Min Thiha	Ice tube	2007
Sein Myint Moh	Bakery	1993
Sein Win Win	Condensed milk	1990
Unison	Condensed milk	1995
Unison	Milk powder	2009
Unison	Bakery	1989
Unison	Livestock	2000

Source: Structured interview, 2009.

Of above extensions, the case of Unison and Minthiha are worth describing as examples. Unison Group made both spatial extension and vertical integration. There are 9 tea shops with the name of Unison in various part of Mandalay City. Large amount of condensed milk is necessary to support these shops. Up to 1995, they used the named brand (*Myabayin*) condensed milk. But it is difficult to get continuous supply of this brand in the market. Thus, the owner of Unison tried to start producing condensed milk for their tea shops. Since it is started with hand made, only small amount of product could be produce at the beginning. When he expanded the production amount becomes necessary to use large machine instead of hand made. When he use the machine, the quality of raw material (milk) becomes important. If unpurified milk is mixed in the raw material the whole condensed milk produced in one batch will be spoiled and the qualify condensed milk could not be produced. Thus, to get the reliable pure milk he started to participate in dairy cow breeding since 2000. Unison dairy farm is located in the rural area of Mandalay.



Famous fresh milk that could be available at Unison tea shops is the result of vertical extension to the dairy farm. After 4 and 5 years the number of dairy cow breeding in the Unison group increased up to 1,000 heads. When Naypyidaw Livestock Breeding Zone was established near Naypyidaw he expanded his dairy work there. Now Unison group possesses nearly 2,000 dairy cows in two dairy farms. Although he started dairy farm as a supplementary work of his tea shops it become a large scale business in 2005. In that situation he challenged to another business that is related to dairy work. In early 2009, he established a milk powder factory that uses only fresh dairy milk in Naypyidaw. It is the first milk powder factory ever established in Myanmar. In that case, dairy cow breeding and milk powder production businesses are not only for the supplementary of tea shop but also to sell the products to the outside customers. In other words, above two businesses stand out as a separate business from tea shops under the one ownership.

Minthiha tea shop was first established at the corner of 28<sup>th</sup> and 72<sup>nd</sup> Street in 1983. Although this shop specialized in tea, bean cake produced for selling in this tea shops gradually became famous in the late 1990s. Now Minthia Bean Cake become popular not only in Mandalay but in other cities of Myanmar and business become larger. Bakery located at 28<sup>th</sup> Street produced many kinds of cake and distributed to not only tea shops including in the chain but also to other wholesalers. Thus, although the bakery business was started with the supplementary of tea shop it gradually grows and become separate business recently. The owner of Minthiha now opened a confectionery in central area of Mandalay to distribute its bakery products. This new business was managed by the owner who founded the first Minthiha tea shop. Thus, managements of tea shops included in the chain are made by his brother and sisters. Thus, *it is very clear that both vertical integration and spatial expansion of tea shop occurred together with development process of chain tea shops in Mandalay City.*

### Conclusions

This paper analysed the development pattern and processes of chain tea shops in Mandalay City. We set out three research questions in introductory section of this paper. First question is related to the development of chain tea shops in Mandalay City. From the structured interview results, it is clear that chain tea shops quickly developed after 1988. However, development pattern analysis by Jenk's classification method reveals these

developments in four periods. Chain tea shops are established before 1984. Although state policy changed to market oriented system after 1988 its development is not too distinguished until 1996. Since 1997, the number of tea shops opened in the form of chain is greatly increased. This point is also consistence with the development of agriculture sectors (Aung Kyaw, et al. 2007). Another increase is recorded after 2003. Their spatial development pattern revealed continuous expansion and accumulation in the three townships of Chanayethasan, Aungmyaethasan and Mahaaungmyae Townships. This spatial development pattern also similar with the *wave like development pattern* mentioned in the case of purified drinking water outlets (Cho Mar Sein, 2009) and retail fruit shops (Cho Cho San, 2009).

Second research question is related to the spatial expansion and competition strategy of the chain tea shops. Chain tea shops opened their branch tea shops based on their competitive power and economic strategy of the parent tea shop. Their spatial expansion, however, is not just simply opening of tea shop with same name in spatial context of Mandalay City. From the study of worker training process and technician incubation system of chain tea shops it is understand that the business is systematically developing like a company rather than just simply spatial expansion of tea shops in Mandalay City.

Nearly all tea shops were owned by the close relatives of the parent tea shop. Since management system of tea shops included in one chain is made by individual owners they could adjusted the taste and food to the form that local people prefer. The basic taste and food, however, are regularly checked by the owner of parent tea shop. Owner of parent tea shop is generally, the person who started to establish the chain. He handed over the tea shop to the brothers or sisters or other close relatives when business become expanded. Of all chain tea shops, only one is managed by the style of real chain store where management of outlet is made by manager who is not the relative of the owner. Thus, it can conclude that chain tea shops are developed in Mandalay City as a family business that found in the development of capitalist economy.

The third research question is related to the development process of chain tea shops. Development process of chain tea shop could be explained by spatial expansion and vertical integration of business. Spatial expansion was made by competition strategy of each tea shop chain based on customer's demand. However, business ownership is in the form of family business and expansion is systematically conducted in the form that a company is

developed. All tea shop owners were working in one or two of tea shop related business before becoming a tea shop owner. In addition, some capital group such as Unison could expand the business from Mandalay City to the country level with the integration of tea shop related forward and backward linkage businesses.

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